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RIVER PLACE, LTD.
AMENDED AND RESTATED AGREEMENT AND AMENDED
AND RESTATED CERTIFICATE OF LIMITED PARTNERSHIP

December 30, 1985

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Return to:
WELDEN AND HARBIN
P. O. BOX 55465
BIRMINGHAM, AL 35255

RIVER PLACE, LTD.
AMENDED AND RESTATED AGREEMENT AND AMENDED
AND RESTATED CERTIFICATE OF LIMITED PARTNERSHIP

This Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership is made and entered the 30th day of December, 1985, by and among the undersigned parties.

WHEREAS, as of December 20, 1985, Altadena, Inc. ("Altadena" or the "Local General Partner"), an Alabama corporation, and C.R.H.C., Incorporated ("CRHC"), a Delaware corporation, as General Partners, and Capital Realty Investors-85 Limited Partnership, a Maryland limited partnership, as Limited Partner, executed a Certificate and Agreement of Limited Partnership for the formation of a limited partnership pursuant to the Uniform Limited Partnership Act of the State of Alabama known as River Place, Ltd. (the "Partnership"), and subsequently filed such Certificate with the Judge of Probate, Jefferson County, Alabama on December 20, 1985 and with the Judge of Probate, Shelby County, Alabama, on March 31, 1986; and

WHEREAS, the Partnership was formed for the purpose of acquiring, owning, operating, and managing a 213-unit apartment complex located in Shelby County, Alabama, currently known as River Place Apartments (the "Development"); and

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WHEREAS, the Development is being financed with a permanent mortgage loan originally issued on June 3, 1976 by Engel Mortgage Company, Inc. in the original amount of $3,230,000 (the "Mortgage Loan") which Mortgage Loan is held by Engel Mortgage Company, Inc. (the "Mortgagee); and

WHEREAS, the Mortgage Loan is being insured by the United States Department of Housing and Urban Development (hereinafter "HUD") pursuant to Sections 207 and 223(f) of the National Housing Act, as amended; and

WHEREAS, the parties hereto now desire to amend the Agreement and Certificate to provide for (i) the incorporation of additional terms and provisions which will govern the Partnership and (ii) the setting forth of all of the provisions governing the Partnership in a single instrument.

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby sign and swear to this Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership, which reads in its entirety as follows:

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## ARTICLE I
## CONTINUATION OF PARTNERSHIP

1.01. Continuation. The undersigned hereby continue the Partnership as a limited partnership under the Alabama Limited Partnership Act of 1983.

1.02. Name. The name of the Partnership is RIVER PLACE, LTD..

1.03. (a) Office. The Alabama office and principal place of business of the Partnership shall be c/o Altadena, Inc, 2040 Highland Avenue, Birmingham, Alabama 35205 and with a mailing address of P.O. Box 55465, Birmingham, Alabama 35255. The Partnership shall also maintain an office c/o C.R.H.C., Incorporated, One Central Plaza, 11300 Rockville Pike, Rockville, Maryland 20852. The Partnership may change the location of its offices and principal place of business to such other place or places as may hereafter be determined by the Managing General Partner. The Managing General Partner shall promptly notify all other Partners of any change in the offices or principal place of business of the Partnership. The Partnership may maintain such other offices and places of business at such other place or places as the Managing General Partner may from time to time deem advisable.

(b) Agent. The agent for service of process of the Partnership is Robin Harbin, Esquire whose street address is 2040 Highland Avenue, Birmingham, Alabama 35205 and with a mailing address of P.O. Box 55465, Birmingham, Alabama 35255.

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1.04. Term. The term of the Partnership commenced as of November 1, 1985, and shall continue until December 31, 2015 (or as otherwise provided by law) unless the Partnership is sooner dissolved in accordance with the provisions of this Agreement.

1.05. Recording of Certificate. Upon the execution of this Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership by the parties hereto, the Managing General Partner shall take all actions necessary to assure the prompt filing hereof as required by the Alabama Limited Partnership Act of 1983 and shall register the Partnership under any assumed or fictitious name statute or similar law in force and effect in the State of Alabama. This Agreement shall be filed in both Jefferson County and Shelby County, Alabama. All fees for filing shall be paid for out of the Partnership's assets.

## ARTICLE II
## DEFINED TERMS

In addition to the abbreviations of the parties set forth in the preamble to this Agreement, the following defined terms used in this Agreement shall have the meanings specified below:

"Affiliate" means any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with a General or Limited Partner, or with another designated Person, as the context may require.

"Agreement" means this Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership, as amended from time to time.

"Altadena" means Altadena, Inc., an Alabama corporation, acting as the Local General Partner and the Managing General Partner. The owners of Altadena are and shall remain, subject to the terms of Section 4.01(z) hereof, C. B. Shewmake, C. B. Shewmake, Jr., W. Edgar Welden, Charles V. Welden, Jr. and Peter Field.

"Bankruptcy" or "Bankrupt" as to any Person means the filing of a petition for relief as to any such Person as debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law (except if such petition is contested by such Person and has been dismissed within 60 days); insolvency of such Person as finally determined by a court proceeding; filing by such Person of a petition or application for relief as a debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; or commencement of any proceedings relating to such Person under the foregoing bankruptcy laws or any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 60 days.

"Capital Account" means the capital account of a Partner as described in Section 11.05.

"Capital Contribution" means the total amount of money or other property contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of this Agreement. Any reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Interest of such Partner.

"Capital Event" means the disposition, whether by partial sale (except when such sale proceeds are to be used pursuant to a plan or budget approved by all of the General Partners and, if required, by HUD), casualty (where the proceeds are not to be used for reconstruction), condemnation, refinancing or similar event of any part of the Development, prior to the sale of the Development, where the gross proceeds from such sale or event exceed $10,000.

"Cash Flow" means Net Cash Flow, as defined in this Agreement, plus amounts necessary to repay the principal amount of any loans to the Partnership pursuant to Section 8.14.

"Certificate" means this Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership.

"Code" means the Internal Revenue Code of 1954, as amended, or any corresponding provision or provisions of succeeding law.

"Collateral Note" means the non-negotiable promissory note of CRI-85 in favor of the Former Owner in the amount of $100,000 payable as set forth in Section 7.03(a)(ii) and as evidenced by a promissory note in the form attached hereto as Exhibit C.

"Consent" means either the written consent of a Person, or the affirmative vote of such Person pursuant to Article XIV, as the case may be, to do the act or thing for which the consent is solicited, or the act of granting such consent, as the context may require. Reference to the Consent of a stated percentage in Interest of the Limited Partners means the Consent of so many of the Limited Partners not then in default whose combined Partnership Interests represent such stated percentage of the total Partnership Interests of the Partners not then in default.

"Contribution Recipient" means collectively the person or persons who would have been an indemnified party or indemnified parties under Sections 4.01(l) or 4.02 of this Agreement but for the fact that the provisions of such sections, or portions thereof, are to any extent invalid or unenforceable. Such person(s) right to contribution are set forth in Section 4.03 of this Agreement.

"Contributor" means the person or persons required to make payments to a Contribution Recipient in accordance with Section 4.03 of this Agreement.

"CRHC" means C.R.H.C., Incorporated, a Delaware corporation, which is a General Partner of the Partnership and an Affiliate of CRI.

"CRI" means C.R.I., Inc., a Delaware corporation, which is an Affiliate of CRHC, and which is the Managing General Partner of CRI-85.

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"CRI-85" means Capital Realty Investors-85 Limited Partnership, a Maryland limited partnership, which is a Limited Partner of the Partnership.

"CRICO Securities" means CRICO Securities Corporation, a Delaware corporation, which is an Affiliate of CRHC.

"Development" means the Land and the 213 unit apartment complex for rental situated thereon, located in Shelby County, Alabama, known as River Place Apartments (or sometimes River Place Homes or Altadena Forests) and designated in HUD records as 062-11001-REF/CON-X.

"Final Adjustment" means a final administrative adjustment at the Partnership level for any item required to be taken into account by a Partner for tax purposes.

"Former Owner" means Altadena Forest Partners, an Alabama General Partnership, in which Algernon Blair, Inc., C.B. Shewmake and C.B. Shewmake, Jr. are the partners. Such partnership is the prior owner of the Development and is the payee of the Purchase Money Notes.

"General Partners" means Altadena, Inc. and CRHC, and any other Person admitted as a general partner pursuant to this Agreement, and their successors, for so long as each such general partner remains a general partner of the Partnership.

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"HUD" means the United States Department of Housing and Urban Development, acting through any authorized representative.

"Interest" or "Partnership Interest" means the ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in this Agreement and under the Uniform Limited Partnership Act as in effect in the State of Alabama, together with the obligations of such Partner to comply with all the terms and provisions of this Agreement and of said Act, which Interest shall, absent proof to the contrary, be as set forth in Section 5.01.

"Judicial Review" means the judicial proceedings for the adjustment at the Partnership level of any item required to be taken into account by a Partner for income tax purposes.

"Land" means that certain tract of land upon which the Development is located.

"Limited Partner" means CRI-85, or any Limited Partner in such Person's capacity as a limited partner of the Partnership, for so long as each such limited partner remains a limited partner of the Partnership.

"Liquidator" means the Managing General Partner or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership upon its dissolution.

"Local General Partner" means Altadena, and its successors and assigns designated or appointed pursuant to this Agreement.

"Management Agent" means the Person, firm or company engaged by the Partnership and selected by the Managing General Partner pursuant to Section 8.11, but subject to the provisions of Sections 8.12 and 8.13 below.

"Managing General Partner" means Altadena or any other Person substituted for it or its successors or assigns pursuant to the Agreement.

"Merrill Lynch" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Mortgage Loan" means the mortgage note in the original principal amount of $3,230,000 and the mortgage, both dated June 3, 1976 (and any related security agreement or financing statement) which was entered into by the the Original Owner, assumed thereafter by the Former Owner, and thereafter the obligation for payment has been assumed by the Partnership in accordance with HUD Transfer of Physical Assets procedures, and which such assumption specifically provides that none of the Partners shall assume any personal liability for the repayment of such Mortgage Loan (except as specifically set forth in the Regulatory Agreement which has been incorporated by reference in the mortgage); all of which is in favor of Engel Mortgage Company, Inc. and which mortgage note was finally endorsed for insurance by HUD on June 3, 1976 and which mortgage was recorded in the Office of Judge of Probate of Shelby County, Alabama, on June 3, 1976, in Mortgage Book 355, at Page 132, and which mortgage is insured by HUD.

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"Mortgagee" means Engel Mortgage Company, Inc. its successors or assigns.

"Net Cash Flow" means the taxable income of the Partnership for federal income tax purposes as shown on the books of the Partnership, adjusted by the addition of all items set forth in subsection (i) below and adjusted further by the deduction of all items set forth in subsection (ii) below:

(i) Additions to the taxable income of the Partnership:

(A) the amount of depreciation and/or amortization deductions taken in computing such taxable income;

(B) payments for services rendered to the Partnership made from Capital Contributions, to the extent taken as deductions in computing such taxable income;

(C) all other receipts of the Partnership not included in taxable income, exclusive of Capital Contributions and receipts held on account of third parties (including but not limited to security deposits), the proceeds of loans and similar capital receipts not provided for elsewhere;

(D) the net cash proceeds from the sale of any part (but not all or substantially all) of the property owned by the Partnership, to the extent not included in such taxable income; and

(E) any other funds deemed available for distribution and designated as Net Cash Flow by the General Partners jointly with the approval of HUD, if required, including any amounts previously set aside as reserves by the General Partners which they no longer regard as necessary to maintain as reserves for the operation of the Partnership business as provided in Section 8.15.

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(ii) Deductions from the taxable income of the Partnership:

(A) all principal payments for the current fiscal year on the Mortgage Loan and principal payments for the current fiscal year on similar matured obligations of the Partnership;

(B) expenditures for the acquisition of the property of the Partnership and similar capital outlay items not normally chargeable to current operations;

(C) additions to the reserve fund for replacements required for the Development by HUD;

(D) amounts necessary to repay the principal amount of any loans to the Partnership pursuant to Section 8.14;

(E) amounts subject to segregation under HUD regulations for accounts payable and accrued items payable at the close of the Partnership fiscal year;

(F) amounts added to other reserves determined by the General Partners with the approval of HUD to be necessary for the operation of the Partnership business as provided in Section 8.15; and

(G) to the extent included in taxable income, the net cash proceeds resulting from the liquidation of the Partnership's assets and the net cash proceeds resulting from any sale of all or substantially all of the property of the Partnership which are not reinvested.

Net Cash Flow shall be determined separately for each fiscal year and shall not be cumulative. Wherever there is a reference to the distribution of Net Cash Flow pursuant to the provisions of this Agreement and for as long as the Partnership remains subject to the regulatory control of HUD (on account of the continuation of HUD mortgage insurance), Net Cash Flow shall be deemed to be limited to Surplus Cash available for distribution.

"New Allocation" means any allocation made pursuant to Section 11.06(a) of this Agreement.

"Notice" means a writing, containing the information required by this Agreement to be communicated to any Person, personally delivered to such Person or sent by certified mail, postage prepaid, to such Person at the last known address of such Person. With respect to any written communication other than that sent by certified mail, such written communication shall be effective Notice from the date of actual receipt. With respect to certified mail, the date of delivery, refusal of delivery or last failure to claim, as indicated on the postal receipt, shall be deemed the date of receipt of Notice.

"Operating Deficit" means the determination by the accountants for the Partnership that there is a need for additional funds by the Partnership to satisfy any of its obligations, including operating expenses, Mortgage Loan payments, or any other Development debts or expenditures.

"Original Owner" means Lankford Investment Company, Ltd., a limited partnership.

"Partner" means any General Partner and any Limited Partner.

"Partnership" means River Place, Ltd., an Alabama limited partnership.

"Partnership Management Services Fee" means the fee to be paid by the Partnership to Altadena pursuant to Section 8.09(a) of this Agreement.

"Payment Closing" means the date on which final approval by HUD of the transfer of physical assets with respect to the Development and the Partnership is received and this Agreement has been recorded in the appropriate office(s) in the State of Alabama.

"Person" means any individual, partnership, corporation, trust or other entity.

"Purchase Money Notes" means the two classes of non-negotiable, non-recourse purchase money notes, in the aggregate principal amount of $2,500,000, of which 30 notes, each in the principal amount of $50,000, bear interest at the rate of twelve per cent (12.0%) per annum ("Class A Notes") and 20 notes, each in the principal amount of $50,000, bear interest at thirteen and one-quarter per cent (13.25%) per annum ("Class B Notes"); all of which notes provide for compound interest on any outstanding balance during the term of such notes being given by CRI-85 to the Former Owner pursuant to Section 7.03(a)(iii). Such obligation of CRI-85 to pay the aforesaid principal and interest is evidenced by certain non-negotiable, promissory notes in the forms attached hereto as Exhibit A and Exhibit B. The Class A Notes in the form of Exhibit A shall provide for the payment of interest currently to the extent available prior to the payment of interest currently on the Class B Notes in the form of Exhibit B. Interest on the Class B Notes shall be deferred to payment in full of all current interest due on the Class A Notes.

"Purchase Price" means the purchase price to be paid by CRI-85 to the Former Owner in accordance with Section 7.02 hereof.

"Regulatory Agreement" means the agreement entered into between HUD and the Original Owner dated June 3, 1976 and recorded in the Office of Judge of Probate of Shelby County, Alabama, on June 3, 1976, in Misc. Book 15, at Page 612, which agreement sets forth conditions pursuant to which the Development is being and is to be operated, which obligations have been assumed by the Partnership, and any Regulatory Agreement entered into between HUD and the Partnership which cancels, supercedes, or replaces any prior Regulatory Agreement and which Regulatory Agreement may be amended in accordance with the terms of this Agreement.

"Security Agreement" means the security agreement entered into between CRI-85 and CRHC, as debtors, and the Former Owner as the secured party, of even date herewith, securing the Purchase Money Notes, which is attached hereto as Exhibit D.

"Substitute Limited Partner" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9.03.

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"Surplus Cash" means any cash remaining at the end of a semiannual and annual fiscal period (i) after the payment of (a) all sums due or currently required to be paid under the terms of the Mortgage Loan, (b) all amounts required by HUD to be deposited in the Reserve Fund for Replacements established with respect to the Development, and (c) all obligations of the Development, including escrow deposits for taxes and insurance, other than the Mortgage Loan, unless funds for payment are set aside or deferment of payment has been approved by HUD; and (ii) after the segregation of (a) an amount equal to the aggregate of all special funds required to be maintained by the Development, and (b) all tenant security deposits held, together with accrued interest thereon payable to the tenant pursuant to the laws of the State of Alabama.

"Tax Audit" means the administrative proceedings for the adjustment at the Partnership level of any item required to be taken into account by a Partner for income tax purposes.

"Tax Matters Partner" means CRHC pursuant to the provisions of Section 11.07 of this Agreement.

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## ARTICLE III
## PURPOSE AND BUSINESS OF THE PARTNERSHIP

3.01. Purpose of the Partnership. The purpose of the Partnership is to acquire, own, manage, maintain and operate the Development.

3.02. Authority of the Partnership. In order to carry out its purpose, the Partnership is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Partnership, including but not limited to the following:

(a) operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Development;

(b) provide housing for persons and families with respect to all of the rental units in the Development;

(c) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

(d) borrow money and issue evidence of indebtedness in furtherance of the Partnership business and may secure any such indebtedness by mortgage, pledge, or other lien on Partnership property, provided that the Mortgage Loan and any other evidence of indebtedness to any lender, and any documents amending, modifying or replacing any such loans, shall provide in substance and legal effect, unless otherwise agreed to by the General Partners, that neither the Partnership nor any Partner thereof shall have any personal liability for the repayment of the principal of or payment of interest on the Mortgage Loan or other such indebtedness; provided, however, that any such indebtedness which is secured by mortgage, pledge, or other lien on Partnership property shall provide that the sole recourse of any lender with respect to the principal thereof and interest thereon shall be to the property securing the Mortgage Loan or other such indebtedness, except (i) for funds or property of the Development coming into such party's hands which, by the provisions of the Regulatory Agreement, it is not entitled to retain, and (ii) for such party's own acts and deeds of others which it has authorized in violation of the provisions of the Regulatory Agreement;

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(e) maintain and operate the Development, including hiring a management agent and entering into any agreement for the management of the Development;

(f) subject to any required approval of HUD and/or any right of prior approval reserved by the Mortgagee, including but not limited to such rights as are set forth in Mortgage Loan documents and HUD regulations, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude agreements for the sale, exchange or other disposition of all or substantially all of the property of the Partnership, or for the refinancing of any mortgage loan on the property of the Partnership; and

(g) invest partnership funds for the benefit of the Partnership, as determined solely by the Managing General Partner, to the extent not prohibited by HUD or other provisions of this Agreement, or for the operating needs of the Partnership.

3.03. HUD Requirements. For the purposes of the following paragraphs, the Secretary of Housing and Urban Development is also referred to as "Secretary" and "FHA". Notwithstanding any other provisions of this Agreement, the following will take precedence:

(a) The Partnership is authorized to execute any documents required by the Secretary in connection with the Mortgage Loan. Any incoming Partner shall, as a condition of receiving an Interest in the Partnership property, agree to be bound by the Mortgage Loan and the Regulatory Agreement and all other documents executed in connection with FHA-insured loans to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to possession and control of the Development, and no right to collect the rents therefrom shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to the Secretary.

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(b) In the event that any provision of this Agreement in any way tends to contradict, modify or in any way change the terms of the Regulatory Agreement entered into with the Secretary, the terms of the Regulatory Agreement shall prevail and govern; or if any provision hereof in any way tends to limit FHA in its administration of the National Housing Act, as amended, or the regulations and instructions thereunder, this Agreement shall be deemed amended only so as to comply with the requirements of FHA.

(c) In the event of any conflict between the provisions of this Agreement and any amendments thereof with provisions of the Regulatory Agreement executed by the Partnership and the Secretary of Housing and Urban Development, the provisions of the Regulatory Agreement shall govern and control.

(d) Any phrase or statement in this Agreement requiring HUD approval of, or consent to, any action by a Partner or with respect to the Partnership and/or the Development shall be deemed to refer to requirements pursuant to reservations of prior approval rights by HUD or to the lawful enactment of other subsequent regulations or orders by HUD.

(e) The provisions of this Section 3.03 will automatically become void and of no further force and effect at such time as the Mortgage Loan for the Development is no longer insured or held by the Secretary.

## ARTICLE IV
## REPRESENTATIONS, WARRANTIES AND COVENANTS

4.01. Representations, Warranties and Covenants Relating to the Development and the Partnership. Each of the following parties: (i) the Local General Partner and (ii) the Former Owner and the partners of the Former Owner, make the representations, warranties and covenants below as to themselves and not with respect to matters which pertain to the other party or parties. Neither the Former Owner nor the partners of the Former Owner hereby join in and nor are they required to make or join in the representations, warranties and covenants set forth in Sections 4.01(e), (g)(ii), (h), (i), (j)(i), (m), (n), (x), (y) or (z) below. Provided, however, Welden, Field, W. Welden, C.B. Shewmake, and C.B. Shewmake, Jr. hereby each make the representation, warranty and covenant set forth in Section 4.01(z) below. Except as set forth in the immediately preceding sentence, the Local General Partner for itself, the Former Owner and the partners of the Former Owner for each of themselves, hereby jointly and severally represent, warrant, and covenant to the Partnership and to the Partners that:

(a) as of the date of this Agreement, the Development is in compliance with (i) all applicable requirements of the Mortgage Loan, (ii) to the best of their knowledge and belief, and except as specifically set forth below in (q), all applicable requirements of HUD and all other appropriate governmental agencies, and (iii) to the best of their knowledge and belief, the plans and specifications of the Development, approved by HUD and the Mortgagee at endorsement of the Mortgage Loan and thereafter (if so required), other than repairs or improvements made in the ordinary course of maintenance;

(b) as of the date of this Agreement, good and marketable fee simple title to the Development is held by the Partnership, subject only to such easements, covenants, restrictions and other matters of title as set forth in an owner's title insurance commitment (or an endorsement thereof) issued by Commonwealth Land Title Insurance Company File No. OC85-18664, dated November 20, 1985, in the amount of $7,455,000 in favor of the Partnership;

(c) relying solely upon an opinion of counsel, there is and shall be no direct or indirect personal liability of the Partnership or of any of its Partners or the Former Owner or any of its partners for the repayment of the principal of, or payment of interest on, the Mortgage Loan or on the Purchase Money Note; the sole recourse of the Mortgagee under the Mortgage Loan with respect to the principal thereof and interest

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thereon shall be to the property securing the indebtedness and to the rents, issues and profits derived therefrom, subject only to the restrictions imposed pursuant to the Regulatory Agreement, if any; and the sole recourse of the Former Owner in connection with the principal of and interest thereof on the Purchase Money Note shall be to the property securing the indebtedness;

(d) subject only to the approval of HUD to the underlying transaction, of this Agreement and all other documents which are a part of this transaction and subject to HUD approval, to the best of their knowledge and belief, as of the date of this Agreement, the execution of this Agreement, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate any provision of law, any order of any court binding on the Partnership, the Former Owner, the partners of the Former Owner or upon any of them, any provision of any indenture, agreement, or other instrument by which the Partnership, the Former Owner, the partners of the Former Owner or they are a party or by which the Partnership, the Former Owner, the partners of the Former Owner or the Development are affected, the effect of which is to affect materially and adversely the operation of the Development or the assets of the Partnership and is not in conflict with, and will not result in a breach of or constitute a default under any such indenture, agreement, or other instrument or result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon the Development;

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(e) the Local General Partner represents that for so long as it remains a General Partner that it has and will continue to have a net worth of not less than $500,000;

(f) as of the date of this Agreement, the Development has no accounts payable other than current surplus cash and net operating income payable to the Former Owners in the estimated amount of $ 64,968 and current (not more than 30 days) accounts payable, incurred for ordinary and necessary operating expenses of the Development (except for certain payables to utility companies which are more than 30 days payable and for which reserves have been set aside in an amount expected to equal or exceed the amount so due), and all reserves, including security deposits (together with interest on the deposits required by Alabama law) and all reserves or escrows required by HUD or the Mortgagee pursuant to the Mortgage Loan documents are funded to

the extent so required by HUD or the Mortgagee as of Payment Closing; the Mortgage Loan is current and none of them have any knowledge nor have they or any of them received any notice(s) that the Development is not in compliance with all applicable requirements of such Mortgage Loan;

(g) (i) as of the date of this Agreement, to the best of their knowledge and belief, all requirements imposed upon or within the control of the Mortgagor have been met which are necessary to assure the continuation of mortgage insurance under Section 223(f) of the National Housing Act, as amended, for the Mortgage Loan, including, but not limited to, the funding of all reserves required by HUD; (ii) the Local General Partner hereby represents that for so long as the Local General Partner is the Managing General Partner of the Partnership, the Local General Partner will use its best efforts to ensure that the Partnership continues to meet all requirements to assure the continuation of the mortgage insurance;

(h) the Local General Partner agrees to execute all documents necessary to elect, pursuant to Sections 732, 743 and 754 of the Code, to adjust the basis of the Partnership property, if in the sole opinion of CRHC, such election would be advantageous to CRI-85 so long as such elections are in accordance with the requirements of the Internal Revenue Code. Provided, further, the Local General Partner agrees to prepare, execute and timely file, subject to the approval of CRHC, with the Internal Revenue Service and the appropriate office of the State of Alabama, all required income tax and informational returns pertaining to the Partnership, including Federal Form 1065;

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(i) while conducting the business of the Partnership, the Local General Partner will not willfully, knowingly, or intentionally (a) cause the termination of the Partnership for federal income tax purposes without the consent of CRHC, or (b) cause the Partnership to be treated for federal income tax purposes as an association taxable as a corporation, except for any right to withdraw as General Partner pursuant to Article VI hereof; provided further, it shall periodically consult with CRHC to assure itself that neither its actions nor its failure to act, in conjunction with the activities of CRHC which are performed on behalf of the Partnership (if any), will have the result of causing the result set forth above in (a) or (b) of this section;

(j) (i) as of the date of this Agreement and in reliance upon certification from the Mortgagee, from whom they shall obtain a certificate, all property insurance premiums due and payable covering the Development have been paid by the Mortgagee to the property insurer; all insurance policies in favor of the Partnership, including, but not limited to fire, workmen's compensation and public liability insurance, all in at least the amounts required by HUD, the Mortgagee and CRHC are in full force and effect and are placed with insurance companies selected by the Managing General Partner, acceptable to the Mortgagee, and which insurance companies have been approved by CRHC, which approval shall not be unreasonably withheld; (ii) the Local General Partner represents that it shall use its best efforts to cause the Partnership to keep such insurance policies in such amounts as shall be required by CRHC (as CRHC has made known such amounts up to the fair market value of the Development (excluding therefrom the value of the Land and foundations)) in full force and effect; all of the above shall be subject to adequate funds of the Partnership being available to pay the premiums as to such insurance coverage; neither they nor either of them has received any written notice of any proposed cancellation or termination of such policies;

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(k) they have not previously dealt with and are not presently under commitment to any real estate broker, rental agent, finder or other intermediary with respect to the acquisition of (i) the Development or any portion thereof by the Partnership or (ii) any Interest in the Partnership by CRI, CRI-85 or CRHC, except for their arrangements with CRI, CRHC and/or CRICO Securities, and they, jointly and severally, shall indemnify and hold harmless the Partnership, CRI-85, CRI, CRHC, CRICO Securities, and their Affiliates, agents and assignees from any and all claims (to the extent that any such claim arises out of the action or failure to act of all or any of them) of any real estate broker, rental agent, finder or other intermediary with respect to the acquisition of the Development or any Interest in the Partnership; and, at the request of CRHC, they jointly and severally shall assume the defense of any judicial action that might arise in connection with any such claims;

(l) they will hold the Partnership, CRI, CRI-85, CRHC and CRICO Securities their Affiliates and agents, free and harmless (either by way of indemnification or to the extent of 90% contribution, as set forth in Section 4.03 below) from any injury, loss or damage (including, but not by way of limitation, reasonable

attorneys' fees, court costs, and amounts paid in settlement of any claims, which settlement has been mutually agreed to by them and the party against whom such claim has been made) incurred as the result of claims made by any limited partner of CRI-85, the Securities and Exchange Commission, the various state "Blue Sky Commissions," any other federal or state governmental agency, Merrill Lynch or CRICO Securities, under the Securities Act of 1933 or the Securities Exchange Act of 1934, or the laws or regulations of any state or other jurisdiction, which claims are based upon fraud, deceit, or untrue statements of a material fact or omission to state a material fact, with respect to or based upon information or statements furnished in writing to CRI, CRHC or CRICO Securities by any of them or their Affiliates in connection with the acquisition of limited partnership interests in the Partnership or in CRI-85; provided, however, that their obligation to provide such information, statements and facts (as may be required under federal and state securities laws) shall be limited to that information and those statements and facts which, after reasonable inquiry, are to the best of their knowledge and belief;

(m) as of the date of this Agreement and in reliance upon a legal opinion of Robin Harbin, Esquire, the Partnership is a valid limited partnership, duly organized and existing under the laws of the State of Alabama, with full power and authority to own, operate and maintain the Development in accordance with the terms of this Agreement, and the Local General Partner shall have taken and shall take all action under Alabama law that is necessary to protect the limited liability of the Limited Partner and to enable the Partnership to engage in its business;

(n) the Local General Partner will use its best efforts to achieve positive cash flow for the Development;

(o) they shall provide to CRICO Securities and Merrill Lynch a certificate covenanting that the representations, warranties and covenants contained in this Section 4.01 are true and correct in all material respects as of the date of this Agreement; they shall provide such Certificate to CRICO Securities and Merrill Lynch required pursuant to Section 7.03(b) hereof prior to the payment by CRI-85 pursuant to Section 7.03(a)(ii);

(p) immediately prior to the recordation of this Agreement, the Former Owner transferred and assigned to the Partnership all of its right, title and interest in

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and to the Land, the Development, the Mortgage Loan, the Development's reserve for replacement escrow, all tax and insurance escrows, any impounds required by the Mortgagee in connection with the Development, all other Partnership funds except for the amounts specified in (f) above, all agreements and contracts with architects, contractors, agents; all plans and specifications, if any, prepared by them or obtained by them or any of them from the Original Owner or the Former Owner, as the case may be; all municipal, county and state approvals in connection with the development and operation of the Development and any other work product related to the Development, except with respect to the matters set forth in Section 4.01(q) below;

(q) (i) except as set forth in a letter from Engineering Services Associates, Inc. to Southeastern Capital Corporation, dated October 4, 1985, pertaining to the Development included as exhibit A to the letter agreement dated September 25, 1985 by and between the parties hereto, all approvals, if required, for the provision of public utilities, including sanitary and storm sewers, water and electricity, have been secured for the Development and to the best of their knowledge and belief, all such utilities are operating properly for all units in the Development; (ii) they shall correct or cause to be corrected in a manner consistent with appropriate industry standards (for reasonable continuity of operations for such sewer system) the items enumerated as 1-6 set forth on page 2 of such letter. In connection with such corrections, and repairs, the Partnership shall not incur any additional expense in connection with the repair of such aforementioned items and the Local General Partner, the Former Owner and the partners of the Former Owner shall use their best efforts to complete such corrections and repairs by June 1, 1986. Except as to the cost of the repairs and corrections which are specifically set forth in the Engineering Services Associates, Inc. letter, neither the Local General Partner, the Former Owner nor the partners of the Former Owner shall bear any further liability with respect to the repair and maintenance of the sewer system for the Development or the attainment of any required permits for operation thereof;

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(r) as of the date of this Agreement, the Land is properly zoned for the Development and, none of them have received any written notice directed to them as owners of the Development, nor are either or any of them of the belief, that the Development fails to conform to any applicable federal, state or local land use, zoning, environmental or other law or regulation, except as set forth in Section 4.01(q)(i);

(s) to the best of their knowledge and belief, as of the date of this Agreement, neither they, nor any of them, nor the Former Owner nor the Partnership are in default under any agreement, contract, lease, or other commitment relating specifically to this Development, and none of them is aware of, and none of them have received any written notice of, any claim, demand, litigation, proceeding or governmental investigation pending or threatened solely against or related to the business or assets of this Partnership, the Former Owner or this Development (other than any which are fully covered by insurance) which default, claim, demand, litigation, proceeding or governmental investigation could result in any judgment, order, decree, or settlement which would materially and adversely affect the business or assets of the Partnership or of the Development;

(t) to the best of their knowledge and belief and except as set forth in Section 4.01(q)(i) above, the buildings and equipment of the Development are structurally sound and in good repair, reasonable and ordinary wear and tear excepted, with due consideration given to the age and life expectancy of the Development;

(u) with respect to itself, the Former Owner represents that, and with respect to the Partnership, the Local General Partner represents that, except for the Mortgage Loan, as of the date of this Agreement, neither the Former Owner nor the Local General Partner and the Partnership, respectively, as the case may be, has incurred any material liabilities, contracts or agreements prior to the date hereof, except for (i) ordinary and necessary ongoing business expenses (which are no more than 30 days old), (ii) expenses which will be discharged upon the filing of this Agreement from the proceeds of this transaction, and (iii) liabilities directly related to the operation of the Development which have been disclosed in writing to CRHC prior to the date hereof; provided, however, certain partners of the Former Owner have entered into certain financial arrangements with the Former Owner, which financial arrangements (A) will be discharged by the Former Owner, or (B) if not so discharged, shall not in any way be liabilities of the Partnership or its Partners;

(v) all rental charges currently assessed with respect to the Development have been approved by HUD and the Mortgagee, to the extent so required; and they, jointly and severally, shall defend the Partnership and its Partners and hold them harmless from any and all claims, expenses, loss or damage arising out of or incurred as a result of the collection prior to the date

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hereof of any rental charges that HUD or the Mortgagee lawfully prohibited from being charged and which rental charges are required by HUD and the Mortgagee to be so reimbursed;

(w) as of the date of this Agreement, they or any of them have provided CRHC with all reasonably available (a) financial statements of the Development, (b) copies of all Initial and Final Closing documents, (c) plans, drawings and specifications, (d) any documents or materials relating to any impending dispute, arbitration proceeding or law suit, (e) the Mortgage Loan commitment, and (f) such other information as has been requested in writing by CRHC which is relevant to the Development or to the admission of CRI-85 to the Partnership; to the best of their knowledge and belief, all such information provided to CRHC is accurate and complete in all material respects and they have not failed to provide CRHC with any information necessary to make the information provided complete and accurate in all material respects;

(x) the Local General Partner represents for so long as it is the Managing General Partner of the Partnership, the Development will be managed so that no less than eighty per cent (80%) of the gross rental income of the Development in every year is rental income from dwelling units in the Development used to provide living accommodations not on a transient basis. For purposes of this Agreement, transient shall mean the provision of living accommodations to a Person for less than thirty (30) days;

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(y) the Local General Partner represents that it will exercise good faith in all activities relating to the conduct of the business of the Partnership, including the operation and maintenance of the Development, and it will take no action with respect to the business and property of the Partnership which is not reasonably related to the achievement of the purposes of the Partnership; and

(z) the shareholders or stockholders of Altadena shall not, without the prior Consent of CRHC, which Consent shall not unreasonably be withheld, transfer, assign, sell or otherwise dispose of all or any portion of the stock or shares in Altadena to any other Person (except to members of their immediate families) or other entity. Each of the current shareholders or stockholders of Altadena hereby join in this representation and warranty, but unless otherwise specifically set forth herein do not make any other representations and warranties.

4.02. Covenants of CRI-85, CRI, CRHC and CRICO Securities.

(a) CRI-85, CRI, CRHC and CRICO Securities hereby jointly and severally agree to hold the Former Owner, the Local General Partner and the Partnership free and harmless (either by way of indemnification or to the extent of 90% contribution, as set forth in Section 4.03 below) from any injury, loss or damage (including, but not by way of limitation, reasonable attorney's fees, court costs and amounts paid in settlement of any claims, which settlement has been mutually agreed to by them and the party against whom said claim has been made) incurred as the result of claims made by any Person or governmental agency under the Securities Act of 1933 or the Securities Exchange Act of 1934, or the laws or regulations of any state or jurisdiction, which claims are based upon alleged fraud or deceit or untrue statement or alleged untrue statement of a material fact or omission to state a material fact in connection with the offer and sale of limited partnership interests in CRI-85 or the Partnership or failure to comply with the registration or other requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or the laws or regulations of any state or jurisdiction, unless such claims are based upon alleged fraud or deceit or untrue statement of a material fact, or the omission or alleged omission to state a material fact required to be stated or necessary to make the statements not misleading, with respect to or based upon information or statements furnished in writing to CRI-85 or CRICO Securities by the Local General Partner, the Former Owner or its or their Affiliate(s); provided, however, that the obligation of the Former Owner, the Local General Partner or its affiliates to provide such information, statements and facts (as may be required under federal and state securities laws) shall be limited to the information and those statements and facts which, after reasonable inquiry, are to the best of their knowledge and belief. The liability of CRI-85 pursuant to this Section 4.02 shall be limited as set forth in Section 16.06.

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(b) CRI-85, CRI, CRHC and CRICO Securities hereby jointly and severally agree to hold the Local General Partner and the Former Owner free and harmless from injury, loss, or damage incurred as the result of any action of them or any of them or any failure to act by them or any of them with respect to any real estate broker, real estate agent, finder or other intermediary in connection with the acquisition of the Development or any Interest in the Partnership; and at the request of the Local General Partner or the Former Owner, they jointly and severally shall assume the defense of any judicial action that might arise in connection with any such claims.

4.03. Right of Contribution. In the event that the provisions of Sections 4.01(1) or 4.02, or any portion thereof or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the parties hereto hereby agree that a right of contribution shall exist on the part of the party or parties who otherwise would have been an indemnified party under the aforesaid provisions to the extent of ninety per cent (90%) of any and all losses, claims, damages, expenses or liabilities to which a Contribution Recipient may become liable. The parties hereby agree further that, in such event, and upon the incurring by a Contribution Recipient of any such loss, claim, damage, expense or liability and the giving by such Contribution Recipient of written notice thereof to the party or parties who otherwise would have been an indemnifying party under the aforesaid provisions, the Contributor shall promptly pay to such Contribution Recipient an amount equal to ninety per cent (90%) of any such loss, claim, damage, expense or liability incurred by such Contribution Recipient as aforesaid and such payment actually made by such Contributor shall not exceed the liability limits set forth in Sections 4.01(1) and 4.02 above, as applicable. Notwithstanding any other provision of this Agreement to the contrary, it is hereby agreed by the parties that with respect to the application of (a) the indemnification provisions and (b) the right of contribution provisions set forth in this Agreement, the indemnification provisions shall be the first source of protection and recovery by an indemnified party. Thereafter, to the extent that any provision relating to the indemnification of parties to this Agreement is rendered unenforceable, void or invalid, the parties hereto agree that the right of contribution shall exist. The right of contribution under this Section 4.03 shall survive a finding or determination of unenforceability or invalidity of the indemnification provisions set forth elsewhere in this Agreement.

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## ARTICLE V
## PARTNERS AND PARTNERSHIP INTERESTS

5.01. Partners, Capital Contributions and Partnership Interests.

(a) The General Partners, their principal places of business, their Capital Contributions and their Percentage Interests are as follows:

| | | |
|---|---|---|
| Altadena, Inc.<br>2040 Highland Avenue<br>Birmingham, Alabama 35205 | $10.00 | 1.00% |

with a mailing address of:

P.O. Box 55465
Birmingham, Alabama 35255

| | | |
|---|---|---|
| C.R.H.C., Incorporated<br>One Central Plaza<br>11300 Rockville Pike<br>Rockville, MD 20852 | $10.00 | 0.01% |

(b) The Limited Partner, its principal place of business, its initial Capital Contribution and its Percentage Interest are as follows:

| | | |
|---|---|---|
| Capital Realty Investors-85<br>Limited Partnership<br>One Central Plaza<br>11300 Rockville Pike<br>Rockville, MD 20852 | $100.00 | 98.99% |

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(c) Subject to the provisions of Section 5.03, an additional Capital Contribution of CRI-85 in the amount of $258,300 shall be due and payable on the date of Payment Closing.

(d) Without the Consent of all of the Partners of the Partnership of even date herewith, no additional Persons may be admitted as additional Limited Partners and no additional Capital Contributions may be accepted, except as otherwise provided herein.

5.02. Return of Capital Contribution. Except as provided in this Agreement, no Partner shall be entitled to demand or receive the return of his Capital Contribution and except as specifically provided herein, no Partner shall be entitled to any interest on his Capital Contribution.

5.03. Legal Opinions. Upon execution of this Agreement, (A) CRI-85 shall have received the opinion of Robin Harbin, Esquire of Birmingham, Alabama, special counsel for the Partnership, of even date herewith, which opinion expressly states that Lane and Edson, P.C. of Washington, D.C. may explicitly rely upon it, that:

(i) under the Alabama Limited Partnership Act of 1983, the Partnership is a duly formed and validly existing limited partnership with full power and authority to own and operate the Development and to conduct its business hereunder; CRI-85 has been validly admitted as a Limited Partner of the Partnership entitled to all the benefits of a Limited Partner under this Agreement, and the Interest of CRI-85 in the Partnership is the interest of a limited partner with no personal liability for the obligations of the Partnership;

(ii) there is no direct or indirect personal liability of the Partnership or of any of the Partners for the repayment of the principal of or payment of interest on the Mortgage Loan or the Purchase Money Notes of CRI-85 in favor of the Former Owner; and the sole recourse of the Mortgagee under the Mortgage Loan and the payee under the Purchase Money Notes, with respect to the principal thereof and interest thereon, shall be to the property securing the indebtedness; except that in connection with the Mortgage Loan the Partnership and any Partners shall be personally responsible (i) for funds or property of the Development coming into such party's hands which, by the provisions of the Regulatory Agreement, it is not entitled to retain, and (ii) for such party's own acts and deeds, or the acts and deeds of others which it has authorized, in violation of the Regulatory Agreement;

(iii) based strictly upon a review of the up-dated title insurance policy for the Development issued and delivered to the Partnership and identified in Section 4.01(b), and without an independent review of the title records, the Partnership owns good and marketable fee simple title to the premises described therein, subject only to the lien of the Mortgage Loan and to such other liens, charges, easements, restrictions, and encumbrances as are set forth in said title insurance policy; and there is no reason to believe that such policy is not valid and in full force and effect (no independent investigation having been made);

(iv) having been executed and delivered by the Local General Partner and the Former Owner, this Agreement constitutes the valid, binding and enforceable agreement of the Local General Partner and the Former

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Owner subject to (A) applicable laws concerning Bankruptcy and debtor reorganization and similar matters affecting the rights of creditors generally, and (B) legal and equitable principles of specific performance; and

(v) under the Alabama Limited Partnership Act of 1983 and other applicable Alabama law, all actions have been appropriately taken to validly transfer all of the right, title and interest of the Former Owner in and to the Development;

and (B) Lane and Edson, P.C. shall deliver its opinion to Altadena Forest Partners which shall state substantially to the effect that:

(i) under the Maryland Revised Uniform Limited Partnership Act, CRI-85 is a limited partnership duly organized and validly existing under the laws of Maryland with full power and authority to acquire the Partnership Interests in the Partnership and to execute the Collateral Note, the Purchase Money Notes and the Security Agreement;

(ii) CRI is duly organized and validly existing in good standing as a corporation under the laws of Delaware with full power and authority to act as managing general partner of CRI-85 and is qualified to do business and is in good standing as a foreign corporation in Maryland; and

(iii) CRHC is duly organized and validly existing in good standing as a corporation under the laws of Delaware with full power and authority to act as general partner of the Partnership and is qualified to do business and is in good standing as a foreign corporation in Maryland and in Alabama.

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## ARTICLE VI
## CHANGES IN PARTNERS

6.01. Withdrawal of a General Partner.

(a) A General Partner, other than CRHC, may withdraw from the Partnership or sell, transfer or assign its Interest as General Partner, subject to the provisions of Section 6.01(c), only with the prior Consent of CRHC, which Consent shall not unreasonably be withheld, and of HUD and the Mortgagee, if either or both are required, and only after being given written approval, as provided in Section 6.02, and by HUD and the Mortgagee, if either or both are required, of the General Partner(s) to be substituted for it or to receive all or part of its Interest as General Partner; provided, however, that Altadena shall have the right to withdraw from the Partnership in the event that the Management Agent for the Development, which is then an Affiliate of the Local General Partner, is removed pursuant to Section 8.12 of this Agreement. In such event, the Local General Partner may withdraw subject to (A) any prior approvals of HUD, (B) the provision of a Substitute Local General Partner(s) who is(are) acceptable to CRHC, which Consent of CRHC shall not be unreasonably withheld, (C) the remaining and/or Substitute Local General Partner, if selected by the Local General Partner, meet all net worth requirements pursuant to Section 8.08 of this Agreement, and (D) satisfaction of the provisions of Sections 6.01(c) and 6.02. Provided further, that if the Local General Partner withdraws from the Partnership with prior HUD approval and is unable to designate a Substitute Local General Partner which is (i) acceptable to CRHC or (ii) able to meet all net worth requirements of this Agreement or as CRHC shall agree, CRHC shall in its sole discretion, designate the Substitute Local General Partner, which Substitute Local General Partner shall be entitled to receive the benefits provided under Sections 6.03 and 8.10 hereof, or as otherwise may be agreed by the Local General Partner, the Substitute Local General Partner and CRHC.

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(b) In the event that a General Partner withdraws from the Partnership or sells, transfers or assigns its entire Interest pursuant to Section 6.01(a), it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner before such withdrawal, sale, transfer or assignment shall have become effective, but shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after the time such withdrawal, sale, transfer or assignment shall have become effective.

(c) A General Partner, other than CRHC, may withdraw from the Partnership pursuant to Section 6.01(a) only upon meeting the following requirements:

(i) the accountants for the Partnership shall have delivered to the Partnership their opinion that any substitute General Partner(s) has (have) sufficient net worth and meet(s) all other published requirements of the Internal Revenue Service necessary to assure that the Partnership will continue to be classified as a partnership for federal income tax purposes;

(ii) counsel for the Partnership shall have rendered an opinion that the withdrawal of the General Partner is in conformity with the Alabama Limited Partnership Act of 1983 and that none of the actions taken in connection with such withdrawal will cause the termination and dissolution of the Partnership or will cause it to be classified other than as a partnership for federal income tax purposes; and

(iii) HUD, if required, shall have approved the withdrawal of such General Partner.

(d) CRHC may withdraw from the Partnership or sell, transfer or assign its Interest as General Partner, subject to the provisions of Section 6.01(c)(ii) and (iii), and only after the necessary parties have given approvals required under Section 6.02 of the General Partner(s) to be substituted for it or to receive all or part of its Interest as General Partner.

6.02. Admission of a Successor or Additional General Partner. A Person shall be admitted as a General Partner of the Partnership only if the following terms and conditions are satisfied:

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(a) the admission of such Person shall have been Consented to by the then current General Partners and by CRI-85 (as long as CRI-85 is a Limited Partner), which Consents of such Persons and CRI-85 shall not be unreasonably withheld, and by HUD and the Mortgagee, if either or both are required;

(b) the successor or additional Person shall have accepted and agreed to be bound by all the terms and provisions of this Agreement, by executing an amendment hereto and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner, and such amendment evidencing the admission of such Person as a General Partner shall have been filed and all other actions required by Section 1.05 in connection with such admission shall have been performed;

(c) if the successor or additional Person is a corporation, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of its authority to become a General Partner and to be bound by the terms and provisions of this Agreement; and

(d) counsel for the Partnership shall have rendered an opinion that the admission of the successor or additional Person is in conformity with the Uniform Limited Partnership Act as in effect in the State of Alabama and that none of the actions taken in connection with the admission of the successor Person will cause the termination and dissolution of the Partnership or will cause it to be classified other than as a partnership for federal income tax purposes.

6.03. Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a General Partner.

(a) In the event of the Bankruptcy of a General Partner or the withdrawal, death or dissolution of a General Partner or an adjudication that a General Partner is incompetent (which term shall include, but not be limited to, insanity) the business of the Partnership shall be continued by the other General Partner (and the other General Partner, by execution of this Agreement, expressly so agrees to continue the business of the Partnership); provided however, that if the withdrawn, Bankrupt, deceased, dissolved or incompetent General Partner prior to such withdrawal, Bankruptcy, death, dissolution or adjudication of incompetency was the sole General Partner, the Partnership shall be terminated.

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(b) (i) Upon the Bankruptcy, death, dissolution, or adjudication of incompetence of a Local General Partner, such Local General Partner shall immediately cease to be a General Partner and either (A) his Interest shall be assigned within thirty (30) days to a substitute General Partner selected by such Local General Partner or his/its designee, subject to the terms set forth in Section 6.02 hereof, or (B) his Interest as a General Partner shall be converted to the Interest of a Limited Partner; provided, however, that if such Local General Partner is unwilling or unable to designate a substitute General Partner in accordance with Section 6.02 above, then CRHC may, in its sole discretion, replace the Bankrupt, dead, dissolved or incompetent Local General Partner, in which case the Interest of such Local General Partner shall be converted to the Interest of a Limited Partner; provided, further, that the converted Partnership Interest of such replaced Local General Partner shall be reduced to the extent necessary to insure that the substitute General Partner, together with any remaining General Partner(s), holds a 1.00% Partnership Interest in the Partnership and will receive a 5.00% distribution pursuant to Section 11.04(i). Such 1.00% interest as a General Partner shall be preserved to assure the Partnership that appropriate net worth requirements are satisfied.

(ii) Upon the Bankruptcy or dissolution of CRHC, CRHC shall immediately cease to be a General Partner and its Interest shall without further action be transferred to a designee of CRI, and if not so designated with seven (7) business days, to CRICO Development Corporation, a Delaware

corporation, and an Affiliate of CRI-85; both such designations subject to compliance with the provisions of Section 6.02.

(iii) Conversion of a General Partner's Interest to that of a Limited Partner shall not affect any rights, obligations or liabilities of the Bankrupt, deceased, dissolved or incompetent General Partner (whether or not such rights, obligations or liabilities were known or had matured) existing prior to the Bankruptcy, death, dissolution or incompetence of such person as a General Partner.

(c) If, immediately prior to the time of the withdrawal, Bankruptcy, death, dissolution or adjudication of incompetence of a General Partner, the withdrawn, Bankrupt, deceased, dissolved or incompetent General Partner was not the sole General Partner of the Partnership, the remaining General Partner or General Partners shall immediately (i) give Notice to the Limited Partner(s) of such withdrawal Bankruptcy, death, dissolution or adjudication of incompetence, and (ii) make such amendments to this Agreement and execute and file such amendments or documents or other instruments as are necessary to reflect the conversion of the Interest of the withdrawn, Bankrupt, deceased, dissolved or incompetent General Partner and his having ceased to be a General Partner. The remaining General Partner or General Partners are hereby granted an irrevocable power of attorney to execute any or all documents on behalf of the Partners and the Partnership and to file such documents as may be required to effectuate the provisions of this Section 6.03.

## ARTICLE VII
## PURCHASE OF DEVELOPMENT

7.01. Purchase and Sale of Development. The Former Owner, subject to HUD approval, hereby transfers and assigns to the Partnership all of its assets used in connection with the conduct of the business of the Former Owner, including, without limitation, its right, title and interest, in and to (i) the Land, (ii) the Development, (iii) the Mortgage Loan, (iv) the Development's reserve for replacements, (v) any escrows held by the Partnership, including but not limited to residual receipts, maintenance, tax and insurance escrows and any impounds required by HUD for the Development, (vi) any Development equity advanced on behalf of the Partnership prior to or as of the date hereof, (vii) all municipal, county and state approvals in connection with the operation of the Development, (viii) any agreements with architects, contractors and others, (ix) all plans and specifications heretofore prepared or obtained by them in connection with the Development, and (x) any other work product related to the Development. The Partnership hereby accepts such assignment, and as set forth in the Assumption Agreement dated December __, 1985, has assumed the obligation of the Former Owner with respect to the Mortgage Loan.

The parties hereto agree that any Surplus Cash or net operating income earned by the Former Owner in connection with the operation of the Development for the period prior to December 1, 1985 and held by the Former Owner, the Partnership, or the Mortgagee, which Surplus Cash or net operating income is subsequently authorized by HUD to be released, shall be payable to the Former Owner promptly after such release is authorized as long as it is attributable to and earned during the period prior to December 1, 1985.

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7.02. Purchase Price. In consideration of the sale and purchase of the Development as set forth in Section 7.01 above and the admission of CRI-85 as a Limited Partner of the Partnership, CRI-85 shall pay on behalf of and as a Limited Partner of the Partnership a Purchase Price of approximately $3,966,700 to the Former Owner, of which an aggregate amount of $1,466,700 shall be in cash and the remaining portion shall be in the form of promissory notes in the aggregate principal amount of $2,500,000, which amounts shall be payable as set forth in Section 7.03.

7.03. Schedule of Payment of Purchase Price.

(a) Subject to the provisions of Section 7.04, CRI-85 shall pay the Former Owner the Purchase Price of approximately $3,966,700 as follows:

(i) $1,366,700 in cash (of which amount $1,365,600 is Purchase Price, and $1,100 is interest) payable upon recordation of this Agreement and approval of this transaction by HUD;

(ii) $100,000 (of which amount $94,500 is Purchase Price and $5,500 is interest) payable in cash on June 1, 1986; and

(iii) the aggregate principal amount of $2,500,000, together with interest thereon in accordance with the terms of the Purchase Money Notes of which (A) thirty (30) Purchase Money Notes, each in the principal amount of $50,000, shall bear interest at 12.0% per annum and shall contain such other provisions as set forth therein; and (B) the remaining twenty (20) Purchase Money Notes, each in the principal amount of $50,000, shall bear interest at 13.25% per annum and shall contain such other provisions as set forth therein.

The payment set forth in Section 7.03(a)(ii) above shall be evidenced by a collateral note (the "Collateral Note") of CRI-85 to the Former Owner, the terms of which Collateral Note provide, among other things, that such note is non-negotiable and which obligation is secured by a pledge of the Interests of CRI-85 and CRHC in the Partnership. Such Collateral Note shall be in the form attached hereto and made a part hereof as Exhibit C.

The obligation of CRI-85 as set forth in Section 7.03(a)(iii) shall be evidenced by Purchase Money Notes, in the forms attached hereto and made a part hereof as Exhibits A and Exhibit B. Such notes shall be non-negotiable, non-recourse obligations of CRI-85 and shall be secured by a pledge of the Partnership Interests of CRI-85 and CRHC in the Partnership.

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In connection with the payment of any current interest due on the Purchase Money Note(s), the Former Owner hereby agrees that it, its partners and successors and assigns, shall include, for federal and state income tax purposes, the receipt of annual interest income on such Purchase Money Note(s). Such income shall be so included notwithstanding the inability of CRI-85 to pay to the payee(s) under such Note(s) the interest due thereunder.

(b) As a condition precedent to the payment of the installment of Purchase Price and interest thereon set forth in Section 7.03(a)(ii) above, each of the Managing General Partner and the Former Owner, shall, not less than ten (10) days nor more than thirty (30) days prior to the time such installment is due, give CRI-85 notice, in the form of a written certification attached hereto as Exhibit E.

Based upon the giving of such notice, such installment shall be made on the due date therefor, or if such notice is not timely given, such installment shall be made within ten (10) days after receipt of such notice.

7.04. Withholding of Payments. In the event that (i) the Local General Partner shall not have substantially complied with any material provision under this Agreement (including, without limitation, its representations, warranties and covenants as set forth in Article IV of this Agreement and the requirements of Section 7.03(b) above), or (ii) the Former Owner shall not have substantially complied with any material provisions as set forth in Article IV hereof which are of the kind and nature remaining applicable to the Development or within the control of the Former Owner and the requirements of Section 7.03(b) above, or (iii) any mortgage insurance commitment of HUD shall have terminated prior to its respective termination date, or (iv) the Partnership shall be in default under the Mortgage Loan, then with respect to items (i), (iii), or (iv) above, the Local General Partner shall be in default of this Agreement and with respect to item (ii) only above, the Former Owner shall be in default of its representations, warranties and covenants, and CRI-85, at its sole election, may withhold payment of amounts due pursuant to Section 7.03(a)(ii) and shall give written Notice to the Local General Partner and the Former Owner of the manner in which it or they are in default.

Notwithstanding the above, in the event that CRI-85 so notifies the Local General Partner or the Former Owner of a default under (A) Section 7.04(i) above and/or (B) any other such default under this Section 7.04 which default is a non-monetary default, the effect of which will not cause a material adverse effect to the Development or to the assets of the Partnership or to CRI-85 during the cure period as hereinafter set forth, the parties hereto agree that the Local General Partner or the Former Owner, as applicable, shall have thirty (30) days in which to cure such default after receiving such Notice from CRI-85; except that the Local General Partner or the Former Owner, as applicable, shall have a reasonable time to cure any non-monetary default which is of its nature not susceptible to cure within thirty (30) days provided that efforts to cure commence promptly upon Notice and, in the sole reasonable judgment of CRHC, are diligently pursued to completion.

All amounts withheld pursuant to Section 7.04 above, shall be deposited in an interest bearing escrow account to be established with a mutually acceptable independent third party as escrow agent within seven (7) business days from the due date of the installment payable to the Former Owner or Local General Partners. In the event that the withheld amount is not deposited with the escrow agent within the seven (7) day time period and CRI-85 has withheld the funds without cause, such funds shall bear interest at 14% per annum commencing from the date the installment was due

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and payable. All amounts withheld, in addition to any interest thereon, shall be released from escrow in accordance with the terms of an escrow agreement which shall provide, among other things, for the prompt release of the withheld amount plus interest only after (i) the Local General Partner or the Former Owner have substantially cured the default justifying the withholding and CRHC is reasonably satisfied that such default has been cured by sending Notice to such effect to the escrow agent, or (ii) CRHC sends a Notice to the escrow agent authorizing the release of the funds in the escrow account, or (iii) there is a final non-appealable order of a court having jurisdiction over the matter at issue to the effect that the Local General Partner or the Former Owner, as applicable, has cured the default giving rise to the withholding under this Section 7.04, or neither the Local General Partner nor the Former Owner were in fact in default hereunder, or otherwise upholding the right of the Former Owner to receive such unpaid installment of Purchase Price.

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## ARTICLE VIII

## RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNERS

8.01. Management of the Partnership.

(a) Except to the extent that the Consent of the Limited Partner(s) is required by this Agreement, the General Partners, within the authority granted to them under this Agreement, and subject to the authority granted to the Managing General Partner pursuant to Section 8.01(b) below, shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purpose herein stated, shall make all decisions affecting the business of the Partnership and shall manage and control the affairs of the Partnership to the best of their ability and use their best efforts to carry out the purpose of the Partnership. The General Partners shall devote such of their time as they deem necessary to conduct properly the business and the affairs of the Partnership in accordance with this Agreement and applicable law. It is expressly understood and agreed that the General Partners shall not be required to devote their entire time or resources to the business of the Partnership.

(b) Subject to the other provisions of this Agreement, Altadena shall be the Managing General Partner. Except as expressly otherwise set forth elsewhere in this Agreement and subject to the applicable HUD rules and regulations, and the provisions of the Mortgage Loan and the Regulatory Agreement, the Managing General Partner (acting for and on behalf of the Partnership), in extension and not in limitation of the rights and powers given by law or by the other provisions of this Agreement, shall, in its sole discretion, have the full and entire right, power and authority in the management of the Partnership business to do any and all acts and things necessary, proper, convenient or advisable to effectuate the purpose of the Partnership. Without limiting the foregoing grant of authority, but subject to the applicable HUD rules and regulations and the provisions of the Mortgage Loan, the Regulatory Agreement and the other provisions of this Agreement, the Managing General Partner, in its capacity as General Partner, shall have the right, power and authority, acting for and on behalf of the Partnership, to do all acts and things set forth in Section 8.02. All decisions made for and on behalf of the Partnership by the Managing General Partner shall be binding upon the Partnership. No person dealing with the Managing General Partner shall be required to determine its authority to make any undertaking on behalf of the Partnership, nor to determine any facts or circumstances bearing upon the existence of such authority. The Managing General Partner shall devote such of its time as it deems necessary to conduct properly the business and the affairs of the Partnership in accordance with this Agreement and applicable law. It is expressly understood and

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agreed that the Managing General Partner shall not be required to devote its entire time or resources to the business of the Partnership.

8.02. Authority of the Managing General Partner. In exercising management and control of the Partnership, the Managing General Partner on behalf of the Partnership and in furtherance of the business of the Partnership, shall have the authority to perform all acts which the Partnership is authorized to perform. The Managing General Partner shall not have any authority to:

(a) perform any act in violation of any applicable law or regulation thereunder; or

(b) perform any act in violation of the provisions of the Mortgage Loan or the Regulatory Agreement; or

(c) do any act required to be approved or ratified in writing by all Limited Partners under the Alabama Limited Partnership Act of 1983 unless it received such approval or ratification or unless the right to do such act is otherwise expressly given in this Agreement; or

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(d) sell, refinance or otherwise dispose of, at any time, all or substantially all of the assets of the Partnership without the written Consent of CRHC and CRI-85, and the Consent of the Mortgagee and HUD, if such Consent(s) of the Mortgagee and/or HUD is(are) required pursuant to reservations of prior approval rights by such parties or the lawful enactment of other subsequent regulations or orders by HUD or the Mortgagee and the written consent of the holders of the Purchase Money Notes unless such Purchase Money Notes have been or will be paid in full as a result of such sale, refinancing or other disposition.

8.03. Management Purposes. In conducting the business of the Partnership, the General Partners shall be guided by the fact that the Partnership's purpose in owning and operating the Development is to obtain (i) long-term appreciation, (ii) cash distributions, and (iii) income tax benefits. However, the Managing General Partner makes no warranty or representation that such purposes will be achieved.

8.04. Delegation of Authority. The Managing General Partner may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of the Managing General Partner, perform any acts or services for the Partnership as the Managing General Partner may approve.

8.05. General Partners or Affiliates Dealing with Partnership.

(a) The General Partners or any of them or any Affiliate may act as management agent of the Development on terms and conditions permitted by applicable HUD regulations, and may receive compensation at the highest rates approved and permitted by HUD at any time but not less than five (5) per cent of the gross rental income of the Development and such other receipts related to the operation of the Development. CRHC hereby consents to the appointment of Southeastern Property Management, Inc. ("SPM"), as property management agent for the Development.

(b) In addition to the appointment of SPM, as management agent as set forth above, the General Partners or any of them or any Affiliate shall have the right to contract or otherwise deal with the Partnership for the sale of goods or services or provision of either or both title or property insurance coverage to the Partnership, in addition to those set forth herein, either (i) with the Consent of CRHC to the terms and conditions of such transactions, or (ii) without the Consent of CRHC, if (A) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Partnership, (B) the goods or services to be furnished shall be reasonable for and necessary to the Partnership, (C) the fees, terms and conditions of such transaction are at least as favorable to the Partnership as would be customarily obtainable in an arm's-length transaction, (D) no agent, attorney, accountant or other independent consultant or contractor who is also employed on a full-time basis by the General Partners or any Affiliate shall be compensated by the Partnership for his services, and (E) any necessary Consent of HUD is obtained. Any contract covering such transactions shall be in writing and shall contain a clause allowing termination by the Partnership without penalty on sixty (60) days Notice. Any payment made to the General Partners or any Affiliate for such goods or services shall be fully disclosed to all Limited Partners in the reports required under Section 13.04. Neither the General Partners nor any Affiliate shall, by the making of lump-sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.05(b) or Section 8.05(c).

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Provided, however, that with respect to the provision of insurance to the Partnership by the Local General Partner or its Affiliates, in addition to the terms and conditions set forth in Section 8.05(b)(ii) above, the underwriter or coinsurer of the insurance shall specifically acknowledge in writing that it is aware of and has no objection to the relationship by and between the Partnership, the Local General Partner, and the agent for such insurance company with respect to the coverage of the Partnership or the Development by such agency Affiliated with it. Further, notwithstanding the provisions of Section 8.05(b)(ii)(D), CRHC hereby consents to the employment of the law firm of Welden & Harbin by the Partnership from time to time to provide ordinary and necessary professional services, and to the employment of an

Affiliate of the Local General Partner to provide all appropriate and necessary insurance for the Development which fees and terms and conditions of such relationships shall be reasonable and shall, in all other respects meet the requirements of Section 8.05(b)(ii).

With respect to the General Partners or any Affiliate dealing with or otherwise contracting with the Partnership as provided in this Section 8.05(b), no such contracts or other arrangements shall be entered into if prohibited by HUD or the Mortgagee.

(c) Notwithstanding the provisions of Section 8.05(b), the General Partners or any Affiliate shall not participate in any arrangement which would circumvent the provisions of Section 8.05(b).

8.06. Other Activities. The General Partners and any Affiliate may engage in or possess interests in other business ventures of every kind and description for their own account, including, without limitation, serving as general partner of other partnerships which own, either directly or through interests in other partnerships, government-assisted housing projects similar to the Development. Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

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8.07. Liability for Acts and Omissions.

No General Partner (including the directors, officers and employees of a General Partner) shall be liable, responsible or accountable in damages or otherwise to any of the Partners for any act or omission performed or omitted by it in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Partnership, except for fraud, willful misconduct, gross negligence or any breach of its fiduciary duty as General Partner with respect to such acts or omissions. Any loss, damage or expense incurred by any General Partner by reason of any act or omission performed or omitted by it in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interests of the Partnership (but not, in any event, any loss or damage incurred by any General Partner by reason of fraud, willful misconduct, gross negligence or any breach of its fiduciary duty as General Partner with respect to such acts or omissions) shall be paid from Partnership assets to the extent available (but no Limited Partner shall have any personal liability to the General Partners under any circumstances on account of any such loss or damage incurred by the General Partners or on account of the payment thereof).

8.08. Net Worth of Altadena.

(a) Except as provided in Section 8.08(b), Altadena (or such other Person as CRHC may approve as net worth General Partner) shall be obligated to (i) use its reasonable efforts to maintain such net worth as is necessary to comply with such other requirements as are presently in effect to assure that all provisions of the Code (as now or hereafter interpreted by the Internal Revenue Service, any other agency of the federal government, or the courts) are met which are necessary to assure that the Partnership is classified as a partnership for federal income tax purposes, and (ii) not voluntarily take any action which would cause the Partnership not to be treated as such for federal income tax purposes. Provided, however, that if at any time counsel to CRI-85 shall determine that the requirements pertaining to the net worth of Altadena do not meet the criteria established by the Code (as now or hereafter interpreted by the Internal Revenue Service, any other agency of the federal government, or the courts) so as to render the Partnership as a partnership for federal income tax purposes, either or any of Peter Field, Charles V. Welden, Jr. or W. Edgar Welden shall be admitted to the Partnership, pursuant to the terms of Section 6.01 above to satisfy the requirements of this Section 8.08(a). The consent of CRHC and CRI-85 to the admission of such person or persons is hereby deemed to have been given, provided such parties jointly or singly meet such net worth requirements.



For the purposes of this Section 8.08, net worth General Partner shall have the same meaning as is set forth in Revenue Procedure 72-13, 1972-1 C.B.735, as such Revenue Procedure may be interpreted thereafter by the Internal Revenue Service or the courts. Thus, as long as Altadena is the sole Local General Partner and has an interest in this Partnership and no other, then its net worth shall equal (i) no less than fifteen (15) percent of the total capital contributions to the Partnership by its partners or $250,000 which is lesser; or (ii) if such capital contributions shall exceed $2,500,000, it shall have a net worth of at least (10) percent of such capital contributions. In addition, it shall maintain at least a one (1) percent interest in all Partnership allocations, interests and distributions. In the event Altadena serves as a general partner in more than one limited partnership, then it shall meet the aforesaid net worth requirements separately for each such entity.

(b) In the event that at any time Altadena, or its successor is unable or unwilling to satisfy the net worth requirements of Section 8.08(a), it shall immediately give written Notice of such unwillingness or inability to CRHC. The unwillingness of Altadena to continue to meet its obligation to satisfy the net worth requirements presently in effect and as set forth in Section 8.08(a) shall not be excused unless (i) such net worth requirements are amended, changed, or adjusted in the Code, by regulation or as otherwise interpreted by the Internal Revenue

Service, any other agency of the federal government, or the courts or (ii) as otherwise provided herein. In the event that it is unable for any reason or unwilling on account of changes in the net worth requirements (as set forth in the preceding sentence) to meet its obligations set forth in this Section 8.08, then it or its successor may, at its sole election, either (A) withdraw as General Partner of the Partnership or subject to the terms set forth in this Section 8.08(b) and designate a successor General Partner to satisfy the requirements of Section 8.08(a) in accordance with the provisions of Section 6.01(a)(i), or (B) remain as a General Partner as long as one of the persons identified in the next sentence also becomes a General Partner in the Partnership and both Altadena and such Person(s) meet, in the aggregate, the net worth requirements. Such successor shall include any or all of the following persons: Peter W. Field, Charles V. Welden, Jr. or W. Edgar Welden. In the event that Altadena withdraws pursuant to this Section 8.08, and Altadena designates a successor (or successors), and such successor(s) subsequently elects to withdraw as a General Partner for any reason, CRHC shall designate any substitute successor General Partner. Provided, further, if Altadena does not designate or is unable to designate a successor General Partner as set forth in this Section 8.08 above, then CRHC may designate a Substitute General Partner, which Person shall not be subject to the approval of Altadena. If Altadena or its successor withdraw as a General Partner as aforesaid, it shall have no liability for its inability or unwillingness to satisfy the requirements of Section 8.08(a).

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8.09. Partnership Management Services.

(a) The Partnership has entered into a Partnership Management Services Agreement with Altadena dated as of the date hereof for services in managing the business of the Partnership during the period from the date hereof through December 31, 1990. Such agreement includes provisions to the effect that in return for its services in overseeing the performance of Development management services by the Management Agent, administering and directing the business of the Partnership, maintaining appropriate books and records relating to all financial matters of the Partnership, and reporting periodically to the Partners and to the Mortgagee and HUD with respect to the financial and administrative conditions of the Development and the Partnership, compensation as set forth below shall be paid.

As consideration for the performance of the aforesaid services, the Partnership shall pay $258,300 to Altadena or its designee, solely from the Capital Contributions of CRI-85 to the Partnership, a partnership management services fee, payable upon receipt by the Partnership of the installment of Capital Contribution of CRI-85 provided for in Section 5.01(c), for services rendered or to be rendered during 1985, 1986, 1987, 1988, 1989 and 1990.

(b) As set forth in an Additional Management Services Agreement of even date herewith, and subject to any applicable HUD rules and regulations, commencing on the date hereof and continuing on an annual basis throughout the term of the Partnership, Highland Management Corporation, or its designee in accordance with the aforementioned agreement, shall receive, annually from the Net Cash Flow of the Partnership available as of the end of each calendar year and permitted to be distributed under the terms of the Regulatory Agreement, for its services in overseeing Altadena in providing management services to the Partnership pursuant to Section 8.09(a) above $25,000 each year after:

(i) distributions to the Partners in the Partnership in accordance with their Percentage Interests in the Partnership, the effect of which will have yielded the following amounts to CRI-85 in each of the following years: (1) 1986, $30,810; (2) 1987, $54,120; (3) 1988, $77,430; (4) 1989, $100,740; (5) 1990, $124,050; and (6) 1991, and each year thereafter, $147,360 per annum; and

(ii) an additional distribution to CRI-85, pursuant to which distribution CRI-85 shall have received funds in an amount sufficient to permit it to pay all current interest, and any and all accrued and unpaid interest, if any, on the Purchase Money Notes.

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Thereafter, any remaining Net Cash Flow shall be payable to the Partners of the Partnership in accordance with their Percentage Interests in the Partnership.

8.10. Removal of the Local General Partner.

(a) CRHC, so long as it is a General Partner, and/or CRI-85, so long as it is a Limited Partner (and subject to receipt of an opinion of counsel to the Partnership that the exercise of the right granted to it pursuant to this Section 8.10 shall not affect adversely its limited liability as a Limited Partner), and so long as they or their Affiliates are not in default hereunder, but subject to the prior approval of HUD and the Mortgagee, if either or both are required, and in accordance with the provisions of Section 8.10(b), shall have the right to remove the Local General Partner as General Partner (i) for any fraud, willful misconduct, intentional misconduct or failure to exercise reasonable care with respect to any material matter in the discharge of the duties and obligations of a General Partner (provided that such violation results in, or is likely to result in, a material detriment to or a material impairment of the Development or the assets of the Partnership), or (ii) subject to the provisions of Section 6.03, upon the adjudication of incompetence, dissolution or Bankruptcy, or upon the making of a general assignment for the benefit of creditors, of a Local

General Partner, provided that if such event(s) with respect to a Local General Partner adversely affect(s) the Local General Partner or the Partnership, then the Local General Partner may be removed in accordance with this Section 8.10, or (iii) upon the occurrence of any of the following:

(A) it shall have violated in a material respect a provision of the Regulatory Agreement, or any provisions of any other document required by HUD or the Mortgagee in connection with the Mortgage Loan, or a provision of the HUD regulations applicable to the Development, of which violation notice has been given by HUD or the Mortgagee;

(B) it shall have knowingly violated any material provision of this Agreement (provided that such violation results in, or is likely to result in, a material detriment to or an impairment of the Development or the assets of the Partnership);

(C) it shall have caused the Mortgage Loan to go into default;

(D) it shall have conducted the affairs of the Partnership in such manner as would:

(1) cause the termination of the Partnership for federal income tax purposes without the Consent of CRHC;

(2) cause the Partnership to be treated for federal income tax purposes as an association, taxable as a corporation and notice of such action shall have been given by the Internal Revenue Service or by the accountants for the Partnership or by CRHC;

(E) Counsel for CRHC shall be of the opinion that the Local General Partner failed to meet its obligations pursuant to Section 8.08(a) (evidenced by a Notice to the Local General Partner to such effect and based upon financial statements of such Local General Partner which shall be promptly furnished to CRHC at any time upon request) and within ten (10) days after notice to the Local General Partner, neither W. Edgar Welden, Charles V. Welden, Jr. nor Peter Field elect to serve as General Partner pursuant to the terms of Section 8.08 hereof; or

(F) it shall have acted in a manner which causes an Event of Default (as defined in the Security Agreement) to occur in accordance with the terms of the Security Agreement, and notice of such Event of Default has been issued.

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(b) CRHC and/or CRI-85, as applicable, shall give Notice to all Partners of its determination that the Local General Partner shall be removed, subject to any required approval of HUD or the Mortgagee. The Local General Partner shall have thirty (30) days from receipt of such Notice to cure any default or other reason for such removal, in which event it shall remain as General Partner; except that the Local General Partner or the Former Owner, as applicable, shall have a reasonable time to cure any non-monetary default which is of its nature not susceptible to cure within thirty (30) days provided that efforts to cure commence promptly upon Notice and, in the sole reasonable judgment of CRHC, are diligently pursued to completion and such delay does not adversely and materially affect the business or affairs of the Partnership. If, at the end of thirty (30) days or such longer cure period as provided in the immediately preceding sentence in this section, it has not cured any default or other reason for such removal, or CRHC, in its sole reasonable discretion has not extended the cure period, it shall cease to be a General Partner, the powers and authorities conferred on it as General Partner under this Agreement shall cease, and its Interest as a General Partner shall be assigned to CRHC or its designee and it shall be withdrawn as a Partner of the Partnership. In the event that the Local General Partner is removed or withdrawn pursuant to this Section 8.10, it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner before such removal shall have become effective. Notwithstanding the preceding sentence, nothing herein is intended to amend or alter the principle, that all obligations and liabilities of the Partnership shall first be paid out of available assets of the Partnership. CRHC will (after the removal of the Local General Partner) become the Managing General Partner or, at its sole election, may nominate another Person(s) or organization to become a new General Partner(s) of the Partnership and, upon its (their) admission to the Partnership, such Person(s) or organization shall become the Managing General Partner(s).

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(c) The Local General Partner agrees to execute any and all documents on behalf of the Partners and the Partnership as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 8.10. The election by CRHC to remove the Local General Partner under this Section 8.10 shall not limit or restrict the availability and use of any other remedy which CRHC or any other Partner might have with respect to the Local General Partner in connection with its undertakings and responsibilities under this Agreement.

(d) In the event that the Local General Partner is removed pursuant to the provisions of this Section 8.10, it shall remain liable for all obligations and liabilities incurred by it as a General Partner of the Partnership before such removal shall have become effective; provided however, that its representations, warranties and covenants contained in Article IV shall continue thereafter only with respect to matters existing or occurring

prior to the date of such removal. Upon such removal, the Local General Partner shall not be liable to any Partner or for any obligations or liabilities, except to the extent provided in Section 8.07 and this Section 8.10. Notwithstanding the preceding sentence, nothing herein is intended to amend or alter the principle that all obligations and liabilities of the Partnership shall first be paid out of available assets of the Partnership.

The Former Owner shall continue to be paid subsequent to such removal, in accordance with the terms and conditions of this Agreement, any installments of Purchase Price which would have otherwise been due and payable to them.

(e) In the event that the Local General Partner is removed from the Partnership as a General Partner for any of the reasons set forth in this Section 8.10, then the Partnership agrees to:

(i) repay any and all amounts loaned to the Partnership by such Local General Partner(s) subsequent to the date of this Agreement, from first available Cash Flow, until such loans are repaid in full. Any amounts of any such loan that is outstanding at the time of the occurrence of any of the events set forth in Sections 11.04 or 12.01 shall be repaid as set forth in Section 11.04(c); and

(ii) use its reasonable efforts to cause the Local General Partner(s) to be released from any obligations of the Partnership in which the Local General Partner is a guarantor of any such debt.

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Provided, further, in the event that the Local General Partner is removed from the Partnership as a General Partner for any of the reasons in Section 8.10(a), except for the reasons set forth in Section 8.10(a)(iii)(E), then the interest of such Local General Partner in the Partnership, including all right, title and interest in profits, losses, Net Cash Flow and 5.0% of the interest of Altadena in the proceeds from sale, refinancing or liquidation (as set forth in Section 11.04(i)) shall be transferred and assigned, without consideration, to the substitute Local General Partner or other designee of CRHC.

8.11. Selection of Management Agent. The Partnership, with the approval of HUD or Mortgagee, if either or both are required, shall engage such person, firm or company as the Managing General Partner may select, and as CRHC may approve, which approval by CRHC shall not be unreasonably withheld, to manage the operation of the Development (the "Management Agent"). CRHC hereby Consents to and approves the designation of SPM as the Management Agent. The Management Agent shall be paid management fee of 5% of gross rental income and other receipts related to operation of the Development or such higher fee as may be approved by HUD for such

services. The contract between the Partnership and the Management Agent and the management plan for the Development shall be in a form acceptable to HUD and the Mortgagee, to the extent that either or both are required, and to CRHC. Upon the termination of HUD mortgage insurance, such Management Agreement shall be subject to renegotiation with respect to the amount of the fee to be paid for such services which fee shall be subject to the approval of CRHC and shall be a reasonable and competitive amount, but no less than 5% of gross rental income and other receipts related to the operation of the Development. Notwithstanding any other provisions herein, in no event shall such management fee exceed 7% of gross rental income and other receipts related to the operation of the Development, unless during the period when the Development is regulated by HUD, HUD approves an amount in excess of the aforesaid amount.

Such Management Agent shall continue as Management Agent and such Management Agreement shall be renewed successively in accordance with its terms unless there is an event of default or removal under the terms of said agreement or as otherwise provided herein.

Unless the Purchase Money Notes are paid in full upon a sale, refinancing or other disposition of the Development, or upon liquidation of the Partnership pursuant to Article XII, from the proceeds of such Capital Event, it is hereby agreed that as a term of such sale, refinancing or other disposition or liquidation, SPM or other Affiliate of the Local General Partner shall, in the sole discretion of the Local General Partner (and subject only to any required HUD or Mortgagee approval), be entitled to remain as Management Agent to manage the Development and shall retain the benefits provided under the management agreement by and between the parties thereto.

In the event that the Management Agent is not controlled by any or all of W. Edgar Welden, Charles V. Welden, Jr. or Peter W. Field or all or any of their respective families, and eighty (80) percent or more of the amount of distributions set forth in Section 8.09(b)(i) is not achieved in each year, solely from operation of the Development (exclusive of capital expenditures), then such event shall provide cause for CRHC to remove such Management Agent subject to any required HUD or Mortgagee approval. The new Management Agent shall be selected by CRHC.

8.12. Removal of the Management Agent. The Management Agent may be removed in any of the following circumstances:

(a) Altadena (i) may, upon receiving any required approval of HUD, dismiss the Management Agent as the entity responsible for the Development under the terms of the contract between the Partnership and the Management Agent, or (ii) at the request of CRHC, shall remove the Management Agent in the event that (A) HUD or the Mortgagee terminates

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the management agreement or withholds any required governmental approval of the management agreement, (B) the Development is in material default under the Mortgage Loan, or (C) the Management Agent is declared Bankrupt, is dissolved, or makes an assignment for the benefit of its creditors, (D) or for any intentional, knowing, or fraudulent misconduct or gross negligence by the Management Agent in the discharge of its duties and obligations as Management Agent, including, without limitation, for any intentional, knowing or fraudulent conduct or gross negligence, whether by omission or commission which:

(i) violates in any material respect or is in material default of (and fails to cure) any provision of the Regulatory Agreement or any other HUD regulation applicable to the Development, or the HUD-approved management agreement with the Partnership, or the HUD-approved management plan for the Development, or

(ii) violates in any material respect any provision of this Agreement or provision of applicable law; or

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(b) the Local General Partner is removed as a General Partner for any reason under Section 8.10 hereof, except if such removal is on account of the circumstances set forth in Section 8.10(a)(ii) or Section 8.10(a)(iii)(E). CRHC is, for so long as it is a General Partner, authorized to cause the removal of the Management Agent as the entity responsible for the management of the Development for any of the reasons set forth in Section 8.12(a)(ii) and not inconsistent herewith.

Notwithstanding subsections 8.12(a) and (b), above, in the event that the Management Agent is in default under any part of this Section and HUD does not object to the allowance of such cure period as hereinafter set forth, the Management Agent shall have an opportunity to cure any event of default prior to the exercise of the right to remove the Management Agent. In the event the default is of a non-monetary nature, the Management Agent shall have thirty (30) days to cure such default. The thirty-day period shall begin to run on the date that Notice is given to the Management Agent of such event of default by CRHC or any third party. In connection with the preceding sentence, the Management Agent hereby agrees to provide written notice to CRHC immediately upon the earlier of knowledge or receipt of Notice from a third party as to an event of default. In the event that CRHC determines independently that there has been any default hereunder, it shall provide its notice to the Management Agent of such determination of an event of default in writing within five (5) days of receipt of knowledge of such default. If such non-monetary default is of its nature not susceptible of cure within 30 days, such cure period may be extended by CRHC provided that such cure commences promptly upon notice and is diligently pursued and is likely, in the sole reasonable judgment of CRHC, to be

cured completely within 90 days; provided, however, if such default arises out of a contract with a third party and such third party agrees to extend the cure period, such default is susceptible to cure, and the extension of such cure period shall not cause additional harm to the Partnership or the Development, CRHC may in its sole reasonable discretion agree to a further cure period not to exceed an additional 30 days. Provided, further, in the event of a monetary default, the Management Agent shall have seven (7) days to cure such default by making payment with Partnership assets, to the extent available. It is hereby understood and agreed that nothing contained in this Agreement either authorizes or imposes a duty upon the Management Agent to loan funds to the Partnership for the curing of such monetary default. The seven day period shall begin to run on the next business day after the failure of the Management Agent to make a monetary payment on the date such obligation first becomes due and payable. Provided, further, if a monetary default arises out of a contract with a third party and such third party agrees to extend the cure period, such default is susceptible to cure, and the extension of such cure period shall not cause additional harm to the Partnership or the Development, CRHC may in its sole reasonable discretion agree to a further cure period not to exceed any additional 30 days. Moreover, provided, further, if an event of default is caused by a default under a contract with an obligation to a third party which contract or obligation has a shorter default and/or cure period, then the thirty day period provided above shall be shortened to the default and/or cure period under the said third-party contract or obligation.

Notwithstanding any provisions set forth above, in the event that the Management Agent is removed pursuant to Section 8.12(a)(ii)(C) above, the Local General Partner (as long as fifty percent or more of the ownership and control of such entity is held by W. Edgar Welden, Charles V. Welden, Jr. or Peter Field, or persons related to them by marriage or blood) may designate and appoint a substitute Management Agent, subject to the approval of CRHC, which approval shall not be unreasonably withheld, and subject to HUD and Mortgagee approval, if either or both are required.

Provided further, in the event that the Management Agent is removed because HUD (i) terminates the management agreement or (ii) withholds any required governmental approval of the management agreement, which events occur solely on account of the activities of the Management Agent or affiliates or persons related to it in connection with other HUD insured or subsidized properties (and not on account of activities related to this Development), then the Local General Partner may designate and appoint a substitute Management Agent, subject to the approval of CRHC, which approval shall not be unreasonably withheld, and subject to HUD approval, if required.

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All Partners shall give such Consents, take such actions and execute such documents as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 8.12.

8.13. Replacement of the Management Agent. Upon the removal of the Management Agent as the entity responsible for the management of the Development, a substitute Management Agent shall be designated and appointed by CRHC, except to the extent that Section 8.12 authorizes the Local General Partner to so designate and appoint; with the approval of HUD, if required, such substitute Management Agent shall become the new Management Agent for the Development. In the event that CRHC is authorized as set forth in this Agreement to appoint the substitute Management Agent, CRHC shall obtain the approval of Altadena to such appointment, which approval shall not be unreasonably withheld.

8.14. Loans to the Partnership. In the event that additional funds are required by the Partnership for any purpose relating to the business of the Partnership or for any of its obligations, expenses, costs or expenditures, including Operating Deficits, the Partnership may borrow such funds as are needed from any Partner or other Person or organization, including the General Partners, for such period of time and on such terms as the Managing General Partner and the lender may agree and at the rate of interest then prevailing for comparable loans, subject to the Consent of CRHC and the payees under the Purchase Money Notes to any such borrowing and to its terms and conditions, if the amount of such loan or if the aggregate amount of such loan and prior loans outstanding equals or exceeds $60,000; provided however, that no such loans shall be secured by any mortgage or other encumbrance on the property of the Partnership without the prior approval of HUD and the Mortgagee, if either or both are required. Loans made under this Section shall be repaid as set forth in the definition of Cash Flow in Article II, but any amount of any such loan that is outstanding at the time of the occurrence of any of the events described in Sections 11.04 or 12.01 shall be repaid as provided in Section 11.04(c). Advances or loans made to the Partnership by the Partners may be repaid as a first priority out of available Cash Flow. Nothing in this Section or in this Agreement shall obligate any General Partner to make any loans to the Partnership for any purposes. Notwithstanding the above, it is hereby agreed and understood by the parties that the Partnership shall not and is not authorized to borrow funds for the purpose of providing any Partner with a loan or otherwise for the purpose of making any distribution hereunder.

8.15. Contingency Reserves. The General Partners jointly shall have the right to establish such reasonable reserves and to set aside Partnership funds therein up to a maximum amount of ten per cent (10%) of Cash Flow in each fiscal year. Such reserves may be in addition to the Reserve for Replacements required by HUD and/or the Mortgagee, but not in lieu thereof. Any funds set

aside in such reserves shall not be available for distribution pursuant to Article XI, but such funds may subsequently be made available for distribution to the extent that the General Partners jointly determine that such funds are no longer necessary to be held as reserves for the operation of the Partnership business.

8.16. Reports to CRHC. The Managing General Partner shall furnish or shall cause to be furnished to CRHC all such information as CRHC may reasonably request from time to time with respect to the financial and administrative conditions of the Development. Such information shall include, but not be limited to, (i) service contracts, insurance policies, renewals, changes in coverage, occupancy status reports, a monthly income statement which compares actual and budgeted expenses for the month and for the year-to-date together therewith a statement of receipts and disbursements and a schedule of accounts receivable and payable (other than trade payables); (ii) quarterly balance sheets reflecting the financial position of the Development, to be provided within twenty (20) days after the end of each quarter of the Partnership's fiscal year, and (iii) copies of any and all financial reports that may be requested by HUD and/or any governmental agencies having jurisdiction.

8.17. Contingent Brokerage Commission. The Partnership hereby agrees that Southeastern Property Sales, Inc., ("SPS"), a licensed real estate broker, may act as a broker or provide consulting and other advice to the Partnership in the event the Partnership elects to sell the Development. Brokerage fees will be payable if brokerage commissions paid to third parties and SPS equal, in the aggregate, no greater than the market rate of brokerage commissions in the Birmingham, Alabama area. The Partnership shall pay to SPS to the extent of, but not to exceed 5.00% of the cash proceeds remaining from the proceeds available in accordance with Section 11.04(h).

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## ARTICLE IX

## TRANSFERS OF, AND RESTRICTIONS ON TRANSFERS OF INTERESTS OF LIMITED PARTNERS

9.01. Purchase for Investment.

(a) CRI-85 hereby represents and warrants to the General Partners and to the Partnership that the acquisition of its Interest is made as principal for its account for investment purposes only and not with a view to the resale or distribution of such Interest, except insofar as the Securities Act of 1933 and any applicable securities law of any state or other jurisdiction permit such acquisitions to be made for the account of others or with a view to the resale or distribution of such Interest without requiring that such Interest, or the acquisition, resale or

distribution thereof, be registered under the Securities Act of 1933 or any applicable securities law of any state or other jurisdiction.

(b) CRI-85 agrees that it will not sell, assign or otherwise transfer its Interest or any fraction thereof to any Person who does not similarly represent and warrant and similarly agree not to sell, assign or transfer such Interest or fraction thereof to any Person who does not similarly represent and warrant and agree.

9.02. Restrictions on Transfer of Limited Partners' Interests.

(a) Under no circumstances will any offer, sale, transfer, assignment, hypothecation or pledge of any Limited Partnership Interest be permitted unless the General Partners shall have Consented.

(b) The Limited Partner whose interest is being transferred shall pay such reasonable expenses as may be incurred by the Partnership in connection with such transfer.

9.03. Admission of Substitute Limited Partner.

(a) Subject to the other provisions of this Article IX, an assignee of the Interest of a Limited Partner (which shall be understood to include any purchaser, transferee, donee, or other recipient of any disposition of such Interest) shall be deemed admitted as a Substitute Limited Partner of the Partnership only upon the satisfactory completion of the following:

(i) Consent of the General Partners shall have been given, which consent may be evidenced by the execution by the General Partners of an amended Certificate evidencing the admission of such Person as a Limited Partner;

(ii) the assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart thereof or an appropriate amendment hereto, and such other documents or instruments as the General Partners may require in order to effect the admission of such Person as a Limited Partner;

(iii) an amended Certificate evidencing the admission of such Person as a Limited Partner shall have been filed;

(iv) the assignee shall have represented and agreed in writing as required by Section 9.01; and

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(v) if the assignee is a corporation, the assignee shall have provided the General Partners with evidence satisfactory to counsel for the Partnership of its authority to become a Limited Partner under the terms and provisions of this Agreement.

(b) For the purpose of allocation of profits and losses and distributing cash of the Partnership, a Substitute Limited Partner shall be treated as having become, and as appearing in, the records of the Partnership as a Partner upon his signing of an amendment to this Agreement, agreeing to be bound hereby; providing that all conditions to transfer imposed by the Agreement are satisfied on or before such signing and the Partnership is informed by the Substitute Limited Partner and the Limited Partner whose interest is being transferred of the date of such signing.

(c) The General Partners shall cooperate with the Person seeking to become a Substitute Limited Partner (at the expense of the Substitute Limited Partner) by preparing the documentation required by this Section and making all official filings and publications. The Partnership shall take all such action, including the filing of any Certificate evidencing the admission of any Person as a Limited Partner, and the making of any other official filings and publications, as promptly as practicable after the satisfaction by the assignee of the Interest of a Limited Partner of the conditions contained in this Article IX to the admission of such Person as a Limited Partner of the Partnership.

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9.04. Rights of Assignee of Partnership Interest.

(a) Except as provided in this Article IX and as required by operation of law, the Partnership shall not be obligated for any purpose whatsoever to recognize the assignment by any Limited Partner of his Interest until the Partnership has received actual Notice thereof signed by the Substitute Limited Partner and the Limited Partner whose Interest is being transferred.

(b) Any Person who is the assignee of all or any portion of a Limited Partner's Interest, but does not become a Substitute Limited Partner and desires to make a further assignment of such Interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of his Interest.

9.05. Effect of Bankruptcy, Death or Adjudication of Incompetence of a Limited Partner. The Bankruptcy of a Limited Partner or the death of a Limited Partner or an adjudication that a Limited Partner is incompetent (which terms shall include, but not be limited to, insanity) shall not cause the termination or dissolution of the Partnership, and the business of the

Partnership shall continue. If a Limited Partner becomes Bankrupt, the trustee or receiver of his estate, if any, or, if he dies, his executor, administrator or trustee or, if he is adjudicated incompetent, his committee, guardian or conservator, shall have all the rights of such Limited Partner for the purpose of settling or managing his estate or property and such power as the Bankrupt, deceased or incompetent Limited Partner possessed to assign all or any part of his Interest and to join with the assignee in satisfying conditions precedent to the admission of the assignee as a Substitute Limited Partner.

9.06. HUD Requirements on Assignments. Any incoming Partner, general or limited, shall, as a condition of receiving a Partnership Interest in and to the Partnership, agree to be bound by the Regulatory Agreement and other documents required in connection with the Mortgage Loan to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to possession and control of the Development, and no rights to collect rents therefrom, shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to HUD and/or the Mortgagee, as appropriate. Where necessary, any and all assignees of Partnership Interests shall submit HUD Form 2530 and obtain approval from HUD and/or the Mortgagee, as required, as a Partner prior to the effective date of any Assignment. The provisions of this Section 9.06 shall terminate and be of no further force or effect following such time as the Mortgage Loan is no longer insured by HUD or held by the Secretary.

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## ARTICLE X

## RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

10.01. Management of the Partnership. No Limited Partner shall take part in the management or control of the business of the Partnership nor transact any business in the name of the Partnership. No Limited Partner shall have the power or authority to bind the Partnership or to sign any agreement or document in the name of the Partnership. No Limited Partner shall have any power or authority with respect to the Partnership except insofar as the Consent of the Limited Partners shall be expressly required and except as otherwise expressly provided in this Agreement.

10.02. Limitation on Liability of Limited Partners. The liability of each Limited Partner shall be limited to his Capital Contribution as and when it is payable under the provisions of this Agreement. No Limited Partner shall have any other liability to contribute money to, or in respect of, the liabilities or obligations of the Partnership, nor shall any Limited Partner be personally liable for any obligations of the Partnership. No Limited Partner shall be obligated to make loans to the Partnership.

10.03. Other Activities. The Limited Partner may engage in or possess interests in other business ventures of every kind and description for its own account, including without limitation, serving as general or limited partner of other partnerships which own, either directly or through interests in other partnerships, government-assisted housing projects similar to the Development. Neither the Partnership nor any of the Partners shall have any right by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

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10.04. Ownership by Limited Partner of Corporate General Partner or Affiliate. No Limited Partner shall, at any time, either directly or indirectly, own any stock or other interest in any corporate General Partner if such ownership by itself or in conjunction with other stock or other interests owned by other Limited Partners would, in the opinion of Lane and Edson, P.C. of Washington, D.C. or other tax counsel to the Partnership, jeopardize the classification of the Partnership as a partnership for federal income tax purposes; provided, however, that the provisions of this sentence shall have no application to any Limited Partner who is a Limited Partner solely because of the conversion of a General Partner Interest held by him pursuant to the provisions of this Agreement. The General Partners shall be entitled to make such reasonable inquiry of the Limited Partner(s) as is necessary to ascertain compliance with the provisions of this Section. In the event of any violation of the provisions of this Section by any Limited Partner, such Limited Partner shall either dispose of its Interest in the Partnership (subject to and

in compliance with the provisions of Article IX) or of its stock or other interest in the corporate General Partners or Affiliates to the extent necessary so that, in the opinion of counsel for the Partnership, the classification of the Partnership as a partnership for federal income tax purposes is no longer in jeopardy. The obligation of any such disposition required of more than one Limited Partner shall be shared among them on an equitable basis. Notwithstanding the foregoing, neither the General Partners nor any Limited Partner shall be liable in damages to the Partnership or to any Partner by reason of any violation of this Section, except for damages arising out of any material misrepresentation by any Limited Partner relating to the ownership of stock or other interest in a corporate General Partner or any Affiliate by him or by any member of his family (within the meaning of the attribution rules set forth in Section 318 of the Code) or out of any failure by any Limited Partner to dispose of his Interest in the Partnership or of his stock or other interest in a corporate General Partner or Affiliate within a reasonable time after Notice to such Limited Partner by the Partnership of the obligations to make such disposition.

## ARTICLE XI
## PROFITS, LOSSES AND DISTRIBUTIONS

11.01. Allocation of Profits and Losses and Cash Distributions.

(a) All profits and losses, except those profits and losses referred to in Section 11.03, and all Net Cash Flow available for distribution in accordance with the terms of this Agreement shall be allocated and distributed in accordance with the Percentage Interests of the Partners as set forth in Section 5.01.

(b) In any year in which a Partner sells, assigns or transfers all or any portion of an Interest to any Person who during such year is admitted as a substitute Partner, the share of all profits and losses allocated to, and of all Net Cash Flow and of all cash proceeds distributable under Section 11.04(j) distributed to, all Partners which is attributable to the Interest sold, assigned or transferred shall be divided between the assignor and the assignee using either of the following methods as determined by agreement between the assignor and assignee: (i) ratably on the basis of the number of days in such year before, and the number of days on and after, the execution by the assignee of this Agreement, or (ii) by dividing the Partnership fiscal year into two segments, the first segment being the time period, rounded to the nearest number of months, in such year before the execution by the assignee of this Agreement and the second segment being the time period, rounded to the nearest number of months, in such year beginning on the date of execution by the assignee of this Agreement, and allocating profits and losses, Net Cash Flow, and all cash proceeds distributable in each such segment among the persons who were Partners during that segment.

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(c) The Partnership shall, subject to any required approval by HUD and/or the Mortgagee, distribute Net Cash Flow not less frequently than annually in the manner provided in this Agreement.

11.02. Determination of Profits and Losses. Profits and losses for all purposes of this Agreement shall be determined in accordance with the accounting method followed by the Partnership for federal income tax purposes. Any adjustments made pursuant to Section 754 of the Code shall not be taken into account, except those adjustments resulting from the acquisition by CRI-85 and CRHC of their Interests in the Partnership. Every item of income, gain, loss, deduction, credit or tax preference entering into the computation of such profits or losses, or applicable to the period during which such profits and losses were realized, shall be considered allocated to each Partner in the same proportion as profits and losses are allocated to such Partner.

11.03. Allocation of Gains and Losses. Gains and losses recognized by the Partnership upon the sale, exchange or other disposition of all or substantially all of the property owned by the Partnership shall be allocated in the following manner:

(a) All gains (but not losses) shall be allocated as follows:

(i) first, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to the aggregate negative Capital Account balances of the Partners shall be allocated to the Partners who have negative Capital Account balances in proportion to such balances, provided that no gain shall be allocated to a Partner under this Section 11.03(a)(i) once such Partner's Capital Account balance is brought to zero; and

(ii) second, gain in excess of the amount allocated under Section 11.03(a)(i) above shall be allocated to each Partner in proportion to the proceeds each Partner will receive under Sections 11.04(e), (f), (g), (h), (i) and (j).

(b) All losses shall be allocated as follows:

(i) first, an amount of loss equal to the amount of the aggregate Excess Balances of the Partners shall be allocated to those Partners who have an Excess Balance, in the ratio that each such Partner's individual Excess Balance bears to the aggregate Excess Balance. For this purpose, a Partner's Excess Balance shall equal the excess of his Capital Account over the amount of his Capital Contribution, less all amounts previously distributed to such Partner under Sections 11.04(f) and (g) which constituted a return of such Partner's Capital Contributions; and

(ii) second, the remainder of the loss shall be allocated in the following priority:

(A) first, to the Partners who have positive balances in their Capital Accounts after the allocations in Section 11.03(b)(i), in proportion to such balances until their Capital Accounts are brought to zero; and

(B) second, the balance, if any, to the Partners in accordance with their Percentage Interests as set forth in Section 5.01.

(c) any portion of the gains treated as ordinary income for federal income tax purposes under Sections 1245 and 1250 of the Code ("Recapture Amount") shall be allocated on a dollar for

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dollar basis to those Partners to whom the items of Partnership deduction or loss giving rise to the Recapture Amount had been previously allocated.

11.04. Distribution of Proceeds from Sale and Liquidation or Refinancing of Partnership Property. Except as may be required by Section 12.02(b), the net proceeds resulting from the liquidation of the Partnership assets pursuant to Section 12.02, and the net proceeds resulting from any Capital Event shall be distributed and applied in the following order of priority:

(a) to the payment of debts and liabilities of the Partnership (including all expenses of the Partnership incident to any such sale or refinancing) excluding debts and liabilities of the Partnership to Partners or any Affiliates and excluding all unpaid fees owing to the General Partners or their Affiliates under this Agreement;

(b) to the establishment of any reserves which the Liquidator (or the Managing General Partner, if the distribution is not pursuant to the liquidation of the Partnership) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Partnership;

(c) to the repayment of any unrepaid debts and liabilities (including unpaid fees) owed to the Partners or any Affiliates by the Partnership for Partnership obligations, including any outstanding loans made pursuant to Section 8.14; thereafter, to the Local General Partner and the Former Owner, the amount of the funds in the property insurance, fire protection and mortgage insurance escrow accounts, and property tax accounts, including the amount of county taxes, which were prepaid by the Partnership and/or which were in escrow with the Mortgagee as of December 1, 1985 for the benefit of the Development (which amount in the aggregate equals $67660 ); plus to the Local General Partner, in the aggregate, the amount of funds in the Reserve for Replacements Escrow as of December 1, 1985, if any such funds remain in the Reserve for Replacement Escrow after (i) all improvements deemed to be reasonably necessary by CRHC in its sole discretion, have been made to improve the condition of the Development to facilitate or as a condition of such sale or refinancing, and (ii) subject to prior written approval from HUD of disbursement of such funds, so long as the Mortgage Loan is insured by HUD or held by the Secretary;

(d) except in the case of any refinancing of the Development, to each Partner in an amount equal to the positive balance in his Capital Account as of the date of the liquidation or sale, adjusted for operations and distributions to that date, but before allocation of any gain under Section 11.03 realized from the event giving rise to the proceeds distributable under

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this Section 11.04; provided, that such sums so distributed to CRI-85 pursuant to this section shall first be used to discharge its indebtedness to the holders of the Purchase Money Notes;

(e) to CRI-85, an amount equal to any unpaid principal amount of the Purchase Money Notes, plus the amount of any accrued and unpaid interest on the Purchase Money Notes; provided, that such sums distributed to CRI-85 pursuant to Section 11.04 shall first be used to discharge its indebtedness to the holders of such Notes;

(f) to CRI-85 the amount of $2,331,000 plus payment to CRI-85 of an amount which equals an aggregate six percent cumulative return on $2,331,000 commencing from the date of this Agreement, reduced by all amounts previously distributed to the Limited Partners pursuant to Section 11.04(d) above(and if not taken into account in such section, any other cash distributions to the Limited Partners) and this Section 11.04(f);

(g) to the General Partners in the total amount of their Capital Contributions paid to or on behalf of the Partnership, reduced by all smounts previously distributed to them pursuant to Section 11.04(d) above and this Section 11.04(g);

(h) to Southeastern Property Sales, Inc. 5.0% of the sum remaining pursuant to Section 8.17;

(i) 14.1327% of the sum remaining to Altadena, Inc. or its designee or assignee; and

(j) the balance of such remaining sum to the Partners in accordance with their Percentage Interests as set forth in Section 5.01.

11.05. Capital Accounts. A separate Capital Account shall be maintained for each Partner. There shall be credited to each Partner's Capital Account the amount of his capital contributed and such Partner's distributive share of the profits for tax purposes of the Partnership; and there shall be charged against each Partner's Capital Account the amount of all Net Cash Flow distributed to such Partner, the net proceeds resulting from the liquidation of the Partnership's assets or from any sale or refinancing of the Development or refinancing of the Development distributed to such Partner, and such Partner's distributive share of the losses for tax purposes of the Partnership. Otherwise, each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations thereunder, including expressly, but not by way of limitation, the adjustments to Capital Account permitted by Section 704(b) of the Code and the Treasury Regulations thereunder in the case of a Partner who receives the benefit or detriment of any special basis adjustment under Sections 734, 743 and 754.

11.06. Authority of General Partners to Vary Allocations to Preserve and Protect Partners' Intent.

(a) It is the intent of the Partners that each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Article XI and Section 5.01 to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article XI and Section 5.01, the General Partners are authorized and directed to allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Article XI and Section 5.01 to the extent that allocating income, gain, loss, deduction, or credit (or item thereof) in the manner provided for in this Article XI and Section 5.01 would cause the determinations and allocations of each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) not to be permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 11.06 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article XI and Section 5.01 and no amendment of this Agreement or approval of any Partner shall be required.

(b) In making any allocation (the "new allocation") under Section 11.06(a), the General Partners are authorized to act only after having received the Consent of CRHC, and after having been advised by CRHC's accountants that under Section 704(b) of the Code and the Treasury Regulations thereunder, (i) the new allocation is the minimum modification of the allocations otherwise provided for in this Article XI and Section 5.01 necessary in order to assure that, either in the then current year or in any preceding year, each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) is determined and allocated in accordance with this Article XI and Section 5.01 to the fullest extent permitted by Section 704(b) of the Code and the Treasury Regulations thereunder.

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(c) If the General Partners are required by Section 11.06(a) to make any new allocation in a manner less favorable to the Limited Partners than is otherwise provided for in this Article XI and Section 5.01, then the General Partners are authorized and directed, only after having received the Consent of CRHC, and insofar as they are advised by CRHC's accountants that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in such manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Limited Partners as nearly as possible to the allocations thereof otherwise contemplated by this Article XI and Section 5.01.

(d) New Allocations made by the General Partners under Section 11.06(a) in reliance upon the advice of CRHC's accountants and allocations made by the General Partners under Section 11.06(c) in reliance upon the advice of CRHC's accountants shall be deemed to be made pursuant to the fiduciary obligation of the General Partners to the Partnership and the Limited Partners, and no such allocation shall give rise to any claim or cause of action by any Limited Partner.

11.07. Designation of Tax Matters Partner. CRHC hereby designates itself as Tax Matters Partner of the Partnership, as provided in regulations pursuant to Section 6231 of the Code. Each Partner, by the execution of this Agreement consents to such designation of the Tax Matters Partner and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent.

11.08. Duties of Tax Matters Partner.

(a) To the extent and in the manner provided by applicable law and regulations, the Tax Matters Partner shall furnish the name, address, profits interest and taxpayer identification number of each Partner, including any Successor or Additional Limited Partner, to the Secretary of the Treasury or his delegate.

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(b) To the extent and in the manner provided by applicable law and regulations, the Tax Matters Partner shall keep each Partner informed of the administrative and judicial proceedings for the adjustment at the Partnership level of any item required to be taken into account by a Partner for income tax purposes (such administrative proceedings referred to hereinafter as a "tax audit" and such judicial proceeding referred to hereinafter as "judicial review."

(c) If the Tax Matters Partner, on behalf of the Partnership, receives a notice with respect to a tax audit from the Secretary, the Tax Matters Partner shall, within 30 days of receiving such notice forward a copy of such notice to the Partners who hold or held an interest in the profits or losses of the Partnership for the taxable year to which the notice relates.

11.09. Authority of Tax Matters Partner. The Tax Matters Partner is hereby authorized, but not required:

(a) to enter into any settlement with the Internal Revenue Service or the Secretary with respect to any tax audit or judicial review, in which agreement the Tax Matters Partner may expressly state that such agreement shall bind the other Partners, except that such settlement agreement shall not bind any Partner who (within the time prescribed pursuant to the Code and regulations thereunder) files a statement with the Secretary

providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on the behalf of such Partner;

(b) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes is mailed to the Tax Matters Partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, the District Court of the United States for the district in which the Partnership's principal place of business is located, or the United States Court of Claims;

(c) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(d) to file a request for an administrative adjustment with the Secretary at any time and, if any part of such request is not allowed by the Secretary, to file a petition for judicial review with respect to such request;

(e) to enter into an agreement with the Internal Revenue Service to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(f) to take any other action on behalf of the Partners or the Partnership in connection with any administrative or judicial tax proceeding to the extent permitted by applicable law or regulations.

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11.10. Expenses of Tax Matters Partner. The Partnership shall indemnify and reimburse the Tax Matters Partner for all reasonable expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Partners. The payment of such expenses shall be made before any distributions are made from Net Cash Flow as set forth below and before any discretionary reserves are set aside by the Managing General Partner. Such expenses of the Tax Matters Partner shall be paid out of Partnership assets to the extent available in accordance with the priority set forth below:

(i) from the distribution of Net Cash Flow allocable to CRI-85 each year pursuant to Section 8.09(b)(i);

(ii) thereafter, the next $10,000 of such expenses shall be paid from the distribution of Net Cash Flow allocated to Highland Management Corporation pursuant to Section 8.09(b).

Thereafter, such expenses shall be paid by CRI-85 and CRHC. Neither the General Partners, or any Affiliate, nor any other person shall have any obligation to provide funds for such purpose. The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Partner and the provisions on limitations of liability of General Partners and indemnification set forth in Section 8.07 of this Agreement shall be fully applicable to the Tax Matters Partner in its capacity as such.

## ARTICLE XII
## SALE, DISSOLUTION AND LIQUIDATION

12.01. Dissolution of the Partnership. The Partnership shall be dissolved and liquidated upon the earlier of the expiration of the term of the Partnership, or upon:

(a) the withdrawal of a General Partner who is at that time the sole General Partner;

(b) the Bankruptcy, death, dissolution or adjudication of incompetency of a General Partner who is, at that time, the sole General Partner; and

(c) any other event causing the dissolution and termination of the Partnership under the laws of the State of Alabama.

12.02. Winding Up and Distribution.

(a) Upon the dissolution of the Partnership pursuant to Section 12.01, (i) a Certificate of Cancellation shall be filed in such offices within the State of Alabama as may be required or appropriate, and (ii) the Partnership business shall be wound up and its assets liquidated as provided in this Section 12.02 and the net proceeds of such liquidation, except as provided in Section 12.02(b) below, shall be distributed in accordance with Section 11.04.

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(b) It is the intent of the Partners that, upon liquidation of the Partnership, any liquidation proceeds available for distribution to the Partners be distributed in accordance with the Partners' respective Capital Account balances and the Partners believe that distributions under Section 11.04 will effectuate such intent. In the event that, upon liquidation, there is any conflict between a distribution provided for under Section 11.04 and the intent of the Partners with respect to this matter, the Liquidator shall distribute any liquidation proceeds available for distribution to the Partners in accordance with the Partners' respective Capital Account balances, notwithstanding the provisions of Section 11.04.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, then in order to avoid such loss, the Liquidator may, except to the extent provided by the Alabama Limited Partnership Act of 1983, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Partnership to Persons other than the Partners. Upon the complete

liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(d) Upon the dissolution of the Partnership pursuant to Section 12.01, the accountants for the Partnership shall promptly prepare, and the Liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership upon its dissolution. Promptly following the complete liquidation and distribution of the Partnership property and assets, the Partnership accountants shall prepare, and the Liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership assets were liquidated and distributed.

## ARTICLE XIII

## BOOKS AND RECORDS, ACCOUNTING TAX ELECTIONS, ETC.

13.01. Books and Records. The books and records of the Partnership shall be maintained in accordance with sound federal income tax accounting principles. These and all other records of the Partnership, including information relating to the status of the Development and information with respect to the sale by the General Partners or any Affiliate of goods or services to the Partnership, shall be kept at the principal office of the Partnership and shall be available for examination there by any Partner, or his duly authorized representative, at any and all reasonable times. Any Partner, or his duly authorized representative, upon paying the costs of collection, duplication and mailing, shall be entitled to a copy of the list of names and addresses of the Limited Partners.

13.02. Bank Accounts. All funds of the Partnership not otherwise invested shall be deposited in one or more accounts in the name of the Partnership maintained in such banking institutions as the Managing General Partner shall determine, and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the Managing General Partner may, from time to time, determine. No funds, other than funds of the Partnership, shall be commingled in any of the Partnership's accounts established pursuant to this Section 13.02. No funds of the Partnership shall be deposited in any financial institution in which any Partner is an officer, director or holder of any proprietary interest unless the terms and conditions of such deposit are in conformity with the ordinary business practices for deposits of such type.

13.03. Accountants. The accountants for the Partnership shall be such firm of recognized certified public accountants as shall be selected from time to time by the Local General Partner, subject to the approval of CRHC, which approval shall not be unreasonably withheld. The accountants shall annually prepare for execution by the General Partners all tax returns of the Partnership, shall annually audit the books of the Partnership, and shall certify, in accordance with generally accepted auditing standards, a balance sheet, a profit and loss statement, a statement of changes in financial position, and a cash flow statement (which need not be audited). A full detailed statement shall be furnished to all Partners, showing such assets, properties, and net worth and the profits and losses of the Partnership for the preceding fiscal year. Any Partner shall have the right to object to such statement by giving Notice to the other Partners within fifteen (15) days after such statement is received by such Partner, setting forth in reasonable detail the objections of such Partner and the basis for such objections.

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Such statement and the contents thereof shall be deemed binding upon any Partner if he or it fails to give such notice within the fifteen (15) day period. All Partners shall have the right and power to examine and copy, at any and all reasonable times, the books, records and accounts of the Partnership.

13.04. Reports to Partners. Every year, at least ten (10) days prior to the filing of the Partnership's tax returns for the prior fiscal year, the Managing General Partner will make such tax return available to CRHC for its review. On or before March 1 of every year, the Managing General Partner shall mail to all Persons who were Partners at any time during the Partnership's prior fiscal year, all tax information regarding the Partnership and its operations during the prior fiscal year which are reasonably necessary to the Partners for the preparation of their tax returns. On or before March 31 of every year, the Managing General Partners shall mail to all Persons who were Partners at any time during the Partnership's prior fiscal year a report of the Partnership's accountants containing certified financial statements, and a report of the Managing General Partner with respect to the Partnership and its operations during the prior fiscal year.

13.05. Section 754 Elections. In the event of a transfer of all or any part of the Interest of a General Partner or of a Limited Partner, the Partnership may elect, pursuant to Section 754 (or, if necessary, Section 732) of the Code to adjust the basis of the Partnership property if, in the opinion of CRHC, based upon the advice of the accountants for the Partnership, such election would be most advantageous to CRI-85. Each Partner agrees to furnish the Partnership with all information necessary to give effect to such election.

13.06. Fiscal Year and Accounting Method. The fiscal year of the Partnership shall be the calendar year. All Partnership accounts shall be determined on an accrual basis. However, the operating records of the Partnership may be kept on a cash basis.

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## ARTICLE XIV
## AMENDMENTS

14.01. Proposal and Adoption of Amendments Generally.

(a) Amendments to this Agreement to reflect the addition or substitution of a Partner, the designation of an additional or successor General Partner, or the withdrawal of a General Partner shall be made at the time and in the manner referred to in Section 14.01(b) and Section 14.03. Any other amendments to this Agreement may be proposed:

(i) by a General Partner, which shall give Notice to the Limited Partners of (A) the text of such amendment, (B) a statement of the purpose of such amendment, and (C) an opinion of counsel obtained by such General Partner to the effect that such amendment is permitted by the Alabama Uniform Limited Partnership Act of 1983, will not impair the limited liability of the Limited Partners and will not adversely affect the classification of the Partnership as a partnership for federal income tax purposes; or

(ii) by CRI-85, which shall submit to the General Partner the text of such proposed amendment, together with a statement of the purpose of such amendment and an opinion of counsel obtained by such Limited Partner, which counsel shall have been approved of by the General Partners, to the effect that such amendment is permitted by the Alabama Limited Partnership Act of 1983, will not impair the limited liability of the Limited Partners and will not adversely affect the classification of the Partnership as a partnership for federal income tax purposes.

The General Partners shall, within twenty (20) days after receipt of any proposal under subsection (ii) above, give Notice to all Partners of such proposed amendment, such statement of purpose and such opinion of counsel, together with the views, if any, of the General Partners with respect to such proposed amendment (including with respect to whether such proposed amendment is permitted by the Alabama Limited Partnership Act of 1983, will not impair the limited liability of the Limited Partners, or will adversely affect the classification of the Partnership as a partnership for federal income tax purposes).

(b) Amendments to this Agreement, other than those set forth and adopted pursuant to Sections 14.02 and 14.03, shall be adopted only upon the Consent of all Partners.

(c) The General Partners shall within a reasonable time after the adoption of any amendment to this Agreement make any official filings or publications required or desirable to reflect such amendment, including any required filing for recordation of any certificate.

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14.02. Limitations on Amendments. Subject to the provisions of Section 15.02, no amendment to this Agreement may:

(a) add to, detract from or otherwise modify the purposes of the Partnership without the Consent of all the Partners;

(b) enlarge the obligations of any Partner under this Agreement or convert the Interest of any Limited Partner into the Interest of a General Partner or modify the limited liability of any Limited Partner without the Consent of such Partner and the Consent of a majority in Interest of the Limited Partners;

(c) modify the order provided in Article XI for allocations of profits and losses and distributions of Net Cash Flow and net proceeds from the sale or refinancing of the Development and net proceeds resulting from the liquidation of the Partnership without the Consent of each Partner adversely affected by such modification and the Consent of a majority in Interest of the Limited Partners;

(d) modify the method provided in Article XI of determining distributions of Net Cash Flow and net proceeds from the sale or refinancing of the Development and net proceeds resulting from the liquidation of the Partnership without the Consent of each Partner affected by such modification and a majority in Interest of the Limited Partners; or

(e) amend this Article XIV or Section 15.03 without the Consent of all Partners.

14.03. Amendments on Admission or Withdrawal of Partners.

(a) Any amendment to this Agreement resulting from the addition or substitution of a Limited Partner shall be adopted only upon (i) the satisfaction of all conditions specified in Section 9.03, and (ii) the signing of such amendment by the General Partners and by the Person to be substituted or added and, if a Limited Partner is to be substituted, by the assigning Limited Partner or its attorney-in-fact.

(b) Any amendment to this Agreement reflecting the designation of an additional or successor General Partner shall be adopted only upon (i) the satisfaction of all conditions specified in Section 6.02, and (ii) the signing of such amendment by the other General Partner(s) and by such additional or successor General Partner.

(c) Any amendment to this Agreement reflecting the withdrawal of a General Partner in a situation where the business of the Partnership is to continue shall be adopted only upon (i) the satisfaction of all conditions specified in Section 6.03, and

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(ii) the signing of such amendment by the remaining or successor General Partner(s) and by the withdrawing General Partner or his (its) attorney-in-fact.

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## ARTICLE XV
## CONSENTS, VOTING AND MEETINGS

15.01. Method of Giving Consent. Any Consent required by this Agreement may be given by a written Consent given by the consenting Partner and received by the General Partner at or prior to the doing of the act or thing for which the Consent is solicited.

15.02. Limitations on Requirements for Consents. Notwithstanding the provisions of subsections 14.02(b), (c) or (d), unless at the time of the operation of such subsections of Section 14.02, counsel for the Partnership shall have delivered to the Partnership an opinion to the effect that adoption of an amendment to this Agreement as provided in such above-stated subsections of Section 14.02 is permitted by the Alabama Limited Partnership Act of 1983, will not impair the limited liability of the Limited Partner(s) and will not adversely affect the classification of the Partnership as a partnership for federal income tax purposes, an amendment to this Agreement shall be adopted pursuant to subsection 14.02(b), (c) or (d) only with the Consent of each General Partner, CRI-85 and any Partner whose approval may be required by Section 14.02.

15.03. Submissions to Limited Partners. The General Partner shall give the Limited Partner(s) Notice of any proposal or other matter required by any provision of this Agreement or by law to be submitted for consideration and approval of the Limited Partner(s). Such Notice shall include any information required by the relevant provision or by law.

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## ARTICLE XVI
## GENERAL PROVISIONS

16.01. Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto, subject to the restrictions upon assignment and transfer imposed in this Agreement.

16.02. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Alabama.

16.03. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16.04. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

16.05. Entire Agreement. This Agreement, the Purchase Money Notes, the Collateral Note, Security Agreement, and Assignment Agreement set forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Partnership, the Partnership business and the property of the Partnership, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated herein.

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16.06. Liability of CRI-85 and CRI. Notwithstanding anything to the contrary contained herein except for the indemnification and right of contribution of CRI and CRI-85 with respect to Sections 4.02 and 4.03 herein, and the applicable terms of the Regulatory Agreement with regard to unauthorized distributions of Surplus Cash, neither CRI-85 nor any of its partners, general or limited, shall have any personal liability to any of the parties to this Agreement with regard to the representations and covenants extended, or the obligations undertaken, by CRI-85 under this Agreement; except however, with respect to the obligation of CRI-85 in connection with the Collateral Note. In the event that CRI-85 shall be in default under any of the terms of this Agreement, the recourse of any party hereto to CRI-85 for any indebtedness due hereunder, or for any damages resulting from any such default by CRI-85, shall be limited solely to the assets of CRI-85 which have been allocated to, and which are payable (or become payable) under the terms of

this Agreement and which assets of CRI-85 are and shall be no greater than $100,000, such amount to decreased by amounts of payments made pursuant to Section 7.03.

16.07. Consent of Partners. Unless otherwise specifically agreed by the parties, the Consents of Partners to any and all actions of the Partnership or of the Local General Partner, as required pursuant to this Agreement, shall not be required after the transfer, assignment or other disposition of the Interests in the Partnership of such Partners. The fact that a Partner is identified in this Partnership Agreement by its name, rather than in its capacity as a partner, in the context of a required consent shall not, without more, be construed to require consent from such party after such party is no longer a Partner in the Partnership.

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd. as of the date first written above.

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GENERAL PARTNERS:

ATTEST:

By: _____ [SEAL]
Its: Secretary

ALTADENA, INC.

By: _____
PETER W. FIELD (Name)
PRESIDENT (Title)

ATTEST:

By _____ [SEAL]
Its: Secretary

C.R.H.C, INCORPORATED

By: _____
Richard L. Kadish
Senior Vice President

LIMITED PARTNER:

ATTEST:

_____ [SEAL]

CAPITAL REALTY INVESTORS-85
LIMITED PARTNERSHIP

By: C.R.I., Inc., Its Managing General Partner

By: _____
Richard L. Kadish
Senior Vice President

ATTEST:

[SEAL]

With respect to Sections 4.02 and 4.03 only:

CRICO SECURITIES CORPORATION

By: _____
Steve Gray
Vice President

WITNESS:

With respect to Sections 4.01(a), (b), (c), (d), (f), (g)(i), (j)(ii), (k), (l), (o), (p), (q), (r), (s), (t), (u), (v), (w), 4.02, 4.03, 7.01, 7.02, 7.03, 7.04, 8.09(b), 8.10, and 16.06 only

ALTADENA FOREST PARTNERS
By: Algernon Blair, Inc.

By: _____
Its: _____

By: _____
C.B. Shewmake
Partner

By: _____
C.B. Shewmake, Jr.
Partner

ATTEST:

With respect to Sections 8.11 and 8.12 only:

SOUTHEASTERN PROPERTY MANAGEMENT, INC.

By: _____
W. Edgar Welden

ATTEST:

With respect to Section 8.09(b) only:

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Rebecca Haas
Secretary

ATTEST:

HIGHLAND MANAGEMENT CORPORATION

By: _____
Peter W. Field
President

With respect to Sections 4.02 and 4.03 only:

James H. Landrum, Jr.

C.R.I., Inc.

_____
Richard L. Radish
Senior Vice President

With respect to Section 4.01(z) only:

_____
Peter W. Field

_____
Charles V. Welden, Jr.

W. Edgar Welden
W. Edgar Welden

C.B. Shewmake
C.B. Shewmake

C.B. Shewmake, Jr.
C.B. Shewmake, Jr.

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COUNTY OF [illegible] )
:
STATE OF ALABAMA )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared Charles V. Welden, Jr. in his capacity as an owner of Altadena, Inc. with respect to Section 4.01(z), and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

[signature] [SEAL]
Notary Public

My Commission expires: 9/7/87.

COUNTY OF [illegible] )
:
STATE OF ALABAMA )

Before me, the undersigend Notary Public in and for the aforesaid jurisdiction personally appeared W. Edgar Welden in his capacity as (i) President of Southeastern Property Management, Inc. with respect to Sections 8.11 and 8.12 and (ii) an owner of Altadena, Inc. with respect to Section 4.01(2), and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

[signature] [SEAL]
Notary Public

My Commission expires: 9/7/87.

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COUNTY OF Jefferson )
:
STATE OF ALABAMA )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared Peter W. Field in his capacities as (i) President of Highland Management Corporation with respect to 8.09(b), (ii) an owner of Altadena, Inc., an Alabama corporation, with respect to Section 4.01(z) hereof, and (iii) President of Altadena, Inc., an Alabama corporation and General Partner of River Place, Ltd. and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

[SEAL]
Notary Public

My Commission expires: 9/7/87.

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COUNTY OF MONTGOMERY)
:
STATE OF MARYLAND )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared Richard L. Kadish in his capacities as (i) Senior Vice President of C.R.H.C. Incorporated, a Delaware corporation, as a General Partner of River Place, Ltd., an Alabama limited partnership, (ii) Senior Vice President of C.R.I., Inc., a Delaware corporation, as the Managing General Partner of Capital Realty Investors-85 Limited Partnership, a Maryland limited partnership, a Limited Partner of River Place, Ltd., and (iii) Senior Vice President of C.R.I., Inc., a consenting party to Section 4.02 and 4.03, and being duly sworn, swore to acknowledged the execution of the foregoing Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd..

Witness my hand and notarial seal this 23rd day of December, 1985.

Kathleen L. Prentice [SEAL]
Notary Public

My Commission Expires: July 1, 1986

KATHLEEN L. PRENTICE
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires July 1, 1986

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COUNTY OF MONTGOMERY)
:
STATE OF MARYLAND )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared Steve Gray in his capacity as Vice President of CRICO Securities Corporation, a Delaware Corporation, a consenting party with respect to Sections 4.02 and 4.03 of the foregoing Amended and Restated Limited Partnership Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd., an Alabama limited partnership and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 23rd day of December, 1985.

Kathleen L. Prentice [SEAL]
Notary Public

My Commission Expires: July 1, 1986

KATHLEEN L. PRENTICE
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires July 1, 1986

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COUNTY OF Montgomery )
:
STATE OF ALABAMA )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared C. B. Shewmake in his capacities as (i) Partner of Altadena Forest Partners, an Alabama partnership, a party to certain representations, warranties and covenants set forth in Section 4.01 and a consenting party to Sections 4.02, 4.03, 7.01, 7.02, 7.03, 7.04, 8.09(b), 8.10 and 16.06 of the foregong Amended and Restated Limited Partnership Agreement and Certificate of Limited Partnership of River Place, Ltd., an Alabama limited partnership and (ii) an owner of Altadena, Inc. an Alabama corporation, with respect to Section 4.01(z) and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

Cindy Porterfield [SEAL]
Notary Public

My Commission Expires:

My Commission Expires
9/3/89

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COUNTY OF Montgomery )
STATE OF ALABAMA )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared C. B. Shewmake, Jr. in his capacities as (i) Partner of Altadena Forest Partners, an Alabama partnership, a party to certain representations, warranties and covenants set forth in Section 4.01 and a consenting party to Sections 4.02, 4.03, 7.01, 7.02, 7.03, 7.04, 8.09(b), 8.10, and 16.06 of the foregong Amended and Restated Limited Partnership Agreement and Certificate of Limited Partnership of River Place, Ltd., an Alabama limited partnership (ii) an owner of Altadena, Inc., an Alabama corporation, with respect to Section 4.01(z) hereof, and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

Cindy Porterfield [SEAL]
Notary Public

My Commission Expires:

My Commission Expires
9/3/89

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COUNTY OF Montgomery )
:
STATE OF ALABAMA )

Before me, the undersigned Notary Public in and for the aforesaid jurisdiction, personally appeared R.B. Cummings in his capacity as Vice President of Algernon Blair, Inc. a Partner in Altadena Forest Partners, an Alabama partnership, a party to certain representations, warranties and covenants set forth in Section 4.01 and a consenting party to Sections 4.02, 4.03, 7.01, 7.02, 7.03, 7.04, 8.09(b), 8.10, and 16.06 of the foregong Amended and Restated Limited Partnership Agreement and Certificate of Limited Partnership of River Place, Ltd., an Alabama limited partnership and being duly sworn, swore to and acknowledged the execution of the foregoing Amended and Restated Agreement and Certificate of Limited Partnership of River Place, Ltd.

Witness my hand and notarial seal this 31st day of December, 1985.

Cindy Porterfield [SEAL]
Notary Public

My Commission Expires:

My Commission Expires
9/3/89

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EXHIBIT A

NON-NEGOTIABLE PURCHASE MONEY PROMISSORY NOTE NO. 1

CLASS A NOTE

$50,000

December 1, 1985

FOR VALUE RECEIVED, CAPITAL REALTY INVESTORS-85 LIMITED PARTNERSHIP, a Maryland limited partnership (the "Maker"), promises to pay to the order of ALTADENA FOREST PARTNERS, an Alabama partnership or its assigns (the "Payee"), the principal sum of Fifty Thousand Dollars ($50,000), together with interest commencing from the date hereof upon the unpaid principal balance at the rate of twelve per cent (12%) per annum.

Principal and interest hereunder at the rate aforesaid shall be paid in lawful money of the United States by the Maker at Montgomery, Alabama, or at such other place as shall be designated by the Payee, as follows below, and shall be subject to the Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership (the "Partnership Agreement") of River Place, Ltd., an Alabama limited partnership (the "Partnership"):

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(a) Commencing on the date seven (7) days after the Partnership effects a distribution of Surplus Cash of the Partnership to the Maker subsequent to January 1, 1986, and annually thereafter seven (7) days after the date the Partnership effects an annual distribution of Surplus Cash of the Partnership to the Maker, payments on account of interest calculated on the unpaid principal balance at the rate aforesaid shall be paid by the Maker until the maturity of this Note, subject to (b) below, as a first priority from, but only from and to the extent of, the corresponding annual distribution received by the Maker from the Partnership, by which the cash flow of the Partnership distributed to the Maker exceeds $30,810 per annum in 1986; $54,120 per annum in 1987; $77,430 per annum in 1988; $100,740 per annum in 1989; $124,050 per annum in 1990; and $147,360 per annum in 1991 and in each year thereafter (such variable amounts shall be hereinafter referred to as the "Annual Distribution(s)"). Any current interest not paid shall accrue, be compounded annually on December 31 of each year until maturity at twelve (12) per cent per annum, and be payable in accordance with paragaraph (c) below, subject only to receipt of any required approval of the Department of Housing and Urban Development ("HUD"). Any phrase or statement in this Note requiring HUD approval of, or consent to, any action by a Partner or with respect to the Partnership and/or the River Place Apartments

(sometimes the "Development" or the "Project") shall be deemed to refer to requirements pursuant to reservations of prior approval rights by HUD or to the lawful enactment of other subsequent regulations or orders by HUD. The term Surplus Cash shall have the same meaning as set forth by HUD in the Regulatory Agreement dated June 3, 1976 entered into between the Secretary of HUD and Lankford Investment Company, Ltd., assumed thereafter by the Payee on May 31, 1983, and thereafter assumed by the Partnership pursuant to an Assumption Agreement dated as of December 1, 1985 (the "Assumption Agreement").

(b) The Payee shall have the same priority to receive payments of interest from the distributions of the Partnership of Surplus Cash in excess of the Annual Distribution payable to the Maker pursuant to (a) above that the payees have to receive interest payments from the Maker pursuant to certain Non-Negotiable Purchase Money Promissory Notes Nos. 2-30 (Class A Notes) ("Notes Nos. 2-30"), all dated December 1, 1985, in the principal amount of $50,000 each, in favor of Altadena Forest Partners. In the event that the excess amount of the Annual Distribution payable to the Maker is insufficient to meet the full amount of interest otherwise due annually to the Payee and to the payees pursuant to Notes Nos. 2-30, the Payee hereunder and such payees under Notes Nos. 2-30 shall share pari passu in the total amount of the payment available as an interest payment on this Note and Notes Nos. 2-30 and each shall receive pro rata an interest payment to the extent available of the amount equal to the excess of the Annual Distribution which is distributed to the Maker by the Partnership, divided by the number of Non-Negotiable Purchase Money Promissory Notes Nos. 1-30 then outstanding. To the extent available and subject to the distribution of funds in excess of the Annual Distribution, the Payee hereunder and the payees under Notes Nos. 2-30 shall receive payments of current interest.

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(c) The outstanding principal balance and any accrued interest thereon shall be due and payable on December 31, 1995. However, any accrued interest may be paid by the Maker in its sole discretion prior to December 31, 1995.

Interest shall be payable by the Maker as aforesaid unless there is no distribution to the Maker in excess of the Annual Distribution or if such payment or payment of Surplus Cash shall be prohibited by HUD. Payments on account of interest on this Note shall be made to the Payee by the Maker only from such distribution of Surplus Cash from the Partnership to the Maker which exceeds the amount of the Annual Distribution as set forth above.

So long as the Secretary of Housing and Urban Development, or his successor or assigns, is the insurer or holder of the Mortgage on River Place Apartments (FHA No. 062-11001-CON/REF-X), any payments due from project income under the Note shall be payable only from surplus cash of the said project, as that term is defined in the Regulatory Agreement dated June 3, 1976, between the Secretary of Housing and Urban Development and Lankford Investment Company, Ltd., assumed by Altadena Forest Partners on May __, 1983, and thereafter assumed by the Partnership pursuant to the Assumption Agreement. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note. Payee has no claim, and will not later assert any claim for payment against the mortgaged property, the mortgage proceeds, any reserve or deposit made with the mortgagee or another required by the Secretary in connection with the mortgage transaction, or against the rents or income.

This Note is subject to the terms and conditions of the Partnership Agreement. All terms not defined herein shall be defined as set forth in the Partnership Agreement.

Payee shall have the option to accelerate the maturity hereof in the event of the failure of the Maker to make any payment of principal and/or interest when due on the Collateral Note or any payment of principal and/or interest when due on this Note, Notes Nos. 2-30 or the Non-Negotiable Purchase Money Promissory Notes Nos. 31-50 ("Notes Nos. 31-50") in accordance with their terms and which failure to pay when due is not cured within any time for cure of such default provided in the Collateral Note and this Note, Notes Nos. 2-30 or Notes Nos. 31-50 or in the Security Agreement, and in the event of any default by the Maker or C.R.H.C., Incorporated, in the performance of any of the obligations of any of them under the Security Agreement or any breach by such party of any provisions of the Security Agreement, which is not cured within any time for cure set forth in such Security Agreement.

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Installments of interest not paid when due as set forth hereunder shall bear interest at the rate of the lesser of fourteen percent (14%) per annum or the maximum rate of interest allowed by law from the date such installment is due (without any consideration for any cure period) through the date when the same, together with such interest, is paid. This provision for interest upon default is not intended to afford the Maker the option to extend the maturity of any installment hereunder given by the payment of such default interest nor is it intended to provide for the payment of default interest in the event that HUD prohibits the distribution of Surplus Cash or any Annual Distribution to the Maker. Notwithstanding anything contained herein or in the Security Agreement, the effective rate of interest on this Note shall not exceed the maximum rate of interest permitted by

applicable law or governmental regulation and the Payee agrees not to knowingly collect any fees or interest which would render the interest rate hereunder to be usurious.

In the event that, prior to the maturity date of this Note, (i) any material part of the Land and improvements in Shelby County, Alabama and known as River Place Apartments is sold transferred, assigned or conveyed by the Partnership, or (ii) the Mortgage Loan for the Development (as defined in the Partnership Agreement) is refinanced (as defined in the Partnership Agreement), then the outstanding principal balance of this Note and any accrued interest thereon shall be immediately due and payable.

In the event that the Maker sells, transfers or assigns its Interest in the Partnership prior to the maturity date of the Collateral Note, this Note, Notes Nos. 2-30 and Notes Nos. 31-50 the obligations of the Maker under this Note, Notes Nos. 2-30 and Notes Nos. 31-50 shall be assumable by the person or entity purchasing the Maker's Interest in the Partnership (the "Purchaser"); provided, however, that the person or entity assuming such obligations shall be subject to approval by the Payee, and which approval shall be conditioned, among other things, upon the reasonable satisfaction of the criteria set forth below as determined by the Payee, in its reasonable discretion, which approval shall not be unreasonably withheld; provided, however, that: (i) the Purchaser shall assume the obligations of the Maker under the Collateral Note, this Note, Notes Nos. 2-30 and Notes Nos. 31-50; (ii) the Purchaser shall provide to the Payee hereunder and such payees under the Collateral Note, this Note, the Notes Nos. 2-30 and the Notes Nos. 31-50, security for the payment of the Collateral Note, this Note, the Notes Nos. 2-30 and the Notes Nos. 31-50, which security is comparable in value to the assignment of the Interests in the Partnership of the Maker and of C.R.H.C., Incorporated, a Delaware corporation ("CRHC"), and includes other terms and conditions acceptable to the Payee as set forth in (iii) and (iv) below; (iii) the Purchaser or an Affiliate shall be in good standing in the community and shall provide evidence of its financial ability to meet its obligations under the Collateral Note, this Note, the Notes Nos. 2-30 and the Notes Nos. 31-50; and (iv) the Purchaser or an affiliate thereof shall have a proven record of success in the business of acquiring, owning and operating residential apartment complexes similar to the Development. Upon any such assumption as set forth herein, the Maker shall be released from its obligations under the Collateral Note, this Note, Notes Nos. 2-30 and Notes Nos. 31-50, and the security interests granted under the Collateral Note, this Note, and Notes Nos. 2-30 and Notes Nos. 31-50 shall be released and terminated.

The principal balance of this Note and any accrued interest thereon may be prepaid in whole or in part at any time after December 1, 1986 without any prepayment penalty or premium.

This Note represents a portion of the total purchase money financing for the acquisition by the Partnership of the Development from the Payee. Additional portions of the purchase price are evidenced by the Collateral Note, Notes Nos. 2-30 and Notes Nos. 31-50.

The obligation to pay the indebtedness hereof is secured by an assignment of the Interests of the Maker and CRHC in the Partnership, pursuant to the terms of a certain Security Agreement (the "Security Agreement") of even date herewith executed by and between the Maker, CRHC and the Payee. The interest of the Maker and CRHC in the Partnership which is the subject of said Security Agreement is referred to herein as the "Collateral." In addition to the events specified herein which permit acceleration of the indebtedness hereof, certain additional remedies to which the Payee is entitled shall be as set forth in the Security Agreement. No amendment to or modification of this Note shall be made except as set forth in writing and consented to by the Maker.

The covenant of the Maker or any partner thereof to pay principal and interest is included in this Note for the purpose of establishing and continuing the existence of the indebtedness. However, it is a condition of such covenant that, in the event of a default in the payment of the indebtedness evidenced hereby, the Payee shall take no action against the Maker or any partner thereof personally for the payment of the principal balance of this Note and any interest hereon. Except for the foregoing limitation as to the personal liability of the Maker or any partner thereof for the payment of the indebtedness evidenced hereby, the Maker acknowledges and agrees that the Payee may prosecute any suit necessary to subject to the satisfaction of the indebtedness the collateral described in the Security Agreement.

In connection with the payment of any current interest due on this Note, the Payee hereby agrees that it, its partners, its successors and assigns, shall include, for federal and state income tax purposes, the receipt of annual interest income on this Note, notwithstanding the inability of the Maker or its successors to pay to the Payee, its successors and assigns the interest due annually hereunder.

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Every person and entity at any time liable for payment of the debt evidenced hereby, hereby waives demand, presentment, protest, notice of protest, notice of non-payment and all other requirements otherwise necessary to hold them immediately liable for the payment hereof.

Every person and entity at any time liable for the payment of the debt evidenced hereby expressly authorizes the Payee to immediately apply to the payment of this Note any sum of money or other property belonging to the Maker, or to any such person or entity, deposited with or otherwise in the hands of the Payee;

provided, however, this authority, regardless of whether or not it is exercised, shall not alter or modify in any manner the obligation incurred herein.

Every person and entity at any time liable for the payment of the debt evidenced hereby agrees that any event of a default in the payment of the indebtedness evidenced hereby also constitutes a default in the payment of the indebtedness evidenced by the Collateral Note, the Notes Nos. 2-30 and Notes Nos. 31-50. Any failure to make any payment of principal or interest due hereunder, under the Collateral Note, the Notes Nos. 2-30 and the Notes Nos. 31-50 shall entitle Payee to accelerate the maturity of all principal and accrued interest hereunder.

Every person and entity at any time liable for the payment of the debt evidenced hereby further agrees that any waiver by the Payee with respect to any default in payments of principal or interest hereunder shall not release or discharge any such person or entity from liability hereon.

Every person and entity at any time liable for the payment of the debt evidenced hereby agrees to pay all costs of collection, including a reasonable attorney's fee, in the event the principal of this Note or any payment of interest thereon is not paid at the respective date(s) for payment thereof as set forth herein.

This Note shall be construed and enforced in accordance with the internal laws of the State of Alabama, without regard to the principles of conflict of law of the State of Alabama.

If any provision of this Note is in conflict with any applicable statute or rule of law, or is otherwise unenforceable for any reason whatsoever, such provision shall be deemed to be null and void to the extent of such unenforceability, but shall be deemed to be separable from and shall not invalidate any other provision hereof.

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Time is of the essence of this Note.

CAPITAL REALTY INVESTORS-85
LIMITED PARTNERSHIP

ATTEST:

By: C.R.I., Inc., its
Managing General Partner

_____[SEAL]

By: _____
Richard L. Kadish
Senior Vice President

With respect to the grant of a security interest in its Partnership Interest only:

ATTEST:

C.R.H.C., INCORPORATED

_____[SEAL]

By: _____
Richard L. Kadish
Senior Vice President

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EXHIBIT B

NON-NEGOTIABLE PURCHASE MONEY PROMISSORY NOTE NO. 31

CLASS B NOTE

$50,000

December 1, 1985

FOR VALUE RECEIVED, CAPITAL REALTY INVESTORS-85 LIMITED PARTNERSHIP, a Maryland limited partnership (the "Maker"), promises to pay to the order of ALTADENA FOREST PARTNERS, an Alabama partnership or its assigns (the "Payee"), the principal sum of Fifty Thousand Dollars ($50,000), together with interest commencing from the date hereof upon the unpaid principal balance at the rate of thirteen and one-quarter per cent (13.25%) per annum.

Principal and interest hereunder at the rate aforesaid shall be paid in lawful money of the United States by the Maker at Montgomery, Alabama, or at such other place as shall be designated by the Payee, as follows below, and shall be subject to the Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership (the "Partnership Agreement") of River Place, Ltd., an Alabama limited partnership (the "Partnership"):

(a) Commencing on the date seven (7) days after the Partnership effects a distribution of Surplus Cash of the Partnership to the Maker subsequent to January 1, 1986, and annually thereafter seven (7) days after the date the Partnership effects an annual distribution of Surplus Cash of the Partnership to the Maker, payments on account of interest calculated on the unpaid principal balance at the rate aforesaid shall be paid by the Maker until the maturity of this Note, subject to (b) below. Such payments of interest shall be made as a second priority from, but only from and to the extent of, the corresponding annual distribution received by the Maker from the Partnership, by which the cash flow of the Partnership distributed to the Maker exceeds $30,810 per annum in 1986; $54,120 per annum in 1987; $77,430 per annum in 1988; $100,740 per annum in 1989; $124,050 per annum in 1990; and $147,360 per annum in 1991 and in each year thereafter (such variable amounts shall be hereinafter referred to as the "Annual Distribution(s)") and only after payments on account of current interest due and payable have been made by the Maker with respect to the payees under the Non-Negotiable Purchase Money Promissory Notes Nos. 1-30 (Class A Notes)("Notes Nos. 1-30"). Any current interest not paid shall accrue, be compounded annually on December 31 of each year until maturity at thirteen and one quarter (13.25)

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per cent per annum, and be payable in accordance with paragaraph (c) below, subject only to receipt of any required approval of the Department of Housing and Urban Development ("HUD"). Any phrase or statement in this Note requiring HUD approval of, or consent to, any action by a Partner or with respect to the Partnership and/or the River Place Apartments (sometimes the "Development" or the "Project") shall be deemed to refer to requirements pursuant to reservations of prior approval rights by HUD or to the lawful enactment of other subsequent regulations or orders by HUD. The term Surplus Cash shall have the same meaning as set forth by HUD in the Regulatory Agreement dated June 3, 1976 entered into between the Secretary of HUD and Lankford Investment Company, Ltd., assumed by the Payee on May 31, 1983, and thereafter assumed by the Partnership pursuant to an Assumption Agreement dated as of December 1, 1985 (the "Assumption Agreement").

(b) The Payee shall have the same priority to receive payments of interest from the distributions of the Partnership of Surplus Cash in excess of the Annual Distribution payable to the Maker pursuant to (a) above that the payees have to receive interest payments from the Maker pursuant to those certain Notes Nos. 31-50, all dated December 1, 1985, in the principal amount of $50,000 each, in favor of Altadena Forest Partners. The Payee shall receive payments of interest pursuant to (a) above as a second priority only after the payment of current interest due pursuant to Notes Nos. 1-30 in favor of the payees. In the event that the excess amount of the Annual Distribution payable to the Maker is insufficient to meet the full amount of interest otherwise due annually to the Payee and to the payees pursuant to Notes Nos. 1-30 and Notes Nos. 32-50, then the payees pursuant to Notes Nos. 1-30 shall be paid prior to the payees under this Note and Notes Nos. 32-50. In the event that the excess amount of the Annual Distribution payable to the Maker is insufficient to meet the full amount of interest otherwise due annually to the Payee and to the payees pursuant to Notes Nos. 32-50, the Payee hereunder and such payees under Notes 32-50 shall share pari passu in the total amount of the funds available as interest payments on this Note and Notes Nos. 32-50 and each shall receive pro rata an interest payment to the extent available of the sum remaining after the deduction from the excess of the Annual Distribution which is distributed to the Maker by the Partnership of the current interest due and payable on Notes Nos. 31-50, divided by the number of Notes Nos. 31-50 then outstanding. To the extent available, and subject to the distribution of funds in excess of the Annual Distribution, and after payment of current interest on the Notes Nos. 1-30, the Payee hereunder and the payees under Notes 32-50 shall receive payments of current interest.

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(c) The outstanding principal balance and any accrued interest thereon shall be due and payable on December 31, 1995. However, any accrued interest may be paid by the Maker in its sole discretion prior to December 31, 1995.

Interest shall be payable by the Maker as aforesaid unless there is no distribution to the Maker which exceeds the aggregate amount of the Annual Distribution plus the amounts due and payable under Notes Nos. 1-30, or if such payment or payment of Surplus Cash shall be prohibited by HUD. Payments on account of interest on this Note shall be made to the Payee by the Maker only from such distribution of Surplus Cash from the Partnership to the Maker which exceeds the amount of the Annual Distribution and the amounts of current interest due and payable under Notes Nos. 1-30 as set forth above.

So long as the Secretary of Housing and Urban Development, or his successor or assigns, is the insurer or holder of the Mortgage on River Place Apartments (FHA No. 062-11001-CON/REF-X), any payments due from project income under the Note shall be payable only from surplus cash of the said project, as that term is defined in the Regulatory Agreement dated June 3, 1976, between the Secretary of Housing and Urban Development and Lankford Investment Company, Ltd., assumed by Altadena Forest Partners on May 31, 1983, and thereafter assumed by the Partnership pursuant to the Assumption Agreement. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note. Payee has no claim, and will not later assert any claim for payment against the mortgaged property, the mortgage proceeds, any reserve or deposit made with the mortgagee or another required by the Secretary in connection with the mortgage transaction, or against the rents or income.

This Note is subject to the terms and conditions of the Partnership Agreement. All terms not defined herein shall be defined as set forth in the Partnership Agreement.

Payee shall have the option to accelerate the maturity hereof in the event of the failure of the Maker to make any payment of principal and/or interest when due on the Collateral Note or any payment of principal and/or interest when due on this Note, Notes Nos. 1-30 or Notes Nos. 32-50 in accordance with their terms and which failure to pay when due is not cured within any time for cure of such default provided in the Collateral Note, this Note, Notes Nos. 1-30 or Notes Nos. 32-50 (Class B) or in the Security Agreement, and in the event of any default by the Maker or C.R.H.C., Incorporated, in the performance of any of the obligations of any of them under the Security Agreement or any breach by such party of any provisions of the Security Agreement, which is not cured within any time for cure set forth in such Security Agreement.

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Installments of interest not paid when due as set forth hereunder shall bear interest at the rate of the lesser of fourteen percent (14%) per annum or the maximum rate of interest allowed by law from the date such installment is due (without any consideration for any cure period) through the date when the same, together with such interest, is paid. This provision for interest upon default is not intended to afford the Maker the option to extend the maturity of any installment hereunder given by the payment of such default interest nor is it intended to provide for the payment of default interest in the event that HUD prohibits the distribution of Surplus Cash or any Annual Distribution to the Maker. Notwithstanding anything contained herein or in the Security Agreement, the effective rate of interest on this Note shall not exceed the maximum rate of interest permitted by applicable law or governmental regulation and the Payee agrees not to knowingly collect any fees or interest which would render the interest rate hereunder to be usurious.

In the event that, prior to the maturity date of this Note, (i) any material part all of the Land and improvements in Shelby County, Alabama and known as River Place Apartments is sold transferred, assigned or conveyed by the Partnership or (ii) the Mortgage Loan for the Development (as defined in the Partnership Agreement) is refinanced (as defined in the Partnership Agreement), then the outstanding principal balance of this Note and any accrued interest thereon shall be immediately due and payable.

In the event that the Maker sells, transfers or assigns its Interest in the Partnership prior to the maturity date of the Collateral Note, this Note, Notes Nos. 1-30 and Notes Nos. 32-50, the obligations of the Maker under this Note, Notes Nos. 1-30 and Notes Nos. 32-50, shall be assumable by the person or entity purchasing the Maker's Interest in the Partnership (the "Purchaser"); provided, however, that the person or entity assuming such obligations shall be subject to approval by the Payee and which approval shall be conditioned upon the reasonable satisfaction of the criteria set forth below as determined by the Payee, in its reasonable discretion, which approval shall not be unreasonably withheld; provided that: (i) the Purchaser shall assume the obligations of the Maker under the Collateral Note, this Note, Notes Nos. 1-30 and Notes Nos. 32-50; (ii) the Purchaser shall provide to the Payee hereunder and such payees under the Collateral Note, this Note, Notes Nos. 1-30 and Notes Nos. 32-50, security for the payment of the Collateral Note, this Note, Notes Nos. 1-30 and Notes Nos. 32-50 which is comparable in value to the assignment of the Interests in the Partnership of the Maker and of C.R.H.C., Incorporated, a Delaware corporation ("CRHC"), and includes other terms and conditions acceptable to the Payee as set forth in (iii) and (iv) below; (iii) the Purchaser or an Affiliate shall be in good standing in the community and shall provide evidence of its financial ability to meet its obligations under the Collateral Note, this Note, Notes

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Nos. 1-30 and Notes Nos. 32-50 and (iv) the Purchaser or an affiliate thereof shall have a proven record of success in the business of acquiring, owning and operating residential apartment complexes similar to the Development. Upon any such assumption as set forth herein, the Maker shall be released from its obligations under the Collateral Note, this Note, Notes Nos. 1-30 and Notes Nos. 32-50, and the security interests granted under the Collateral Note, this Note, Notes Nos. 1-30, and Notes Nos. 32-50 shall be released and terminated.

The principal balance of this Note and any accrued interest thereon may be prepaid in whole or in part at any time after December 1, 1986 without any prepayment penalty or premium.

This Note represents a portion of the total purchase money financing for the acquisition by the Partnership of the Development from the Payee. Additional portions of the purchase price are evidenced by the Collateral Note, Notes Nos. 1-30 and the Notes Nos. 32-50.

The obligation to pay the indebtedness hereof is secured by an assignment of the Interests of the Maker and CRHC in the Partnership, pursuant to the terms of a certain Security Agreement (the "Security Agreement") of even date herewith executed by and between the Maker, CRHC and the Payee. The interest of the Maker and CRHC in the Partnership which is the subject of said Security Agreement is referred to herein as the "Collateral." In addition to the events specified herein which permit acceleration of the indebtedness hereof, certain additional remedies to which the Payee is entitled shall be as set forth in the Security Agreement. No amendment to or modification of this Note shall be made except as set forth in writing and consented to by the Maker.

The covenant of the Maker or any partner thereof to pay principal and interest is included in this Note for the purpose of establishing and continuing the existence of the indebtedness. However, it is a condition of such covenant that, in the event of a default in the payment of the indebtedness evidenced hereby, the Payee shall take no action against the Maker or any partner thereof personally for the payment of the principal balance of this Note and any interest hereon. Except for the foregoing limitation as to the personal liability of the Maker or any partner thereof for the payment of the indebtedness evidenced hereby, the Maker acknowledges and agrees that the Payee may prosecute any suit necessary to subject to the satisfaction of the indebtedness the collateral described in the Security Agreement.

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In connection with the payment of any current interest due on this Note, the Payee hereby agrees that it, its partners, its successors and assigns, shall include, for federal and state income tax purposes, the receipt of annual interest income on this Note, notwithstanding the inability of the Maker or its successors to pay to the Payee, its successors and assigns the interest due

annually hereunder.

Every person and entity at any time liable for payment of the debt evidenced hereby, hereby waives demand, presentment, protest, notice of protest, notice of non-payment and all other requirements otherwise necessary to hold them immediately liable for the payment hereof.

Every person and entity at any time liable for the payment of the debt evidenced hereby expressly authorizes the Payee to immediately apply to the payment of this Note any sum of money or other property belonging to the Maker, or to any such person or entity, deposited with or otherwise in the hands of the Payee; provided, however, this authority, regardless of whether or not it is exercised, shall not alter or modify in any manner the obligation incurred herein.

Every person and entity at any time liable for the payment of the debt evidenced hereby agrees that any event of a default in the payment of the indebtedness evidenced hereby also constitutes a default in the payment of the indebtedness evidenced by the Collateral Note, Notes Nos. 1-30 and Notes Nos. 32-50. Any failure to make any payment of principal or interest due hereunder, under the Collateral Note, Notes Nos. 1-30 and Notes Nos. 32-50 shall entitle Payee to accelerate the maturity of all principal and accrued interest hereunder.

Every person and entity at any time liable for the payment of the debt evidenced hereby further agrees that any waiver by the Payee with respect to any default in payments of principal or interest hereunder shall not release or discharge any such person or entity from liability hereon.

Every person and entity at any time liable for the payment of the debt evidenced hereby agrees to pay all costs of collection, including a reasonable attorney's fee, in the event the principal of this Note or any payment of interest thereon is not paid at the respective date(s) for payment thereof as set forth herein.

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This Note shall be construed and enforced in accordance with the internal laws of the State of Alabama, without regard to the principles of conflict of law of the State of Alabama.

If any provision of this Note is in conflict with any applicable statute or rule of law, or is otherwise unenforceable for any reason whatsoever, such provision shall be deemed to be null and void to the extent of such unenforceability, but shall be deemed to be separable from and shall not invalidate any other provision hereof.

Time is of the essence of this Note.

CAPITAL REALTY INVESTORS-85
LIMITED PARTNERSHIP

ATTEST:

By: C.R.I., Inc., its
Managing General Partner

_____[SEAL]

By: _____
Richard L. Kadish
Senior Vice President

With respect to the grant of a security interest in its Partnership Interest only:

ATTEST:

C.R.H.C., INCORPORATED

_____[SEAL]

By: _____
Richard L. Kadish
Senior Vice President

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EXHIBIT C

December 1, 1985

COLLATERAL NOTE

$100,000.00

FOR VALUE RECEIVED, CAPITAL REALTY INVESTORS-85 LIMITED PARTNERSHIP, a Maryland limited partnership (the "Maker"), promises to pay to the order of Altadena Forest Partners or its assigns (the "Payee" hereunder) the sum of ONE HUNDRED THOUSAND AND NO ONE-HUNDREDTHS DOLLARS ($100,000.00), at c/o Algernon Blair Group, Inc., One Algernon Blair Place, Montgomery, Alabama 36116. Of such amount, $94,500 is principal and $5,500 is interest, all of which is due and payable on June 1, 1986.

The obligation to pay the indebtedness hereof is secured by an assignment of the interest of the undersigned in River Place, Ltd., an Alabama limited partnership (the "Partnership"), pursuant to the terms of a certain Security Agreement by and between Maker, Payee and C.R.H.C., Incorporated, a Delaware corporation ("CRHC"), of even date herewith (the interest of the undersigned in the Partnership which is the subject of said Security Agreement is referred to herein as the "Collateral").

This Collateral Note is given as a portion of certain purchase money financing for the acquisition of the River Place Apartments by the Partnership from Altadena Forest Partners. Other portions of the purchase price are evidenced by certain other promissory notes in favor of Altadena Forest Partners in the aggregate principal amount of $2,500,000, each of which notes is dated December 1, 1985 (the "Non-Negotiable Purchase Money Promissory Notes" or the "Purchase Money Notes").

Payee shall have the option to accelerate the maturity hereof in the event of the failure of the Maker to make any payment of principal and/or interest when due on the Purchase Money Notes of the Maker in accordance with the terms of such Notes and which failure to pay when due is not cured within any time for cure of such default provided in each of such Notes or in the Security Agreement, and in the event of any default by the Maker or C.R.H.C., Incorporated, in the performance of any of the obligations of any of them under the Security Agreement or any breach by such parties of any provisions of the Security Agreement, which is not cured within any time for cure set forth in such Security Agreement.



This Note is subject to the terms and conditions of the Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of the Partnership (the "Partnership Agreement"), including in particular, but without

limitation, the provisions of Article VII thereof. All terms not defined herein shall be defined as set forth in the Partnership Agreement.

So long as the Secretary of Housing and Urban Development, or his successor or assigns, is the insurer or holder of the Mortgage on River Place Apartments (FHA Project No. 062-11001-REF/CON-X), any payments due from project income under this Note shall be payable only from surplus cash of the said project, as that term is defined in the Regulatory Agreement dated June 3, 1976, between the Secretary of Housing and Urban Development and Lankford Investment Company, Ltd., assumed by Altadena Forest Partners on May 31, 1983 and, thereafter, assumed by the Partnership as of December 1, 1985. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the Maker to pay the indebtedness evidenced by this Note. Payee has no claim, and will not later assert any claim, for payment against the mortgaged property, the mortgage proceeds, any reserve or deposit made with the mortgagee or another required by the Secretary in connection with the mortgage transaction, or against the rents or other income.

Notwithstanding the preceding paragraph, it is understood by and between the Payee and the Maker that the proceeds to pay this Note shall be derived from the funds obtained by the Maker from its investors and shall not, in any event, be derived from any income of the project.

Payments not paid when due hereunder shall bear interest at the rate of the lesser of fourteen percent (14%) per annum or the maximum rate of interest allowed by law from the date such payment is due (without any consideration for any cure period) through the date when the same, with such interest, is paid. This provision for default interest is not intended to afford Maker the option to extend the maturity of any installment hereunder given by the payment of such default interest.

Every person at any time liable for the payment of the debt evidenced hereby, waives presentment for payment, demand and notice of non-payment of this Note and consents that the holder or his assignee may extend the time of payment of any part or the whole of the debt at any time at the request of any other person liable and agrees to pay all costs of collection of this Note, including reasonable attorney's fees.

Every person and entity at any time liable for the payment of the debt evidenced hereby expressly authorizes the Payee to immediately apply to the payment of this Note any sum of money or other property belonging to the Maker, or to any such person or entity, deposited with or otherwise in the hands of the Payee; provided, however, this authority, regardless of whether or not it is exercised, shall not alter or modify in any manner the obligation incurred herein.

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Every person and entity at any time liable for the payment of the debt evidenced hereby further agrees that any waiver by the Payee with respect to any default in payments of principal or interest hereunder shall not release or discharge any such person or entity from liability hereon.

Every person and entity at any time liable for the payment of the debt evidenced hereby agrees to pay all costs of collection, including a reasonable attorney's fee, in the event the principal of this Note or any payment of interest thereon is not paid at the respective date(s) for payment as set forth herein.

This Note is non-recourse as to the partners of the Maker, and there shall be no personal liability of the partners of the Maker hereunder.

This Note is to be construed under and enforced in accordance with the internal laws of the State of Alabama, without regard to the principles of conflict of law of the State of Alabama.

Notwithstanding anything contained herein or in the Security Agreement, the effective rate of interest on this Note shall not exceed the maximum rate of interest permitted by applicable law or governmental regulation, and Payee agrees not to knowingly collect any fees or interest which would render the interest rate hereunder to be usurious.

Time is of the essence of this Note.

CAPITAL REALTY INVESTORS-85 LIMITED PARTNERSHIP, a Maryland limited partnership

By: C.R.I., Inc., a Delaware corporation, Its Managing General Partner

By: _____
Richard L. Kadish
Senior Vice President

With respect to the grant of a security interest in its Partnership Interest only:

C.R.H.C., Incorporated

By: _____
Richard L. Kadish
Senior Vice President

ATTEST:

_____[SEAL]

ATTEST:

_____[SEAL]

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Exhibit D

# SECURITY AGREEMENT

THIS SECURITY AGREEMENT, made as of this 1st day of December, 1985 by and between C.R.H.C., Incorporated, a Delaware corporation ("CRHC") and Capital Realty Investors-85 Limited Partnership, a Maryland limited partnership ("CRI-85") (collectively, CRHC and CRI-85, the "Debtor"), and Altadena Forest Partners, an Alabama general partnership, its successors and assigns (the "Secured Party").

WHEREAS, CRI-85 has executed and delivered to Altadena Forest Partners (i) a certain promissory note in the principal amount of Ninety Four Thousand Five Hundred Dollars ($94,500) (the "Collateral Note") of even date herewith; (ii) a series of certain Non-Negotiable Purchase Money Promissory Notes, Nos. 1-30 (Class A) ("Notes Nos. 1-30") of even date herewith, each in the principal amount of Fifty Thousand ($50,000), and (iii) a series of certain Non-Negotiable Purchase Money Promissory Notes Nos. 31-50 (Class B) ("Notes Nos. 31-50") of even date herewith, each in the principal amount of Fifty Thousand Dollars ($50,000), all evidencing the obligation of CRI-85 to pay such aggregate amount of $2,594,500, with interest as applicable, as a portion of the purchase price for its acquisition of a 99.0% partnership interest (hereinafter the "Partnership Interest" shall mean both the 98.99% interest of CRI-85 and the .01% interest of CRHC in River Place, Ltd., an Alabama limited partnership (the "Partnership"), which owns, maintains and operates an apartment complex known as River Place Apartments (the "Property") (hereinafter Notes Nos. 1-30 and Notes Nos. 31-50 are referred to collectively as the "Notes"; copies of the Collateral Note and such Notes, which are attached hereto as Exhibits A, are made a part hereof); and

WHEREAS, as security for the performance of the obligations of CRI-85 under the Collateral Note and the Notes, the Debtor has agreed to execute this Security Agreement granting a security interest to Secured Party in the Partnership Interest.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. COLLATERAL.

The Debtor hereby assigns, delivers and grants to the Secured Party a security interest (the "Security Interest") in the Partnership Interest of the Debtor in the Partnership, to secure the payment of the principal of and interest on the Collateral Note and the Notes in accordance with the terms of the Collateral Note and the Notes and to secure the performance of the obligations of CRI-85 under the Collateral Note and the Notes. The Partnership Interest and the proceeds thereof which are the subject of this Security Agreement hereinafter shall be referred to as the "Collateral".

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2. TERM OF PLEDGE.

The Collateral shall remain subject to the Security Interest hereby created until the Collateral Note and the Notes have been paid in full or otherwise discharged. Notwithstanding anything contained herein to the contrary, at all times the Collateral shall be and remain the Partnership Interest and the proceeds thereof.

3. FINANCING STATEMENT.

The Debtor shall, at its sole cost and expense, execute and deliver to the Secured Party such Financing Statements pursuant to the Alabama Uniform Commercial Code and the Maryland Uniform Commercial Code and any other documents or instruments as are required to convey to the Secured Party a valid perfected security interest in the Collateral in each of the aforementioned jurisdictions. The Debtor agrees to perform all acts which the Secured Party may reasonably request so as to enable the Secured Party to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Collateral Note and the Notes in accordance with their terms.

4. VOTING RIGHTS.

So long as there is no default by the Debtor under the Collateral Note or the Notes or this Security Agreement, the Debtor shall have the sole and absolute right to exercise the voting and/or consensual rights and powers with respect to the Collateral pursuant to the Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership of the Partnership (the "Partnership Agreement") and amendments thereto, to be entered into by and among certain of the parties hereto, Altadena, Inc., an Alabama corporation, and CRICO Securities Corporation, a Delaware corporation; provided, however, that the Debtor agrees that it will not vote for or consent to the taking of any action by the Partnership that would cause an Event of Default hereunder to occur or that would be in contravention of the provisions of the Collateral Note or the Notes or this Security Agreement. Upon the occurrence of an Event of Default hereunder which is not cured within the time period(s) provided for in this Security Agreement, the aforesaid rights shall immediately vest in the Secured Party.

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5. REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS.

The Debtor hereby represents, warrants and covenants the following:

(a) (i) CRHC is a corporation duly organized, existing and in good standing under the laws of the State of Delaware, (ii) CRI-85 is a valid limited partnership, duly organized under the laws of the State of Maryland, (iii) Debtor has the power, authority and legal right to own its property and carry on the

business now being conducted by it and to engage in the transactions contemplated by this Security Agreement, (iv) the execution and delivery of this Security Agreement will not conflict with or result in a breach of the terms or provisions of any existing law or existing rule, regulation or order of any court or governmental body binding on or affecting the Debtor or of the Articles of Incorporation or the Limited Partnership Agreement of CRHC or CRI-85, respectively, and (v) the Security Agreement constitutes the valid and legally binding obligations of the Debtor and is fully enforceable against the Debtor in accordance with its terms.

(b) The Debtor is now the legal and equitable owner of the Collateral in the underlying transaction of even date herewith, and that the Collateral is free and clear of any liens, pledges, encumbrances or agreements whatsoever placed upon it by the Debtor; the Debtor has the complete and unconditional authority to pledge the Collateral to the Secured Party without the consent of any other party; and further that the Debtor has no notice or knowledge of any facts which will impair the validity of the pledge made hereby or the validity of the Secured Party's Security Interest in the Collateral.

(c) The Partnership Agreement shall be duly authorized, executed and delivered by the Debtor, shall be in full force and effect, shall not have been amended, and there shall exist no default or any event which, with the giving of notice or the passage of time, would constitute a default by the Debtor under the Partnership Agreement.

(d) To the extent such matters are within the control of the Debtor, the Debtor shall cause the Partnership to conduct its operations and to manage, protect and preserve its assets so as not to diminish the value of the Collateral.

(e) By acceptance of the Collateral Note and the Notes and execution of this Security Agreement, the Secured Party does not assume any of the obligations of the Debtor including, without limitation, any claims that may arise or exist under or in connection with the Partnership Agreement, nor shall it be deemed to be a partner of the Partnership by the partners of the Partnership or its creditors; except however, the parties hereto acknowledge (i) the ownership of the Secured Party by certain of the shareholders in Altadena, Inc., the Managing General Partner of the Partnership, (ii) the ownership of Altadena, Inc. is held by certain parties who shall hold and/or may acquire certain of the Notes, and (iii) the ownership of Altadena, Inc. is held in part by the owners of the entity serving as Management Agent of the Property; Altadena, Inc. is subject to obligations arising solely as a result of its participation as partner of the Partnership and to that extent it is governed by the Partnership Agreement; the Debtor hereby indemnifies and agrees to hold the Secured Party harmless from any obligation or liability of the Debtor arising out of the Partnership Agreement or the operation

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of the Partnership or of the Property, except however, with respect to any obligation or liability arising out of the operation of the Partnership or of the Property which claim is derived from any act of (i) the Secured Party, its owners or its successors and assigns, (ii) any of the payees or its partners under the Notes, or (iii) the Management Agent.

(f) At such time as the Debtor enters into negotiation with any other party for the sale, transfer, pledge, assignment or encumbrance of, or the granting of any security interest in the Collateral, or the sale or refinancing of the Property, or of any other rights of the Debtor under the Partnership Agreement, the Debtor immediately will notify such other party of the existence of this Security Agreement by delivering a copy of this Security Agreement to such other party, and the Debtor also immediately will notify the Secured Party of such negotiation.

6. EVENTS OF DEFAULT.

(a) The occurrence of one or more of the following events while the Notes are outstanding shall constitute an "Event of Default" hereunder:

(i) CRI-85 shall fail to make any payment of principal of or interest on the Collateral Note and the Notes as and when the same is due and payable in accordance with the terms of the Collateral Note and the Notes, including the application toward amounts due on the Collateral Note and the Notes of the proceeds of any capital transaction as to the Property occurring prior to the maturity date of the Collateral Note and the Notes, which proceeds are distributed by the Partnership to CRI-85 pursuant to the Partnership Agreement. Provided, however, CRI-85 shall have seven days from the due date of such payment to cure any such default under this Section 6(a)(i).

(ii) CRI-85 or the Partnership shall (A) apply for, or consent in writing to, the appointment of a receiver, trustee or liquidator of CRI-85 or the Partnership or of the Property or of all or substantially all of CRI-85's or the Partnership's other assets, or (B) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they become due, or (C) make a general assignment for the benefit of creditors, or (D) file a petition or an answer seeking a reorganization or an arrangement with creditors or take advantage of any insolvency law, or (E) file an answer admitting the material allegations of a petition filed against the Debtor or the Partnership in any bankruptcy, reorganization or insolvency proceeding, or (F) be dissolved as a result of any adversary suit or proceeding.

(iii) (A) Any execution or attachment shall be levied against the Property or the Collateral or any part thereof, and such execution or attachment shall not be set

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aside, discharged or stayed within sixty (60) days after the same shall have been levied, or (B) an order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor adjudicating the Debtor or the Partnership a bankrupt or insolvent, or appointing a receiver, trustee or liquidator of the Debtor or the Partnership or of the Property or the Collateral, or of all or substantially all of the Debtor's or the Partnership's other assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days or shall not be discharged within thirty (30) days after the expiration of any stay thereof, or (C) an application, petition, complaint or other action shall be initiated for an order, judgment or decree against the Partnership or the Debtor or the Property for adjudication of the Debtor or the Partnership as a bankrupt or insolvent or for the appointment of a receiver, trustee or liquidator of the Debtor or the Partnership or the Property or the Collateral or of all or substantially all of the Debtor's or the Partnership's other assets, which application, petition, complaint or other proceeding is not withdrawn or discharged within sixty (60) days following the filing of the same.

(iv) Proceedings shall be filed by the Mortgagee or by the U.S. Department of Housing and Urban Development ("HUD") in an action to foreclose the Mortgage Loan, or the Debtor shall execute and deliver to the Mortgagee or HUD a deed in lieu of foreclosure or the Debtor shall make an arrangement with the Mortgagee or HUD to avoid a foreclosure of the Mortgage Loan or otherwise which, in any way, alters the terms of payment of the Notes or otherwise is materially or financially detrimental to the Secured Party, without the prior written consent of the Secured Party.

(v) The Debtor shall allow or permit waste upon the Property and shall not have cured said waste within forty-five (45) days of receipt of written notice of same.

(vi) Either the Partnership or CRI-85 is terminated or dissolved, either voluntarily or involuntarily.

(vii) Any mortgage, lien or other encumbrance shall be filed or granted with respect to the Property after the date hereof without the prior written consent of the Secured Party.

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(b) Notwithstanding the provisions of Section 6(a), an Event of Default shall not be deemed to have occurred at any time that Altadena, Inc. (its affiliates or designees) serves as the managing general partner(s) of the Partnership, and (ii) any or all of the shareholders of Altadena, Inc. (or its affiliates or designees) is or are the partners of the Secured Party (or its (their) successors or assigns) or it, they or any of them otherwise has an interest in the Notes, if such Event of Default

is caused by the failure of Altadena, Inc. (or its affiliate(s) or designee(s), if applicable) to observe or perform any of the covenants or obligations of the managing general partner pursuant to the Partnership Agreement.

7. REMEDIES OF THE SECURED PARTY.

Subject to the provisions of Section 8 of this Security Agreement, if any Event of Default occurs and is continuing, the Secured Party shall have the right to accelerate the remaining balance due on the principal and the interest of the Notes and, at the option of the Secured Party, pursue its remedies, including:

(a) to sell, assign and effectively transfer the Collateral either at public or private sale, at the option of the Secured Party, without recourse to judicial proceedings and without either demand, appraisement, advertisement or notice of any kind, all of which are expressly waived; or

(b) to proceed by way of appropriate judicial proceedings to have the Collateral sold at judicial sale, with or without appraisement; or

(c) to seek an injunction of the prohibited action, which action is an event of default; or

(d) to pursue any other available legal remedy; and, out of the proceeds of the sale of the Collateral, the Secured Party shall be entitled to receive, by preference and priority over all persons whomsoever, the full remaining unpaid balance of indebtedness on the Notes, together with all interest, costs, reasonable attorneys' fees, and other charges.

Debtor hereby appoints Charles V. Welden, Jr. ("Welden") as its attorney-in-fact for executing, delivering, swearing to (where appropriate) and filing any additional Financing Statement provided for in paragraph 3 hereof and any other document or instrument necessary or useful to effect the remedies of the Secured Party provided for in Section 7 above. This power of attorney is coupled with an interest and irrevocable and shall survive the death, termination of existence or any other incapacity of Debtor.

Any and all remedies herein expressly conferred upon the Secured Party shall be deemed cumulative with, and not exclusive of, any other remedy conferred hereby or by law or equity on the Secured Party and the exercise of any one remedy shall not preclude the exercise of any other. Except as otherwise specifically required herein, notice of the exercise of any right, remedy or power granted to Secured Party by this Agreement is not required to be given.

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8. OPPORTUNITY TO CURE.

With the exception of those Events of Default specified in Sections 6(a)(i), (ii), (iii), (v) and (vi) and Section 9(a), the Debtor shall have an opportunity to cure any Event of Default prior to acceleration of the Notes pursuant to Section 7. Such opportunity to cure shall be as follows:

(a) If the Event of Default is of a nature that can be cured within a thirty (30) day period, the Debtor shall have thirty (30) days to cure such default. The thirty (30) day period shall begin to run on the date that the Debtor, or either of them, have notice of any such Event of Default.

(b) If the Event of Default is not of a nature that can be cured within a thirty (30) day period, the Debtor shall have thirty (30) days from the date that the Debtor, or either of them, have knowledge of any such Event of Default, to submit a plan in writing to the Secured Party for curing such default. Provided that the Secured Party approves the plan submitted by the Debtor, which approval shall not be unreasonably withheld, the Debtor shall have such additional period of time to cure the default as is specified in the plan. The Debtor shall proceed diligently to cure any such default in accordance with the plan, and shall provide the Secured Party such reports and information as the Secured Party may require from time to time concerning the Debtor's actions in carrying out the plan and curing the default.

9. RESTRICTIONS ON TRANSFER OF PROPERTY - ADDITIONAL EVENT OF DEFAULT.

(a) Except as provided in Sections 9(b) and 9(c) below, unless the Secured Party consents thereto in writing, any of the transactions listed below shall constitute an Event of Default under this Security Agreement and shall entitle the Secured Party to pursue the remedies provided in Section 7:

(i) the sale, transfer, assignment or refinancing of the Property, or

(ii) the sale, transfer, assignment or encumbrance by CRI-85 of the Collateral or any portion thereof or interest therein.

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(b) The consent of the Secured Party to the sale, transfer, refinancing or assignment of the Property shall not be required if the following conditions are met: (i) the cash distribution of net proceeds payable under the Partnership Agreement to CRI-85 from the sale or refinancing is at least the same amount as the entire outstanding balance due at such time on the Collateral Note and the Notes, and (ii) CRI-85 pays the Collateral Note and the Notes in full at the closing of the sale or refinancing or at or prior to the closing of the sale or refinancing, makes provision for such payment acceptable to the

Secured Party. The Debtor shall notify the Secured Party promptly of any such proposed sale or refinancing and of the scheduled closing date thereof.

(c) The consent of the Secured Party to the sale, transfer, assignment or encumbrance by CRI-85 of the Collateral or any portion thereon or interest therein shall be given, if in the reasonable discretion of the Secured Party, the following conditions are met: (i) the purchaser or assignee of the Collateral from the Partnership (the "Purchaser") shall be subject to approval by the Secured Party, which approval shall not be unreasonably withheld; (ii) the Purchaser assumes the obligations of CRI-85 under the Collateral Note and the Notes; (iii) the Purchaser provides to the Secured Party substitute collateral security for the payment of the Collateral Note and the Notes which is comparable in value to the Collateral, and which terms and conditions are otherwise reasonably acceptable to the Secured Party; (iv) the Purchaser or an Affiliate of such Purchaser shall be in good standing in the community and shall provide evidence of its financial ability to meet its obligations under the Collateral Note and the Notes; (v) the Purchaser or an Affiliate of such Purchaser shall have a proven record of success in the business of acquiring, owning and operating apartment complexes similar to the Project, and (vi) the agreement for the sale of the Collateral provides that the foregoing conditions (i)-(v) and this condition (vi) shall be included in any subsequent agreement for the sale of the Collateral entered into prior the the maturity date of the Collateral Note and the Notes by the Purchaser as seller of the Collateral. If the aforementioned conditions are satisfied, this Security Agreement shall terminate and be of no further force and effect.

10. MISCELLANEOUS.

(a) Definitions. Unless otherwise defined herein, all capitalized terms shall have the same definition as given in the Partnership Agreement.

(b) Binding Effect. Wherever any of the parties to this Security Agreement is referred to, such reference is deemed to include the heirs, successors, assigns and personal representatives of such party. This Security Agreement shall be binding upon and inure to the benefit of the successors and assigns of each party hereto.

(c) Notices. Notices required or permitted hereunder shall be given by personal delivery or by United States mail, postage prepaid, addressed as follows:

(i) To the Debtor at:

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11300 Rockville Pike
Rockville, Maryland 20852

Attn: Richard L. Kadish

with a copy to: Jerry H. Herman, Esquire,
General Counsel/Senior Vice President
at the same address; and to

(ii) Debtor's counsel at:

2300 M Street, N.W.
Suite 400
Washington, D.C. 20037

Attention: Kenneth G. Hance, Jr., Esquire

(iii) To the Secured Party at:

2040 Highland Avenue
Birmingham, AL 35205

Attention: Charles V. Welden, Jr.

(iv) To Secured Party's Counsel at:

Neal Acker, Esquire
Capell, Howard, Knabe & Cobbs, P.A.
57 Adams Avenue
Montgomery, AL 36104

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Any party, by proper notice to the other parties hereto, may change the address for the giving of notice to such party.

To the extent allowed by law, CRI-85 and CRHC hereby waive any additional rights other than those specifically provided herein to notices required under the Uniform Commercial Code of the States of Delaware, Maryland or Alabama, or other applicable law pertaining to the Collateral described herein or the rights of the Secured Party. CRI-85 and CRHC specifically agree that in the event waiver of a debtor's rights is prohibited under law, then ten (10) days' prior written notice shall be deemed commercially reasonable.

(d) Governing Law. This Security Agreement and the Note shall be governed by and continued in accordance with the laws of the State of Alabama.

(e) Attorney in Fact. Altadena Forest Partners hereby appoints and designates Welden as its agent and attorney-in-fact for exercising all rights and remedies of Secured Party hereunder in such manner and to such extent and on such occasions as Welden may deem appropriate in his sole discretion, including the right to make demand upon Debtor and CRI-85 or either for payments due

with respect to all or any of the Notes, which demand may be made in the name of the named payee of the respective Note and the right to accelerate the maturity of all or any of the Notes in accordance with their terms or under the circumstances provided for in this Security Agreement. This appointment of Welden as attorney-in-fact is coupled with an interest and irrevocable and shall survive the termination of existence of Altadena Forest Partners.

(f) Modification. The prior written approval of the Debtor and the Secured Party shall be required to amend, alter or otherwise adjust the terms and conditions of this Security Agreement.

(g) Security Agreement. Secured Party, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this Security Agreement are subordinate and subject to the rights of Engel Mortgage Company, Inc., its successors and assigns under that certain mortgage originally executed by Lankford Investment Company, Ltd., a limited partnership ("Lankford") dated June 3, 1976 and recorded in the office of Judge of Probate of Shelby County, Alabama, on June 3, 1976, in Mortgage Book 355, at page 132, and the rights of the Secretary of Housing and Urban Development under that certain Regulatory Agreement dated June 3, 1976, and originally executed by Lankford, assumed by Altadena Forest Partners, an Alabama general partnership on May 31, 1983, and thereafter further assumed by the Partnership as of December 1, 1985, and incorporated by reference in the above-described mortgage.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as if the date first above written.

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DEBTOR:

CAPITAL REALTY INVESTORS - 85
LIMITED PARTNERSHIP

By: C.R.I., Inc., its
Managing General Partner

By: _____
Richard L. Kadish
Senior Vice President

AND:

C.R.H.C., INCORPORATED

By: _____
Richard L. Kadish
Senior Vice President

SECURED PARTY:

ALTADENA FOREST PARTNERS

_____
PARTNER

_____
PARTNER

Algernon Blair, Inc.

By: _____
Its Partner

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Exhibit E

## Certificate of the Former Owner and its Partners

[DATE]

Merrill Lynch, Pierce, Fenner
& Smith, Incorporated
One Liberty Plaza
165 Broadway
New York, NY 10080

and

Capital Realty Investors-85 Limited Partnership
C.R.I., Inc., Its Managing General Partner
One Central Plaza
Rockville, Maryland 20854

and

CRICO Securities Corp.
One Central Plaza
Rockville, Maryland 20854

Re: River Place, Ltd.



Pursuant to Section 7.03(b) of the River Place, Ltd. Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership (the "Partnership Agreement"), Altadena Forest Partners, a general partnership, by its Partners hereby certifies that:

(A) the representations, warranties and covenants given by it and them in Sections 4.01(d), (k), (l), (o), (s) and (u) of such Partnership Agreement continue to be valid and accurate, where still applicable, with respect to the Former Owner and its Partners, the Development and the Land as of the date of this Certificate; and

(B) to the best of its and their knowledge, no condition exists which would entitle CRI-85 or CRHC to withhold the payment of the installment of Purchase Price and interest thereon pursuant to Section 7.04.

Altadena Forest Partners
By its Partners:

_____

_____

Algernon Blair, Inc.

By: _____
Its President

Exhibit E

## Certificate of Local General Partner

[DATE]

Merrill Lynch, Pierce, Fenner
& Smith, Incorporated
One Liberty Plaza
165 Broadway
New York, NY 10080

and

Capital Realty Investors-85 Limited Partnership
C.R.I., Inc., Its Managing General Partner
One Central Plaza
Rockville, Maryland 20854

and

CRICO Securities Corporation
One Central Plaza
Rockville, Maryland 20854

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Re: River Place, Ltd.

Pursuant to Section 7.03(b) of the River Place, Ltd. Amended and Restated Agreement and Amended and Restated Certificate of Limited Partnership (the "Partnership Agreement"), Altadena, Inc.,by a duly authorized resolution, hereby certifies that:

(A) the representations, warranties and covenants given by it in Sections 4.01 of such Partnership Agreement continue to be valid and accurate, where still applicable, with respect to the Local General Partner, the Partnership, the Development and/or the Land as of the date of this Certificate; and

(B) to the best of its knowledge after due inquiry, no condition exists which would entitle CRI-85 or CRHC to withhold the payment of the installment of the Purchase Price and interest thereon pursuant to Section 7.04.

ATTEST:

Altadena, Inc.

By: _____
Its President

STATE OF ALASKA, COUNTY OF
I CERTIFY THIS
INSTRUMENT WAS FILED
1986 MAR 31 PM 3:43

Rec. 29.00
Ind. 1.00
29.00