

THE LIMITED PARTNERSHIP INTEREST OF THE INVESTOR LIMITED PARTNER EVIDENCED BY THIS SECOND AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP HAS NOT BEEN REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION, BUT HAS BEEN ISSUED PURSUANT TO EXEMPTIONS UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, AND THE REGISTERED HOLDER OF SUCH LIMITED PARTNERSHIP INTEREST HAS EXECUTED AN INVESTMENT REPRESENTATION WITH RESPECT THERETO. FURTHER, SUCH LIMITED PARTNERSHIP INTEREST HAS NOT BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF ILLINOIS OR ANY OTHER STATE. ACCORDINGLY, THE SALE, TRANSFER, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF SUCH LIMITED PARTNERSHIP INTEREST IS RESTRICTED AND MAY NOT BE ACCOMPLISHED EXCEPT IN ACCORDANCE WITH SUCH INVESTMENT REPRESENTATION, THIS SECOND AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP AND AN APPLICABLE REGISTRATION STATEMENT OR AN OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THAT A REGISTRATION STATEMENT IS UNNECESSARY.

THE LIMITED PARTNERSHIP INTEREST OF THE INVESTOR LIMITED PARTNER EVIDENCED AND REPRESENTED BY THIS SECOND AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP HAS BEEN PLEDGED TO THE ISSUING PARTNERSHIP TO SECURE THE PAYMENT OF DEFERRED CAPITAL CONTRIBUTIONS.

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November 15, 1985

Between
 First Chicago Neighborhood Development Corporation
 and The Neighborhood Institute
 General Partners
 Chicago Equity Fund 1985 Partnership
 and
 Investor Limited Partner
 and
 Burling Builders, Inc.
 Special Limited Partner

For the
 Rehabilitation and Leasing of
 6850-60 South Ridgeland
 Chicago, Illinois

SECOND AMENDED AND RESTATED AGREEMENT
 AND CERTIFICATE OF LIMITED PARTNERSHIP
 OF RIDGELAND ASSOCIATES

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SECOND AMENDED AND RESTATED AGREEMENT
AND CERTIFICATE OF LIMITED PARTNERSHIP
OF RIDGELAND ASSOCIATES

THIS SECOND AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP OF RIDGELAND ASSOCIATES (the "Agreement") is made as of the 15th day of November, 1985, by and among First Chicago Neighborhood Development Corporation, a Delaware corporation ("FCNDC"), and The Neighborhood Institute, an Illinois not-for-profit corporation ("TNI"; FCNDC and TNI being herein together called the "General Partners"), Chicago Equity Fund 1985 Partnership, an Illinois general partnership (the "Investor Limited Partner"), and Burling Builders, Inc., an Illinois corporation (the "Special Limited Partner"). (The General Partners, the Investor Limited Partner and the Special Limited Partner are sometimes referred to singularly as a "Partner" and collectively as the "Partners." The Investor Limited Partner and the Special Limited Partner are sometimes referred to collectively as the "Limited Partners.")

W I T N E S S E T H :

WHEREAS, the parties hereto are desirous of establishing a limited partnership under and pursuant to the Uniform Limited Partnership Act of the State of Illinois for the purposes hereinafter described; and

WHEREAS, the parties hereto are desirous of setting forth their respective rights and obligations with respect to such limited partnership.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto have agreed and by these presents do agree to abide by and be bound as follows.

ARTICLE I

Formation of Limited Partnership

1.1 Statutory Authority. The parties hereto have agreed to and by these presents do hereby enter into and join together in a limited partnership (the "Partnership") under and pursuant to the provisions of the Uniform Limited Partnership Act of the State of Illinois.

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1.2 Documents. The parties hereto shall promptly execute all certificates or documents, including without limitation any required certificate of limited partnership and any required fictitious name or assumed name certificate, and the General Partners shall perform such filings and recordings and other acts conforming hereto as shall from time to time constitute compliance with all requirements for the formation of a limited partnership under the laws of the State of Illinois. The General Partners shall cause to be executed and filed for and on behalf of the Partnership any and all documents as shall be required from time to time by the rules and regulations of any regulatory body or commission having jurisdiction over the Partnership.

ARTICLE II

Name

The business of the Partnership shall be conducted under the name of Ridgeland Associates or such other name or names as the General Partners may select from time to time.

ARTICLE III

Character of the Business

The purposes of the Partnership are to purchase the land and improvements, consisting of a 34 unit residential apartment building commonly known as 6850-60 South Ridgeland, Chicago, Illinois (the "Project"), to rehabilitate the Project, and in so doing reduce the number of units to 21, to finance such purchase and rehabilitation through loans, and to operate, manage, lease and otherwise deal with the Project as low income rental housing subject to the provisions hereof. The Partnership shall have all powers necessary to accomplish such purposes.

ARTICLE IV

Principal Place of Business

The location of the principal place of business of the Partnership shall be at the office of FCNDC, Two First National Plaza, Suite 0289, Fourth Floor, Chicago, Illinois 60670, or at such other place or places within or without the State of Illinois as may be selected from time to time by the General Partners.

ARTICLE V

Term

The Partnership commenced as of August 1, 1984 and from and after the recordation hereof in the Cook County, Illinois Recorder's Office shall continue in accordance with the terms and provisions hereof until the occurrence of the earliest of any one or more of the following dates or events:

- (a) December 31, 2035;
- (b) The unanimous agreement of the General Partners and the Limited Partners to terminate the Partnership;
- (c) The withdrawal, removal, bankruptcy, dissolution, death, or incapacity of the last surviving General Partner of the Partnership, unless a substitute general partner is appointed under Paragraph 11.3 hereof; or
- (d) The sale, exchange, or involuntary conversion of all, or substantially all, of the Partnership's non-cash assets.

ARTICLE VI

Contributions to Capital, Loans and Guaranties

6.1 Cash Contributions of the General Partners. The General Partners have each contributed ONE HUNDRED DOLLARS (\$100) of cash to the capital of the Partnership. The General Partners may contribute additional cash if in their sole discretion they deem such to be appropriate from time to time; provided, however, that neither the General Partners' nor the Limited Partners' respective interests in the profits, losses, cash flow, proceeds of capital transactions or other operating or capital items of the Partnership shall be changed by virtue of any such additional cash contribution.

6.2 Cash Contribution of the Special Limited Partner. The Special Limited Partner has contributed TEN DOLLARS (\$10) of cash to the capital of the Partnership. The Special Limited Partner shall have no further obligation to contribute to the capital of the Partnership.

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6.3 Cash Contributions of the Investor Limited Partner. The Investor Limited Partner shall contribute THREE HUNDRED FORTY-EIGHT THOUSAND SIXTY-NINE DOLLARS (\$348,069) of cash to the Partnership, as follows:

(a) FORTY-SEVEN THOUSAND THIRTY-TWO DOLLARS (\$47,032) has been paid by the Investor Limited Partner as of the date hereof;

(b) EIGHTY THOUSAND SEVEN HUNDRED FOURTEEN DOLLARS (\$80,714) shall be due and payable by the Investor Limited Partner on January 1, 1986;

(c) SIXTY-SIX THOUSAND NINE HUNDRED NINE DOLLARS (\$66,909) shall be due and payable by the Investor Limited Partner on January 1, 1987;

(d) SIXTY-ONE THOUSAND TWO HUNDRED SIXTY-FOUR DOLLARS (\$61,264) shall be due and payable by the Investor Limited Partner on January 1, 1988;

(e) FIFTY-FIVE THOUSAND ONE HUNDRED TWENTY-ONE DOLLARS (\$55,121) shall be due and payable by the Investor Limited Partner on January 1, 1989; and

(f) THIRTY-SEVEN THOUSAND TWENTY-NINE DOLLARS (\$37,029) shall be due and payable by the Investor Limited Partner on January 1, 1990;

(The amount specified in Subparagraph 6.3(a) hereof is sometimes referred to herein as the "initial cash contribution" and the amounts specified in Subparagraphs 6.3(b)-(f) hereof are sometimes referred to herein as the "deferred cash contributions.") The Investor Limited Partner's interest in the Partnership shall be issued upon the Investor Limited Partner's execution and delivery of this Agreement, delivery of the initial cash contribution and the execution and delivery of the note and security documents concurrently therewith, as provided hereinbelow. The initial cash contribution shall be made concurrently with the execution and delivery by the Investor Limited Partner of this Agreement. The obligations to make the deferred cash contributions shall be evidenced by a promissory note payable to the Partnership in the form of Exhibit A attached hereto and made a part hereof (the "Note"). The Note shall be executed and delivered concurrently with the execution and delivery of this Agreement by the Investor Limited Partner, and shall be secured as provided in Paragraph 6.6 hereof.

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6.4 Procedures on Non-Payment. In the event the Investor Limited Partner does not make any payment of capital contributions as required under Paragraph 6.3 hereof within the notice and cure period specified in the Note, then, and in such event, the General Partners may exercise, in their sole discretion except as provided hereinbelow, any of the following rights on behalf of the Partnership:

(a) Terminate all partnership rights and obligations of the Investor Limited Partner pursuant to the forfeiture provisions of Paragraph 6.5 hereof; or

(b) Exercise its remedies as a secured party against the Investor Limited Partner in accordance with the Uniform Commercial Code of Illinois pursuant to the security agreement in Paragraph 6.6 hereof; or

(c) Charge the Investor Limited Partner interest in an amount equal to two percent (2%) per annum above the corporate base rate publicly announced from time to time by The First National Bank of Chicago, from the date such payment was due until such payment is made; or

(d) Pursue any other available remedy against the Investor Limited Partner at law or in equity to enforce such payment.

6.5 Forfeiture of Interest. Upon failure by the Investor Limited Partner to make its capital contributions, in whole or in part, within the notice and cure period specified in the Note, the Partnership may, but shall not be required to, terminate the Investor Limited Partner's entire limited partnership interest in the Partnership (the "Investor's Interest"), without public or private sale under the Uniform Commercial Code or otherwise and without return of any capital previously contributed, effective upon delivery of written notice of termination by the Partnership to the Investor Limited Partner, together with the original Note cancelled by the Partnership and a release of the Note by any holder, assignee, or pledgee thereof for value or as security. From and after such termination, the Investor Limited Partner shall have no further rights or interest in the Partnership and shall have no further obligations to the Partnership under the Note or otherwise. In such instance, the forfeiture of the Investor's Interest shall constitute liquidated damages to the Partnership for the Investor Limited Partner's failure to make its capital contributions as aforesaid, and the parties hereby agree and stipulate to the commercial responsibility of such forfeiture as liquidated damages.

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6.6 Security Agreement. The Investor Limited Partner hereby pledges to the Partnership and grants the Partnership a security interest in the Investor's Interest as further security for the Investor Limited Partner's obligation to make all deferred capital contributions evidenced by the Note and agrees that the Partnership shall have, in addition to the rights provided for herein, all of the rights and remedies of a secured party under the Uniform Commercial Code of Illinois with respect to the Investor's Interest in the event of the failure of the Investor Limited Partner to make its capital contributions when and as provided herein, in whole or in part. In furtherance of the foregoing pledge, the Investor Limited Partner shall execute and deliver to the Partnership a Uniform Commercial Code Financing Statement concurrently with the execution and delivery of this Agreement by the Investor Limited Partner. Upon failure by the Investor Limited Partner to make its capital contributions, in whole or in part, within the notice and cure period specified in the Note, the Partnership may, but shall not be required to, realize upon such collateral by disposing of the Investor's Interest at public or private sale, at which the Partnership, any Partner or any third party may bid. If any notification of an intended disposition of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition. The proceeds of any sale shall be applied in the following order of priority:

(a) To the payment of reasonable out-of-pocket costs and expenses of such sale, of resale of the Investor's Interest if the Partnership was the successful bidder at such sale, and of admission of the purchaser to the Partnership;

(b) To the payment of the capital contribution in respect to which the default occurred and any other past-due obligation of the defaulting Investor Limited Partner to the Partnership; and

(c) To the defaulting Investor Limited Partner as to any excess.

Such a sale shall not release the defaulting Investor Limited Partner of its obligations hereunder, and such defaulting Investor Limited Partner shall remain jointly and severally liable with the purchaser of the Investor's Interest to make all required contributions in respect to the foreclosed Investor's Interest and to pay all expenses of the Partnership in connection with any such sale and/or the collection

of the Note, provided that any contributions actually made to the Partnership by the purchaser at such sale shall be applied against the amount due from the defaulting Investor Limited Partner. The defaulting Investor Limited Partner shall not obtain any interest in the profits or losses, cash flow, proceeds of capital transactions or other operating or capital items of the Partnership after the foreclosure sale of the Investor's Interest by virtue of any subsequent payments made to the Partnership, as aforesaid.

6.7. Additional Cash Contributions. Neither the General Partners, the Investor Limited Partner nor the Special Limited Partner shall be assessed for or have any responsibility whatsoever to make any contributions to the capital of the Partnership other than as specifically required herein.

6.8. Loans from the General Partners. The General Partners shall make the following loans to the Partnership:

(a) Subject to HUD approval, if, as and when required to fund completion of the rehabilitation of the Project pursuant to Paragraph 6.9 hereof or to fund operating deficits pursuant to Paragraph 6.10 hereof, to the extent not funded by other sources, the General Partners shall loan the necessary funds to the Partnership, and the Partnership shall execute and deliver to the General Partners at the time such loan is made a promissory note payable to the General Partners evidencing such loan in the form of Exhibit B attached hereto and made a part hereof; it being understood and agreed that all such loans shall be repaid prior to any distributions to the Partners pursuant to Paragraph 7.2(a) hereof from Surplus Cash (other than Surplus Cash constituting proceeds of a capital transaction) as and when it is available and that all amounts not so repaid shall be repaid in accordance with the terms of Paragraph 7.2(b) hereof.

(b) On February 15, 1985, the General Partners made a loan (the "Capital Loan") to the Partnership in the stated principal amount of TWO HUNDRED FIVE THOUSAND TWENTY-TWO DOLLARS (\$205,022), which bears interest at the annual rate of 13% and is due and payable in the amounts and on the dates that the deferred cash contributions of the Investor Limited Partner are made to the Partnership pursuant to Paragraph 6.4 hereof; it being expressly understood and agreed that all deferred cash contributions shall be applied to pay principal and interest due on the Capital Loan. The

Capital Loan shall be evidenced by a promissory note in the form of the promissory note attached hereto as Exhibit C and made a part hereof.

(c) Subject to HUD approval, the General Partners may, but are not obligated to, loan or cause to be loaned to the Partnership such additional sums as the General Partners deem appropriate and necessary for the conduct of the Partnership's business. Any such additional loans made by the General Partners shall be upon the same terms and conditions as set forth in the form of promissory note attached as Exhibit B hereto; it being understood and agreed that all such loans shall be repaid prior to any distributions to the Partners pursuant to Paragraph 7.2(a) hereof from Surplus Cash (other than Surplus Cash constituting proceeds of a capital transaction) as and when it is available and that all amounts not so repaid shall be repaid in accordance with the terms of Paragraph 7.2(b) hereof .

6.9 Rehabilitation Completion Guaranty. The General Partners hereby agree to loan or cause to be loaned to the Partnership all additional funds necessary (a) to complete the rehabilitation of the Project in accordance with plans and specifications therefor as approved by the first mortgage lender for the Project and within such time as is required by said first mortgage lender; (b) to pay any and all cost overruns payable by the owner under the existing construction contract in connection with such rehabilitation and for which a budget contingency does not exist; (c) to pay all sums necessary to remedy any construction defects in connection with such rehabilitation if such defects are not cured by the general contractor for the Project within a reasonable period of time; and (d) to pay any and all development costs, including additional debt service, in excess of amounts and contingencies therefor being financed by loans and capital contributions as set forth in the Project budget approved by said first mortgage lender, that arise during the construction period and until substantial completion of the Project, as certified by the Partnership's architect or owner's representative for the Project and concurred in by the first mortgage lender for the Project. Any such loans the General Partners cause to be made by third parties shall be made under such terms and conditions that neither the incurrence of the loan, the debt service on the loan nor the repayment of the loan materially and adversely alters the financial projections for the Project, including, but not limited to, economic and tax results from operations or sale of the Project. The General Partners shall notify the Limited Partners of any contemplated third party loan, including the amount, terms and

conditions, and specific purpose thereof, not later than ten (10) days prior to incurring such debt. In the event a loan or loans cannot be obtained from third parties under terms and conditions that would not materially and adversely alter the financial projections for the Project, the General Partners shall directly loan such funds to the Partnership. Any such loans made by the General Partners shall be made in accordance with the loan terms and conditions set forth in Subparagraph 6.8(a) hereof. Notwithstanding the foregoing, any construction cost overruns caused in whole or in part by the negligence or misconduct of the General Partners shall not be funded by the incurrence of any Partnership indebtedness but shall be funded by the General Partners as payment of damages without any obligation by the Partnership to repay such amounts. As security for the performance of their guaranty obligations hereunder, the General Partners have escrowed or pledged the collateral described in a separate guaranty agreement executed by the Partners. The terms and provisions in this Paragraph 6.9 contained shall not be binding upon HUD (as that term is hereinafter defined.)

6.10 Operating Deficits Guaranty. The General Partners hereby agree to loan or cause to be loaned all funds necessary to pay any operating deficits of the Partnership that may occur in connection with the Project until the earlier of (a) the first month in which not less than ninety-five percent (95%) of the apartments in the Project have been leased to tenants who have taken occupancy and commenced rent payments ("Rent-Up") or (b) the end of the third successive month in which there is positive net operating cash flow, as such term is defined in Subparagraph 7.1(d) hereof, after adjustment of reserves for seasonal variations in expenses in accordance with the operating budget for the Project. As used herein, the term "operating deficits" shall mean any negative amount of net operating cash flow, as such term is defined in Subparagraph 7.1(d) hereof. Any such loans the General Partners cause to be made by third parties shall be made under such terms and conditions that neither the incurrence of the loan, the debt service on the loan nor the repayment of the loan materially and adversely alters the financial projections for the Project, including, but not limited to, economic and tax results from operations or sale of the Project. The General Partners shall notify the Limited Partners of any contemplated third party loan, including the amount, terms and conditions, and specific purpose thereof, not later than ten (10) days prior to incurring such debt. In the event a loan or loans cannot be obtained from third parties under terms and conditions that would not materially and adversely alter the financial projections for the Project, the General

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Partners shall directly loan such funds to the Partnership. Any such loans made by the General Partners shall be made in accordance with the loan terms and conditions set forth in Subparagraph 6.8(a) hereof. Notwithstanding the foregoing, any deficits caused in whole or in part by the negligence or misconduct of the General Partners shall not be funded by the incurrence of any Partnership indebtedness but shall be funded by the General Partners as payment of damages without any obligation by the Partnership to repay such amounts. As security for their guaranty obligations hereunder, the General Partners have escrowed or pledged the collateral described in a separate guaranty agreement executed by the Partners. The terms and provisions in this Paragraph 6.10 contained shall not be binding upon HUD.

ARTICLE VII

Distributions, Allocations, Accounting and Reports

7.1 Definitions. For the purposes of this Agreement:

(a) "Net profit" or "net loss" of the Partnership shall mean net ordinary profits plus net capital profits, or net ordinary losses plus net capital losses, respectively;

(b) "Net ordinary profits" or "net ordinary losses" of the Partnership shall mean (i) gross income of the Partnership from operations in the ordinary course of business, less (ii) all deductible costs and expenses of the Partnership, including, for example, depreciation, but excluding principal payments on Partnership borrowings, in each instance as finally determined for federal income tax purposes. If such difference is greater than zero, it shall be known as a "net ordinary profit," and if less than zero it shall be known as a "net ordinary loss";

(c) "Net capital profits" or "net capital losses" of the Partnership shall mean (i) gains from capital transactions less (ii) losses from capital transactions, in each instance as finally determined for federal income tax purposes. If such difference is greater than zero, it shall be known as a "net capital profit," and if less than zero it shall be known as a "net capital loss";

(d) "Net operating cash flow" shall mean (i) all cash received from operations of the Partnership in

the ordinary course of business (excluding capital contributions and net proceeds of capital transactions), less (ii) cash expended, reserved, or required for debts and expenses, interest, and principal payments on any indebtedness, capital expenditures, replacements, expansion, or any other reasonable requirements of the business of the Partnership, as determined in the discretion of the General Partners (excluding cash expended from capital contributions and net proceeds of capital transactions);

(e) "Net proceeds of capital transactions" shall mean all proceeds of capital transactions less all expenses incurred in connection therewith and attributable thereto in accordance with generally accepted accounting principles, and "capital transactions" shall mean the sale, exchange, financing, or refinancing or other disposition of Partnership assets other than in the ordinary course of business, including net excess insurance or condemnation proceeds and any other similar items attributable to capital in accordance with generally accepted accounting principles;

(f) "HUD" shall mean the United States Department of Housing and Urban Development;

(g) "Regulatory Agreement" shall mean the Regulatory Agreement for Multifamily Housing Projects concerning the Project entered into by and between HUD and the Partnership; and

(h) "Surplus Cash" shall mean "Surplus Cash" as that term is used in the Regulatory Agreement.

7.2 Distributions. Subject to the provisions of Paragraph 7.11 hereof, net operating cash flow and net proceeds of capital transactions shall be distributed among the Partners as follows:

(a) Net Operating Cash Flow. The General Partners, in their discretion, shall from time to time determine the availability of net operating cash flow for distribution to the Partners. Such determinations shall be made not less frequently than once each calendar year, as soon after the beginning of the calendar year as the financial reports described in Paragraph 7.8 hereof have been prepared. In the event the General Partners determine that net operating cash flow is available for distribution, it shall cause the Partnership to distribute such net operating cash flow

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one-half of one percent (.5%) to FCNDC, one-half of one percent (.5%) to TNI, one-tenth of one percent (.1%) to the Special Limited Partner and ninety-eight and nine-tenths percent (98.9%) to the Investor Limited Partner.

(b) Net Proceeds of Capital Transactions.

Subject to Paragraphs 7.11, 9.2, 13.2 and 13.3 hereof, net proceeds of capital transactions shall be distributed as follows:

(i) First, to the General Partners until they have been paid all amounts (A) due the General Partners pursuant to Paragraphs (a), (b) and (c) of Exhibit D hereto, which are accrued but unpaid, (B) loaned to the Partnership pursuant to Subparagraph 6.8(a) hereof to pay the fees due the General Partners pursuant to Paragraphs (a), (b) and (c) of Exhibit D hereto, to the extent not repaid, and (C) loaned to the Partnership pursuant to Subparagraphs 6.8(b) and (c) hereof, to the extent not repaid.

(ii) Second, to the Investor Limited Partner until the Investor Limited Partner has received, cumulatively, net proceeds of capital transactions in an amount equal to its total capital contributions theretofore paid to the Partnership.

(iii) Third, to the General Partners until they have been repaid all amounts (A) loaned by them to the Partnership pursuant to Subparagraph 6.8(a) hereof, to the extent not repaid, and (B) due the General Partners pursuant to Paragraph (d) of Exhibit D hereto, which are accrued but unpaid.

(iv) Fourth, in the event any net proceeds of capital transactions remain after application of Subparagraphs 7.2(b)(i), 7.2(b)(ii) and 7.2(b)(iii) hereof, then net proceeds of capital transactions, including return of capital not previously distributed to the General Partners, shall be distributed forty-nine and one-half percent (49.5%) to FCNDC, one-half of one percent (.5%) to TNI, forty-nine and nine-tenths percent (49.9%) to the Investor Limited Partner and one-tenth of one percent (.1%) to the Special Limited Partner.

7.3 Allocations. Except as otherwise provided pursuant to Paragraphs 7.4 and 7.10 hereof, net profit, net loss, deductions, credits and depreciation and investment credit recapture shall be allocated among the Partners as follows:

(a) Ordinary Items. Net ordinary profits, net ordinary losses, deductions, credits, and all other results of operations of the Partnership shall be allocated one-half of one percent (.5%) to FCNDC, one-half of one percent (.5%) to TNI, ninety-eight and nine-tenths percent (98.9%) to the Investor Limited Partner and one-tenth of one percent (.1%) to the Special Limited Partner.

(b) Capital Items. Net capital profits, net capital losses, and depreciation and investment credit recapture shall be allocated as follows:

(i) Net Capital Profits. Net capital profits recognized by the Partnership for federal income tax purposes shall be allocated as follows:

(A) First, net capital profits shall be allocated among the Partners in an amount equal to the actual and deemed distributions (as described in the succeeding sentence) of cash to the Partners from the capital transaction giving rise to such cash, excluding, however, those distributions constituting loan or fee payments as provided for in Subparagraphs 7.2(b)(i) and (iii). If the Partnership has undistributed net proceeds of any capital transaction at the close of the fiscal year in which such capital transaction has occurred, there shall be deemed to have been distributed prior to the close of such fiscal year, in addition to the actual distributions made prior to the close of such fiscal year, the amount the General Partners estimate will be distributed from such net proceeds after the close of such fiscal year.

(B) Second, to the extent that such net capital profits exceed the amount allocated pursuant to Subparagraph 7.3(b) (i)(A) hereof, such net capital profits shall next be allocated among those Partners, if any, who have deficit balances in their capital accounts at the close of the fiscal year in which such net capital profits were recognized, up to an aggregate amount not to exceed the sum of such deficit balances calculated after the Partnership's net ordinary profit or loss, as recognized for federal

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income tax purposes, with respect to such fiscal year (other than such net capital profits) has been taken into account and after all contributions paid by the Partners and cash distributions made to the Partners (other than cash distributions made or deemed to have been made as a result of such net capital profits) with respect to such year have been taken into account. Such portion of such net capital profits shall be allocated among the Partners in the ratios that the deficit balances in their respective capital accounts bear to the aggregate of all deficit balances in Partners' capital accounts.

(C) Third, to the extent such net capital profits exceed the amount allocated pursuant to Subparagraphs 7.3(b)(i)(A) and (B) hereof, such net capital profits shall next be allocated among those Partners whose capital accounts (as calculated pursuant to this Subparagraph 7.3(b)(i) hereof) do not then equal a proportionate share of the capital accounts of all Partners based upon the respective ratios in which they then share in the net ordinary profits of the Partnership, to the extent required to make such capital accounts proportionate.

(D) Fourth, any remaining balance of such net capital profits shall be allocated forty-nine and one-half percent (49.5%) to FCNDC, one-half of one percent (.5%) to TNI, one-tenth of one percent (.1%) to the Special Limited Partner and forty-nine and nine-tenths percent (49.9%) to the Investor Limited Partner.

(ii) Net Capital Losses. Net capital losses shall be allocated one-half of one percent (.5%) to FCNDC, one-half of one percent (.5%) to TNI, one-tenth of one percent (.1%) to the Special Limited Partner and ninety-eight and nine-tenths percent (98.9%) to the Investor Limited Partner.

(iii) Depreciation Recapture. The parties hereto recognize that part of any net capital profit recognized by the Partnership in any year on the sale, exchange, or other disposition of all or any

part of the assets of the Partnership may be treated for Federal income tax purposes (as a result of the application of Sections 704, 751, 1245 and/or 1250 of the Code) as ordinary income by reason of "depreciation recapture." It is the understanding and agreement of the parties that, to the extent possible, without increasing the total gain to the Partnership by reason of such sale, exchange, or other disposition, the portion of such gain that constitutes depreciation recapture shall be allocated among the Partners in the proportions in which the depreciation deductions giving rise to such depreciation recapture were allocated among the Partners, and the balance thereof shall be allocated among the Partners in such manner as to cause the total gain to be allocated in the manner described in Paragraph 7.3(b)(i) hereof. Any question as to the aforesaid allocation of depreciation recapture shall be resolved by the General Partners in their sole discretion.

(iv) Investment Credit Recapture. Any recapture of investment credit shall be allocated among the Partners who were previously allocated such investment credit in the proportion that the investment credit allocated to each Partner bears to the total investment credit allocated to all of the Partners.

7.4 Minimum Gain. Notwithstanding any other provision hereof, the allocation of any net loss or deductions and any net profit in any year shall be subject to the following "minimum gain" limitation:

(a) For the purpose of this Agreement, the term "Minimum Gain" shall mean the excess of the outstanding principal balance of the non-recourse debt of the Partnership secured by Partnership property (excluding any portion of such principal balance that would not be treated as an amount realized under Section 1001 of the Code and Treasury Regulations § 1.1001-2(a) if such debt were foreclosed or judgment obtained thereon) over the adjusted basis for federal income tax purposes of such Partnership property.

(b) If at the end of any fiscal year in which the Partnership has a net profit there are Partners with deficit capital account balances that exceed the Minimum Gain allocable to such Partners, the net profit shall be first allocated pro rata to the capital accounts of such Partners to the extent necessary to eliminate such excess.

(c) If and to the extent that in any year any net loss or deductions allocated as herein provided would cause the capital account of any Partner to have a negative balance in excess of the Minimum Gain allocable to such Partner, then such excess loss or deduction shall instead be first allocated to such Partners that have positive capital accounts, to the extent of such excess, and the balance, if any, shall then be allocated among the Partners in accordance with the then applicable percentages for allocating net ordinary profits under Paragraph 7.3(a) hereof or net capital profits under Subparagraph 7.3(b) hereof, as the case may be.

7.5 Books of Account. At all times during the continuance of the Partnership, the General Partners shall cause proper and true books of account on an accrual basis to be kept in accordance with generally accepted accounting principles wherein shall be entered particulars of all monies, goods or effects belonging to or owing to or by the Partnership, or paid, received, sold, or purchased in the course of the Partnership's business, and all of such other transactions, matters and things relating to the said business of the Partnership as are usually entered in books of account kept by persons engaged in a business of like kind and character. Such books of account shall be kept at the principal office of the Partnership, and each Partner and its accountants, attorneys and other designated agents shall at all reasonable times have free access to and the right to inspect the same.

7.6 Capital Accounts. A capital account shall be maintained for each Partner. Each Partner's proportionate share of the net profits or net losses of the Partnership, and distributions, contributions, and other transactions with the Partnership as should under proper accounting principles be reflected in each such Partner's capital account shall be so reflected. The capital account of a Partner (as of any particular date) shall be (a) increased by the Partner's distributive share of the Partnership's income and gain or any item thereof (including, if such date is not the close of the Partnership's fiscal year, the distributive share of the Partnership's income and gain, or any item thereof, for the period from the close of the last Partnership fiscal year to such date and including the distributive share of items of income and/or gain of the Partnership that are excluded from gross income under the Code), and (b) decreased by the Partner's distributive share of the Partnership's losses and deductions or any item thereof, and distributions by the Partnership to such Partner (including, if such date is not the close of the Partnership's fiscal year, the distributive share of the Partnership's losses and deductions, or any item thereof, and

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distributions by the Partnership, during the period from the close of the last Partnership fiscal year to such date and including the distributive share of items of deduction and loss of the Partnership for which a deduction is not allowed under the Code).

7.7 Closing of Books. The books of account shall be closed promptly after the end of each taxable year.

7.8 Financial Reports; Accountants. With respect to each taxable year of the Partnership, upon compliance with the provisions of Paragraph 7.7 hereof, the General Partners shall within ninety (90) days after each taxable year make or cause to be made by certified public accountants for the Partnership a written report to each Partner, including a Schedule K-1 or its successor form for preparing federal income tax returns, and financial statements certified by such accountants, which shall include a balance sheet of the Partnership as at the end of such year, a statement of income and expenses, changes in fund balances, and changes in financial position for such year, supporting schedules, a statement of Partners' capital, and such additional statements with respect to the status of the Partnership and the distribution of profits and losses therefrom as are considered necessary by the General Partners or such accountants to advise all Partners properly about their investment in the Partnership for federal income tax reporting purposes. The accountants for the Partnership shall be Dennis Nelson & Associates, Arlington Heights, Illinois or such other firm of certified public accountants of at least comparable ability, experience and reputation as the General Partners may designate from time to time.

7.9 Election Under Section 754. In the case of a distribution of property made in the manner provided in Section 734 of the Code, or in the case of a transfer of any interest in the Partnership permitted by this Agreement made in the manner provided in Section 743 of the Code, the General Partners, on behalf of the Partnership, may, and shall if requested by any Partner, file an election under Section 754 of the Code in accordance with the procedures set forth in the applicable Treasury Regulations. The adjustment to the basis of Partnership property resulting from such election shall be entered in the books of account of the Partnership and shall be credited to or charged against the capital accounts of the Partner or Partners whose transactions gave rise to such adjustment.

7.10 Taxable Year. The taxable year of the Partnership shall be the calendar year.

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7.11 HUD Limitations on Distributions. Distributions of net operating cash flow and net proceeds of capital transactions shall be made only from Surplus Cash subject to the terms of the Regulatory Agreement or from capital contributions.

ARTICLE VIII

Administration of Tax Matters

8.1 Tax Matters Partner. FCNDC shall be the Tax Matters Partner (the "TMP"), as such term is defined in Section 6231(a)(7) of the Code. The TMP and the other Partners shall use best efforts to comply with the responsibilities outlined in Paragraphs 8.1 through 8.10 hereof and in Section 6222 through 6231 of the Code (including any Treasury Regulations promulgated thereunder and any successor or amendatory provisions thereto for which a Tax Matters Partner is designated).

8.2 TMP Notices. Each other Partner shall furnish the TMP with such information (including information specified in Section 6230(e) of the Code) as it may reasonably request to permit it to provide the Internal Revenue Service with sufficient information to allow proper notice to the other Partners in accordance with Section 6223 of the Code. The TMP shall keep each other Partner informed of all administrative and judicial proceedings for the adjustment at the Partnership level of Partnership items in accordance with Subsection 6223(g) of the Code.

8.3 TMP Communications. The TMP shall, within five (5) days after receipt thereof, forward to each other Partner a photocopy of any correspondence relating to the Partnership received from the Internal Revenue Service. The TMP shall, within five (5) days thereafter, advise each other Partner in writing of the substance of any conversation held with any representative of the Internal Revenue Service.

8.4 Inconsistent Treatment of Partnership Items. If an administrative proceeding contemplated under Section 6223 of the Code has begun, and the TMP so requests, each other Partner shall notify the TMP of its treatment of any partnership item on its federal income tax return in a manner that is inconsistent with the treatment of that item on the Partnership's return.

8.5 Extensions of Limitation Periods. The TMP shall not enter into any extension of the period of limitations as provided under Section 6229 of the Code without

first giving reasonable advance notice to each other Partner of such intended action.

8.6 Requests for Administrative Adjustments. No Partner shall file, pursuant to section 6227 of the Code, a request for an administrative adjustment of partnership items for any Partnership taxable year without first notifying each other Partner. If each other Partner agrees with the requested adjustment, the TMP shall file the request for administrative adjustment on behalf of the Partnership. If unanimous consent is not obtained within thirty (30) days, or within the period required to timely file the request for administrative adjustment, if shorter, any Partner, including the TMP, may file a request for administrative adjustment on its own behalf.

8.7 Judicial Proceedings. Any Partner intending to file a petition under Sections 6226, 6228 or other sections of the Code with respect to any partnership item, or other tax matters involving the Partnership, shall notify each other Partner of such intention and the nature of the contemplated proceeding. In the case where the TMP is the Partner intending to file such petition, such notice shall be given within a reasonable time to allow each other Partner to participate in the choosing of the forum in which such petition will be filed. If the Partners do not agree on the appropriate forum, then the appropriate forum shall be decided by the TMP. If any Partner intends to seek review of any court decision rendered as a result of a proceeding instituted under the preceding part of this Paragraph 8.7, such Partner shall notify each other Partner of such intended action.

8.8 Settlements. The TMP shall not bind any other Partner to a settlement agreement without obtaining the written concurrence of any such Partner who would be bound by such agreement. Any other Partner who enters into a settlement agreement with the Secretary of the Treasury with respect to any partnership items, as defined by Subsection 6231(a)(3) of the Code, shall notify the other Partners of such settlement agreement and its terms within ninety (90) days from the date of settlement.

8.9 Fees and Expenses. The TMP, at the expense of the Partnership, may engage such legal counsel, certified public accountants, or others on behalf of the Partnership as it may determine to be necessary and appropriate. Any Partner may engage other legal counsel, certified public accountants, or others on its own behalf and at its sole cost and expense. Any reasonable item of expense, including

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but not limited to fees and expenses for legal counsel, certified public accountants, and others that the TMP incurs on behalf of the Partnership in connection with any audit, assessment, litigation, or other proceeding regarding any partnership item, shall constitute expenses of the Partnership. It is, however, understood and agreed that the fees and expenses paid pursuant to this Paragraph 8.9 shall be paid only from Surplus Cash, except to the extent such fees and expenses are paid from capital contributions.

8.10 Survival. The provisions of Paragraphs 8.1 through 8.10 hereof, including without limitation the obligation to pay fees and expenses described in Paragraph 8.9 hereof, shall survive the termination of the Partnership or the termination of any Partners' interest in the Partnership and shall remain binding on the Partners for a period of time necessary to resolve with the Internal Revenue Service or the Department of the Treasury any and all matters regarding the federal income taxation of the Partnership for the applicable tax year(s).

ARTICLE IX

Rights, Duties and Restrictions of the General Partners

9.1 Responsibility and Administration. The General Partners shall have full responsibility and exclusive and complete discretion in the management and control of the business and affairs of the Partnership for the purposes herein stated and shall make all decisions affecting the Partnership affairs and business, except as may be expressly restricted herein. The General Partners shall manage and control the affairs and business of the Partnership to the best of their ability and shall use their best efforts to carry out the purposes of the Partnership as set forth herein and substantially in accordance with the business plan for development and operations set forth in a separate document approved in writing by the Partners. All actions of one General Partner shall require the concurrence of the other General Partner (or General Partners, as the case may be), provided that pursuant to any written agreement between the General Partners, any one of them may act on behalf of the Partnership; it being understood and agreed that each such agreement between the General Partners shall be provided to the Limited Partners upon its execution and delivery.

9.2 Expenditures. Subject to HUD restrictions, the General Partners, on behalf of the Partnership, are hereby authorized to pay:

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(a) Compensation for accounting, administrative, legal, technical, financial, management, consulting, or other services rendered to the Partnership. The General Partners may, on behalf of the Partnership, retain the services of a company or firm in which any General or Limited Partner is directly or indirectly a shareholder, partner, or member to render such services and may pay compensation for such services. The General Partners shall make all of the aforesaid expenditures in discharging their duties hereunder on behalf of the Partnership, and the General Partners shall be entitled to reimbursement (prior to any distributions to the Partners) by the Partnership for any expenditures incurred by the General Partners on behalf of the Partnership that are made other than out of the funds of the Partnership. In furtherance of the foregoing and without limiting the generality thereof, the General Partners shall, on behalf of the Partnership, pay all fees and expenses due to or incurred by the General Partners in connection with the Partnership as described in Exhibit D attached hereto and made a part hereof, and such fees shall be paid prior to any distributions to any Partner.

(b) The fees and expenses described in Subparagraph 9.2(a) above shall be paid only from Surplus Cash, except to the extent such fees and expenses are paid from capital contributions.

9.3 Potential Conflicts. The General Partners shall devote so much of their time to the business of the Partnership as is necessary or advisable for the conduct of such business. The General Partners may engage in business ventures of any nature and description independently or with others, including but not limited to business of the character described in Article III hereof (of any part thereof), and neither the Partnership nor any other Partner shall have any rights in and to such independent ventures or the income or profits derived therefrom. Subject to HUD restrictions, the General Partners, on behalf of the Partnership and in their reasonable discretion, may deal in any manner directly or indirectly with any other Partner or any affiliate or firm in which any Partner is directly or indirectly interested and may pay any such person reasonable fees or compensation, including without limitation remuneration for any efforts or commitments in connection with the development, investment, financing, supervision, and management of the Partnership or Partnership property or the acquisition thereof, and neither the Partnership nor any other Partner shall have any rights in or to any such fees or compensation

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to any such person. The parties hereto expressly acknowledge that the General Partners contemplate that from time to time the Partnership may retain the services of the General Partners, or firms or entities in which the General Partners or their affiliates have substantial interests, to render such services upon such terms and conditions as the General Partners may determine in their reasonable discretion. In particular, and without limiting the generality of the foregoing, and in addition to the foregoing, the Partners specifically acknowledge the rights of the General Partners or affiliates to receive the fees described in Exhibit C hereto.

9.4 General Authority. Except as may be expressly restricted herein, the General Partners shall have all of the rights and powers permitted general partners of limited partnerships under the provisions of the Uniform Limited Partnership Act of Illinois consistent with the purposes of the Partnership, including, without limitation, the power and right to:

- (a) Manage the Partnership;
- (b) Execute such documents as they may deem necessary or desirable for Partnership purposes, including but not limited to powers of attorney for Partnership bank accounts and other Partnership assets and activities;
- (c) Sell, assign, convey, lease, mortgage, or otherwise dispose of or deal with all or any part of the Partnership assets, including the modification or amendment of agreements entered into by the Partnership;
- (d) Borrow or lend money upon any terms and conditions (including the subordination of such loans), grant security interests in assets of the Partnership to secure indebtedness or other obligations of the Partnership or others, and guarantee indebtedness or obligations of others, provided that all loans to the Partnership shall be non-recourse as against the Partners unless consented to in writing by all of the Partners;
- (e) Perform or cause to be performed all of the Partnership's obligations under any agreement to which the Partnership is a party;
- (f) Sign checks on Partnership accounts, grant powers of attorney to one or more persons, firms, or corporations with respect to the Partnership bank

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accounts, and execute and/or accept any instrument or agreement or power of attorney, incident to or connected with the Partnership business and in furtherance of its purposes (and any such instrument or agreement or power of attorney so executed or accepted by the General Partners in their names shall be deemed executed and accepted on behalf of the Partnership by the General Partners); and

(g) Execute and deliver on behalf of the Partnership all instruments, certificates and other documents required from time to time by HUD.

From time to time the General Partners may delegate to another person or entity any power to act or discretion to exercise.

9.5 Development and Operations. In addition to the rights and powers set forth in Paragraph 9.4 hereof, and without limiting the generality thereof, the General Partners shall have the following specific powers, rights, and duties in connection with the development and operation of the Project:

(a) Acquire the Project land and improvements for the Partnership;

(b) Cause the Project improvements to be rehabilitated as low income housing and qualify the rehabilitation costs for available federal tax benefits;

(c) Hold the Project for rental to persons and families of low income and qualify the rehabilitation costs, depreciation method, and any other applicable aspects of the Project for available federal tax benefits; and

(d) Sell the Project at such appropriate time as is in the best interests of the Partners, subject to Paragraph 9.8 hereof.

The General Partners shall perform all of the foregoing substantially in accordance with the plan of development and operations described in Paragraph 9.1 hereof, using their best efforts to achieve the financial projections contained in said plan. The General Partners shall maintain casualty insurance on the Project in an amount equal to full replacement cost with an agreed amount endorsement. Each Partner and its designated agents, including without limitation any construction and management consultants, shall at all reasonable times have free access to and the right to inspect

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the Project and all records pertaining thereto, and the General Partners shall cooperate with any such inspections and answer (in writing if requested) all inquiries relating thereto.

9.6 Management of Project. The General Partners, on behalf of the Partnership, shall enter into a management agreement with East Lake Management and Development Corporation, an Illinois corporation ("East Lake"), for the physical property management and leasing of the Project, in form and of content as set forth in a separate document approved in writing by the Partners. The General Partners, on behalf of the Partnership, shall diligently enforce all of the obligations of East Lake thereunder and shall perform all of the Partnership's obligations as owner thereunder. Upon the termination of such management agreement or any subsequent management agreement, the General Partners, subject to HUD approval, shall renew the same or enter into an agreement having substantially similar managing agent obligations and owner remedies, with East Lake or another managing agent of at least comparable ability and experience who can reasonably be expected to perform at least as well as East Lake.

9.7 Additional Reports to Partners. In addition to the financial reports required under Paragraph 7.8 hereof, the General Partners shall furnish or cause to be furnished to each Partner, as soon as practicable after the end of each month and in any event within fifteen (15) days thereafter, a financial and management report on the Partnership (including prior to Rent-Up, a status report on the Project) containing such information as is reasonably necessary to advise all Partners about their investment in the Partnership and the development or operation of the Project. Each of such reports shall be in such format and shall include such content as is agreed upon by the Partners in writing from time to time.

9.8 Sale or Refinancing. Subject to the restrictions set forth hereinbelow, the General Partners may cause the sale of all or any portion of the assets or business of the Partnership for their fair market value upon such terms as they shall determine in the exercise of reasonable discretion and prudent business judgment. After the payment of or provision for creditors, the net proceeds of sale shall in the discretion of the General Partners either (a) in whole or in part be distributed among the Partners as provided in Subparagraph 7.2(b) hereof, or (b) in whole or in part be retained by the Partnerships and utilized in the business of the Partnership, and any such sale shall cause the dissolution of the Partnership only if mandated by the

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provisions of Article V hereof. Notwithstanding the foregoing, upon any sale of the Project the net proceeds thereof shall be distributed in accordance with Subparagraph 7.2(b) hereof. The General Partners shall not sell the Project prior to January 1, 1991. The General Partners shall, in 1991 and each year thereafter, determine whether or not the likely net proceeds and tax consequences of a sale or refinancing of the Project would be in the best financial interests of the Partners and report such determination to the Partners. Upon any such determination that a sale or refinancing of the Project would be desirable, the General Partners shall use their best efforts to sell or refinance the Project, provided that the terms and conditions of any such sale or refinancing shall be subject to the prior written consent of the Investor Limited Partner, which consent shall not be unreasonably withheld or delayed. In connection with the foregoing, the General Partners shall consider any offer by the Investor Limited Partner, or by its managing partner or any affiliate thereof, to purchase or resyndicate the Project. In any event, the General Partners shall have a right of first refusal to acquire the Project on the same terms and conditions as those set forth in any bona fide offer consented to by the Investor Limited Partner.

9.9 Reliance on Authority. Nothing herein contained shall impose any obligation on any person or firm doing business with the Partnership to inquire as to whether or not the General Partners, or any designee of the General Partners, have exceeded their authority in executing any contract, lease, mortgage, note, settlement, deed, or other instrument on behalf of the Partnership, and any such third person shall be fully protected in relying upon such authority.

9.10 Indemnification of the General Partners. Subject to Paragraph 9.17 hereof, in any threatened, pending or completed action, suit or proceeding to which the General Partners were or are a party or are threatened to be made a party, by reason of the fact that they were or are a general partner of the Partnership (other than a securities action, which indemnity shall be covered by Paragraph 9.11 hereof) involving an alleged cause of action for damages arising out of the performance of the Partnership's business, the Partnership shall indemnify, to the extent of its assets, the General Partners against expenses, including attorneys' fees, judgments and amounts paid in settlement, actually and reasonably incurred by the General Partners in connection with such action, suit or proceeding, provided the General Partners acted in good faith and in a manner they reasonably

believed to be in or not opposed to, the best interests of the Partnership, and further provided that their conduct does not constitute negligence or willful misconduct. The termination of any action, suit or proceeding by judgment, order or settlement shall not, of itself, create a presumption that the General Partners did not act in good faith and in a manner which they reasonably believed to be in, or not opposed to, the best interest of the Partnership.

9.11 Indemnification -- Securities Actions.

Subject to Paragraph 9.17 hereof, in any threatened, pending or completed action, suit or proceeding under the 1933 Act or any state securities law or at common law or otherwise, to which the General Partners were or are a party, or are threatened to be made a party by reason of the fact that they were or are a general partner of the Partnership, and which arises out of or is based upon (i) any failure or alleged failure to register the Investor's Interest under the 1933 Act or such other applicable securities laws, state or federal; (ii) any untrue statement or alleged untrue statement of any material fact contained in any document used or distributed in connection with the offer and sale of the Investor's Interest; (iii) any omission or alleged omission to state in any such document a material fact required to be stated therein or necessary to make the statement therein not misleading; or (iv) any other violation of the 1933 Act or such other applicable securities laws, state or federal, the Partnership shall indemnify, to the extent of its assets, the General Partners for (1) the settlement (and expenses related thereto) of any such action, suit or proceeding, and (2) expenses incurred in investigating or defending any such action, suit or proceeding, if the General Partners are successful in such defense, provided that a court approves the settlement and finds that indemnification of the settlement costs (and expenses) should be made or approves indemnification of such litigation costs if a successful defense is made; provided, however, that no such settlement made with the Investor Limited Partner shall be subject to the foregoing indemnity obligation.

9.12 Indemnification -- Advance Payment of Ex-

penses. Subject to Paragraph 9.17 hereof, expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Partnership in advance of the final disposition of such action, suit or proceeding, as authorized by the General Partners in the specific case, upon receipt of an undertaking by or on behalf of the party to such action, suit or proceeding to repay such amount unless it shall ultimately be determined that such party is entitled to be indemnified by the Partnership as authorized herein.

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9.13 Indemnification -- Miscellaneous. Subject to Paragraph 9.17 hereof, directors, officers, employees, agents and assigns of the General Partners shall be indemnified upon the same terms and conditions and under the same standards and procedures as are set forth herein. Any indemnification pursuant to the provisions herein shall not be deemed exclusive of any other rights to which those indemnified shall be entitled by applicable law, and shall inure to the benefit of the successors, assigns, heirs, executors, guardians and personal and legal representatives of those indemnified.

9.14 Scope of Liability. The General Partners shall not be liable, responsible, or accountable in damages to the Partnership, to the Limited Partners, or to their successors or assigns, for any errors in judgment or any acts or omissions that do not constitute negligence or misconduct, and provided that the General Partners have acted in good faith. Any act or omission of the General Partners, the effect of which may cause or result in loss or damage to the Partnership or to the Limited Partners, if done pursuant to the advice of legal or accounting counsel, shall be conclusively presumed not to constitute negligence or misconduct. Further, the General Partners shall not be liable to the Investor Limited Partner for the return or repayment of the capital of the Investor Limited Partner, subject, however, to the provisions of this paragraph, and the Investor Limited Partner shall look solely to the assets of the Partnership for the return of its capital; and if the assets of the Partnership remaining after payment or discharge of the debts and liabilities of the Partnership are insufficient to return such capital, the Investor Limited Partner shall have no recourse against the General Partners for such purpose. Notwithstanding anything here contained to the contrary, the General Partners shall be liable for funds or income of the Project coming into their hands which by the provisions of the Regulatory Agreement they are not entitled to retain.

9.15 Title Holder. To the extent allowable under applicable law, the Partnership may hold title to all or any part of its properties in the name of an Illinois land trust, the beneficial interest in which shall at all times be vested in the Partnership, and may agree that any such title holder be vested with all or any part of the powers that might otherwise reside in the Partnership, subject to the power of direction of one or more individuals designated by the General Partners on behalf of the Partnership. Any such title holder shall perform any and all of its functions

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to the extent and upon such terms and conditions as may be determined from time to time by the General Partners.

9.16 Proscription. Without the written consent or ratification by the Limited Partners, the General Partners shall have no authority to do any act in contravention of Section 52 of the Uniform Limited Partnership Act of Illinois.

9.17 HUD Limitation on Indemnification of General Partners. Any monies paid to the General Partners pursuant Paragraphs 9.10, 9.11, 9.12 and 9.13 hereof shall be paid from Surplus Cash or capital contributions.

ARTICLE X

Admission of Partners; Assignment Restrictions

10.1 Admission of Partners. Subject to the provisions of Paragraph 11.8 hereof, the General Partners shall not, without the prior written approval of the Limited Partners, substitute a general partner in their stead or admit any additional general partners or any additional limited partners; provided that (a) FCNDC may substitute in its stead as General Partner any entity which controls, is controlled by or is under common control with, FCNDC, or which has acquired, by merger, consolidation or otherwise, all or substantially all of FCNDC's assets and continued its business; (b) TNI may substitute in its stead as General Partner any entity which controls, is controlled by or is under common control with, TNI or which has acquired, by merger, consolidation or otherwise all or substantially all of TNI's assets and continued its business; and (c) after final endorsement by HUD of the HUD insured mortgage note, a General Partner may assign its interest in the Partnership to (i) another General Partner or an affiliate of a General Partner with the approval of each other General Partner (subject to HUD approval, if required) or (ii) a third party approved by the each other General Partner, the Limited Partners (it being understood that the Limited Partners' approval shall not be unreasonably withheld) and HUD, if HUD approval is required. No person shall become a substitute or additional partner unless and until such person has executed such certificates and other documents and performed such acts as may be necessary to constitute such person a partner and to preserve the status of the limited partnership.

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10.2 Sale or Assignment by General Partners.

Except as provided in Paragraphs 10.1 and 11.8 hereof, the General Partners shall not sell, transfer, or assign all or any part of their interest as a general partner of the Partnership.

10.3 Sale or Assignment by Limited Partners.

Except as provided in Paragraph 10.6, the Limited Partners or any substituted limited partner shall not sell, assign, pledge, or otherwise transfer all or any portion of their interest in the Partnership without the prior written consent of the General Partners, which consent may be granted or withheld in the sole discretion of the General Partners. Provided, however, that in the event the General Partners acquire all or any part of the limited partnership interest of the Partnership, the General Partners may cause the Partnership to redeem all or any part of such interest (and to cancel all or any part of the Note attributable to such interest) and sell such interest to one or more investors, who need not be Illinois residents, subject to the following restrictions. In no event shall the General Partners consent to such an assignment, nor cause such a redemption and sale, unless, in the opinion of counsel for or reasonably satisfactory to the Partnership, such assignment would neither terminate the Partnership for federal income tax purposes nor violate any applicable securities laws or require a securities registration, and unless such assignee agrees to be bound by all the terms and provisions hereof, as amended from time to time. Any such assignment shall be subject to any additional reasonable restrictions that may be imposed at the discretion of the General Partners. The cost of processing and perfecting any such assignment shall be borne by the assignee.

10.4 Substituted Limited Partners.

No assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of a Limited Partner's interest in the Partnership shall have the right to become a substituted limited partner as that term is defined in Section 62 of the Uniform Limited Partnership Act of Illinois unless and until the General Partners give their written consent thereto. The consent or approval of any other persons who are then limited partners shall not also be required, if the assignor gives the assignee the right to become a substituted limited partner.

10.5 Documents.

No sale, assignment, or transfer by the General Partners or the Limited Partners of an interest in the Partnership (by conveyance, operation of law, or otherwise) shall be effective to convey the subject matter

thereof until the assignee or the successor thereto executes all necessary certificates or other documents and performs all acts required in accordance with the laws of the State of Illinois and any other states in which the Partnership is doing business to the full extent the same may be necessary to constitute such assignee or successor a substituted partner and to preserve the status of the limited partnership after the completion of such sale, assignment, or transfer in accordance with such laws. Each assignee or successor agrees upon the request of the General Partners to execute such certificates or other documents and to perform such acts.

10.6 Option to Purchase Interest of the Special Limited Partner. Notwithstanding anything herein contained to the contrary, it is understood and agreed that the Investor Limited Partner may purchase the Special Limited Partner's interest in the Partnership (the "Special's Interest") upon the following terms:

(a) The Investor Limited Partner shall give written notice to the Special Limited Partner of its intention to purchase the Special's Interest during the 180 day period (the "Option Period") commencing on the date the Project is substantially complete; and

(b) On or before the end of the Option Period, the Investor Limited Partner shall pay the Special Limited Partner TEN DOLLARS (\$10.00) as payment in full for the Special's Interest. From and after the purchase of the Special's Interest pursuant to the provisions of this Paragraph 10.6, all of the Special Limited Partner's obligations and interest in the Partnership, including without limitation the Special Limited Partner's interest in the net operating cash flow, net proceeds of a capital transaction and allocable share of net profit, net loss, deductions, depreciation, credits and depreciation and investment credit recapture, shall be the responsibility of and owned by, as the case may be, the Investor Limited Partner.

ARTICLE XI

Withdrawal, Removal, Bankruptcy, Dissolution, Death or Incapacity of a Partner

11.1 No Voluntary Withdrawal. Each of the Partners hereby covenants that such Partner will not voluntarily withdraw from the Partnership except as the result of a sale

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or transfer as may be permitted under Article X hereof, but will carry out such Partner's duties and responsibilities hereunder until the purposes of the Partnership are fulfilled and the Partnership is dissolved, wound up and terminated. No Partner or Partners shall have the right to cause a dissolution of the Partnership, except as may be specifically provided herein. Any Partner who withdraws from the Partnership or otherwise causes a dissolution of the Partnership in contravention of this Agreement shall be deemed a wrongfully dissolving partner under Section 38 of the Uniform Partnership Act of Illinois and shall be subject to the provisions thereof.

16.2 Removal for Cause by the Investor Limited Partner. Notwithstanding anything contained herein to the contrary, the Investor Limited Partner shall have the right to remove and replace the General Partners and any other general partners of the Partnership, or any one or more of them, upon the occurrence of any of the following events with respect to the Project or the Partnership, if such event would have been within the control of a fully capable real estate developer, owner, and manager of the Project to prevent: (a) material unanticipated construction cost overruns or operating deficits; (b) any loan default not cured within a reasonable time; (c) substantial mismanagement or failure to enforce the management agreement, including leasing matters; (d) any act or omission, not contemplated hereby, that would substantially reduce tax benefits or substantially increase tax liabilities of the Investor Limited Partner; or (e) material or repeated failure to comply with any other obligations hereunder (any of such events being referred to herein as an "Event of Default"). Prior to removing and replacing any general partner for an Event of Default, the Investor Limited Partner shall give such general partner reasonable prior written notice setting forth in detail the event of default providing the basis for removal and a reasonable opportunity to cure such default, unless and to the extent the nature of the default is such that there is a likelihood of material loss, liability, or prejudice to the Investor Limited Partner from any delay in removal and replacement. If the grounds for removal justify an immediate removal under the preceding sentence, such removal shall be effective upon the delivery of a notice thereof, personally or by messenger, to the specified address in accordance with Paragraph 16.1 hereof. Under all other circumstances, such removal will be effective only after a failure by the defaulting General Partner, within a reasonable time, to cure the default set forth in the notice of removal. Upon such removal, each general partner so removed shall be deemed for all purposes to be a wrongfully

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dissolving general partner under Paragraph 11.1 hereof and may be replaced by one or more substitute general partner(s) appointed by the Investor Limited Partner pursuant to Paragraph 11.4 hereof.

11.3 Adverse Events Affecting the General Partners. If a general partner of the Partnership (a) becomes bankrupt (as such term is defined in Paragraph 11.6 hereof) or, if a corporation, (b) is dissolved or liquidated or its corporate charter is annulled, or, if an individual, (c) dies or (d) becomes incapacitated (as such term is defined in Paragraph 11.7 hereof) (any of such events being referred to herein as an "Adverse Event"), and at that time at least one other general partner of the Partnership remains, or one or more substitute general partners are appointed pursuant to Paragraph 11.4 hereof, then the Partnership shall not terminate or dissolve, but shall be continued with the legal representative or other successor to the interest of the general partner as to which such Adverse Event has occurred, not as a general partner, but as a limited partner. Any such limited partner shall, to the extent of the percentage interest acquired, be entitled only to the rights, if any, in the profits, losses, cash flow, proceeds of capital transactions, and other operating and capital items of the Partnership, but shall not acquire any right or interest in any payment or distribution, or become subject to any monetary obligation of, the Investor Limited Partner, as such, pursuant hereto. No such limited partner shall have any right to participate in the management of the affairs of the Partnership, and the interest acquired by such person shall be disregarded in determining whether any approval, consent or other action has been given or taken by the Limited Partners. All parties hereto shall execute and deliver such instruments in form and substance satisfactory to the remaining partners as they deem necessary or desirable to affect such transformation of the interest of such former general partner to a limited partner.

11.4 Substitute General Partner(s). If a general partner of the partnership at any time withdraws from or otherwise wrongfully dissolves the Partnership, or suffers an Adverse Event, and at that time such general partner was the last remaining general partner of the Partnership, then the Investor Limited Partner shall have the right, within ninety (90) days thereafter, to appoint one or more new general partners as substitute general partner(s). In such event, the Investor Limited Partner shall create for such substitute general partner(s) such interest in the profits, losses, cash flow, proceeds of capital transactions, and other operating and capital items of the Partnership as the

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Investor Limited Partner determines from its interest in the Partnership and shall amend this Agreement to provide for the same. In the event of the timely appointment of substitute general partner(s) pursuant to this Paragraph 11.4, the relationship of the Partners shall be governed by the provisions of this Agreement as so amended, the Partnership shall be continued, and the substitute general partner(s) shall have all of the management rights, duties, responsibilities, authority, and powers provided the General Partners herein. In the event the Investor Limited Partner fails to select substitute general partner(s) within ninety (90) days following the withdrawal or other wrongful dissolution or the suffering of an Adverse Event by the last remaining general partner of the Partnership, then the Partnership shall dissolve and terminate.

11.5 Adverse Events Affecting the Limited Partners. If a Limited Partner suffers any Adverse Event described in Paragraph 11.3 hereof, then the Partnership shall not dissolve or terminate, but shall be continued with the legal representative or other successor to the interest of the Limited Partner as to which such Adverse Event has occurred, as a substitute limited partner having all of the rights and obligations of the Limited Partner as to which such Adverse Event has occurred.

11.6 Definition of Bankruptcy. For the purpose hereof, a Partner shall be deemed to have become bankrupt if (a) such Partner files a voluntary petition under federal or state bankruptcy laws, (b) there is filed against such Partner a petition in bankruptcy that remains undismissed for ninety (90) days, (c) such Partner makes a general assignment for the benefit of creditors, or (d) a receiver or trustee is appointed to administer all or any part of the assets of such Partner or such assets or part thereof are seized by a judgment creditor and such appointment or seizure remains unrevoked for thirty (30) days.

11.7 Definition of Incapacity. For all purposes hereof, a Partner who is an individual shall be deemed to be incapacitated if such Partner (a) is adjudged incompetent or (b) becomes disabled and therefore unable to take an active part in the management of the Partnership business for a continuous period of at least thirty (30) days.

11.8 Removal for Cause by FCNDC.

(a) Notwithstanding anything herein contained to the contrary, FCNDC may, by notice to TNI (for the purposes of this Paragraph 11.8, TNI shall mean and

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include TNI, its successors and assigns), terminate all of TNI's powers and responsibilities hereunder and expel TNI from the Partnership if (i) TNI has committed willful misconduct or gross negligence in the management of the Partnership business, (ii) TNI is dissolved, admits insolvency or inability to pay its debts as they mature, is adjudicated a bankrupt, files a petition for voluntary bankruptcy under the Bankruptcy Code of the United States or any similar law, state or federal, now or hereafter in effect; it being further provided that TNI may dispute FCNDC's decision to expel TNI from the Partnership by giving FCNDC notice thereof within 30 days of FCNDC's notice to TNI expelling TNI from the Partnership, and said dispute shall be promptly resolved by arbitration in accordance with the terms of Article Sixteen hereof. It is however, understood and agreed that from and after FCNDC's notice to TNI expelling TNI from the Partnership, and during the pendency of any arbitration proceeding arising in connection therewith, TNI shall have no powers or responsibilities hereunder; and

(b) If TNI is expelled from the Partnership pursuant to Subparagraph 11.8(a) hereof, TNI hereby assigns to FCNDC all of TNI's interest in and all fees payable to the General partners hereunder. Following such assignment, TNI shall have no further rights, powers, liabilities or obligations under this Agreement and/or in respect of the Project, provided, however, that TNI shall continue to be responsible for (i) any loss caused by the nonperformance of its obligations under this Agreement and/or in respect of the Project and (ii) all obligations and liabilities incurred by it or the Partnership for which TNI was liable before it ceased to be a General Partner. If all or part of the general partnership interest of TNI is reallocated pursuant to this Subparagraph 11.8(b), TNI shall be entitled to receive the fair market value of its Partnership interest so reallocated (but not of any fees payable to the General Partners hereunder); such fair market value shall be determined by agreement, or failing such agreement, by arbitration in accordance with Article Sixteen hereof. Such fair market value shall be paid by FCNDC in five equal annual installments, the first such installment to be paid on the first anniversary of the date of determination of such value as aforesaid. No interest shall be payable on the unpaid balance of the amount due TNI. No exercise of rights pursuant to Subparagraph 11.8(a) hereon need be delayed pending determination of such value.

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ARTICLE XII

Loans, Withdrawals and Priorities

12.1 Interest. During the term of the Partnership, no interest shall be allowed to any Partner upon the amount of such Partner's capital account or capital contributions. In the event that the Partnership borrows any funds from any Partner, such Partner shall be paid such reasonable rate of interest as may then be agreed upon by the General Partners subject to Paragraph 6.8 hereof, and such loan shall be accounted for as a liability of the Partnership.

12.2 Withdrawal of Capital. No Partner shall be entitled to return of its capital contribution except by reason of the distribution to such Partner pursuant to Paragraph 7.2 hereof or the distribution to such Partner of assets upon the dissolution of the Partnership pursuant to the provisions hereof or upon the written consent of all Partners.

12.3 Priorities. Except as may otherwise expressly be provided herein, there shall be no priority of the Investor Limited Partner over other Partners as to return of contributions, withdrawals, or distributions of income or cash flow.

ARTICLE XIII

Dissolution and Liquidation

13.1 Accounting. As soon as feasible after dissolution of the Partnership, and in any event within sixty (60) days after liquidation of its assets, a proper accounting shall be made of the capital account of each Partner and of the net profits or net losses of the Partnership, from the date of the last previous accounting to the date of dissolution.

13.2 Liquidating Trustee. Upon the dissolution of the Partnership for any reason, the Partnership shall be liquidated. In such event, the General Partners shall act as liquidating trustee, or if there shall then be no general partners of the Partnership, the Investor Limited Partner may elect a, or act as the, liquidating trustee. The liquidating trustee shall have full power and discretion to sell, assign, and encumber Partnership assets. Notwithstanding such power, the liquidating trustee shall not sell any assets except in the case of:

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(a) Sales necessary in order to raise cash for payment of creditors; and

(b) Assets not readily distributable in kind, as determined in the sole discretion of the liquidating trustee.

All cash shall, to the extent necessary, be used to pay creditors, and any assets remaining shall be allocated and distributed in kind to the partners in divided or undivided portions in the discretion of the liquidating trustee. Any assets that are distributed in kind shall be valued at their fair market value as at the date of distribution.

13.3 Distributions in Liquidation. In the event of the dissolution and liquidation of the Partnership for any reason, after the payment or provision for creditors of the Partnership, the assets of the Partnership shall be distributed to the Partners in the following order of priority:

(a) An amount (but not in excess of the amount of assets available for distribution by the Partnership) equal to the sum of the capital accounts of all Partners whose capital accounts are then in amounts greater than zero shall be distributed to such Partners, in the ratios that their respective capital accounts bear to all Partners' positive capital accounts until the capital accounts of all Partners are equal to zero.

(b) To any Partner who has not theretofore received aggregate cumulative cash distributions (including distributions pursuant to Subparagraph 7.2(a) hereof) equal to such Partner's then aggregate cash capital contribution to the Partnership, in the amount of such deficiency; and

(c) To the Partners in the same ratios as net proceeds of capital transactions.

ARTICLE XIV

Rights and Obligations of the Limited Partners

14.1 Limited Recourse Liability. The Limited Partners shall be liable for Partnership liabilities and obligations in an amount equal to the portion of their capital contribution that at any time has not yet been paid to the Partnership. For example, if the Investor Limited

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Partner has not paid in full the first installment under the Note to the Partnership, it shall be personally liable for Partnership liabilities to the extent of the aggregate amount of the unpaid installments under the Note, as and when due, until the Note has been paid by it.

14.2 General Limitations on Liability and Management. Except to the extent set out in Paragraph 14.1 hereof, the Limited Partners shall not be personally liable for any of the liabilities or obligations of the Partnership or any of the losses thereof beyond the amounts which they have contributed and agreed to contribute to the capital of the Partnership, anything to the contrary herein expressed or implied notwithstanding. The Limited Partners shall not be required to lend funds to the Partnership for any purpose. The Limited Partners as limited partners shall not take part in the management of the business or transact any business for the Partnership, and the Limited Partners as limited partners shall not have the power to sign for or to bind the Partnership. The Limited Partners shall not be entitled to the return of their capital contribution except to the extent provided for herein.

ARTICLE XV

Investment Representations

The Investor Limited Partner hereby represents, warrants, and agrees that it is acquiring its Partnership interest for its own account for investment only and not for the purpose of, or with a view to, the resale or distribution of all or any part thereof, nor with a view to selling or otherwise distributing said interest or any part thereof at any particular time or under any predetermined circumstances, except that the General Partners reserve the right to cause the Partnership to redeem all or any part of any limited partnership interest acquired by the General Partners and to sell the same, subject to Paragraph 10.3 hereof. The Investor Limited Partner further represents and warrants that it is a sophisticated investor, able and accustomed to fending for itself in financial matters in general and real estate investments in particular, that it is in a sufficient federal income tax bracket that the burden of any loss which might be borne by the Partnership will be mitigated by substantial tax savings to it, and that it has a sufficiently high net worth that it does not anticipate a need for the funds it has invested in what it understands to be a speculative and illiquid investment.

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ARTICLE XVI

Arbitration

16.1 Required Submission. Any claim or dispute among the Partners arising out of or relating to this Agreement or the operations of the Partnership shall be submitted to and settled by arbitration as provided hereinbelow.

16.2 Appointment of Arbitrator(s). The Partners shall exercise best efforts in good faith to agree on a single arbitrator to act hereunder. In the absence of agreement by the Partners on a single arbitrator, any claim or dispute among the Partners shall be decided by a panel of three (3) arbitrators, one appointed by the General Partners, one by the Limited Partners, and one by the arbitrators thus appointed by the General and Limited Partners.

16.3 Failure to Cooperate. In the event either the Limited or the General Partners fail to appoint an arbitrator who is able and willing to serve hereunder within twenty (20) days after any demand for arbitration by the other Partner or fails to proceed in good faith with arbitration proceedings hereunder, the other Partner may at its option take any action available to it in law or equity in any court of competent jurisdiction. Any refusal to participate or unreasonable delay by the General Partners in any such arbitration or court proceedings shall be grounds for replacement of the General Partners under clause (e) of Paragraph 11.2 hereof.

16.4 Conduct of Proceedings. Arbitration proceedings shall be conducted in Chicago, Illinois, by the arbitrator(s) appointed in the manner aforesaid, according to such procedures as the arbitrator(s) shall designate, provided that they are fair and do not violate the Illinois Uniform Arbitration Act.

16.5 Decision and Execution. Any claim or dispute submitted to arbitration hereunder shall be resolved in accordance with the decision of the single arbitrator, or of two of the three arbitrators if a panel is appointed as aforesaid. The arbitrator(s) appointed hereunder shall have all of the jurisdiction and powers of courts of law and equity in civil matters, including full discretion as to the imposition of actual or exemplary damages. The Partners hereby agree to accept any decision or award made by the arbitrator(s) in accordance with arbitration proceedings conducted pursuant hereto, and the same shall be final and binding on the Partners. Any such decision or award may be

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enforced, and judgment thereon may be entered, by any court of competent jurisdiction. All fees and expenses of such arbitration proceedings, including both those of the arbitrator(s) and reasonable attorneys' fees of counsel for the respective Partners, shall be paid by the Partner or Partners against whom the decision or award is rendered or as may otherwise be determined to be equitable by the arbitrator(s); it is, however, understood and agreed that said fees and expenses shall not be paid from the income derived from the Project, other than Surplus Cash and capital contributions.

ARTICLE XVII

General Provisions

17.1 Notices. All notices, offers, or other communications required or permitted to be given pursuant hereto shall be in writing and shall be considered as properly given or made if delivered personally or by messenger or mailed from within the United States by first class United States mail, postage prepaid, or by prepaid telegram and addressed, if to the General Partners, to their address as set forth beneath their signatures to this Agreement, and if to the Limited Partners, to their addresses set forth beneath their signatures to this Agreement. The Limited Partners may change their addresses by giving notice in writing stating their new addresses to the General Partners, and the General Partners may change their address by giving such notice to the Limited Partners. Commencing on the tenth (10th) day after the giving of such notice, such newly designated address shall be effective for purposes of all notices or other communications required or permitted to be given pursuant hereto.

17.2 Successors. This Agreement and all of the terms and provisions hereof shall be binding upon and shall inure to the benefit of the General Partners, the Limited Partners, and their respective legal representatives, heirs, successors and assigns, except as expressly herein otherwise provided.

17.3 Severability. Whenever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law; but if any provision hereof or the application thereof to any party or circumstance is prohibited by or invalid under applicable law, such provision shall be effective only to the minimal extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions hereof or the application of such provisions to other parties or circumstances.

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17.4 Pronouns and Headings. As used herein, all pronouns shall include the masculine, feminine, neuter, singular and plural thereof whenever the context and facts require such construction. The headings, titles, and subtitles herein are inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

17.5 Waiver. No delay or omission of any party hereto to exercise rights hereunder shall impair any such right or power or shall be construed to be a waiver of any default or acquiescence therein. No waiver of any default shall be construed, taken, or held to be a waiver of any other default, or waiver, acquiescence in, or consent to any further or succeeding default of the same nature.

17.6 Effect and Interpretation. This Agreement shall be construed in conformity with the laws of the State of Illinois. It is agreed that the parties hereto intend to form a limited partnership hereby, but, in the event that the General Partners fail to comply substantially with the requirements of the formation of a limited partnership under the laws of the State of Illinois, the Partnership shall be administered pursuant to the provisions of the Uniform Limited Partnership Act of Illinois as if it were a limited partnership. It is further agreed that in the event of a conflict between this Agreement and the Regulatory Agreement, the Regulatory Agreement shall control.

17.7 Entire Agreement. This Agreement contains the entire understanding among the Partners and supersedes any prior understandings and/or written or oral agreements among them respecting the within subject matter, including, without limitation that certain Amended and Restated Agreement and Certificate of Limited Partnership of Ridgeland Associates dated January 1, 1985 and filed for record in the Cook County, Illinois Recorder's Office on February 15, 1985 as Document No. 27445426. Furthermore, there are no representations, agreements, arrangements, or understandings, oral or written, between or among the parties hereto relating to the subject matter hereof that are not fully expressed herein.

17.8 Signature Page. The Limited Partners hereby agree to all of the terms and provisions of the foregoing Agreement by executing the following signature page or a counterpart thereof, which counterpart taken together with the signature page executed by the General Partners shall constitute a binding agreement.

17.9 Certain Provisions Relating to HUD.

(a) The Partnership is bound by the terms of the Regulatory Agreement and other documents executed

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and to be executed by the Partnership in connection with the HUD-insured loan made in connection with the development of the Project. Upon any dissolution of the Partnership, no title or right to possession and rents therefrom shall pass to any person who is not so bound in a manner satisfactory to the Secretary of HUD, so long as the Project is subject to the HUD-insured mortgage or the Regulatory Agreement.

(b) So long as the Secretary of HUD or his successors or assigns is the insurer or holder of the mortgage on the Project (FHA Project No. 071-35510), no amendment to this Agreement which results in any of the following shall be of any force or effect without the prior written consent of HUD: (i) any amendment which modifies the duration of the Partnership; (ii) any amendment which results in the requirement that a HUD prior participation certification be obtained for any additional party; and (iii) any amendment which in any way impacts on or affects the HUD-insured mortgage or the Regulatory Agreement.

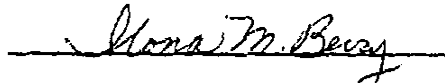
IN WITNESS WHEREOF, the parties hereto have hereunto set forth their respective hands and seals, as of the day and month and year first above written.

GENERAL PARTNERS:

First Chicago Neighborhood
Development Corporation, a
Delaware Corporation

By: 
Gregory Schuler,
Vice President

Attest:



Subscribed and Sworn be-
fore me this 20th day of
NOVEMBER, 1985.


Notary Public

Commission Expires:

February 9, 1988

[SEAL]

(Signatures continued on following page)

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(Signatures continued from preceding page)

THE NEIGHBORHOOD
DEVELOPMENT
CORPORATION

The Neighborhood Institute, an Illinois not-for-profit corporation.

By: *Doris Pickens*
Doris Pickens,
Vice President

Attest:

Linda K. Greene

Subscribed and sworn before me this 30th day of NOVEMBER, 1985.

Mary L. Wright
Notary Public

Commission Expires:

February 9, 1988

[SEAL]

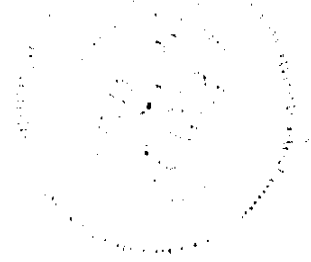
Address of General Partner:

c/o First Chicago Neighborhood
Development Corporation
Two First National Plaza
Suite 0289
Fourth Floor
Chicago, Illinois 60670

(Signatures continued on following page)

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(Signatures continued from preceding page)

INVESTOR LIMITED PARTNER:

Chicago Equity Fund 1985
Partnership, an Illinois
general partnership

By: Chicago Equity Fund, Inc.,
an Illinois not-for-profit
corporation, Managing
Partner

By: [Signature]
Title: President

Attest:

[Signature]
Secretary

Subscribed and Sworn be-
fore me this 20th day of
NOVEMBER, 1985.

[Signature]
Notary Public

Commission Expires:
February 9, 1988

[SEAL]

Address of Investor Limited
Partner:

c/o Chicago Equity Fund, Inc.
200 East Randolph Drive
Third Floor, Mail Code 0802
Chicago, Illinois 60601
Attention: Wally Lennox

(Signatures continued on following page)

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(Signatures continued from preceding page)

SPECIAL LIMITED PARTNER:

Burling Builders, Inc., an
Illinois corporation

By: *[Signature]*
Eli Higgensbottom,
President

Attest:

[Signature]

Subscribed and Sworn be-
fore me this 29 day of
NOVEMBER, 1985.

[Signature]
Notary Public

Commission Expires:

February 9, 1988

[SEAL]

Address of Special Limited
Partner:

33 East 83rd Street
Chicago, Illinois 60619

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SCHEDULE OF EXHIBITS

- Exhibit A: Investor Limited Partner Promissory Note
Exhibit B: General Partner Loans Promissory Note
Exhibit C: Capital Loan Promissory Note
Exhibit D: Schedule of Fees and Expenses

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EXHIBIT AINVESTOR LIMITED PARTNER PROMISSORY NOTE

\$301,037

November 15, 1985
Chicago, Illinois

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of Ridgeland Associates, an Illinois limited partnership (the "Partnership"), at Chicago, Illinois, the principal sum of THREE HUNDRED ONE THOUSAND THIRTY-SEVEN and No/100 Dollars (\$301,037), without interest, in installments as follows:

<u>Date</u>	<u>Amount</u>
January 1, 1986	\$80,714
January 1, 1987	\$66,909
January 1, 1988	\$61,264
January 1, 1989	\$55,121
January 1, 1990	\$37,029

If any installment is not paid when it is due, and such default continues for a period of ten (10) days after written notice from the holder hereof to Maker, then interest on the unpaid principal amount of this Note shall be computed at a rate per annum equal to two percent (2%) in excess of The First National Bank of Chicago's publicly announced corporate base rate from time to time in effect and changing simultaneously with each announced change in such publicly announced corporate base rate, which rate shall continue in effect until all past due principal and interest have been paid.

Maker may, at its election, from time to time prior to maturity, prepay without penalty all or any portion of the principal indebtedness of this Note.

Demand for payment shall be presumed to have been issued and the entire unpaid principal sum of this Note, together with accrued interest thereon, if any, shall become immediately due in the event of the occurrence of any one or more of the following: the filing by Maker of a voluntary petition in bankruptcy; or the failure by Maker within thirty (30) days thereof to lift any filing against Maker of any involuntary petition, execution or attachment; or the commission by Maker of any act of bankruptcy; or the adjudication of Maker as bankrupt; or any assignment by Maker for

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the benefit of its creditors; or the invalidity or illegality of any portion of this Note by reason of any act or omission by Maker.

No delay or omission of the holder of this Note to exercise rights hereunder shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein. No waiver of any default shall be construed, taken or held to be a waiver of any other default, or waiver or acquiescence in, or consent to any further or succeeding default of the same nature. Maker waives demand, notice and protest in any defense by reason of extension of time for payment or other indulgence granted by the holder hereof.

This Note evidences the obligation of the undersigned to make deferred capital contributions to the Partnership pursuant to the Partnership Agreement described hereinbelow. By the terms of such Agreement, the undersigned has and does hereby pledge to the Partnership and grant the Partnership a security interest in the entire limited partnership interest of the undersigned in the Partnership, as security for the payment of this Note and any other notes evidencing obligations to make such deferred capital contributions. In the event of default by the undersigned in the payment of any principal or interest due upon this Note or any other such notes, the Partnership shall have, and is hereby granted, all of the rights and remedies of a secured party under the Uniform Commercial Code of Illinois in respect to said collateral. Additional provisions relating to said security interest and the enforcement thereof are contained in Paragraphs 6.4, 6.5 and 6.6 of said Partnership Agreement.

This Note is given in accordance with and subject to that certain Second Amended and Restated Agreement and Certificate of Limited Partnership of Ridgeland Associates dated November 15, 1985, to which the undersigned is a party, which Agreement is hereby incorporated herein by this reference.

Without limiting the foregoing, the undersigned hereby acknowledges that this Note may be collaterally assigned by the Partnership to secure any indebtedness of the Partnership, now or hereafter existing, to First Chicago Neighborhood Development Corporation, a Delaware corporation, and The Neighborhood Institute, an Illinois not-for-profit corporation (herein together called the "General Partners"), or any affiliate of either of the General Partners, and may be collaterally assigned to any other lender to which the Partnership is now or hereafter indebted.

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IN WITNESS WHEREOF, Maker has executed this Note as of the date first above written.

CHICAGO EQUITY FUND 1985 PART-
NERSHIP, an Illinois general
partnership

By: Chicago Equity Fund, Inc.,
an Illinois not-for-profit
corporation, Managing
Partner

By: _____
Title: _____

Attest:

Title:

Subscribed and sworn to by
the foregoing officers before
me this _____ day of _____,
_____, 1985.

Notary Public

Commission Expires:

{ SEAL }

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10/10/2007 10:10:10 AM

FEDERAL HOUSING ADMINISTRATION
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EXHIBIT B
PROMISSORY NOTE

1 0 0 4

FOR VALUE RECEIVED, on or before * years from the date hereof
the undersigned promises to pay to

the sum of
Dollars (\$) , payable at

with interest on any remaining balance of principal at ^{Ten and One-Half} / per cent (10½)
per annum payable annually, commencing , 19 , and thereafter
on the first day of , until the entire indebtedness has been paid. Any
interest not so paid shall not create any default in the terms of this note but shall
accrue and be payable in full at the date of maturity thereof. In any event, the
balance of principal, if any, remaining unpaid, plus accrued interest, shall be
due and payable on , 19 .

It is a condition of this note that the maker hereof may pay any amount or all
of the principal of this note at any interest paying date, but no such prepayment of
principal in any amount or any payment of interest shall be made except from sur-
plus cash as such term is defined, and in accordance with the conditions pre-
scribed, in that certain Regulatory Agreement between the maker and the Federal
Housing Administration dated January 1 , 1925 .

The undersigned hereby waives presentment, demand, protest and notice of
demand, protest and nonpayment of this note.

DATED at , this day of
19

Notwithstanding anything herein contained
to the contrary, payee hereunder shall have
no recourse against the partners of the maker
personally or against said partners' re-
spective assets in the event of default by
maker hereunder.

Mortgagor
By: _____

Title

* Maturity shall be at or after maturity of the mortgage.

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EXHIBIT C

CAPITAL LOAN PROMISSORY NOTE

\$205,022.00

February 15, 1985

1. FOR VALUE RECEIVED, the undersigned, RIDGELAND ASSOCIATES, an Illinois limited partnership (herein called the "Borrower"), promises to pay to the order of FIRST CHICAGO NEIGHBORHOOD DEVELOPMENT CORPORATION, a Delaware corporation (herein called "FCNDC"), and THE NEIGHBORHOOD INSTITUTE, an Illinois not-for-profit corporation (herein called "TNI"; and FCNDC and TNI collectively, and each successive from time to time owner and holder of this Note being herein generally called the "Holder"), in the manner provided herein, the principal sum of

TWO HUNDRED FIVE THOUSAND TWENTY-TWO DOLLARS
(\$205,022.00)

together with interest prior to maturity on the balance of principal remaining from time to time unpaid at the annual rate of

THIRTEEN PERCENT
(13%)

(herein called the "Regular Rate") and interest after maturity on such balances at the Default Rate hereinafter specified (in each case computed daily on the basis of a 360-day year for each day all or any part of the principal balance hereof shall remain outstanding), principal and interest hereon being payable as hereinafter provided.

2. In the event that there shall occur (a) any default hereunder, or (b) maturity of the indebtedness evidenced hereby, whether by passage of time, acceleration, declaration or otherwise, then and in any such event, the entire principal balance hereof shall thereafter bear interest at the rate of FIFTEEN PERCENT (15%) per annum (herein called the "Default Rate").

3. Principal and interest upon this Note shall be paid as follows:

(a) Installments of principal and interest hereon shall be paid as follows:

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January 1, 1986:	\$80,714
January 1, 1987:	\$66,909
January 1, 1988:	\$61,264
January 1, 1989:	\$55,121
January 1, 1990:	\$37,029

it being understood and agreed that the indebtedness evidenced hereby is to be paid from Deferred Cash Contributions (as that term is hereinafter defined).

(b) All payments on account of the indebtedness evidenced by this Note shall be first applied to interest on the unpaid principal balance hereof, and the remainder to principal.

(c) For the purposes hereof "Deferred Cash Contributions" shall have the meaning attributed to it in the Partnership Agreement of Ridgeland Associates as amended from time to time.

(d) Notwithstanding anything herein contained to the contrary, the entire outstanding principal balance of this Note, together with all accrued and unpaid interest thereon, shall be due and payable upon (i) the sale, exchange or other disposition of, or a refinancing of the debt presently secured by a first mortgage lien on, all or any portion of the real estate commonly known as 6850-60 South Ridgeland, Chicago, Illinois (the "Project") or (ii) a sale, pledge, assignment, conveyance or other disposition of the beneficial interest in the land trust presently holding title to the Project.

4. Payments upon this Note shall be made (a) at such place as the Holder of this Note may from time to time in writing appoint, provided that in the absence of such appointment, such payments shall be made at the offices of FCNDC, Two First National Plaza, Suite 0289, Fourth Floor, Chicago, Illinois 60670 and (b) in lawful money of the United States of America which shall be legal tender for public and private debts at the time of payment.

5. At the election of the Holder hereof, and without notice, the principal sum remaining unpaid hereon, together with accrued interest thereon, shall be and become at once due and payable at the place herein provided for payment, in the case of default in the payment of principal or interest when due in accordance with the terms hereof.

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6. The entire indebtedness evidenced hereby may be prepaid without premium or charge after thirty (30) days prior written notice of intention to make the same, such notice to be directed to the Holder hereof at the place where payments hereon are then payable.

7. This Note shall be governed by the laws of the State of Illinois.

8. All parties hereto severally waive presentment for payment, notice of dishonor, protest and notice of protest.

9. In the event that this Note is placed in the hands of an attorney-at-law for collection after maturity, or upon default, or in the event that proceedings at law, in equity, or bankruptcy, receivership or other legal proceedings are instituted in connection herewith, or in the event that this Note is placed in the hands of an attorney-at-law to enforce any of the rights or requirements contained herein or other instruments given as security for, or related to, the indebtedness evidenced hereby, the maker hereof hereby agrees to pay all costs of collecting or attempting to collect this Note, or protecting or enforcing such rights, including, without limitation, reasonable attorneys' fees (whether or not suit is brought), in addition to all principal, interest and other amounts payable hereunder.

10. It is a condition of this Note that the Holder may not assert any claim arising from this Note against the interest of the Borrower in the real estate located at 6850-60 South Ridgeland, Chicago, Illinois and covered by a mortgage insured by HUD-FHA under Project No. 071-35510, the proceeds of said mortgage, any reserve or deposit made with the mortgagee under said mortgage or another required by the Assistant Secretary-FHA Commissioner in connection with said mortgage transaction or the rents or other income from said real estate.

11. Notwithstanding anything to the contrary herein contained, no recourse shall be had for the payment of the principal of or interest on this Note or for any claim based hereon or otherwise in respect hereof against any general or limited partner of Borrower or the successors or assigns of any such partner or against any of the

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separate properties or assets of any such partner, successor or assign.

RIDGELAND ASSOCIATES, an
Illinois limited partnership

By: Its General Partners

By: First Chicago Neighborhood
Development Corporation,
a Delaware corporation

By: _____

Attest:

Subscribed and sworn to
before me by the foregoing
officers this _____ day of
_____, 1985.

Notary Public

My Commission Expires:

[SEAL]

By: The Neighborhood
Institute, an Illinois
not-for-profit corporation

By: _____

Attest:

Subscribed and sworn to
before me by the foregoing
officers this _____ day of
_____, 1985.

Notary Public

My Commission Expires:

[SEAL]

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EXHIBIT D

SCHEDULE OF FEES AND EXPENSES

For services rendered to or for the benefit of the Partnership, the General Partners shall, on behalf of the Partnership, pay the following fees and expenses in accordance with Paragraphs 9.2 and 9.3 of that certain Second Amended and Restated Agreement and Certificate of Limited Partnership of Ridgeland Associates:

(a) To the General Partners, a development fee in the amount of THIRTY THOUSAND FIVE HUNDRED DOLLARS (\$30,500) payable FIFTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$15,250) in cash at closing and FIFTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$15,250) upon substantial completion of construction, plus any and all construction cost savings relative to projected budget amounts achieved during initial rehabilitation of the Project.

(b) To the General Partners, a rental supervision fee in the amount of FOURTEEN THOUSAND DOLLARS (\$14,000) payable in cash upon Rent-Up as defined in Paragraph 6.10 hereof.

(c) To the General Partners, a construction guarantee fee in the amount of TWENTY THOUSAND DOLLARS (\$20,000) payable in cash at closing.

(d) To the General Partners, an annual partnership management fee consisting of one payment of TEN THOUSAND DOLLARS (\$10,000) payable in cash on December 31, 1985, with subsequent yearly payments of FIVE THOUSAND DOLLARS (\$5,000) plus an incentive management fee equal to twenty-five percent (25%) of net operating cash flow, due on December 31 of each year, all payable out of net operating cash flow or accruing to the benefit of the General Partners to the extent net operating cash flow is unavailable and upon such accrual, said fee will be payable only to the extent permitted pursuant to Subparagraph 7.2(b)(iii).

All reasonable out-of-pocket expenses incurred by the General Partners or their affiliates on behalf of the Partnership in connection with the acquisition, rehabilitation and financing of the Project and the organization of the Partnership, including without limitation accounting, financing, legal, survey, recording, and title costs, shall be borne by the Partnership and reimbursed to the General Partners or their affiliate(s) to the extent incurred by them.

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