

**PARTNERSHIP AGREEMENT-LIMITED**

\_\_\_\_\_, LTD.

THIS AGREEMENT OF LIMITED PARTNERSHIP (the Agreement) is made this \_\_\_\_\_ day of \_\_\_\_\_, by and between the persons named in Exhibit A attached hereto to form a Limited Partnership (the Partnership) under the provisions of \_\_\_\_\_ (*State Statute*) for the purposes and upon the terms and conditions hereinafter set forth.

1. *Name.* The name of the partnership is \_\_\_\_\_, Ltd.

2. *Purpose.* The purpose of the partnership is to \_\_\_\_\_, paying taxes, utilities and other costs relating to the operation of business of the partnership, to borrow money secured by mortgages on partnership property, and to do any and all things which may be necessary, incidental or convenient to carry on the partnership business as contemplated under this Agreement, including the making of incidental investments of cash in savings accounts or interest bearing securities. The partnership shall not engage in any business or activity unrelated to the operation or management of the partnership business without the specific written consent of all the limited partnership interests.

3. *Place of Business.* The principal place of business of the partnership shall be

\_\_\_\_\_ (*Location and Address*),

but until then at such other substituted or additional places of business as may be designated by the General Partners. \_\_\_\_\_ (*Name and Address*) shall serve as the registered agent and his office at:

\_\_\_\_\_ (*Location and Address*),

shall serve as the registered office of the partnership.

4. *Term.* The term of the partnership shall expire on \_\_\_\_\_ unless earlier

dissolved by operation of law or pursuant to any other provision of this Agreement.

5. *Capital Contributions and Interests in Assets.*

(a) The General Partners have contributed to the partnership cash, services, or other valuable properties for which they shall each be issued partnership units representing in the aggregate a \_\_\_\_\_ percent interest in the assets of the partnership.

(b) The Limited Partners have each contributed to the partnership cash in the amount set forth opposite their names in Exhibit A for which they shall each be issued partnership units representing in the aggregate a \_\_\_\_\_ percent interest in the assets of the partnership.

(c) Any amounts held by the partnership and not required for the purposes of its business, including reasonable reserves for contingencies, may, in the sole discretion of the General Partners, be distributed among the Partners pursuant to the terms hereof. No Partner shall be entitled to make withdrawals from his individual account or have returned to him his capital contribution except in accordance with the terms of this Agreement. No Partner shall have the right to require that a distribution to him be made other than in cash.

(d) No interest shall be paid on the capital contribution of any Partner.

6. *Cash Distributions, Profits and Losses.*

(a) Computation of Current Distributions. Current Distributions shall be computed each calendar year and allocated as of the last day of each year. "Current Distributions" shall include cash receipts from \_\_\_\_\_ for the year and other cash funds provided from operations for the year determined by the General Partner in accordance with generally accepted accounting principles, by adding back to the net income (or loss) of the partnership those expenses not requiring current cash outlays and by excluding from the net income (or loss) any proceeds from

the sale, refinancing or other disposition of the Project in whole or in part, or any other partnership property or investment, but in both cases after deducting mortgage payments representing reductions in mortgage principal balances and after deducting (or restoring) such amounts of lease payments and cash funds provided from operations for the year (or from a prior year) as are determined in the sole discretion of the General Partners to be reasonably necessary (or no longer necessary) to be expended or held as reserves for the conduct of the partnership business, including future payment of anticipated obligations and contingent liabilities of the partnership.

(b) Distribution of Current Distributions. Except as otherwise provided by this Agreement or required by law, Current Distributions shall be distributed to the Partners in the following order or priority:

1. First to the Limited Partners in the aggregate an amount equal to the applicable percentage rate times their original cash investment less any current distributions previously made under Subparagraph (2) hereof. The applicable rate for the year \_\_\_\_\_ shall be \_\_\_\_\_ percent. Thereafter, the applicable rate for any year shall increase or decrease by the same percentage as the percentage change from any year in the U.S. Department of Labor's Consumer Price Index, provided, however, that the maximum change for any year shall not exceed \_\_\_\_\_ percent. Any current distributions under this Subparagraph not paid in the year determined shall be paid in a later year before any other current distributions are made.

2. The balance, if any, \_\_\_\_\_ percent to the Limited Partners and \_\_\_\_\_ percent to the General Partners.

Current Distributions to be distributed to the General Partners as a group and to the Limited Partners as a group shall be allocated to each holder of a Unit in the same ratio that the number of Units held by such holder bears to the number of Units held by all holders of Units.

(c) Distributions at Liquidation. When the partnership liquidates or when the interest of any Partner is liquidated, the partnership shall distribute its cash and/or assets among the Partners (or to the Partner whose interest is being liquidated), in accordance with capital account balances (see

Section 7(a)). In the event a Partner has a negative capital account balance at the time his interest is being liquidated or at the time the partnership is being liquidated, said Partner shall make a cash contribution to the partnership of any amount sufficient to bring his capital account to zero.

(d) Profits and Losses.

1. "Profits and Losses" shall mean, for both partnership accounting and tax purposes, the profits and losses determined for purposes of preparing the partnership's information return for federal income tax purposes, provided, however, that depreciation shall be allocated \_\_\_\_\_ percent to the Limited Partners and \_\_\_\_\_ percent to the General Partners. For tax purposes, except as specifically provided to the contrary herein, all items of gain, loss, deduction or credit shall be allocated to and among the Partners in the same percentages in which the Partners share net profits and net losses.
2. Profits and Losses for any period shall be allocated among the Partners in the following percentages: \_\_\_\_\_ percent to the Limited Partners and \_\_\_\_\_ percent to the General Partners. Profits and Losses to be allocated to the General Partners as a group and to the Limited Partners as a group pursuant to this Section shall be allocated to each holder of a Unit in the ratio that the number of Units held by such holder bears to the number of Units held by all holders of Units.
3. Profits arising from the sale or other disposition of the partnership business, in whole or in part, or any other partnership properties or investments, shall be allocated to each Partner having a negative balance in his respective capital account, in the proportions that such negative balances bear to each other, in an amount sufficient to bring his capital account to zero, and thereafter shall be allocated among the Partners as provided in Section 6(d)(2).
4. Losses arising from the sale or other disposition of the partnership business, in whole or in part, or any other partnership properties or investments, shall be allocated among the Partners as provided in Section 6(d)(2).

7. *Partnership Accounts.*

(a) Capital Accounts. Separate capital accounts shall be maintained for each Partner. Each Partner's capital account shall be increased by: (1) cash contributions made by him, (2) the fair market value of property contributed by him minus liabilities secured by the property assumed by the partnership, or to which the property remains subject in the partnership's hands, (3) allocations to the Partner of partnership income and gain; and shall be decreased by (4) cash distributions made to the Partner, (5) the fair market value of property distributed by the partnership to the Partner minus liabilities secured by the property assumed by the Partner, or to which the property remains subject in the Partner's hands, (6) allocations to the Partner of partnership expenditures that are neither deductible nor capitalizable, (7) allocations to the Partner of partnership losses and deductions.

It is the intent of the Partners to meet the requirements of Treasury Regulations Section 1.704-1(b) to qualify partnership allocations as having economic effect. Accordingly, the Partners hereby agree to maintain Partner capital accounts as described above and in all respects in accordance with the requirements of said Treasury Regulations.

(b) Except as otherwise provided herein, no Limited Partner shall be required to make any future contributions to the capital of the partnership, to restore a loss charged to his capital account as a Limited Partner, or to discharge any liability of the partnership.

(c) No Limited Partner shall be personally liable for any liabilities or obligations of the partnership or the General Partners. Any such loss shall be carried as a charge against his capital account, and his share of subsequent net profits of the partnership shall be applied to restore the capital account of such Limited Partner before any current distributions are made to him.

8. *Books of Account and Reports.*

(a) The General Partners, at the expense of the partnership, shall at all times keep and maintain

complete and accurate books, records and accounts of the partnership, in accordance with generally accepted accounting principles and procedures applied in a consistent manner.

(b) The books, records and accounts shall be kept at the principal office of the partnership.

(c) The books shall be kept on a cash basis. The fiscal year of the partnership shall be the calendar year. The General Partners shall furnish progress reports at least annually to the Limited Partners with respect to the operation of the partnership; and shall furnish to the Limited Partners at the end of each fiscal year a balance sheet and report of the receipts, disbursements, net profits and cash flow of the partnership, and the share of the net profits and losses and cash flow of each Partner for the fiscal year, together with a schedule of unpaid liabilities. The cost of such financial reports shall be at the expense of the partnership.

(d) The funds of the partnership shall be deposited in the name of the partnership in insured accounts at financial institutions selected by the General Partners.

9. *Powers, Duties, and Liabilities of General Partners.*

(a) Subject to the limitations contained in Paragraph 10 of this Agreement, the General Partners, in their full and exclusive discretion, shall manage, control and make all decisions affecting or relating to the business, assets, and operations of the partnership, including but not limited to the power to:

(1) To invest the capital of the partnership in the exercise of any rights or powers possessed by the General Partners hereunder;

(2) To acquire interests in property.

(3) To employ, on behalf of the partnership, legal, financial, accounting, real estate and

operational agents, consultants, and employees, as well as initial and nonrecurring professional evaluations, advice, and recommendations concerning and with respect to proposed investments.

(4) To execute, sign, and deliver in furtherance of any or all of the purposes of the partnership, any and all agreements, contracts, documents, certifications, leases, subscriptions and other instruments necessary or convenient in connection with the business of the partnership; all of which may contain such terms, provisions and conditions as the General Partners, in their sole and absolute discretion, shall deem appropriate.

(5) To exercise all voting and other rights incident to the ownership of property by the partnership.

(6) To sell, lease, dispose of, trade, exchange, convey, quitclaim, surrender, release or abandon, upon such terms and conditions as the General Partners may deem advisable, appropriate or convenient, the interests in property owned by the partnership;

(7) To pay or reimburse any and all actual fees, costs and expenses incurred in the organization of the partnership.

(b) The General Partners shall manage the affairs of the partnership or cause the affairs of the partnership to be managed in a prudent and businesslike manner, and shall devote such part of their time to the partnership affairs as is reasonably necessary for the conduct of such affairs; provided, however, that it is expressly understood and agreed that the General Partners shall not be required to devote their entire time or attention to the business of the partnership, nor shall the General Partners be restricted in any manner from participating in other businesses or activities, despite the fact that the same may be competitive with the business of the partnership.

(c) In carrying out their obligations, the General Partners shall:

(1) Render periodic progress reports to the Limited Partners with respect to operations of

the partnership;

(2) Furnish, on an annual basis, financial statements, reviewed by a recognized firm of independent public accountants;

(3) Obtain and maintain such public liability and other insurance as may be available and as may be deemed necessary or appropriate by the General Partners.

(4) Maintain complete and accurate records of all properties owned or leased by the partnership and complete and accurate books of account (containing such information as shall be necessary to record allocations and distributions), and make such records and books of account available for inspection and audit by any Partner or his duly authorized representative (at the expense of such Partner) during regular business hours and at the principal office of the partnership;

(5) Cause to be filed such certificates and do such other acts as may be required by law to qualify and maintain the partnership as a Limited partnership.

(d) Without obtaining the consent of all the Limited Partners, the General Partners shall not do any of the following:

(1) Act in contravention to this agreement;

(2) Do any act which would make it impossible to carry on the ordinary business of the partnership;

(3) Confess a judgment against the partnership;

(4) Admit a person or entity as a General Partner or as a Limited Partner except as provided herein;

(5) Possess partnership property or sell, transfer, assign, pledge or subject to mortgage or security interest any partnership property for any other than a partnership purpose;

(6) Amend this agreement.

(e) The General Partners may charge the partnership for all reasonable expenses actually incurred by them in connection with the partnership's business and all allocable portions of expenses incurred in connection with both partnership and other activities, such allocation to be determined on any basis selected by the General Partners consistent with generally accepted accounting practices. Such expenses shall include payment of fees and expenses to attorneys, accountants, special consultants and others in the operation of the partnership business.

(f) In carrying out their duties hereunder, the General Partners shall not be liable to the partnership or to any other Partner for any actions taken in good faith and reasonably believed to be in the best interests of the partnership, or for errors of judgment, but shall only be liable for willful misconduct, gross negligence, breach of his obligations under the Agreement or other breach of his fiduciary duties.

#### 10. *Rights and Prohibitions of Limited Partners.*

(a) The Limited Partner shall not be prohibited from or restricted in engaging or owning an interest in any other business venture of any nature including any venture which might be competitive with the business of the partnership.

(b) The Limited Partner shall be entitled to:

(1) Have the partnership books kept at the principal place of business of the partnership, and at all times, during reasonable business hours, inspect and copy any of them;

(2) Have on demand true and full information of all things affecting the partnership affairs whenever circumstances render it just and reasonable; and

(3) Have dissolution and winding up of the partnership by decrees of Court.

(c) The Limited Partners shall be entitled to vote on all matters with respect to which Limited Partners are given the right to vote pursuant to law or to this Agreement.

(d) No Limited Partner shall have any right to:

(1) Take part in the control, operation or management of the business of the partnership or to sign for or to bind the partnership, such power being vested solely in the General Partners;

(2) Require partition of partnership property or to compel any sale of partnership assets or of a deceased Partner's interest therein, notwithstanding any other provision of law to the contrary; or

(3) To sell or assign his interest in the partnership or to constitute the vendee or assignee hereunder a substituted Limited Partner, except as provided in Paragraph 12 hereof.

11. *Contracts of Agents.* The partnership or the General Partners on its behalf may from time to time engage, employ or transact any business with any Partner or other persons or entities, whether or not affiliated, associated or connected with the General Partners or any Limited Partner, for the sale of the Units and for the development, construction, rental, operation, management, supervision, maintenance, sale or refinancing of the Project or the management of the partnership, or for any other purpose (including, without limitation, managing agents and consultants, accountants, attorneys and the general contractor for the Project) on such terms and for such consideration as the General Partners shall reasonably determine.

12. *Transfer of Interests of Partners.*

(a) The interest of a General Partner, as such, shall not be transferable, except by a General Partner to an existing General Partner. Any other attempted assignment shall be null and void and ineffective to transfer any such interest.

(b) The interest of a Limited Partner in the profits, losses and current distributions of the partnership shall be assignable but the assignee shall not become a substituted Limited Partners, except as provided herein below. An assignee who does not become a substituted Limited Partner is entitled to receive the share of profits, losses, current distributions and the return of the contribution to which his assignor would otherwise be entitled in respect of the interest assigned, but has no right to vote or approve amendments, to require any information or accounting of the partnership transactions or to inspect the partnership books. No such assignment shall be effective until a copy of an instrument of assignment executed by the assignor and the assignee, in form satisfactory to the General Partners, shall have been received by the General Partners.

(c) The assignee of an interest of a Limited Partner may become a Limited Partner or a substitute Limited Partner upon the occurrence of the following conditions:

(1) The partnership's counsel advises that the assignment is not a violation of the Limited partnership laws in effect in the State of \_\_\_\_\_ and that the assignment may be effected without registration under federal securities laws and would not violate applicable state securities laws.

(2) The assignee shall have become a party to this Agreement; and

(3) The assignor and the assignee shall have executed such certificates or instruments as are required by law and the General Partners.

(d) Notwithstanding the provisions herein above set forth, a Partner's interest or any portion thereof shall not be assigned or transferred to any person who is insane, incompetent, or has not attained his twenty-first (21st) birthday or to a person or entity not lawfully empowered to own such interest. Any assignment or transfer directly to a person or entity under any such disability shall be disregarded by the General Partners and partnership and shall be ineffective to transfer such interest.

13. *Withdrawal of a Partner.*

(a) In the event of the death, bankruptcy or adjudication of insanity or incompetency of an individual General Partner, his interest shall be converted to that of a Limited Partner as of such event, provided however, if such individual was the sole General Partner, the partnership shall terminate unless within one hundred eighty (180) days after such event, the Limited Partners by unanimous vote elect to continue the business of the partnership and designate from among themselves a new individual General Partner or General Partners who consent to and accept such designation as of the date of such event.

(b) A Limited Partner may not withdraw voluntarily from the partnership. If a Limited Partner shall die, or be adjudicated insane or incompetent, the partnership shall not terminate but his executor, administrator or guardian shall become the assignee of the interest of such Partner.

14. *Termination of the Partnership.*

(a) Upon the expiration of the term or earlier termination of the partnership, pursuant to the provisions of this Agreement, General Partners shall proceed with the winding up of the business of the partnership, the dissolution of the partnership and the application and distribution of the assets of the partnership as hereinafter provided.

(1) The assets shall first be applied to the payment of all the debts of the partnership (other than any loans or advances that may have been made to the partnership by Partners) including the expenses of winding up partnership's business, liquidation and dissolution of the partnership. A reasonable time shall be allowed for the orderly liquidation of the assets of the partnership and the discharge of liabilities to creditors so as to enable the then General Partners to minimize the normal losses attendant upon a liquidation.

(2) The assets shall next be applied to retain such amount as the General Partners may deem reasonably necessary as a reserve for any contingent liabilities or obligations of the partnership. Such amount may, in the discretion of the General Partners, be paid over to a financial institution with trust authority in \*, North Carolina, by it for the discharge of liabilities of the partnership and the distribution of the balance, if any, as hereinafter provided.

(3) The assets shall next be applied to the repayment of any loans or advances made by Partners to the partnership.

(4) The assets shall next be applied to the payment of any unpaid accumulated current distributions under Section 6(b)(1).

(5) The remaining assets shall then be divided among all the Partners as provided in Section 6(c).

(b) Each of the Partners shall be furnished with a statement which shall set forth the assets and liabilities of the partnership as of the date of the complete liquidation of the partnership. Upon the General Partners complying with the foregoing distribution plan, the Limited Partner shall cease to be such, and the General Partners as the sole remaining Partners of the partnership, shall execute and cause to be filed a Certificate of Cancellation of the partnership and any and all other documents necessary with respect to termination and cancellation of the partnership.

15. *Amendment.*

(a) All amendments to this Agreement shall be made only with the approval of the Limited Partners in accordance with this Section. No amendment shall be made which would adversely affect the Federal Income Tax treatment to be afforded the Limited Partners, adversely affect the liabilities of the Limited Partners, or change the method of allocation of profit and loss of current distributions, without disclosure of such fact to the Limited Partners and the unanimous approval of all Limited Partners entitled to vote on such matters under the terms of this Agreement.

16. *Power of Attorney.*

(a) The Limited Partners irrevocably constitute and appoint the General Partners, his true and lawful attorneys in his name, place and stead to make, execute, swear to, acknowledge, deliver and file:

(1) Any certificates or other instruments which may be required to be filed by the partnership under the laws of the State of \_\_\_\_\_ or of any other State or jurisdiction in which the partnership shall transact business or in which the General Partners shall deem it advisable to file;

(2) Any documents, certificates or other instruments described in the preceding subdivision which may be required or deemed desirable by the General Partners to effectuate the provisions of any part of this Agreement and, by way of extension and not in limitation, to do all such other things as shall be necessary to continue and to carry on the business of the partnership, including, to the extent permitted by law, the power to ratify the execution and delivery of notes or instruments authorizing the confession of judgment against the partnership; and

(3) All documents, certificates or other instruments which may be required to effectuate the dissolution and termination of the partnership or the organization of any new Limited partnership occasioned by the death, retirement, adjudication or insanity or incompetence or bankruptcy of a

General Partner as thereinbefore provided.

(b) The Power of Attorney granted hereby shall not constitute a waiver of or be utilized to avoid the rights of the Limited Partners to approve amendments to the Agreement nor used in any other manner inconsistent with the status of the partnership as a Limited partnership.

(c) It is expressly intended by the Limited Partners that the foregoing Power of Attorney is coupled with an interest, is irrevocable and shall survive the death, incompetence or adjudication or insanity of the Limited Partners. The foregoing Power of Attorney shall survive the delivery of an assignment by any of the Limited Partners of the whole or any portion of his interest in the partnership, except that where an assignee of such whole interest has become a substituted Limited Partner, this power shall survive the delivery of such assignment for the sole purpose of enabling the General Partners to execute, acknowledge and file any and all instruments necessary to effectuate such substitution.

17. *General Provisions.*

(a) Any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to any party hereto by the other party hereto shall be in writing and shall be deemed duly served and given when personally delivered to any member of the party to whom it is directed, or in lieu of such personal service, when deposited in the United States mail, first class, postage prepaid, addressed to the General Partners and to the Limited Partners at the addresses set forth in Exhibit A. Any of the General Partners or the Limited Partners may change their addresses for the purpose of this Paragraph. The address of the partnership shall be at its registered office.

(b) This Agreement and all amendments hereof shall be governed by the laws of the State of \_\_\_\_\_.

(c) The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement.

(d) This Agreement may be executed in numerous counterparts each of which shall constitute an original and which taken together shall constitute one single Agreement.

(e) This Agreement shall be binding upon and inure to the benefit of the executors, administrators, successors and permitted assigns of the respective Partners.

(f) The waiver of any breach, item, provision, term, covenant, and/or condition of this Agreement by the General Partners shall not constitute a continuing waiver or a waiver of any subsequent breach either of the same or of any other additional or different provision, term, covenant, or condition.

(g) This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations of the jurisdictions in which the partnership does business. If any provisions of this Agreement, or the application thereof to any person or circumstances, shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provisions to the other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

(h) This Agreement contains the entire understanding among the parties and supersedes any prior understanding and agreements between them respecting the within subject matter. There are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter of this Agreement which are not fully expressed herein.

*EXHIBIT A*

_____	_____	_____
General Partner	Contribution	Percentage

_____	_____	_____
General Partner	Contribution	Percentage

_____	_____	_____
Limited Partner	Contribution	Percentage

_____	_____	_____
Limited Partner	Contribution	Percentage

*EXHIBIT B*

Legal Description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_