86082624

AMENDED AND RESTATED
ARTICLES AND CERTIFICATE OF LIMITED PARTNERSHIP
ESTABLISHING
THE NORTH WASHINGTON PARK PARTNERSHIP

For the
Rehabilitation and Leasing of
Dwelling Units in North Washington Park
Chicago, Illinois

Between
North Washington Park Apartments Corporation and
Rescorp Development, Inc.
General Partners,
Chicago Equity Fund 1985 Partnership
Limited Partner
and
Linn-Mathes, Inc.
Special Limited Partner

Dated as of February 5, 1986

86082624

THE LIMITED PARTNERSHIP INTEREST EVIDENCED AND REPRESENTED BY THESE ARTICLES OF LIMITED PARTNERSHIP HAS BEEN PLEDGED TO THE ISSUING PARTNERSHIP TO SECURE THE PAYMENT OF DEFERRED CAPITAL CONTRIBUTIONS.

THE LIMITED PARTNERSHIP INTEREST EVIDENCED BY THESE ARTICLES 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, THE 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, THESE ARTICLES OF LIMITED PARTNERSHIP, AND AN APPLICABLE REGISTRATION STATEMENT OR AN OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THAT A REGISTRATION STATEMENT IS UNNECESSARY.

AFTER RECORDING RETURN TO: Box 15

TICOR TITLE INSURANCE CO.
Paul N. Yannias - NTS

ARTICLES AND CERTIFICATE OF LIMITED PARTNERSHIP
ESTABLISHING
THE NORTH WASHINGTON PARK PARTNERSHIP

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AMENDED AND RESTATED ARTICLES AND CERTIFICATE OF LIMITED PARTNERSHIP ESTABLISHING THE NORTH WASHINGTON PARK PARTNERSHIP

THESE AMENDED AND RESTATED ARTICLES AND CERTIFICATE OF LIMITED PARTNERSHIP (the "Articles" or "Agreement") establishing The North Washington Park Partnership (the "Partnership") are made as of the 5 day of February, 1986, by and between North Washington Park Apartments Corporation ("Park Apartments"), an Illinois corporation and Rescorp Development, Inc. ("Rescorp"), an Illinois corporation (collectively the "General Partners"), Chicago Equity Fund 1985 Partnership, an Illinois general partnership (the "Limited Partner") and Linn-Mathes, Inc. an Illinois corporation ("Special Limited Partner"). (The General, Limited and Special Limited Partners are sometimes referred to singularly as a "Partner" and collectively as the "Partners.")

W I T N E S S E T H :

WHEREAS, on December 23, 1985, North Washington Park Partnership (the "Partnership") was formed pursuant to the Articles and Certificate of Limited Partnership and Addendum amendment attached thereto recorded as one document with the Recorder of Deeds of Cook County, Illinois on December 23, 1985 as Document No. 85342320;

WHEREAS, the Partners desire to change certain provisons in, and restate in full their agreement;

WHEREAS, all Partners consent to the execution of these Articles and the changes and restatement set forth herein; and

WHEREAS, the execution of these Articles is in conformity with all applicable provisions of the Illinois Limited Partnership Act and the previous agreement among the Partners;

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 by the following Articles of Limited Partnership.

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 under and pursuant to the provisions of the Uniform Limited Partnership Act of the State of Illinois.

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 North Washington Park Partnership 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 151 dwelling units located in North Washington Park, Chicago, Illinois (the "Project"), to rehabilitate the Project, to finance such purchase and rehabilitation through loans, and to operate, manage, lease, and otherwise deal with the Project as low and moderate 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 Rescorp, 7 South Dearborn Street, Suite 1116, Chicago, Illinois 60603, 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 shall commence as of the execution of these Articles and shall continue 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 Partner to terminate;

(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, Guaranties; Acquisition of Project

6.1 Total Cash Contributions of Partners. The Partners shall contribute the aggregate amount of One Million Five Hundred Seven Thousand, One Hundred Ten Dollars ($1,507,110) of cash to the capital of the Partnership, as further provided hereinbelow.

6.2 Cash Contributions of General Partners. The General Partners have contributed the amount of 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 Partner's 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.

6.3 Cash Contributions of Limited Partner. The Limited Partner shall contribute the amount of One Million Five Hundred Seven Thousand Dollars ($1,507,000) of cash to the Partnership plus a contingent cash contribution, as follows:

(a) Two Hundred Seventy-One Thousand, One Hundred Sixty-Seven Dollars ($271,167) has been paid by the Limited Partner as of the date of these Articles;

(b) Four Hundred Eighty-Six Thousand, Eight Hundred Sixty-Five Dollars ($486,865) shall be due and payable by the Limited Partner on January 31, 1987;

(c) Four Hundred Forty-Two Thousand, Nine Hundred Forty-Eight Dollars ($442,948) shall be due and payable by the Limited Partner on January 31, 1988;

(d) One Hundred Ninety-Three Thousand, Eight Hundred Eighty Dollars ($193,880) shall be due and payable by the Limited Partner on January 31, 1989;

(e) One Hundred Twelve Thousand, One Hundred Forty Dollars ($112,140) shall be due and payable by the Limited Partner on January 31, 1990; and

(f) Up to a maximum amount equal to One Hundred Nine Thousand Dollars ($109,000). The terms pursuant to which the Limited Partner is required to make the contribution contemplated by this Subparagraph 6.3(f) are set forth hereinafter in Paragraph 6.5.

(The amounts specified in Subparagraphs 6.3(a)-(e) are sometimes referred to herein as the "deferred cash contributions." The amount specified in Subparagraph 6.3 (f) is sometimes referred to herein as the "contingent cash contribution.) The Limited Partner's interest in the Partnership shall be issued upon the Limited Partner's execution and delivery of these Articles, delivery of the initial cash contribution, and with 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 Limited Partner of these Articles. The obligations to make the deferred cash contributions shall be evidenced by promissory notes payable to the Partnership in the form of Exhibits A-1 through A-4 attached hereto and made a part hereof (referred to collectively as the "Note"). The Note shall be executed and delivered concurrently with the execution and delivery of these Articles by the Limited Partner, and shall be secured as provided in Paragraph 6.6 hereof.

6.4 Cash Contribution of Special Limited Partner. The Special Limited Partner shall pay the amount of Ten Dollars ($10.00) to the capital of the Partnership.

6.5 Special Reserve and Contingent Contribution Accounts. Upon payment to the Partnership of the deferred cash contribution contemplated by Subparagraph 6.3(d) above, the General Partners shall set aside from such payment an amount equal to Fifty-Four Thousand Five Hundred Dollars ($54,500) in a reserve account ("Special Reserve Account"). At the same time, the Limited Partner shall set aside in a reserve account the maximum amount of its contingent cash contribution ($109,000) as provided in subparagraph 6.3(f) above ("Contingent Contribution Account").

The Special Reserve Account and the Contingent Contribution Account (collectively the "Accounts") shall be established so that all withdrawals from either of the Accounts will be solely in accordance with and for the purpose of meeting the funding obligations set forth in this Paragraph. The Accounts shall be drawn on in a ratio of one-third (1/3) from the Special Reserve Account and two-thirds (2/3) from the Contingent Contribution Account in order to fund all operating deficits (as defined in Paragraph 6.12 of these Articles) arising during the time period ("Call Period") commencing after the expiration of the operating deficit guarantee set forth in Paragraph 6.12 herein and prior to the earlier of:

(a) That point in time when the Partnership receives notice that the Section 8 Certificate Program of the Chicago Housing Authority ("Section 8 Program") will be extended through December 31, 1995;

(b) Such date as the Limited Partner and Rescorp shall agree; or

(c) December 31, 1995.

Any funds remaining after the Call Period in either the Special Reserve Account or the Contingent Contribution Account shall be released to Rescorp and the Limited Partner, respectively. Notwithstanding the foregoing, withdrawals from the Contingent Contribution Account shall not be required more frequently than quarterly provided, however, that from the date of a call on the Contingent Contribution Account to the date such call is funded, the amount of the call shall bear interest at a rate of ten percent (10%) per annum.

6.6 Procedures on Non-Payment. In the event the Limited Partner does not make any payment of a deferred capital contribution as required under Paragraph 6.3 hereof within the notice and cure period specified in the Note or fails to make its contingent cash contribution as required herein, 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 Limited Partner pursuant to the forfeiture provisions of Paragraph 6.7 hereof; or

(b) exercise its remedies as a secured party against the Limited Partner in accordance with the Uniform Commercial Code of Illinois pursuant to the security agreement in Paragraph 6.8 hereof; or

(c) charge the Limited Partner interest in an amount equal to two percent (2%) per annum above the prime rate from time to time in effect at 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 Limited Partner at law or in equity to enforce such payment.

6.7 Forfeiture of Interest. Upon failure by the Limited Partner to make its deferred cash contribution, in whole or in part, within the notice and cure period specified in the Note, or upon its failure to make its contingent cash contribution as required herein, the Partnership may, but shall not be required to, terminate the Limited Partner's entire limited partnership interest in the Partnership (the "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 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 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 Limited Partner's forfeiture of its Interest as aforesaid shall constitute liquidated damages to the Partnership for the Limited Partner's failure to make its capital contributions as aforesaid, and the parties hereby agree and stipulate to the commercial reasonability of such forfeiture as liquidated damages.

6.8 Security Agreement. The Limited Partner hereby pledges to the Partnership and grants the Partnership a security interest in all of its limited partnership interest in the Partnership as further security for its obligation to make all cash contributions evidenced by Note and as required herein 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 Interest in the event of the failure of the Limited Partner to make its deferred or contingent cash contributions when and as provided herein, in whole or in part. In furtherance of the foregoing pledge, the Limited Partner shall execute and deliver to the Partnership a Uniform Commercial Code Financing Statement concurrently with the execution and delivery of these Articles by the Limited Partner. Upon failure by the Limited Partner to make its contingent cash contribution in whole or in part as required herein or its deferred cash 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 Interest of such defaulting Limited Partner 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 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 Limited Partner to the Partnership; and

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

Such a sale shall not release the defaulting Limited Partner of its obligations hereunder, and such defaulting Limited Partner shall remain jointly and severally liable with the purchaser of the Interest to make all required contributions in respect to the foreclosed Interest, including the contingent cash contribution, 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 Limited Partner. The defaulting 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 Interest by virtue of any subsequent payments made to the Partnership, as aforesaid.

6.9 Additional Cash Contributions. Neither the Limited Partner nor 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 in these Articles.

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

(a) If, as, and when required to fund completion of rehabilitation of the Project pursuant to Paragraph 6.11 hereof or to fund operating deficits pursuant to Paragraph 6.12 hereof, to the extent not funded by other sources, the General Partners shall make advances under a "revolving credit" loan to the Partnership. Any payments made pursuant to this Paragraph shall be entered as a payable on the books of the Partnership and shall bear interest at the rate of nine percent (9%) per annum. Reimbursement to the General Partners and any payments

made pursuant to this paragraph shall be from the following sources only, when and if available: (i) capital contributions; (ii) Surplus Cash as defined in the HUD Regulatory Agreement (iii) proceeds from the sale or refinancing of the Project, and (iv) Project income to the extent that the cash or expense is approved by HUD as an item includable in the Project Budget, provided, however, the General Partners' right to reimbursement out of the proceeds from the sale or refinancing of the Project shall be subordinated to the payment by the Partnership to the Limited Partner, pursuant to subparagraph 7.2(b)(i), of an amount equal to its total aggregate limited partner capital contributions to the Partnership.

(b) 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, and any loans made to the Partnership by any affiliate of the General Partners, shall be upon the same terms and conditions as set forth in the foregoing subparagraph 6.10 (a).

6.11 Rehabilitation Completion Guaranty. The General Partners hereby agree to advance or cause to be advanced all funds necessary (a) to complete rehabilitation of the Project (i) 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 it under its existing commitment to make a first mortgage loan secured by the Project, and (ii) in accordance with any commitment by the City of Chicago and/or other lender(s) to make one or more junior mortgage or other loans secured by the Project or any interest therein; (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 (except to the extent interim income during construction can be used therefor, but only to the extent such income would not otherwise be distributable to the Partners); (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 and operating deficits, including additional debt service, in excess of amounts and contingencies therefor being financed by loans and capital contributions as set forth in a Project budget approved by all lenders for the Project, 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 advances the General Partners cause to be made by third parties (which advances shall first be approved in writing by HUD) shall be made as a loan or loans 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 Partner 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 advance such funds. Any direct advances made by the General Partners shall be made as a loan or loans in accordance with the loan terms and conditions set forth in Subparagraph 6.10(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 its guaranty obligations hereunder, the General Partners have escrowed or pledged the collateral described in a separate guaranty agreement executed by the Partners.

6.12 Operating Deficits Guaranty. The General Partners hereby agree to advance or cause to be advanced 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 advances the General Partners cause to be made by third parties (which advances shall first be approved in writing by HUD) shall be made as a loan or loans 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 Partner 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 advance such funds. Any direct advances made by the General Partners shall be made as a loan or loans in accordance with the loan terms and conditions set forth in Subparagraph 6.10(a) hereof. Notwithstanding the foregoing, any operating 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 its guaranty obligations hereunder, the General Partners have escrowed or pledged the collateral described in a separate guaranty agreement executed by the Partners.

6.12 Acquisition of Project. The Partnership shall acquire fee simple title to the Project or the entire beneficial interest in a land trust holding fee simple title to the Project, free and clear of any liens and encumbrances against title or such beneficial interest, other than those required, approved, or waived by the first mortgage lender for the Project, for a purchase price of One Million Three Hundred Forty-Five Thousand Dollars ($1,345,000) plus or minus prorations plus assumption of all real estate tax liability.

ARTICLE VII

Distributions, Allocations, Accounting and Reports

7.1 Definitions. For the purposes of these Articles,

(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, including but not limited to all expenses in the form of fees as provided on Exhibit B, 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) provided, however, that, to the extent that the definition of net operating cash flow differs from the definition of Surplus Cash as defined in the HUD Regulatory Agreement, the HUD Regulatory Agreement shall control for purposes of distributions under Paragraph 7.2.

(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.

7.2 Distributions. Subject to the HUD Regulatory Agreement, 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 and subject to the attached Rider, 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, nor more frequently than semi-annually, 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 one-half of one percent (.5%) to Park Apartments, one-half of one percent (.5%) to Rescorp, and ninety-nine percent (99%) to the Limited Partner.

(b) Net Proceeds of Capital Transactions. Subject to Paragraphs 9.2, 13.2, and 13.3 hereof, net proceeds of capital transactions shall be distributed as follows:

(i) Until the Limited Partner has received, cumulatively, net proceeds of capital transactions in an amount equal to its total capital contributions theretofore paid to the Partnership (regardless of any previous return of capital through distributions of net operating cash flow but excluding the amount of any deferred capital contributions not theretofore paid), all net proceeds of capital transactions shall be distributed to the Limited Partner.

(ii) In the event any net proceeds of capital transactions remain after application of Subparagraph 7.2(b)(i) hereof, then such proceeds shall be distributed to the General Partners until they have been repaid all amounts loaned to the Partnership pursuant to Paragraphs 6.10, 6.11, and 6.12 hereof and all amounts accrued but unpaid pursuant to Paragraph (f) of Exhibit B.

(iii) In the event any net proceeds of capital transactions remain after application of Subparagraphs 7.2(b)(i) and 7.2(b)(ii) hereof, then net proceeds of capital transactions, including return of capital not previously distributed to the General Partners, shall be distributed twenty-five percent (25%) to Park Apartments, twenty-five percent (25%) to Rescorp and fifty percent (50%) to the Limited Partner.

7.3 Allocations. Except as otherwise provided pursuant to Paragraphs 7.4 and 7.9 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 Park Apartments, one-half of one percent (.5%) to

Rescorp, and ninety-nine percent (99%) to the 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 of cash to the Partners from the capital transaction giving rise to such cash excluding, however, those distributions in the form of loan, pledge or fee repayments as provided for in Subparagraphs 7.2(b)(ii). 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 operating profit or loss, as recognized for federal 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 twenty-five percent (25%) to Park Apartments, twenty-five percent (25%) to Rescorp and fifty percent (50%) to the Limited Partner.

(ii) Net Capital Losses. Net capital losses shall be allocated one-half of one percent (.5%) to Park Apartments, one-half of one percent (.5%) to Rescorp and ninety-nine percent (99%) to the 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 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 depre-

ciation 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 these Articles, 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 as 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 and copy 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 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 Ernst & Whinney 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 these Articles 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.

7.11 HUD Agreements. Notwithstanding any other provision of this Agreement, for so long as the Partnership is a party to the agreement entered or to be entered into between HUD, the Partnership and the Land Trustee, concurrently with the acquisition of the Project by the Partnership, as required pursuant to Sec. 221(d)(4) of the National Housing Act, as amended (the "HUD Regulatory Agreement"), no cash distributions shall be made to the Partners and no payments shall be made pursuant to Section 7.2(a), except from "Surplus Cash" or contributed capital, as applicable, in accordance with the HUD Regulatory Agreement.

ARTICLE VIII

Administration of Tax Matters

8.1 Tax Matters Partner. Rescorp 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 Limited Partner (referred to hereinbelow as "each Partner") 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 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 Partners in accordance with Section 6223 of the Code. The TMP shall keep each 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 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 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 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. The aforesaid payments may be made only from the following sources of funds: (i) Surplus Cash as defined in the HUD Regulatory Agreement, (ii) capital contributions, (iii) proceeds of the sale or refinancing of the Project, (iv) Project income to the extent the cost or expense is approved by HUD as an item includible in the Project budget and (v) proceeds of General Partner loans made pursuant to Paragraph 6.10.

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 Partner's 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 Trea-

sury 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; Plan and Projections. 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 in these Articles. 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. The General Partners shall use their best efforts to achieve the development and operating budget and the financial projections set forth in a separate document approved in writing by the Partners. The General Partners shall maintain sufficient net worth so that under federal income tax laws the Partnership will be taxable as a partnership and not as a corporation.

9.2 Expenditures. Subject to HUD restrictions, the General Partners, on behalf of the Partnership, are hereby authorized to pay 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 and Special Limited Partner in connection with the Partnership as described in Exhibit B attached hereto and made a part hereof, and such fees shall be paid prior to any distributions to any Partner. Any payments pursuant to this Paragraph, including payments made pursuant to Exhibit B, may be made only from the sources of funds set forth in Paragraph 8.9.

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 (or 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. 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 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 a General Partner, or firms or entities in which a General Partner or its 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 B hereto, provided, however, that all such payments may be made only from the following sources of funds: (i) Surplus Cash as defined in the HUD Regulatory Agreement, (ii) capital contributions, (iii) proceeds of the sale or refinancing of the Project, (iv) project income to the extent the cost or expense is approved by HUD as an item includable in the Project budget, and (v) proceeds of General Partner loans made pursuant to Paragraph 6.10.

9.4 General Authority; Relationship Between General Partners. Except as may be expressly restricted in these Articles, 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 the Limited Partner;

(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 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 a General Partner in its name shall be deemed executed and accepted on behalf of the Partnership by the General Partners).

From time to time the General Partners may delegate to another person or entity any power to act or discretion to exercise. Both General Partners must concur in exercising the foregoing authority and the authority specified Paragraph 9.5 herein, provided however, that in the event the General Partners are unable to agree on any management action or on the exercise of such authority, the decision of Rescorp shall control.

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 and moderate income housing consistent with the provisions of Paragraph 6.11 and qualifying the rehabilitation costs for available federal tax benefits;

(c) hold the Project for rental to persons and families of low and moderate income qualifying the rehabilitation costs, depreciation method, and any other applicable aspects of the Project for available federal tax benefits, subject to Paragraph 6.11 hereof; 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 best efforts to achieve the financial projections described in Paragraph 9.1 hereof. 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 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 Rescorp Realty, Inc. 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 the managing agent 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 shall renew the same or enter into an agreement having substantially similar managing agent obligations and owner remedies, with the same managing agent or another managing agent of at least comparable ability and experience who can reasonably be expected to perform at least as well.

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 set forth in a separate document approved in writing by the Partners or as may otherwise be agreed 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 it 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 Partnership and utilized in the business of the Partnership and any such sale shall cause the dissolution and liquidation of the Partnership only if mandated by the provision 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 1992. The General Partners shall, in 1992 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 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 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 Limited Partner. The sale or refinancing of the Project is subject to the HUD Regulatory Agreement and Rider attached hereto.

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, has exceeded its 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. In any threatened, pending or completed action, suit or proceeding to which a General Partner was or is a party or is threatened to be made a party, by reason of the fact that it was or is a general partner of the Partnership (other than an action by the Limited Partner or a securities action as discussed in 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

Partner against expenses, including attorneys' fees, judgments and amounts paid in settlement, actually and reasonably incurred by the General Partner in connection with such action, suit or proceeding, provided the General Partner acted in good faith and in a manner it reasonably believed to be in or not opposed to, the best interests of the Partnership, and further provided that its 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 Partner did not act in good faith and in a manner which it reasonably believed to be in, or not opposed to, the best interest of the Partnership.

9.11 Indemnification -- Securities Actions. In any threatened, pending or completed action, suit or proceeding under the 1933 Act or any state or other federal securities law or at common law or otherwise, to which a General Partner was or is a party, or is threatened to be made a party by reason of the fact that it was or is a general partner of the Partnership, and which arises out of or is based upon (i) any failure or alleged failure to register the Limited Partner's Interest under the 1933 Act or such other securities laws; (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 Limited Partner'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 securities laws, the Partnership shall indemnify, to the extent of its assets, the General Partner 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 Partner is 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 has been made; provided, however, that no such settlement made with the Limited Partner shall be subject to the foregoing indemnity obligation.

9.12 Indemnification -- Advance Payment of Expenses. 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 a 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.

9.13 Indemnification -- Miscellaneous. Directors, officers, employees, agents and assigns of a General Partner 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. All payments pursuant to Paragraphs 9.10, 9.11, 9.12 and 9.13 shall be made only from the following sources: (i) Surplus Cash as defined in the HUD Regulatory Agreement, (ii) capital contributions and (iii) proceeds from the sale or refinancing of the Project.

9.14 Scope of Liability. A General Partner shall not be liable, responsible, or accountable in damages to the Partnership, to the Limited Partner or Special Limited Partner, 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 Partner has acted in good faith. Any act or omission of a General Partner, the effect of which may cause or result in loss or damage to the Partnership or to the Limited Partner or Special Limited Partner, if done pursuant to the advice of legal or accounting counsel, shall be conclusively presumed not to constitute misconduct or negligence. Further, a General Partner shall not be liable to the Limited Partner for the return or repayment of the capital of the Limited Partner, subject, however, to the provisions of this paragraph, and the 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 Limited Partner shall have no recourse against a General Partner for such purpose. Notwithstanding the foregoing, a General Partner may have liability in accordance with the HUD Regulatory Agreement.

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 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 Partner, 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 Regulatory Agreements and Rider to Articles. The Partners hereto acknowledge that an eight (8) page Rider is attached hereto and hereby incorporated herein and hereby agree to

be bound by the covenants, terms, and conditions thereof. In the event of any inconsistecy or conflict between the covenants, terms and conditions of said Rider and these Articles, the covenants, terms and conditions of said Rider shall govern and control, provided further, in the event of any inconsistency or conflict between said Rider, these Articles, and the HUD Regulatory Agreement, the covenants, terms and conditions of the HUD Regulatory Agreement shall govern and control.

ARTICLE X

Admission of Partners; Assignment Restrictions

10.1 Admission of Partners. Subject to the provisions of the HUD Regulatory Agreement and the Partnership Rider attached hereto, the General Partners shall not, without the prior written approval of the Limited Partner, substitute a general partner in its stead or admit any additional general partners or any additional limited partners. 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.

10.2 Sale or Assignment by General Partners. Except as provided in Paragraph 10.1 hereof, the General Partners shall not sell, transfer, or assign all or any part of their interests as general partners of the Partnership.

10.3 Sale or Assignment by Limited Partner. The Limited Partner, the Special Limited Partner or any substituted limited partner shall not sell, assign, pledge or otherwise transfer all or any portion of its 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 of these Articles, 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. Notwithstanding the foregoing, the interest of the Special Limited Partner shall be extinguished, and the Special Limited Partner shall withdraw from the Partnership, with no obligation of the Partnership to refund any capital contribution of the Special Limited Partner or to make any other payment to the Special Limited Partner, concurrently with the final endorsement of the Partnership mortgage note by HUD.

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 the Limited Partner's or Special 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 a General Partner, the Special Limited Partner or the Limited Partner 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.

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 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 in these Articles. Any Partner who withdraws from the Partnership or otherwise causes a dissolution of the Partnership in contravention of these Articles 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.

11.2 Removal for Cause. Notwithstanding anything contained in these Articles to the contrary, the 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 by these Articles, that would substantially reduce tax benefits or substantially increase tax liabilities of the Limited Partner; or (e) material or repeated failure to comply with any other obligations under these Articles (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 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 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 17.1 hereof. Under all other circumstances, such removal will be effective only after a failure by the 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 dissolving general partner under Paragraph 11.1 hereof and may be replaced by one or more substitute general partner(s) appointed by the Limited Partner pursuant to Paragraph 11.4 hereof.

11.3 Adverse Events Affecting 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, 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 successor special limited partner (a "successor special limited partner"). Any successor special 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 Limited Partner, as such, pursuant hereto. No successor special 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 Partner. 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 successor special 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 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 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 Limited Partner determines from its interest in the Partnership and shall amend these Articles 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 these Articles 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 in these Articles. In the event the Limited Partner fails to select substitute general partner(s) within ninety (90) days following the withdrawal or other wrongful dissolution or the suffrance 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 Limited Partner. If the Limited Partner suffers any Adverse Event described in Paragraph 11.3 hereof, then the Partnership shall not 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 of these Articles, 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 of these Articles, 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.

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, above and beyond such Partner's capital account, such Partner shall be paid such reasonable rate of interest as may then be agreed upon by the General Partners, subject to Paragraph 6.10 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 his 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 of these Articles or upon the written consent of all Partners.

12.3 Priorities. Except as may otherwise expressly be provided in these Articles, there shall be no priority of the 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 Limited Partner may elect or act as a 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:

(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 trustees. 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 Partner

14.1 Limited Recourse Liability. The Limited Partner shall be liable for Partnership liabilities and obligations in an amount equal to the portion of its limited partnership interest in the Partnership that at any time has not yet been paid by it. For example, if the Limited 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. Subject to the Rider attached hereto and except to the extent set out in Paragraph 14.1 hereof, the Limited Partner 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 it has contributed and agreed to contribute to the capital of the Partnership, anything to the contrary herein expressed or implied notwithstanding. The Limited Partner shall not be required to lend funds to the Partnership for any purpose. The Limited Partner as a limited partner shall not take part in the management of the business or transact any business for the Partnership, and the Limited Partner as a limited partner shall not have the power to sign for or to bind the Partnership. The Limited Partner shall not be entitled to the return of its contribution except to the extent provided for in these Articles.

ARTICLE XV

Investment Representations

The 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 or one of them and to sell the same, subject to Paragraph 10.3 hereof. The 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.

ARTICLE XVI

Arbitration

16.1 Required Submission. Any claim or dispute among the Partners arising out of or relating to these Articles 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 Partner, and one by the arbitrators thus appointed by the General and Limited Partners.

16.3 Failure to Cooperate. In the event either Partner fails 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 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 arbitra-

tor(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), provided, however, any such payment shall be made only from (i) Surplus Cash as defined in the HUD Regulatory Agreement, (ii) capital contributions or (iii) proceeds from the sale or refinancing of the Project.

ARTICLE XVII

General Provisions

17.1 Notices. All notices, offers, or other communications required or permitted to be given pursuant to these Articles 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 the address of the Partnership as set forth in Article IV hereof, with a copy to Park Apartments at the address shown on the signature page herewith, and if to a Limited Partner or to the Special Limited Partner, to the address set forth beneath each such Partner's signature to these Articles or a counterpart hereof. The Limited Partner or Special Limited Partner may change its address by giving notice in writing stating its new address to the General Partners, and either General Partner may change its address by giving such notice to the Limited Partner and Special Limited Partner. 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 to these Articles.

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

17.3 Severability. Whenever possible, each provision of these Articles shall be interpreted in such manner as to be effective and valid under applicable law; but if any provision of these Articles 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 of these Articles or the application of such provisions to other parties or circumstances.

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 under these Articles 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. These Articles 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.

17.7 Entire Agreement. These Articles contain the entire understanding among the Partners and supersede any prior understandings and/or written or oral agreements among them respecting the within subject matter. There are no representations, agreements, arrangements, or understandings, oral or written, between or among the parties hereto relating to the subject matter of these Articles that are not fully expressed herein.

17.8 Signature Page. The Limited Partner hereby agrees to all of the terms and provisions of the foregoing Articles 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.

ARTICLE XVIII

HUD and IHDA Provisions

18.1 HUD Provisions

(A) Nothing contained in this Agreement shall permit the issuance or execution of any note, contract, evidence of indebtedness or other obligation which is payable only from (i) capital contributions, (ii) surplus cash of the Project or (iii) proceeds from the sale or refinancing of the Project unless such note, contract, evidence of indebtedness or other obligation shall recite on its face that such obligation, including interest

thereon, shall be payable only from such sources; and such note, contract, or evidence of indebtedness will not otherwise be an obligation of the Partnership or of the Project. All accounts of the Partnership shall specifically identify such limited source of funds for payment of these obligations in such manner that financial statements and reports, and audit reports will reflect the limited source of payment thereof.

(B) Nothing contained in this Agreement shall permit the distribution of any Surplus Cash (as defined in the Regulatory Agreement) to the Partnership or the payment of any project funds in violation of the Regulatory Agreement, or HUD rules and regulations.

(C) The Land Trustee (on behalf of the Partnership) and/or the Partnership are authorized to execute the HUD Regulatory Agreement and any other documents required by HUD in connection with the acquisition and rehabilitation of the Project by the Partnership. So long as the Project is encumbered by a mortgage held or insured by HUD, the assignee or transferee of any Partner shall, as a condition of receiving interests in the Partnership or its property, agree to be bound by the HUD Regulatory Agreement and other documents required in connection with HUD insured loans to the same extent and on the same terms as those who had interests in the Partnership (whether as a Partner or otherwise) at the time of the acquisition by the Partnership of the Project. Upon dissolution of the Partnership, no title or right to possession or control of any property then encumbered by a mortgage held or insured by HUD, and no right to collect the rents therefrom, shall pass to any person or entity who is not bound by the Regulatory Agreement in a manner satisfactory to HUD.

(D) In the event of any conflict between the provisions of this Agreement and any amendments thereof with provisions of the HUD Regulatory Agreement, the provisions of the HUD Regulatory Agreement shall govern and control.

(E) The provisions of this Article XVIII will automatically become void and of no further force and effect at such time as the Project is no longer encumbered by a mortgage insured or held by HUD.

(F) So long as the Secretary of Housing and Urban Development, or his successors and assigns, is the insurer or holder of a mortgage on the Project, no amendment of this Agreement which results in any of the following shall be of force and effect without the prior written consent of HUD: (1) any amendment which modifies the duration of this Agreement; (2) any amendment which results in the requirement that a HUD prior participation certification be obtained for any additional party; and (3) any amendment which in any way impacts on or affects the HUD insured mortgage or HUD Regulatory Agreement.

(G) The General Partner shall promptly submit this Agreement to HUD for its approval of the Partners and this Agreement. If HUD requires any changes to this Agreement as a condition to granting such approval, the Partners shall promptly consider these changes and agree to any such changes that do not materially and adversely affect the rights and agreements contained herein.

(H) Any promissory note, contract, evidence of indebtedness or other obligation which is payable only from (i) contributed capital, (ii) Surplus Cash (as defined in the Regulatory Agreement) and/or (iii) proceeds from the sale or refinancing of the Project shall recite on the face of such obligation that the obligation, including any interest thereon, shall be payable only from such sources and will not otherwise be an obligation of the Project. All accounts of the Partnership shall identify such limited source of funds for payment of such obligations in such manner that financial and audit statements and reports will reflect the limited source of payment thereof. Nothing contained herein shall permit the distribution of Surplus Cash (as defined in the HUD Regulatory Agreement) to the Partnership in violation of the HUD Regulatory Agreement or applicable HUD rules or regulations.

(I) So long as the Secretary of Housing and Urban Development, or his successor assigns, is the insurer or holder of a mortgage on the project, and HUD requires any amendments to this Agreement, such Amendments shall be made in accordance with the requirements of HUD provided that IHDA shall approve such amendment in writing.

(J) If there is any conflict between this Agreement and the HUD Regulatory Agreement, the HUD Regulatory Agreement shall prevail.

(K) If there is any conflict between the HUD Regulatory Agreement and the IHDA Regulatory Agreement, the HUD Regulatory Agreement shall prevail. The IHDA Regulatory Agreement is defined as that Agreement entered or to be entered into between IHDA, the Partnership and the Land Trustee concurrently with the acquisition of the Project by the Partnership, as required pursuant to Ch. 67½, Sec. 3010334, Illinois Revised Statutes.

18.2 <u>IHDA Provisions/Incorporation of Rider</u>. The parties hereto acknowledge that an eight (8) page Rider is attached hereto and is hereby incorporated herein and hereby agree to be bound by the covenants, terms and conditions thereof. In the event of any inconsistency or conflict between the covenants, terms and conditions of said Rider and this Partnership Agreement and Certificate of Limited Partnership, the covenants, terms and conditions of said Rider shall govern and control.

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:

North Washington Park Apartments
an Illinois corporation

By: _____
Title: Pres.

Address:

500 East 51st Street
Chicago, Illinios 60615

(SEAL)

Attest:

_____
Title:

Subscribed and sworn to
by the foregoing officers
before me this 21st day
of February, 1988.

_____
Notary Public

Commission Expires: 2.6.89

Rescorp Development, Inc.,
an Illinois corporation

By: _____
Title: PRESIDENT

Address:

7 South Dearborn Street
Suite 1116
Chicago, Illinois 60603

88082624

Attest:

A. Maerz Kleinmix

Title: Asst. Sec.

Subscribed and sworn to
by the foregoing officers
before me this 21st day
of February, 1986.

Notary Public

Commission Expires: 6/19/89

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:

Title: PRESIDENT

Address of Limited Partner:

c/o Chicago Equity Fund, Inc.
14 West Erie Street
Chicago, Illinois 60610
Attention: Patrick C. Johnson

(SEAL)

Attest:

Title: Assistant Secretary

Subscribed and sworn to
by the aforesaid officers
before me this 21st day
of February, 1986.

Notary Public

Commission Expires: 2.6.89

(SEAL)

SPECIAL LIMITED PARTNER:

LINN MATHES, INC.,
an Illinois Corporation

By: Paul Mathes
Title: PRESIDENT

Address of Special Limited Partner:

509 S GREEN
CHICAGO, IL 60607

Attest:

Title:

Subscribed and sworn to
by the aforesaid officers
before me this 21st day
of February, 1986.

Notary Public

Commission Expires: 2.6.89

[SEAL]

86082624

SCHEDULE OF EXHIBITS

Exhibit A: Limited Partner Promissory Note

Exhibit B: Fees and Expenses

Exhibit C: Rider to Partnership Agreement

EXHIBIT A-1

LIMITED PARTNER PROMISSORY NOTE

$486,865 _____, 1985
Chicago, Illinois

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of The North Washington Park Partnership, an Illinois limited partnership (the "Partnership"), at Chicago, Illinois, the principal sum of Four Hundred Eighty-Six Thousand, Eight Hundred Sixty-Five and No/100 Dollars ($486,865), without interest, on January 31, 1987.

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 Payee 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%) over The First National Bank of Chicago's announced prime rate from time to time in effect and changing simultaneously with each announced change in such announced prime 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 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 Amended and Restated Articles of Limited Partnership described hereinbelow. By the terms of such Articles, 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 6.6, 6.7 and 6.8 of such Articles.

This Note is given in accordance with and subject to those certain Amended and Restated Articles and Certificate of Limited Partnership of the Partnership dated as of February 5, 1986, to which the undersigned is a party, which Articles are hereby incorporated herein by this reference.

Without limiting the foregoing, the undersigned hereby acknowledges that this Note may be collaterally assigned without recourse or warranty by the Partnership to secure any indebtedness of the Partnership, now or hereafter existing, to North Washington Park Apartments Corporation and/or Rescorp Development, Inc. (the "General Partners") or any affiliate, and may be collaterally assigned by any of them to secure any indebtedness of any of them, now or hereafter existing to any lender to which the Partnership is now or hereafter indebted.

IN WITNESS WHEREOF, Maker has executed this Note as of the _____ day of _____, 19__.

CHICAGO EQUITY FUND 1985 PARTNERSHIP, an Illinois general partnership

By: CHICAGO EQUITY FUND, INC., an Illinois not-for-profit corporation, Managing Partner

By: _____
Title:

[SEAL]

Attest

_____
Title:

(636/G)

EXHIBIT A-2

LIMITED PARTNER PROMISSORY NOTE

$442,948 _____, 1985
Chicago, Illinois

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of The North Washington Park Partnership, an Illinois limited partnership (the "Partnership"), at Chicago, Illinois, the principal sum of Four Hundred Forty-Two Thousand, Nine Hundred Forty-Eight and No/100 Dollars ($442,948), without interest, on January 31, 1988.

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 Payee 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%) over The First National Bank of Chicago's announced prime rate from time to time in effect and changing simultaneously with each announced change in such announced prime 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 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.