

ARTICLES OF ORGANIZATION
OF
CARRIAGE PARC ASSOCIATES, L.L.C.

JACK FIORELLA III, a resident of the State of Alabama and FIORELLA FAMILY PARTNERSHIP, LTD., an Alabama limited partnership (jointly the "Members"), hereby form a limited liability company (the "Company") under the Alabama Limited Liability Company Act (the "Act"), Section 10-12-1 et seq., Code of Alabama (1994 Cumulative Supplement).

1. NAME OF COMPANY. The name of the Company is:

"Carriage Parc Associates, L.L.C."

2. COMPANY OPERATING AGREEMENT. The affairs of the Company, the conduct of its business, and the relations of its Members, are regulated and established under the Operating Agreement dated contemporaneously with these Articles by and between the Members as the same may be amended from time to time in accordance with its terms (the "Operating Agreement"). Capitalized terms used but not defined in these Articles are defined in the Operating Agreement.

3. PERIOD OF DURATION. The period of the Company's duration shall be from the Filing Date until the fiftieth (50th) anniversary of the Filing Date, provided that the Company shall be dissolved, and its affairs shall be wound up, upon the occurrence of any of the following events:

(a) The written consent of all Members to dissolve the Company;

(b) The occurrence of any Withdrawal Event, unless a Majority of the remaining Members continue the legal existence and business of the Company pursuant to the Operating Agreement and Paragraph 9 of these Articles;

(c) When the Company is not the successor in any merger or consolidation with one or more limited liability companies or other entities; and

(d) The entry of a decree of judicial dissolution under Section 38 of the Act.

4. COMPANY PURPOSE. The Company has been organized for the purposes of developing, owning and operating a multifamily residential development generally known as Carriage Parc Apartments (the "Project"), to be constructed on real property located at Gunbarrel Road, in Chattanooga, Tennessee (the "Land").

5. INTENT TO FINANCE. The Company intends to incur certain indebtedness secured by the Land and the Project pursuant to a loan (the "HUD Loan") which is to be made by a lender approved by The

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U.S. Department of Housing and Urban Development ("HUD") and guaranteed by HUD.

6. INITIAL REGISTERED OFFICE. The location and mailing address of the initial registered office of the Company is Two Riverchase Office Plaza, Suite 206, Birmingham, Alabama 35244. The name of the Company's initial registered agent at such address is Jack Fiorella III.

7. INITIAL MEMBERS. The names and mailing addresses of the initial members of the Company are as follows:

| <u>NAME</u> | <u>ADDRESS</u> |
|-----------------------------------|---|
| Jack Fiorella III | Two Riverchase Office Plaza Suite 206 Birmingham, Alabama 35244 |
| Fiorella Family Partnership, Ltd. | Two Riverchase Office Plaza Suite 206 Birmingham, Alabama 35244 |

8. ADDITIONAL AND SUBSTITUTE MEMBERS. Any new Members shall be admitted to the Company only in accordance with the terms set forth in the Operating Agreement. A party may become an additional Member only with the written approval of all of the Members. A party may become a substitute Member only (i) with the written approval of a majority in interest of the Members, exclusive of the Member for whom such party is proposed to be substituted; or (ii) in connection with a transfer to a Permitted Transferee after the occurrence of any Withdrawal Event which does not result in the dissolution of the Company.

9. EVENTS OF DISSOCIATION. As authorized under Section 36 of the Act, the Operating Agreement contains provisions to the effect that a Member has no power to dissociate by voluntary act from the company, and that a person shall not cease to be a Member of the Company upon the occurrence of any of the various events listed in Section 36(b) of the Act.

10. CONTINUATION OF BUSINESS. The continued membership of a Member in the Company may be terminated only in connection with (i) the withdrawal of such Member pursuant to the unanimous written agreement of all of the Members or (ii) the sale of such Member's entire membership interest in the Company, and the substitution of his purchaser as a Member in his place and stead, pursuant to the written agreement of a majority in interest of the other Members. If there are at least two (2) remaining Members, the legal existence and business of the Company may be continued by the written consent of a Majority of the remaining Members within ninety (90) days after the occurrence of any such event. If there is only one (1) remaining Member, the legal existence and business

of the Company may be continued if a new Member is admitted within ninety (90) days after the occurrence of any such event.

11. MANAGEMENT OF THE COMPANY. Management of the Company is vested in its Members pursuant to the Act and the Operating Agreement.

12. WAIVER OF PURCHASE RIGHTS. The Operating Agreement contains provisions under which the respective Members have waived the rights which would otherwise apply pursuant to Section 30 of the Act for the purchase of a dissociated Member's interest in the Company. The Operating Agreement contains certain mandatory sale provisions which are intended by the parties to replace the statutory purchase provisions under Section 30 of the Act, and which the parties acknowledge to be a reasonable and satisfactory substitute for such statutory provisions.

13. ISSUANCE AND DISPOSITION OF MEMBERSHIP INTERESTS.

(a) Issuance of Membership Interests. The Company may from time to time issue Membership Interests pursuant to the operating Agreement, and may receive in payment thereof, in whole or in part, cash, services actually performed, real or personal property (tangible or intangible), or a promissory note or other binding obligation to pay cash, convey property or render services.

(b) Restrictions on Transfer of Membership Interests. Membership Interests shall be transferrable only upon such terms and conditions as set forth in the Operating Agreement.

(c) Rights and Options. Rights or options entitling the holders thereof to purchase Membership Interests from the Company shall be created and issued by the Company only as set forth in the Operating Agreement.

(d) Acquisition of Membership Interests. Any Person which shall acquire a Membership Interest in the Company shall acquire it subject to the provisions of these Articles of Organization and the Operating Agreement. So far as not otherwise expressly provided by the laws of the State of Alabama, the Company shall be entitled to treat the Person in whose name any Membership Interest is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in said Membership Interest on the part of any other Person, whether or not the Company shall have notice thereof.

(e) Certificates of Interest. The Company may issue certificates from time to time to evidence the interests of the Members of the Company.

14. INDEMNIFICATION OF MEMBERS, EMPLOYEES AND AGENTS. The Company may indemnify its Members, employees and agents to the maximum extent provided by law.

15. INVESTMENT INTENT.

(a) Each Member does hereby acknowledge, represent and warrant to, and does hereby agree with, the Company as follows:

(i) By reason of such Member's knowledge and experience in financial and business matters, such Member is capable of evaluating the merits and risks of an investment in the company.

(ii) Such Member is acquiring his or its interest in the Company for investment, with the intent of holding the same, and not with a view toward participating, directly or indirectly, in a distribution or resale of such interest, and such interest is being acquired only for his or its own account and not for the account or benefit of any other person.

(iii) Such Member's financial condition is such that he or it is not under any present necessity or obligation to dispose of his or its interest in the Company in order to satisfy any existing or contemplated indebtedness or undertaking.

(iv) Such Member's overall commitment to investments which are not readily marketable is not disproportionate to his or its net worth, and such Member's investment in the Company will not cause such overall commitment to become excessive.

(v) Such Member has adequate means of providing for current needs and contingencies and has no need for liquidity in an investment in the Company. Accordingly, such Member can bear the economic risk of an investment in the Company.

(b) The interest being acquired by such Member has not been registered under the Securities Act of 1933, as amended, or any state securities laws, and such interest shall be held indefinitely unless subsequently registered under such laws or unless, in the opinion of counsel satisfactory to the Company, a transfer may be effected without registration thereunder. Accordingly, the Company shall place a legend on any certificate evidencing such Member's interest to such effect, and shall issue stop transfer instructions to the Company's transfer agent, if any, with respect to its interests, or, if the Company transfers its own interests, shall make a notation in the appropriate records of the Company.

(c) Each Member does hereby indemnify and hold harmless the Company and each other Member from and against any and all liabilities, costs, damages and expenses reasonably incurred by

each indemnified Member which result from any misrepresentation of any of the foregoing by such indemnifying Member or any inaccuracy in any of the foregoing.

16. HUD LOAN.

(a) Priority of HUD Loan. So long as the Secretary or the Secretary's successor or assignee is the guarantor of the HUD Loan or the holder of the HUD Note, Section 8 of the Operating Agreement shall govern, notwithstanding any provision to the contrary in these Articles or elsewhere in the Operating Agreement. When the Secretary or the Secretary's successor or assign ceases to be the guarantor of the HUD Loan or the holder of the HUD Note, Section 8 of the Operating Agreement shall be of no further force or effect.

(b) Single Purpose Entity. Until the debt evidenced by the HUD Loan is paid in full, the Company shall not (a) acquire any real or personal property other than the Land, Project and assets (such as accounts) related to the operation and maintenance of the Land and the Project or (b) operate any business other than the management and operation of the Land and the Project.

(c) Administrative Member. For the convenience of the Members, the Administrative Member has been irrevocably authorized and directed to execute, acknowledge and deliver, on behalf of the Company, any and all documents and instruments which may be necessary or appropriate in order to obtain and document the HUD Loan. The execution and delivery of any instrument by the Administrative Member, on behalf of the Company, in connection with the HUD Loan, shall conclusively establish that the same is duly authorized for and on behalf of the Company, and constitutes a validly and legally binding obligation of the Company.

(d) Consent of Secretary. The Members shall obtain the prior written consent of the Secretary before taking any of the following actions:

- (i) the addition or substitution of any Member;
- (ii) the voluntary dissolution of the Company;
- (iii) the replacement of the Administrative Member;
- (iv) an amendment of this Operating Agreement or the Articles which would modify the period of duration of the Company;
- (v) a change in the management of the Company; or
- (vi) any other amendment to this Operating Agreement or the Articles which would affect the HUD Loan Documents in any way.

(e) Conflicting Documents. If any of the provisions of these Articles or the Operating Agreement conflict with the terms of the HUD Loan Documents, the provisions of the HUD Loan Documents shall control.

(f) Liability of Members. The Members and any Assignee shall agree to be liable to HUD in their individual capacities with respect to the following:

(i) funds or property of the Project coming into such Member's or Assignee's possession, if such possession of funds or property is in contravention of the HUD Loan Documents; and

(ii) such Member's or Assignee's acts and deeds (or acts and deeds of others which such Member or Assignee has authorized) which are in violation of the provisions of the Regulatory Agreement.


(g) Documents to be Executed by Members. All current and future Members, as a condition of receiving a Membership Interest, shall agree to be bound by the HUD Loan Documents to the same extent and on the same terms as the other Members.

(h) Dissolution of Company. Upon dissolution of the Company, no title or right to possession and control of the Project, and no right to collect the rents from the Project, shall pass to any Person who is not bound by the Regulatory Agreement in a manner satisfactory to the Secretary.

17. SUBSEQUENTLY ADOPTED LAWS. Any and every statute of the State of Alabama hereafter enacted whereby the rights, powers and privileges of the holders of membership interests of limited liability companies organized under the general laws of the State of Alabama are increased, diminished or in any way affected, or whereby effect is given to the action taken by any part but less than all of the holders of membership interests of any such limited liability company, shall apply to this Company and to every holder of membership interests thereof, to the same extent as if such statute had been in force at the date of the making and filing of these Articles of Organization.

18. AMENDMENT. The Company reserves the right to amend, alter, change or repeal any provision contained in these Articles of Organization in the manner now or hereafter provided by law, and all rights conferred upon holders of membership interests herein are granted subject to this reservation; provided, however, that no such amendment, alteration, change or repeal shall be effective without approval of the Members, pursuant to the Operating Agreement.

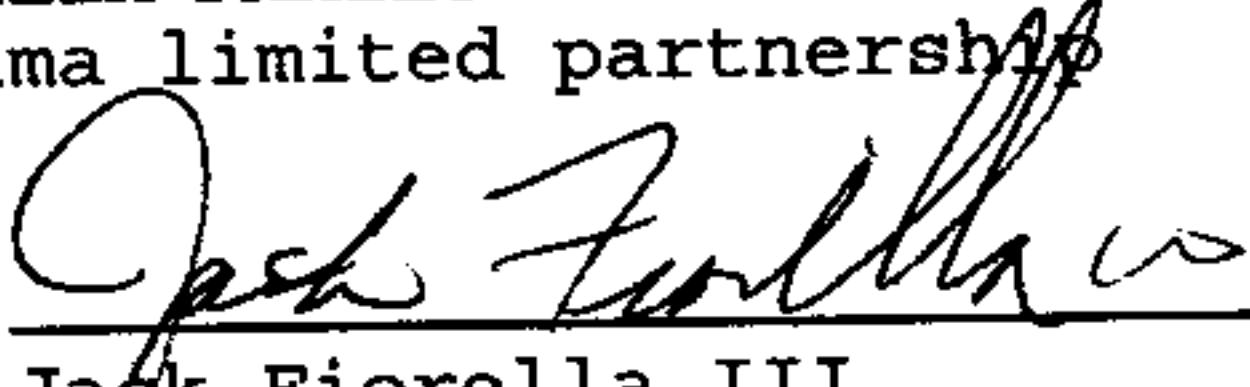
IN WITNESS WHEREOF, the undersigned, acting as the initial Members of the Company have executed these Articles of Organization as of June 5, 1996.



Jack Fiorella III

FIGRELLA FAMILY PARTNERSHIP, LTD. an
Alabama limited partnership

By:



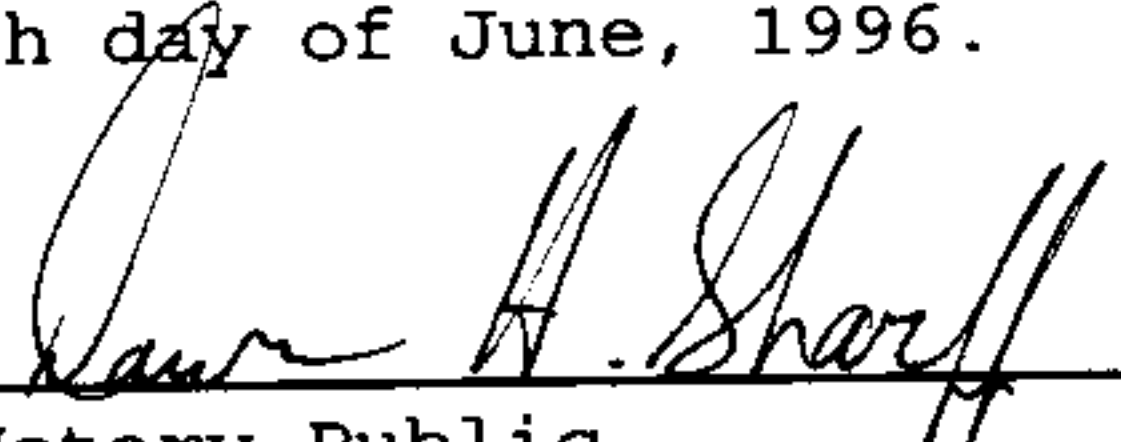
Jack Fiorella III,
Its General Partner

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County, in said State, hereby certify that **Jack Fiorella III**, whose name is signed to the foregoing Articles of Organization of Country Woods Apartments, L.L.C., and who is known to me, acknowledged before me on this day that, being informed of the contents of said Articles of Organization, he executed the same voluntarily as of June 5, 1996.

Given under my hand this the 5th day of June, 1996.



Notary Public
My Commission Expires: 1-4-99

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County, in said State, hereby certify that **Jack Fiorella III**, whose name as General Partner of Fiorella Family Partnership, Ltd., an Alabama limited partnership, is signed to the foregoing Articles of Organization of Country Woods Apartments, L.L.C., and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, in his capacity as such General Partner and with full authority executed the same

voluntarily for and as the act of said limited partnership as of June 5, 1996.

Given under my hand this the 5th day of June, 1996.

Dawn H. Sharff
Notary Public
My Commission Expires: 1-4-99

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