STATEMENT OF POLICY REGARDING
REGARDING REAL ESTATE PROGRAMS

Last Revised, September 29, 1993

I. INTRODUCTION.

A.
Application.
1.
The rules contained in these guidelines apply to qualifications and registrations of real estate programs in the form of limited partnerships (herein sometimes called "PROGRAM" or "partnerships") and will be applied by analogy to real estate programs in other forms. While applications not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown certain guidelines may be modified or waived by the ADMINISTRATOR.

COMMENT: The purpose of the guidelines is to establish uniform and consistent standards to be applied by the various state securities ADMINISTRATORS throughout the country. These standards are primarily designed for public real estate syndications and PROGRAMS which make or invest in mortgage loans. With respect to PROGRAMS which make or invest in mortgage loans, all provisions of these guidelines are applicable thereto, unless specifically excluded or modified.

2.
Where the individual characteristics of specific PROGRAMS warrant modification from these standards they will be accommodated, insofar as possible while still being consistent with the spirit of these guidelines. The Cross Reference Sheet in the form set forth in Section IX.H. Real Estate Guidelines Cross Reference Sheet shall be furnished with the application.

3.
Where these guidelines conflict with requirements of the Securities and Exchange Commission, the guidelines will not apply.

B.

Definitions.

1.
ACQUISITION EXPENSES--expenses including but not limited to legal fees and expenses, travel and communications expenses, costs of appraisals, non-refundable option payments on property not acquired, accounting fees and expenses, title insurance, and miscellaneous expenses related to selection and acquisition of properties, whether or not acquired.

COMMENT: Definition utilized in section IV.C. making clear that all expenses incurred in acquiring properties for the PROGRAM be included in FRONT-END FEES.

2.
ACQUISITION FEE: The total of all fees and commissions paid by any party in connection with making or investing in mortgage loans or the purchase, development or construction of property by a PROGRAM. Included in the computation of such fees or commissions shall be any real estate commission, selection fee, DEVELOPMENT FEE, CONSTRUCTION FEE, nonrecurring management fee, loan fees or points paid by borrowers to the SPONSOR in PROGRAMs which make or invest in mortgage loans, or any fee of a similar nature, however designated. Excluded shall be DEVELOPMENT FEES and CONSTRUCTION FEES paid to PERSONS not affiliated with the SPONSOR in connection with the actual development and construction of a project.

3.
ADMINISTRATOR--the official or agency administering the securities law of a state.

4.
AFFILIATE--means (i) any PERSON directly or indirectly controlling, controlled by or under common control with another PERSON (ii) any PERSON owning or controlling 10% or more of the outstanding voting securities of such other PERSON (iii) any officer, director, partner of such PERSON and (iv) if such other PERSON is an officer, director or partner, any company for which such PERSON acts in any such capacity.

5.
ASSESSMENTS--additional amounts of capital which may be mandatorily required of or paid at the option of a PARTICIPANT beyond his subscription commitment excluding MANDATORY DEFERRED PAYMENTS.

6.
ASSET BASED FEE--compensation to a SPONSOR computed according to subsection IV.J.

7.
AUDITED FINANCIAL STATEMENTS: Financial statements (balance sheet, statement of income, statement of partners' equity and statement of cash flows) prepared in accordance with generally accepted accounting principles and accompanied by an independent auditor's report containing (i) an unqualified opinion, (ii) an opinion containing no material qualification or (iii) no explanatory paragraph disclosing information relating to material uncertainties (except as to litigation) or going concern issues.

8.
BASE AMOUNT--that portion of the CAPITAL CONTRIBUTIONS originally committed to INVESTMENT IN PROPERTIES without regard to leverage and including working capital reserves allowable under subsection IV.J.1.c. The BASE AMOUNT shall be recomputed annually by subtracting from the then fair market value of the PROGRAM's real properties as determined by independent appraisals plus the working capital reserves allowable under

subsection IV.J.1.c., an amount equal to the outstanding debt secured by the PROGRAM's properties.

9.
CAPITAL CONTRIBUTION--the gross amount of investment in a PROGRAM by a PARTICIPANT, or all PARTICIPANTS as the case may be. Unless otherwise specified, CAPITAL CONTRIBUTION shall be deemed to include principal amounts to be received on account of mandatory deferred payments.

10.
CARRIED INTEREST--an equity interest in a PROGRAM which participates in all allocations and distributions other than the promotional interest provided for in Sections IV.C.3.a., IV.E.1. and IV.E.2., for which full consideration is not paid or to be paid.

11.
CASH AVAILABLE FOR DISTRIBUTION--CASH FLOW less amount set aside for restoration or creation of reserves.

12.
CASH FLOW--PROGRAM cash funds provided from operations, including lease payments on net leases from builders and sellers, without deduction for depreciation, but after deducting cash funds used to pay all other expenses, debt payments, capital improvements and replacements.

COMMENT: With respect to PROGRAMS which make or invest in mortgage loans, only funds which constitute interest payments shall be included in CASH FLOW. Funds which may be deemed to constitute interest payments are (i) contractual current interest payments; (ii) interest accrued or deferred, when received, and (iii) contingent interest based upon the PROGRAM'S share of the gross or net income from properties on which the PROGRAM has made a loan. All other funds shall be considered to be net proceeds from a sale or refinancing.

13.
COMPETITIVE REAL ESTATE COMMISSION--that real estate or brokerage commission paid for the purchase or sale of property which is reasonable, customary and competitive in light of the size, type and location of the property.

14.
CONSTRUCTION FEE: A fee or other remuneration for acting as general contractor and/or construction manager to construct improvements, supervise and coordinate projects or to provide MAJOR REPAIRS OR REHABILITATION on a PROGRAM's property.

15.
CROSS REFERENCE SHEET--A compilation of the guideline sections, referenced to the page of the PROSPECTUS, partnership agreement, or other exhibits, and justification of any deviation from the guidelines.

16.
DEVELOPMENT FEE--a fee for the packaging of a PROGRAM's property, including negotiating and approving plans, and undertaking to assist in obtaining zoning and necessary variances and necessary financing for the specific property, either initially or at a later date.

17.
FINANCING--shall be defined as: All indebtedness encumbering PROGRAM properties or incurred by the PROGRAM, the principal amount of which is scheduled to be paid over a period of not less than 48 months, and not more than 50 percent of the principal amount of which is scheduled to be paid during the first 24 months. Nothing in this definition shall be construed as prohibiting a bona-fide pre-payment provision in the financing agreement.

18.
FRONT-END FEES: Fees and expenses paid by any party for any services rendered to organize the PROGRAM and to acquire assets for the PROGRAM, including ORGANIZATION AND OFFERING EXPENSES, ACQUISITION FEES, ACQUISITION EXPENSES, interest on deferred fees and expenses and any other similar fees, however designated by the SPONSOR.

19.
INDEPENDENT EXPERT. A PERSON with no material current or prior business or personal relationship with the SPONSOR who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the PROGRAM, and who is qualified to perform such work.

20.
INVESTMENT IN PROPERTIES--The amount of CAPITAL CONTRIBUTIONS used to make or invest in mortgage loans or the amount actually paid or allocated to the purchase, development, construction or improvement of properties acquired by the PROGRAM (including the purchase of properties, working capital reserves allocable thereto (except that working capital reserves in excess of 5% shall not be included), and other cash payments such as interest and taxes but excluding FRONT-END FEES).

21.
MANDATORY DEFERRED PAYMENTS--MANDATORY DEFERRED PAYMENTS shall be payments on account of the purchase price of PROGRAM INTERESTS offered in accordance with 17 CFR 240.3a12-9.

22.
MAJOR REPAIRS AND REHABILITATION: The repair, rehabilitation or reconstruction of a property where the aggregate costs exceed 10% of the fair market value of the property at the time of such services.

23.
NET WORTH--the excess of total assets over total liabilities as determined by generally accepted accounting principles, except that if any of such assets have been depreciated, then the amount of depreciation relative to any particular asset may be added to the depreciated cost of such asset to compute total assets, provided that the amount of depreciation may be added only to the extent that the amount resulting after adding such depreciation does not exceed the fair market value of such asset.

24.
NON-SPECIFIED PROPERTY PROGRAMS shall be PROGRAMS other than SPECIFIED PROPERTY PROGRAMS.

25.
ORGANIZATION AND OFFERING EXPENSES--those expenses incurred in connection with and in preparing a PROGRAM for registration and subsequently offering and distributing it to the public, including sales commissions paid to broker-dealers in connection with the distribution of the PROGRAM and all advertising expenses.

COMMENT: All advertising expenses, except those related to PROGRAM property management, charged to a PROGRAM are included within the definition. Fees paid by the PROGRAM, directly or indirectly, to persons for acting as surety, guarantor or in some similar capacity in regard to MANDATORY DEFERRED PAYMENTS shall also be included within this definition.

26.
ROLL-UP. A transaction involving the acquisition, merger, conversion, or consolidation, either directly or indirectly of the PROGRAM and the issuance of securities of a ROLL-UP ENTITY. Such term does not include:
(a)
a transaction involving securities of the PROGRAM that have been listed for at least 12 months on a national securities exchange or traded through the National Association of Securities Dealers Automated Quotation National Market System; or
(b)
a transaction involving the conversion to corporate, trust or association form of only the PROGRAM if, as a consequence of the transaction, there will be no significant adverse change in any of the following:
(i)
PARTICIPANTS' voting rights;
(ii)
the term of existence of the PROGRAM;
(iii)
SPONSOR compensation; or
(iv)
the PROGRAM'S investment objectives.

27.
ROLL-UP ENTITY. A partnership, real estate investment trust, corporation, trust or other entity that would be created or would survive after the successful completion of a proposed ROLL-UP transaction.

28.
PARTICIPANT--the holder of a PROGRAM INTEREST.

29.
PERSON--any natural PERSON, partnership, corporation, association or other legal entity.

30.
PROGRAM--a limited or general partnership, joint venture, unincorporated association or similar organization other than a corporation formed and operated for the primary purpose of investment in and the operation of or gain from an interest in real property including such entities formed to make or invest in mortgage loans.

31.
PROGRAM INTEREST--the limited partnership unit or other indicia of ownership in a PROGRAM.

32.
PROGRAM MANAGEMENT FEE--a fee paid to the SPONSOR or other PERSONS for management and administration of the PROGRAM.

33.
PROPERTY MANAGEMENT FEE--the fee paid for day-to-day professional property management services in connection with a PROGRAM's real property projects.

34.
PROSPECTUS--shall have the meaning given to that term by Section 2(10) of the Securities Act of 1933, including a preliminary PROSPECTUS; provided, however, that such term as used herein shall also include an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act of 1933 or, in the case of an intrastate offering, any document by whatever name known, utilized for the purpose of offering and selling securities to the public.

35.
PURCHASE PRICE--the price paid upon the purchase or sale of a particular property, including the amount of ACQUISITION FEES and all liens and mortgages on the property, but excluding points and prepaid interest.

36.
SPECIFIED PROPERTY PROGRAM--a PROGRAM where, at the time a securities registration is ordered effective, more than 75% of the net proceeds from the sale of PROGRAM

INTERESTS is allocable to the purchase, construction, or improvement of specific properties. Reserves shall be included in the non-specified portion. Net proceeds shall include principal amounts to be received on account of MANDATORY DEFERRED PAYMENTS.

37.
SPONSOR--a "SPONSOR" is any PERSON directly or indirectly instrumental in organizing, wholly or in part, a PROGRAM or any PERSON who will manage or participate in the management of a PROGRAM, and any AFFILIATE of any such person, but does not include a PERSON whose only relation with the PROGRAM is as that of an independent property manager, whose only compensation is as such. "SPONSOR" does not include wholly independent third parties such as attorneys, accountants, and underwriters whose only compensation is for professional services rendered in connection with the offering of syndicate interests. A PERSON may also be a SPONSOR of the PROGRAM by:
(i)
Taking the initiative, directly or indirectly, in founding or organizing the business or enterprise of the PROGRAM, either alone or in conjunction with one or more other PERSONS.
(ii)
Receiving a material participation in the PROGRAM in connection with the founding or organizing of the business of the PROGRAM, in consideration of services or property, or both services and property.
(iii)
Having a substantial number of relationships and contacts with the PROGRAM.
(iv)
Possessing significant rights to control PROGRAM properties.
(v)
Receiving fees for providing services to the PROGRAM which are paid on a basis that is not customary in the industry.
(vi)
Providing goods or services to the PROGRAM on a basis which was not negotiated at arm's length with the PROGRAM.

II. REQUIREMENTS OF SPONSORS.

A.
Experience. The SPONSOR, the general partner or their chief operating officers shall have at least two years relevant real estate or other experience demonstrating the knowledge and experience to acquire and manage the type of assets being acquired, and any of the foregoing or any AFFILIATE providing services to the PROGRAM shall have had not less than four years relevant experience in the kind of service being rendered or otherwise must demonstrate sufficient knowledge and experience to perform the services proposed.

COMMENT: "Relevant real estate or other experience" should be interpreted to include actual direct experience by the chief executive officer, or other PERSONS at the management level, either as a principal or agent in performing the services to be provided to the PROGRAM. This would include acquiring and managing real estate for one's own account or acting as an agent in acquiring and managing real estate comparable to that which the PROGRAM will acquire. If the PROGRAM will be in the business of acquiring shopping centers and office buildings, "relevant real estate experience" would not include experience in buying or selling houses. It is apparent that a different level of sophistication and knowledge is required.

B.
NET WORTH Requirement of SPONSOR. The financial condition of the SPONSOR liable for the debts of the PROGRAM must be commensurate with any financial obligations assumed in the offering and in the operation of the PROGRAM. As a minimum, such SPONSOR shall have an aggregate financial NET WORTH, exclusive of home, automobile and home furnishings, of the greater of either $50,000 or an amount at least equal to 5% of the gross amount of all offerings sold within the prior 12 months plus 5% of the gross amount of the current offering, to an aggregate maximum NET WORTH of such SPONSOR of one million dollars. In determining NET WORTH for this purpose, evaluation will be made of contingent liabilities and the use of promissory notes, to determine the appropriateness of their inclusion in computation of NET WORTH.

COMMENT: The inclusion of promissory notes may be insufficient to satisfy the NET WORTH requirements where the maker of the notes is inadequately capitalized. The gross amount of offerings includes the principal amounts to be received on account of mandatory deferred payments.

C.
Reports to ADMINISTRATOR. Each application for registration shall contain a commitment, executed by the SPONSOR, to submit to the ADMINISTRATOR upon request any report or statement required to be distributed to limited partners pursuant to VII.C.

COMMENT: The SPONSOR need not file with the ADMINISTRATOR all reports that will be filed with the limited partners, but should retain copies of such reports or information and make them available to the ADMINISTRATOR as required. The length this information must be retained will vary from state to state depending upon its requirements.

D.

Liability and Indemnification.

1.

The PROGRAM shall not provide for indemnification of the SPONSOR for any liability or loss suffered by the SPONSOR, nor shall it provide that the SPONSOR be held harmless for any loss or liability suffered by the PROGRAM, unless all of the following conditions are met:

a.

The SPONSOR has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the PROGRAM, and

b.

the SPONSOR was acting on behalf of or performing services for the PROGRAM, and

c.

such liability or loss was not the result of negligence or misconduct by the SPONSOR, and

d.

such indemnification or agreement to hold harmless is recoverable only out of the assets of the PROGRAM and not from the PARTICIPANTS.

2.

Notwithstanding anything to the contrary contained in Section II.D.1., the SPONSOR (which shall include AFFILIATES only if such AFFILIATES are performing services on behalf of the PROGRAM) and any person acting as a broker-dealer shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless the following conditions are met:

a.

There has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, or

b.

such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee, or

c.

a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and

d.

in the case of subparagraph c., the court of law considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and the position of any state securities regulatory authority in which securities of the PROGRAM were offered or sold as to indeminification for violations of securities laws; provided that the court need only be advised of and consider the positions of the securities regulatory authorities of those states (i) which are specifically set forth in the PROGRAM agreement and (ii) in which plaintiffs claim they were offered or sold PROGRAM INTERESTS.

3.

The PROGRAM may not incur the cost of that portion of liability insurance which insures the SPONSOR for any liability as to which the SPONSOR is prohibited from being indemnified under this section.

4.
The provision of advancement from PROGRAM funds to a SPONSOR or its AFFILIATES for legal expenses and other costs incurred as a result of any legal action is permissible if the following conditions are satisfied:
a.
the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the PROGRAM;
b.
the legal action is initiated by a third party who is not a PARTICIPANT, or the legal action is initiated by a PARTICIPANT and a court of competent jurisdiction specifically approves such advancement; and
c.
the SPONSOR or its AFFILIATES undertake to repay the advanced funds to the PROGRAM in cases in which such PERSON is not entitled to indemnification under Section II.D.1.

E.
Fiduciary Duty. The program agreement shall provide that the SPONSOR shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the program, whether or not in the SPONSOR'S possession or control, and that the SPONSOR shall not employ, or permit another to employ such funds or assets in any manner except for the exclusive benefit of the PROGRAM.
In addition, the PROGRAM shall not permit the PARTICIPANT to contract away the fiduciary duty owed to the PARTICIPANT by the SPONSOR under the common law.

F.
Terminated SPONSOR. Upon the occurrence of a terminating event, the partnership may be required to pay to the terminated SPONSOR all amounts then accrued and owing to the terminated SPONSOR. Additionally, the partnership may terminate the SPONSOR'S interest in partnership income, losses, distributions, and capital by payment of an amount equal to the then present fair market value of the terminated SPONSOR'S interest determined by agreement of the terminated SPONSOR and the partnership, or, if they cannot agree, by arbitration in accordance with the then current rules of the American Arbitration Association. The expense of arbitration shall be borne equally by the terminated SPONSOR and the partnership.

The method of payment to the terminated SPONSOR must be fair; and must protect the solvency and liquidity of the partnership. Where the termination is voluntary, the method of payment will be deemed presumptively fair where it provides for a non-interest bearing unsecured promissory note with principal payable, if at all, from distributions which the terminated SPONSOR otherwise would have received under the partnership agreement had the SPONSOR not terminated. Where the termination is involuntary, the method of payment will be deemed presumptively fair where it provides for an interest bearing promissory note coming due in no less than 5 years with equal installments each year.

III. SUITABILITY OF PARTICIPANTS

A.
General Policy.
1.
The SPONSOR shall establish minimum income and net worth standards for PERSONS who purchase PROGRAM INTERESTS.

2.
The SPONSOR shall propose minimum income and net worth standards which are reasonable given the type of PROGRAM and the risks associated with the purchase of PROGRAM INTERESTS. PROGRAMS with greater investor risk shall have minimum standards with a substantial NET WORTH requirement. The ADMINISTRATOR shall evaluate the standards proposed by the SPONSOR when the PROGRAM'S application for registration is reviewed. In evaluating the proposed standards, the ADMINISTRATOR may consider the following:
a.
the PROGRAM'S use of leverage;
b.
tax implications;
c.
MANDATORY DEFERRED PAYMENTS;
d.
assessments;
e.
balloon payment financing;
f.
investments in unimproved land;
g.
potential variances in cash distributions;
h.
potential PARTICIPANTS;
i.
relationship between potential PARTICIPANTS and the SPONSOR;
j.
liquidity of PROGRAM INTERESTS;
k.
performance of SPONSOR'S prior programs;
l.
financial condition of the SPONSOR;
m.
potential transactions between the PROGRAM and the SPONSOR; and
n.
any other relevant factors.

B.
Income and Net Worth Standards.

1.
For PROGRAMS other than PROGRAMS with MANDATORY DEFERRED PAYMENTS, unless the ADMINISTRATOR determines that the risks associated with the PROGRAM would require lower or higher standards, each PARTICIPANT shall have:
a.
a minimum annual gross income of $45,000 and a minimum NET WORTH of $45,000; or
b.
a minimum NET WORTH of $150,000.

2.
For PROGRAMS with MANDATORY DEFERRED PAYMENTS, unless the ADMINISTRATOR determines that the risks associated with the PROGRAM would require lower or higher standards, each PARTICIPANT shall have:
a.
a minimum annual gross income of $60,000 and a minimum NET WORTH of $60,000; or
b.
a minimum NET WORTH of $225,000.

3.
NET WORTH shall be determined exclusive of home, home furnishings, and automobiles.

4.
In the case of sales to fiduciary accounts, these minimum standards shall be met by the beneficiary, the fiduciary account, or by the donor or grantor who directly or indirectly supplies the funds to purchase the PROGRAM INTERESTS if the donor or grantor is the fiduciary.

5.
The SPONSOR shall set forth in the final PROSPECTUS:
a.
the investment objectives of the PROGRAM;
b.
a description of the type of PERSON who might benefit from an investment in the PROGRAM; and
c.
the minimum standards imposed on each PARTICIPANT in the PROGRAM.
C.
Determination that Sale to PARTICIPANT is Suitable and Appropriate.

1.
The SPONSOR and each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM shall make every reasonable effort to determine that the purchase of PROGRAM INTERESTS is a suitable and appropriate investment for each PARTICIPANT.

2.
In making this determination, the SPONSOR or each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM shall ascertain that the prospective PARTICIPANT:

a.
meets the minimum income and net worth standard established for the PROGRAM;
b.
can reasonably benefit from the PROGRAM based on the prospective PARTICIPANT'S overall investment objectives and portfolio structure;
c.
is able to bear the economic risk of the investment based on the prospective PARTICIPANT'S overall financial situation; and
d.
has apparent understanding of:
(i)
the fundamental risks of the investment;
(ii)
the risk that the PARTICIPANT may lose the entire investment;
(iii)
the lack of liquidity of PROGRAM INTERESTS;
(iv)
the restrictions on transferability of PROGRAM INTERESTS;
(v)
the background and qualifications of the SPONSOR or the PERSONS responsible for directing and managing the PROGRAM; and
(vi)
the tax consequences of the investment.

3.
The SPONSOR or each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM will make this determination on the basis of information it has obtained from a prospective PARTICIPANT. Relevant information for this purpose will include at least the age, investment objectives, investment experience, income, NET WORTH, financial situation, and other investments of the prospective PARTICIPANT, as well as any other pertinent factors.

4.
The SPONSOR or each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM shall maintain records of the information used to determine that an investment in PROGRAM INTERESTS is suitable and appropriate for each PARTICIPANT. The SPONSOR or each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM shall maintain these records for at least six years.

5.
The SPONSOR shall disclose in the final PROSPECTUS the responsibility of the SPONSOR and each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM to make every reasonable effort to determine that the purchase of PROGRAM INTERESTS is a suitable and appropriate investment for each PARTICIPANT, based on information provided by the PARTICIPANT regarding the PARTICIPANT'S financial situation and investment objectives.

D.

Subscription Agreements.

1.

The ADMINISTRATOR may require that each PARTICIPANT complete and sign a written subscription agreement.

2.

The SPONSOR may require that each PARTICIPANT make certain factual representations in the subscription agreement, including the following:

a.

The PARTICIPANT meets the minimum income and net worth standards established for the PROGRAM.

b.

The PARTICIPANT is purchasing the PROGRAM INTERESTS for his or her own account.

c.

The PARTICIPANT has received a copy of the PROSPECTUS.

d.

The PARTICIPANT acknowledges that the investment is not liquid.

3.

The PARTICIPANT must separately sign or initial each representation made in the subscription agreement. Except in the case of fiduciary accounts, the PARTICIPANT may not grant any PERSON a power of attorney to make such representations on his or her behalf.

4.

The SPONSOR and each PERSON selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM shall not require a PARTICIPANT to make representations in the subscription agreement which are subjective or unreasonable and which:

a.

might cause the PARTICIPANT to believe that he or she has surrendered rights to which he or she is entitled under federal or state law; or

b.

would have the effect of shifting the duties regarding suitability, imposed by law on broker-dealers, to the PARTICIPANT.

5.

Prohibited representations include, but are not limited to the following:

a.

The PARTICIPANT understands or comprehends the risks associated with an investment in the PROGRAM.

b.

The investment is a suitable one for the PARTICIPANT.

c.

The PARTICIPANT has read the PROSPECTUS.

d.
In deciding to invest in the PROGRAM, the PARTICIPANT has relied solely on the PROSPECTUS, and not on any other information or representations from other PERSONS or sources.

6.
The SPONSOR may place the content of the prohibited representations in the subscription agreement in the form of disclosures to the PARTICIPANT. The SPONSOR may not place these disclosures in the PARTICIPANT representation section of the subscription agreement.

E.
Completion of Sale.

1.
The SPONSOR or any person selling PROGRAM INTERESTS on behalf of the SPONSOR or PROGRAM may not complete a sale of PROGRAM INTERESTS to a PARTICIPANT until at least five business days after the date the PARTICIPANT receives a final prospectus.

2.
The SPONSOR or the PERSON designated by the SPONSOR shall send each PARTICIPANT a confirmation of his or her purchase.

F.
Minimum Investment. The ADMINISTRATOR may require a minimum initial and subsequent cash investment amount.

IV. FEES--COMPENSATION--EXPENSES.

A.
Fees, Compensation and Expenses to Be Reasonable.

1.
The total amount of consideration of all kinds which may be paid directly or indirectly to all parties shall be reasonable.

2.
The PROSPECTUS must fully disclose and itemize all consideration which may be received from the PROGRAM directly or indirectly by the SPONSOR, its AFFILIATES and underwriters, what the consideration is for and how and when it will be paid. This shall be set forth in one location in tabular form.

B.
ORGANIZATION AND OFFERING EXPENSES. All ORGANIZATION AND OFFERING EXPENSES incurred in order to sell PROGRAM interests shall be reasonable and shall comply with all statutes, rules and regulations imposed in connection with the offering of other securities in the state.

C.
INVESTMENT IN PROPERTIES.

1.
a. The SPONSOR shall be required to commit a substantial portion of the PROGRAM'S CAPITAL CONTRIBUTIONS toward INVESTMENT IN PROPERTIES. The remaining CAPITAL CONTRIBUTIONS may be used to pay FRONT-END FEES. The total amount of FRONT-END FEES, whenever paid and from whatever source, shall be limited to an amount equal to the initial amount of CAPITAL CONTRIBUTIONS not applied to INVESTMENT IN PROPERTIES. When FRONT-END FEES are paid by the seller of properties, such fees shall not be included in satisfying the required minimum INVESTMENT IN PROPERTIES.
b. If CAPITAL CONTRIBUTIONS are paid on an installment basis, the FRONT-END FEE shall be paid to the SPONSOR pro rata as installments are paid.
c. Notwithstanding Sections IV.C.1.a. and IV.C.2., FRONT-END FEES may be limited as required by Section V.J. If so, the proportion of CAPITAL CONTRIBUTIONS subject to the limitations of Section V.J. shall be the same proportion as the amount of invested assets subject to Section V.J. to the aggregate amount of all investments of the PROGRAM. Borrowed amounts shall not be included in determining the amount of investment.
COMMENT: This section is to provide an alternative to Section IV.C.1.a. when a SPONSOR is developing a specified property. If the SPONSOR does not elect to follow this alternative, the FRONT-END FEES shall include the DEVELOPMENT FEE and CONSTRUCTION FEE paid to the SPONSOR.

2.
At a minimum, the SPONSOR shall commit a percentage of the CAPITAL CONTRIBUTIONS to INVESTMENT IN PROPERTIES which is equal to 82% for PROGRAMS which make or invest in mortgage loans and for all other PROGRAMS is equal to the greater of:

a.
80% of the CAPITAL CONTRIBUTIONS reduced by .1625% for each 1% of financing of PROGRAM properties; or
b.
67% of the CAPITAL CONTRIBUTIONS.
COMMENT: The expenses incurred and level of effort required in locating and funding mortgages is not as high as that which is required in locating and closing upon real properties. In addition, the fees traditionally payable in the mortgage funding and acquisition area are much lower than those payable in real property acquisitions. For example, real estate commissions which can represent a large portion of the front-end fees in a traditional PROGRAM are not present in a mortgage PROGRAM. Consequently, the FRONT END FEES permissible in a mortgage PROGRAM are less than those permissible in the more traditional real estate equity PROGRAMS.

3.
If the SPONSOR enters into an INVESTMENT IN PROPERTIES commitment in excess of that specified in Section 2. above, the following mutually exclusive forms of compensation are viewed as not unreasonable alternatives to FRONT-END FEES:
a.
the SPONSOR may take an additional promotional interest in the net proceeds remaining from the sale or refinancing of the properties after payment of such proceeds to PARTICIPANTS in an amount equal to 100% of CAPITAL CONTRIBUTIONS, equal to 1% for each 1% of additional INVESTMENT IN PROPERTIES; or
b.
the SPONSOR may take a CARRIED INTEREST which accrues and is payable from the net proceeds remaining from the sale or refinancing of properties only after payment of such proceeds to PARTICIPANTS in an amount equal to 100% of CAPITAL CONTRIBUTIONS, equal to 1% for the first 2% of additional INVESTMENT IN PROPERTIES, plus 1% for the next 1.5% of additional INVESTMENT IN PROPERTIES, plus 1% for each 1% of additional INVESTMENT IN PROPERTIES thereafter; or
c.
the SPONSOR may take a fully participating CARRIED INTEREST equal to 1% for the first 2.5% of additional INVESTMENT IN PROPERTIES, 1% for the next 2% of additional INVESTMENT IN PROPERTIES, and 1% for each 1% of additional INVESTMENT IN PROPERTIES thereafter.
COMMENT: A CARRIED INTEREST may not be taken other than on the basis of the foregoing. In the case of PROGRAMS offering MANDATORY DEFERRED PAYMENTS, the compensation identified in IV.C.3. above as an alternative to FRONT-END FEES paid the SPONSOR shall be credited to the SPONSOR pro rata as installments are paid.

4.
For PROGRAMS whose total CAPITAL CONTRIBUTIONS do not exceed $2 million, the ADMINISTRATOR may reduce the required amount of INVESTMENT IN PROPERTIES to that permitted by 2(b) above notwithstanding the level of indebtedness encumbering the PROGRAM'S properties.

COMMENT: The purpose of the section is to require the SPONSOR to invest a specified percentage of CAPITAL CONTRIBUTIONS in the acquisition of properties and use the balance for FRONT-END FEES in any manner he wishes, or defer a portion of the FRONT-END FEES to a promotional interest.

This will avoid the necessity of having to attempt to establish the reasonableness of the various FRONT-END FEES on an individual basis. However, the formula continues the tradition of the Guidelines by allowing the SPONSOR's fee to increase as leverage is employed to acquire properties. The PROSPECTUS should include an example demonstrating the mechanics of the formula.

To calculate the percent of financing of PROGRAM properties in Section 2., divide the amount of financing by the PURCHASE PRICE of the property, excluding FRONT-END FEES. The Quotient is multiplied by .1625% to determine the percentage to be deducted from 80%.
The following are examples of application of the formula using CAPITAL CONTRIBUTIONS of $1 Million in each case:
a.
No financing--80% to be committed to INVESTMENT IN PROPERTIES.
b.
50% financing--50 x .1625% = 8.125%
80% - 8.125% = 71.875% to be committed to INVESTMENT IN PROPERTIES.
c.
80% financing--80 x .1625% = 13%
80% - 13% = 67% to be committed to INVESTMENT IN PROPERTIES.
Notwithstanding the language in paragraph 4 above, the 2 million dollar limitation is intended to be a benchmark figure and may be adjusted upward or downward by an Administrator based on the marketplace in his jurisdiction.
D.
PROGRAM MANAGEMENT FEE.
1.
A general partner of a PROGRAM owning unimproved land shall be entitled to annual compensation not exceeding 1/4 of 1% of the cost of such unimproved land for operating the PROGRAM until such time as the land is sold or improvement of the land commences by the limited partnership. In no event shall this fee exceed a cumulative total of 2% of the original cost of the land regardless of the number of years held.
2.
A general partner of a PROGRAM holding property in government subsidized projects shall be entitled to annual compensation not exceeding 1/2 of 1% of the cost of such property for operating the PROGRAM until such time as the property is sold.
3.
PROGRAM MANAGEMENT FEES other than as set forth above shall be prohibited.
E.
Promotional Interest. An interest in the PROGRAM will be allowed as a promotional interest and PROGRAM MANAGEMENT FEE, provided the amount or percentage of such interest is reasonable. Such an interest will be considered presumptively reasonable if it is within the limitations expressed below:

1.
An interest equal to 25% of cash to be distributed from the net proceeds remaining from the sale or refinancing of properties after payment to investors from such proceeds, an amount equal to 100% of CAPITAL CONTRIBUTIONS, plus an amount equal to 6% of CAPITAL CONTRIBUTIONS per annum cumulative (the 6% cumulative return may be reduced, but not below zero, by the aggregate amount of prior distributions to investors from CASH AVAILABLE FOR DISTRIBUTION); or
COMMENT: The SPONSOR should not participate in sale or refinancing proceeds until the PARTICIPANTS have received a minimum return on their CAPITAL CONTRIBUTIONS.

However, the 6% subordination requirement may be waived in the situation where the PROGRAM invests more than 60% of its CAPITAL CONTRIBUTIONS in newly constructed or totally rehabilitated properties, including housing subsidized under the National Housing Act or similar such programs.

2.
An interest equal to:
a.
10% of distributions from CASH AVAILABLE FOR DISTRIBUTION; and
b.
15% of cash to be distributed from the net proceeds remaining from the sale or refinancing of properties after payment to investors from such proceeds, an amount equal to 100% of CAPITAL CONTRIBUTIONS, plus an amount equal to 6% of CAPITAL CONTRIBUTIONS per annum cumulative. The 6% cumulative return may be reduced, but not below zero, by the aggregate amount of prior distributions to investors from CASH AVAILABLE FOR DISTRIBUTION.
COMMENT: In addition to a 6% per annum cumulative return, investors in traditional equity real estate limited partnerships receive:

(i) Capital gains through product appreciation;

(ii) Federal income taxation deductions during the early years of property operations leading to all or a portion of cash distributions being treated as a return of capital for taxation purposes;

(iii) Equity buildup through a reduction of mortgage loans.

Since PROGRAMS which make or invest in mortgage loans are income oriented and investors in such PROGRAMS may forego a major portion of the benefits set forth in (i) through (iii) above, the per annum cumulative return for such PROGRAMS shall be equal to 300 basis points below the average Federal Home Loan Mortgage Corporation (FHLMC) rate as reported in The Wall Street Journal or similar publication for the 30-day period beginning 35 days prior to the date the PROGRAM is declared effective by the Securities and Exchange Commission. Notwithstanding the foregoing, such minimum cumulative return will not be less than 7% nor required to be more than 10%.

3.
For purposes of this Section, the CAPITAL CONTRIBUTION of the investors shall only be reduced by a cash distribution to investors of the proceeds from the sale or refinancing of properties. In addition, the cumulative return to each investor shall commence no later than the end of the calendar quarter in which his CAPITAL CONTRIBUTION is made.

4.
Dissolution and liquidation of the partnership. The distribution of assets upon dissolution and liquidation of the partnership shall conform to the applicable subordination provisions of subsections 1 and 2b. herein, and appropriate language shall be included in the partnership agreement.

5.
The maximum dollar amount of the SPONSORS' distributive share permitted under paragraph 1. or 2. above may not be increased by any allocation to the SPONSORS made for the purpose of satisfying the requirements of the Internal Revenue Code, applicable regulations, or any Revenue Ruling or Revenue Procedure. In the absence of adequate justification provided under Section IV.C.3. for any unsubordinated participation in cash to be distributed from the net proceeds remaining from the sale or refinancing of properties, the ADMINISTRATOR may require an express limitation in the PROGRAM agreement that the dollar amount of the SPONSORS' distributive share will not exceed the maximum amount that would be allowable under paragraph 1. or 2. above.

COMMENT: For PROGRAMS which make or invest in mortgage loans, all funds which constitute repayment of loan principal or which represent an equity interest in sale or refinancing proceeds of a real property underlying a loan shall be subordinated and apportioned in the same manner as provided in Sections IV.E.1. or 2.b. above.

F.
REAL ESTATE BROKERAGE COMMISSIONS ON RESALE OF PROPERTY. The total compensation paid to all PERSONS for the sale of a PROGRAM property shall be limited to a COMPETITIVE REAL ESTATE COMMISSION, not to exceed 6% of the contract price for the sale of the property. If the SPONSOR provides a substantial amount of the services in the sales effort, he may receive up to one-half of the COMPETITIVE REAL ESTATE COMMISSION, not to exceed 3%, and subordinated as in E. above. If the SPONSOR participates with an independent broker on resale, the subordination requirement shall apply only to the commission earned by the SPONSOR.

COMMENT: If the SPONSOR provides a substantial amount of services in connection with the sale, he may then receive up to 1/2 of the brokerage commission, to a maximum of 3%, with the fee subordinated, to a return of 100% of CAPITAL CONTRIBUTIONS plus a 6% annual cumulative return, regardless of the type of property acquired by the PROGRAM.

G.
PROPERTY MANAGEMENT FEE. Should the SPONSOR or its AFFILIATES perform property management services permitted under section IV. A.1. of these guidelines, the fees paid to the

SPONSOR or its AFFILIATES shall be the lesser of the maximum fees set forth in subsections 1. through 3. below or the fees which are competitive for similar services in the same geographic area. Included in such fees shall be bookkeeping services and fees paid to non-related persons for property management services.

1.

In the case of a residential property, the maximum PROPERTY MANAGEMENT FEE (including all rent-up, leasing, and re-leasing fees and bonuses, and leasing related services, paid to any person) shall be 5% of the gross revenues from such property.

2.

In the case of industrial and commercial property, except as set forth in 3. below, the maximum PROPERTY MANAGEMENT FEE from such leases shall be 6% of the gross revenues where the SPONSOR or its AFFILIATES includes leasing, re-leasing and leasing related services. Conversely the maximum PROPERTY MANAGEMENT FEE from such leases shall be 3% of the gross revenues where the SPONSOR or its AFFILIATES do not perform the leasing, re-leasing and leasing related services with respect to the property.

3.

In the case of industrial and commercial properties which are leased on a long term (ten or more years) net (or similar) bases, the maximum PROPERTY MANAGEMENT FEE from such leases shall be 1% of the gross revenues, except for a one time initial leasing fee of 3% of the gross revenues on each lease payable over the first five full years of the original term of the lease.

COMMENT: This section provides a method to calculate the allowable fees for property management by the SPONSOR. The amount of the fee will be based upon, if competitive, the kinds of property management services performed by the SPONSOR for various types of rental properties and lease arrangements. This section prohibits the SPONSOR from receiving fees for the same service, for which the project has incurred costs to any other PERSON. The salary and fringe benefits of the on-site property personnel may be separately charged, as an operating expense, so long as such manager is not an officer, director, or controlling person of the SPONSOR.

This section is not intended to preclude the charging of a separate competitive fee for the one-time initial rent-up or leasing-up of a newly constructed property if such service is not included in the PURCHASE PRICE of the property paid by the PROGRAM. New construction could include a total rehabilitation.

Under Section 3., the initial leasing fee may be taken during each of the first five years on any lease which may include exercised renewals during that period; however, no initial leasing fee may be collected beyond five years for renewals or extensions with the same tenant or tenant's assignee.

The fee limitation would be considered presumptively reasonable unless the SPONSOR can demonstrate, to the satisfaction of the ADMINISTRATOR, thru empirical data that a higher competitive fee in the geographic area for the services rendered, the type of property to be acquired and the terms of the management contract is justified.

H.

INSURANCE SERVICES. The SPONSOR or his AFFILIATE may provide insurance brokerage services in connection with obtaining insurance on the PROGRAM'S property so long as the cost of providing such service, including cost of the insurance, is no greater than the lowest quote obtained from two unaffiliated insurance agencies and the coverage and terms are likewise comparable. In no event may such services be provided by the SPONSOR or his AFFILIATE unless they are independently engaged in the business of providing such services to other than AFFILIATES and at least 75% of their insurance brokerage service gross revenue is derived from other than AFFILIATES.

I.

MORTGAGE SERVICING FEE. The SPONSOR or his AFFILIATE may provide mortgage services in programs which make or invest in mortgage loans for which he may be paid a fee which when added to all other fees paid in connection with the servicing of a particular mortgage does not exceed thelesser of the customary, competitive fee for the provision of such mortgage services on that type of mortgage or 1/4 of 1% of the principal outstanding in such loan.

J.

ASSET BASED FEE.

1.

Eligibility. A PROGRAM may elect to compensate the SPONSOR according to the provisions of this section only if the PROGRAM meets all of the following:

a.

The PROSPECTUS states that a primary investment objective of the PROGRAM is to generate and to distribute to the PARTICIPANTS the CASH FLOW from the operation of the properties of the PROGRAM.

b.

The anticipated life of the PROGRAM does not exceed 20 years from the date the offering is declared effective by the SEC. However, the partnership agreement may provide that the PROGRAM will be extended by the affirmative vote of a majority of the PARTICIPANTS.

c.

The PROGRAM will invest not less than 82% of the CAPITAL CONTRIBUTIONS as the INVESTMENT IN PROPERTIES. The remaining CAPITAL CONTRIBUTIONS may be used to pay FRONT-END FEES. The total amount of FRONT-END FEES, whenever paid, shall be limited to the initial amount of CAPITAL CONTRIBUTIONS not applied to INVESTMENT IN PROPERTIES. Of this INVESTMENT IN PROPERTIES, not more than 3% of the CAPITAL CONTRIBUTIONS may be included as a working capital reserve.

2.

Computation. The annual ASSET BASED FEE shall be 0.75% of the BASE AMOUNT. On CAPITAL CONTRIBUTIONS temporarily held while awaiting INVESTMENTS IN PROPERTIES, the ASSET BASED FEE shall be 0.5% of those CAPITAL CONTRIBUTIONS. The SPONSOR may also be allowed the following additional fees and compensation:

a.

A PROPERTY MANAGEMENT FEE as provided in section IV.G.

b.

REAL ESTATE COMMISSIONS as provided in section IV.F.

c.

A promotional interest as provided in subsection IV.E.2.b.

d.
Fees for insurance services as allowed by section IV.H.
e.
FRONT-END FEES as provided in section IV.J.1.c.
f.
Reimbursement for PROGRAM expenses as provided in section V.E.
g.
Fees, interest and other charges as allowed in section V.I.3.
h.
Additional promotional interest in sale or refinancing proceeds as provided in section IV.C.3.a.
i.
Except as provided above, the SPONSOR shall receive no fees or other compensation from the program.
3.
Limitations. An election to compensate the SPONSOR with an ASSET BASED FEE as provied in this section shall be subject to the following limitations:
a.
The PROGRAM may reinvest the proceeds from the sale and refinancing of its PROPERTIES during the 7 years following the date of its effectiveness with the SEC. No deduction for FRONT-END FEES shall be allowed on such reinvestments. Beginning on a date 7 years after the date of effectiveness with the SEC, no reinvestment of the proceeds from the sale and refinancing of the PROPERTIES of the PROGRAM shall be allowed.
b.
The ASSET BASED FEE may be accrued without interest when PROGRAM funds are not available for its payment. Any accrued ASSET BASED FEE may be paid from the next available CASH FLOW or net proceeds from sale or refinancing of properties. No ASSET BASED FEE may be paid from PROGRAM reserves.
c.
A SPONSOR that is terminated and entitled to compensation from the PROGRAM as provided in the partnership documents and governed by section II.F. shall be paid the ASSET BASED FEE through the date of such termination.
d.
Except as modified by this section, all other portions of this Statement of Policy shall apply where appropriate to PROGRAMS electing an ASSET BASED FEE.

V. CONFLICTS OF INTEREST AND INVESTMENT RESTRICTIONS.

A.
Sales, Leases and Related Program Transactions.

1.
Sales and Leases to PROGRAM.
A PROGRAM shall not purchase or lease property in which a SPONSOR has an interest unless:
a.
The transaction occurs at the formation of the PROGRAM and is fully disclosed in its PROSPECTUS or offering circular, and
b.
The property is sold upon terms fair to the PROGRAM and at a price not in excess of its appraised value, and
c.
The cost of the property and any improvements thereon to the SPONSOR is clearly established. If the SPONSOR'S cost was less than the price to be paid by the PROGRAM, the price to be paid by the PROGRAM will not be deemed fair, regardless of the appraised value, unless some material change has occurred to the property which would increase the value since the SPONSOR acquired the property. Material factors may include the passage of a significant amount of time (but in no event less than 2 years prior to the offering of PROGRAM INTERESTS), the assumption by the promoter of the risk of obtaining a rezoning of the property and its subsequent rezoning, or some other extraordinary event which in fact increases the value of the property. If the material factor includes development, construction, or MAJOR REPAIRS ORREHABILITATION of the property by the SPONSOR less than two years prior to the offering of PROGRAM INTERESTS, the costs shall be limited as required by Section V.J.
d.
The provisions of this subsection notwithstanding, the SPONSOR may purchase property in its own name (and assume loans in connection therewith) and temporarily hold title thereto for the purpose of facilitating the acquisition of such property, or the borrowing of money or obtaining of financing for the PROGRAM, or completion of construction of the property, or any other purpose related to the business of the PROGRAM, provided that such property is purchased by the PROGRAM for a price no greater than the cost of such property to the SPONSOR, except compensation in accordance with Sections IV. and V.J. of these Guidelines, and provided there is no difference in interest rates of the loans secured by the property at the time acquired by the SPONSOR and the time acquired by the PROGRAM, nor any other benefit arising out of such transaction to the SPONSOR apart from compensation otherwise permitted by these Guidelines. Accordingly, all income generated and expenses associated with property so acquired shall be treated as belonging to the PROGRAM.

In no event shall the PROGRAM purchase property from the SPONSOR pursuant to this subparagraph d. if the SPONSOR has held the property for a period in excess of 12 months prior to commencement of the offering. The SPONSOR shall not sell property to the PROGRAM pursuant to this subparagraph d. if the cost of the property exceeds the funds reasonably anticipated to be available to the PROGRAM to purchase the property. The PROSPECTUS and the PROGRAM agreement shall set forth in a manner satisfactory to the ADMINISTRATOR the

methodology to be utilized for determining which properties will ultimately be transferred to the PROGRAM when the cost of the property acquired by the SPONSOR on behalf of the PROGRAM exceeds PROGRAM funds available to purchase the property.

e.

The purchase is made from a PROGRAM formed by the SPONSOR pursuant to the rights of first refusal required by Section V.H. In such a case the PURCHASE PRICE should be no more than fair market value as determined by an independent appraisal.

2.

Sales and Leases to SPONSOR. A PROGRAM shall not sell or lease property to the SPONSOR except as provided herein.

a.

The PROGRAM may lease property to the SPONSOR pursuant to a lease-back arrangement made at the outset, the terms of which are fully disclosed in the PROSPECTUS and no less favorable to the PROGRAM than those offered to and accepted by PERSONS who are not AFFILIATES of the SPONSOR.

b.

Not more than 10% of aggregate leaseable space owned by the PROGRAM may be under lease to the SPONSOR pursuant to terms not less favorable to the PROGRAM than those offered to and accepted by PERSONS who are not AFFILIATES of the SPONSOR; provided that the SPONSOR may not sublet such properties unless all profits derived from such subleases in excess of rentals due on the master lease are paid to the PROGRAM.

c.

A SPONSOR may purchase property (or contract rights related thereto) from the PROGRAM only if all of the following criteria are met:

(i)

The PROGRAM does not have sufficient offering proceeds available to retain the property (or contract rights related thereto).

(ii)

The PROSPECTUS discloses that the SPONSOR will purchase all properties (or contract rights) that the PROGRAM does not have sufficient proceeds to retain.

(iii)

The SPONSOR pays the PROGRAM an amount in cash equal to the cost of the property (or contract rights) to the PROGRAM (including all cash payments and carrying costs related thereto).

(iv)

The SPONSOR assumes all of the PROGRAM's obligations and liabilities incurred in connection with the holding of the property (or contract rights) by the PROGRAM.

(v)

The sale to the SPONSOR occurs not later than 90 days following the termination date of the offering.

(vi)

The methodology to be used by the SPONSOR in determining which properties it will purchase in the event that the PROGRAM's offering proceeds are insufficient to retain all properties must be fully disclosed in the PROSPECTUS.

3.
Dealing with Related PROGRAMS. A PROGRAM shall not acquire property from a PROGRAM in which the SPONSOR has an interest.
COMMENT: This provision prohibits transactions among PROGRAMS where the SPONSOR has an interest whereas section V.A.1. above relates to properties where the SPONSOR has an interest.

B.
Exchange of Limited Partnership Interests. The PROGRAM may not acquire property in exchange for limited partnership interests, except for property which is described in the PROSPECTUS which will be exchanged immediately upon effectiveness. In addition, such exchange shall meet the following conditions:
1.
A provision for such exchange must be set forth in the partnership agreement, and appropriate disclosure as to tax effects of such exchange are set forth in the PROSPECTUS;
2.
The property to be acquired must come within the objectives of the PROGRAM;
3.
The purchase price assigned to the property shall be no higher than the value supported by an appraisal prepared by an independent qualified appraiser;
4.
Each limited partnership interest must be valued at no less than market value if there is a market or if there is no market, fair market value of the PROGRAM's assets as determined by an independent appraiser within the last 90 days, less its liabilities, divided by the number of interests outstanding;
5.
No more than one-half of the interests issued by the PROGRAM shall have been issued in exchange for property;
6.
No securities sales or underwriting commissions shall be paid in connection with such exchange.
C.
Exclusive Agreement. A PROGRAM shall not give a SPONSOR an exclusive right to sell or exclusive employment to sell property for the PROGRAM.
D.
Commissions on Reinvestment or Distribution. A PROGRAM shall not pay, directly or indirectly, a commission or fee (except as permitted under section IV) to a SPONSOR in connection with the reinvestment or distribution of the proceeds of the resale, exchange, or refinancing of PROGRAM PROPERTY.
COMMENT: This section clarifies that financing, refinancing, or servicing fees are subject to the limitations of section IV.C.

E.
Services Rendered to the PROGRAM by the SPONSOR.
1.
Expenses of the PROGRAM.
a.

All expenses of the PROGRAM shall be billed directly to and paid by the PROGRAM. The SPONSOR may be reimbursed for the actual cost of goods and materials used for or by the PROGRAM and obtained from entities unaffiliated with the SPONSOR. The SPONSOR may be reimbursed for the administrative services necessary to the prudent operation of the PROGRAM provided that the reimbursement shall be at the lower of the SPONSOR'S actual cost or the amount the PROGRAM would be required to pay to independent parties for comparable administrative services in the same geographic location. No reimbursement shall be permitted for services for which the SPONSOR is entitled to compensation by way of a separate fee. Excluded from the allowable reimbursement (except as permitted under IV.C.1.) shall be:
(i)
rent or depreciation, utilities, capital equipment, other administrative items; and
(ii)
salaries, fringe benefits, travel expenses, and other administrative items incurred or allocated to any controlling persons of the SPONSOR or AFFILIATES.
Controlling person, for purpose of this section, includes but is not limited to, any person, whatever their title, who performs functions for the SPONSOR similar to those of:
(i)
Chairman or member of the Board of Directors;
(ii)
Executive Management, such as the
(1)
President,
(2)
Vice-President or Senior Vice-President,
(3)
Corporate Secretary,
(4)
Treasurer;
(iii)
Senior Management, such as the Vice-President of an operating division who reports directly to Executive Management; or
(iv)
Those holding 5% or more equity interest in the SPONSOR or a person having the power to direct or cause the direction of the SPONSOR, whether through the ownership of voting securities, by contract, or otherwise.
b.
The annual PROGRAM report must contain a breakdown of the costs reimbursed to the SPONSOR. Within the scope of the annual audit of the SPONSOR'S financial statement, the independent certified public accountants must verify the allocation of such costs to the PROGRAM. The method of verification shall at minimum provide:
(i)
A review of the time records of individual employees, the costs of whose services were reimbursed;
(ii)
A review of the specific nature of the work performed by each such employee.

The methods of verification shall be in accordance with generally accepted auditing standards and shall accordingly include such tests of the accounting records and such other auditing procedures which the SPONSOR'S independent certified public accountants consider appropriate in the circumstance. The additional costs of such verification will be itemized by said accountants on a PROGRAM by PROGRAM basis and may be reimbursed to the SPONSOR by the PROGRAM in accordance with this subsection only to the extent that such reimbursement when added to the cost for administrative services rendered does not exceed the competitive rate for such services as determined above.

The PROSPECTUS must disclose in tabular form an estimate of such proposed expenses for the next fiscal year together with a breakdown by year of such expenses reimbursed in each of the last five public programs formed by the SPONSOR.

COMMENT: This section permits the SPONSOR to be reimbursed for a portion of the costs incurred in performing certain administrative functions for the PROGRAM provided the SPONSOR is both qualified to perform such functions and does so at a cost no greater to the PROGRAM than that which an unaffiliated PERSON would charge the PROGRAM. Regardless of the capacity in which controlling persons of the SPONSOR serve the PROGRAM, their salaries may not be allocated to the PROGRAM.

2.
Other Goods and Services. Except as provided in Sections IV. V.E.1., and V.J., other goods and services may be provided by the SPONSOR for the PROGRAM only if all of the following criteria are met:
a.
The goods or services must be necessary to the prudent operation of the PROGRAM.
b.
The compensation, price or fee must be equal to either (i) the lesser of 90% of the compensation, price or fee of any non-affiliated PERSON who is rendering comparable services or selling or leasing comparable goods on competitive terms in the same geographic location or 90% of the compensation, price or fee charged by the SPONSOR for rendering comparable services or selling or leasing comparable goods on competitive terms, or (ii) if at least 95% of gross revenues attributable to the business of rendering such services or selling or leasing such goods are derived from PERSONS other than AFFILIATES, the compensation, price or fee charged by any nonaffiliated PERSON who is rendering comparable services or selling or leasing comparable goods on competitive terms in the same geographic location.
c.
The goods or services shall be provided pursuant to a written contract which precisely describes such goods or services and all compensation to be paid. The contract may be modified in any material respect only by the vote of a majority in interest of the limited partners and shall be terminable without penalty on 60 days' notice.
d.
The goods and services to be provided and the written contract referred to in subparagraph c. must be fully disclosed in the PROSPECTUS.
e.

The SPONSOR must have been previously engaged in the business of rendering such services or selling or leasing such goods as an ordinary and ongoing business for a period of at least three years.

f.

The SPONSOR must receive at least 33% of gross revenues for such goods or services from PERSONS other than AFFILIATES.

g.

Except as provided in Sections IV., V.E.1. and V.J., and other than as provided in Section V.E.2.b., d., e., and f. herein, the SPONSOR may provide additional goods and services to the PROGRAM if all of the following criteria are met:

(i)

The goods or services may only be provided by the SPONSOR in extraordinary circumstances. COMMENT: Where the services are available elsewhere from unaffiliated parties, there would be a presumption that there are no extraordinary circumstances. Extraordinary circumstances would only be presumed where there is an emergency situation requiring immediate action by the SPONSOR, and the service is not immediately available from unaffiliated parties. Extraordinary circumstances shall, in no event, include general and administrative expenses, except as otherwise provided herein.

(ii)

The compensation, price or fee must be competitive with the compensation, price or fee of any non-affiliated PERSON who is rendering comparable services or selling or leasing comparable goods on competitive terms which could reasonably be made available to the PROGRAM.

(iii)

The fees and other terms of the contract shall be fully disclosed.

(iv)

The SPONSOR must be previously engaged in the business of rendering such services or selling or leasing such goods, independently of the PROGRAM and as an ordinary and ongoing business.

(v)

There must be compliance with subparagraphs a. and c. of this Section V.E.2.

F.

Rebates, Kickbacks and Reciprocal Arrangements.

1.

No rebates or give-ups may be received by the SPONSOR nor may the SPONSOR participate in any reciprocal business arrangements which would circumvent these Rules. Furthermore the PROSPECTUS and PROGRAM charter documents shall contain language prohibiting the above as well as language prohibiting reciprocal business arrangements which would circumvent the restrictions against dealing with AFFILIATES or promoters.

2.

No SPONSOR shall directly or indirectly pay or award any commissions or other compensation to any PERSON engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchaser of interests in a particular PROGRAM; provided, however, that this clause shall not prohibit the normal sales commissions payable to a registered broker-dealer or other properly licensed PERSON for selling PROGRAM INTERESTS.

G.

Commingling of Funds. The funds of a PROGRAM shall not be commingled with the funds of any other PERSON. Nothing contained in this Section however, shall prohibit a SPONSOR from establishing a master fiduciary account pursuant to which separate subtrust accounts are established for the benefit of affiliated limited partnerships, provided, that PROGRAM funds are protected from claims of such other partnerships and/or creditors. The prohibition of this Section shall not apply to investments meeting the requirements of Section V.H.

H.

Investments in or With Other PROGRAMS.

1.

The PROGRAM shall be permitted to invest in general partnerships or joint ventures with non-AFFILIATES that own and operate one or more particular properties if the PROGRAM, alone or together with any publicly registered AFFILIATE of the PROGRAM meeting the requirements of paragraph 2. below, acquires a controlling interest in such a general partnership or joint venture, but in no event shall duplicate fees be permitted. For purposes of this Section, "controlling interest" means an equity interest possessing the power to direct or cause the direction of the management and policies of the general partnership or joint venture, including the authority to:

a.

review all contracts entered into by the general partnership or joint venture that will have a material effect on its business or property;

b.

cause a sale or refinancing of the property or its interest therein subject in certain cases where required by the partnership or joint venture agreement, to limits as to time, minimum amounts and/or a right of first refusal by the joint venture partner or consent of the joint venture partner;

c.

approve budgets and major capital expenditures, subject to a stated minimum amount;

d.

veto any sale or refinancing of the property, or, alternatively, to receive a specified preference on sale or refinancing proceeds; and,

e.

exercise a right of first refusal on any desired sale or refinancing by the joint venture partner of its interest in the property except for transfer to an AFFILIATE of the joint venture partner.

2.

The PROGRAM shall be permitted to invest in general partnerships or joint ventures with other publicly registered AFFILIATES of the PROGRAM if all of the following conditions are met:

a.

The PROGRAMS have substantially identical investment objectives.

b.

There are no duplicate fees.

c.

The compensation to SPONSORS is substantially identical in each PROGRAM.

d.

Each PROGRAM must have a right of first refusal to buy if the other PROGRAMS wish to sell property held in the joint venture.

e.

The investment of each PROGRAM is on substantially the same terms and conditions.

f.

The PROSPECTUS must disclose the potential risk of impasse on joint venture decisions since no PROGRAM controls and the potential risk that while a PROGRAM may have the right to buy the property from the partnership or joint venture, it may not have the resources to do so.

COMMENTS: In certain situations, it would be to the advantage of the PROGRAM to be able to invest in a general partnership or joint venture with other PROGRAMS where no PROGRAM has sufficient money to make the entire investment even if the PROGRAM does not acquire a controlling interest. However, there is a need to not only require full disclosure of the general partnership or joint venture arrangements but also to set out substantive standards that must be adhered to in order to provide the protection necessary for this type of investment.

For PROGRAMS which make or invest in mortgage loans, general partnerships or joint venture arrangements are permitted so long as general partnerships or joint ventures with publicly registered AFFILIATES of the PROGRAM satisfy the requirements of Section V.I.2. of these guidelines.

3.

The PROGRAM shall be permitted to invest in general partnerships or joint ventures with AFFILIATES other than publicly registered AFFILIATES of the PROGRAM only under the following conditions: (a) the investment is necessary to relieve the SPONSOR from any commitment to purchase a property entered into in compliance with Section V.A.1.d. prior to the closing of the offering period of the PROGRAM; (b) there are no duplicate fees; (c) the investment of each entity is on substantially the same terms and conditions; (d) the PROGRAM must have a right of first refusal to buy if the SPONSOR wishes to sell property held in the joint venture; and (e) the PROSPECTUS discloses the potential risk of impasse on joint venture decisions.

4.

Other than as specifically permitted in paragraphs 2. and 3. above, the PROGRAM shall not be permitted to invest in general partnerships or joint ventures with AFFILIATES.

5.

A PROGRAM shall be permitted to invest in general partnership interests of limited partnerships only if the PROGRAM alone or together with any publicly registered AFFILIATE of the PROGRAM meeting the requirements of paragraph 2. above, acquires a "controlling interest" as defined in Section V.H.1., no duplicate fees are permitted, no additional compensation beyond that permitted by Section IV. shall be paid to the SPONSOR, and the PROGRAM agreement shall comply with Section V.

6.

A PROGRAM that is a limited partnership (the "Upper-Tier Partnership") shall be permitted to invest in limited partnership interests of other limited partnerships (the "Lower-Tier Partnerships") only if all of the following conditions are met:

a.

If the general partner of the Lower-Tier Partnership is a SPONSOR of the Upper-Tier Partnership, the Program agreement of the Upper-Tier Partnership shall:

(1)
prohibit the PROGRAM from investing in such Lower-Tier Partnership unless the partnership agreement of the Lower-Tier Partnership contains provisions complying with Section IX.F. of these guidelines and provisions acknowledging privity between the Lower-Tier general partner and the PARTICIPANTS; and
(2)
provide that compensation payable in the aggregate from both levels shall not exceed the amounts permitted under Section IV. of these guidelines.
b.
If the general partner of the Lower-Tier Partnership is not a SPONSOR of the Upper-Tier Partnership, the PROGRAM agreement of the Upper-Tier Partnership shall prohibit the PROGRAM from investing in the Lower-Tier Partnership unless the partnership agreement of the Lower-Tier Partnership contains provisions complying with Sections II.E. and F.; VII.A.--D., H. and J.; and IX.C. of these guidelines; and shall provide that the compensation payable at both tiers shall not exceed the amounts permitted in Sections IV. of these guidelines.
c.
Each Lower-Tier Partnership shall have as its limited partners only publicly registered Upper-Tier Partnerships; provided, however, that special limited partners not affiliated with the SPONSOR shall be permitted if the interests taken result in no diminution in the control exercisable by the other limited partners.
d.
No PROGRAM may be structured with more than two tiers.
e.
The PROGRAM agreement of the Upper-Tier Partnership must contain a prohibition against duplicate fees.
f.
The PROGRAM agreement of the Upper-Tier Partnership must provide that the limited partners of the Upper-Tier Partnership can, upon the vote of a majority in interest and without the concurrence of the SPONSOR, direct the general partner of the Upper-Tier Partnership (acting on behalf of the Upper-Tier Partnership) to take any action permitted to a limited partner (e.g., the Upper-Tier Partnership) in the Lower-Tier Partnership.
g.
The PROSPECTUS must fully and prominently disclose the two-tiered arrangement and any risks related thereto.

7.
Notwithstanding Section V.H.6.b. through g., if the general partner of the Lower-Tier Partnership is not a SPONSOR of the Upper-Tier Partnership, an Upper-Tier Partnership may invest in a Lower-Tier Partnership that owns and operates a particular property to be qualified pursuant to Section 42(g) of the Internal Revenue Code of 1986, as amended, if limited partners at both tiers are provided all of the rights and obligations required by Section VII. of these guidelines and the PROGRAM agreement of the Upper-Tier Partnership contains a prohibition against payment of duplicate fees.

COMMENT: Nothing contained in Section V.H. may be used to circumvent or abrogate the restrictions and requirements of these guidelines, including, but not limited to, Section V.A.

hereof. However, no provision contained in Section V.H. is intended to restrict or prohibit any payment to a PERSON who is not an AFFILIATE of the SPONSOR otherwise permitted in Section IV. of these guidelines.

I.
Lending Practices.
1.
No loans may be made by the PROGRAM to the Sponsor or an AFFILIATE except as provided in V.I.2. and II. D.4.
2.
PROGRAMS which make or invest in mortgage loans may provide such loans to PROGRAMS formed by or affiliated with the SPONSOR in those circumstances in which such activities have been fully justified to the ADMINISTRATOR. These affiliated transactions must at the minimum meet the following conditions:
a.
the circumstances under which the loans will be made and the actual terms of the loans must be fully disclosed in the prospectus or;
b.
an independent and qualified adviser must issue a letter of opinion to the effect that any proposed loan to an AFFILIATE of the PROGRAM is fair and at least as favorable to the PROGRAM as a loan to an unaffiliated borrower in similar circumstances. In addition, the SPONSORS will be required to obtain a letter of opinion from the independent adviser in connection with any disposition, renegotiation or other subsequent transaction involving loans made to a SPONSOR or an AFFILIATE of the SPONSOR. The adviser's compensation must be paid by the SPONSOR and not reimbursable by the PROGRAM.
c.
Loans made to third parties, the proceeds of which are used to purchase or refinance property in which the SPONSOR or an AFFILIATE has an equity or security interest, must meet the requirements of V.I.2.a. or b.

COMMENT A: Full disclosure of the terms of the loans and the circumstances under which they will be made includes, but is not limited to identification of the borrower(s) and the property(ies) securing the loan(s), a description of the parameters of the loan(s) or model loan documents, disclosure of the SPONSORS' or the AFFILIATES' interest in such property, and a description of the terms and circumstances surrounding such interest.

COMMENT B: In order for the adviser to be considered qualified and independent the following conditions must be met:

(i) The adviser must be a long established, nationally recognized investment banking firm, accounting firm, mortgage banking firm, bank, real estate financial consulting firm or advisory firm;

(ii) The adviser must have a staff of real estate professionals;

(iii) The compensation of the adviser must be determined and embodied in a written contract

before an opinion is rendered.

(iv) If an adviser has been engaged to render a fairness opinion who is not the adviser previously engaged to render this or the preceding fairness opinion, the SPONSOR shall inform the investors (by no later than the next annual report) of the date when such adviser was engaged, and whether there were any disagreements with the former adviser on any matters of valuation, assumptions, methodology, accounting principles and practice, or disclosure, which disagreements, if not resolved to the satisfaction of the former adviser would have caused him to make reference, in connection with the fairness opinion, to the subject matter of the disagreement or decline to give an opinion.

(v) The compensation of the adviser must be paid by the SPONSOR and the SPONSOR may not claim reimbursement from the PROGRAM for such expenses.

(vi) The adviser, directly or indirectly, has no interest in, nor any material business or professional relationship with, the PROGRAM, the SPONSOR, the borrower, or any AFFILIATES thereof. Independence will be considered to be impaired if, for example, during the period of the adviser's engagement, or at any time of expressing his opinion, he or his firm: (i) had, or was committed to acquire any direct or indirect ownership interest in the PROGRAM, SPONSOR, borrower, or AFFILIATES thereof, or (ii) had any joint closely held business investment with the PROGRAM, SPONSOR, borrower, or any AFFILIATE thereof, which was material in relation to the adviser's net worth; or, (iii) had any loan to or from the PROGRAM, SPONSOR, borrower, or AFFILIATES thereof.

The foregoing examples are not intended to be allinclusive. However, for purposes of determining whether or not the business or professional relationship or joint investment is material, the gross revenue derived by the adviser from the PROGRAM, the SPONSOR, the borrower, and their AFFILIATES shall be deemed material per se if it exceeds 5% of the annual gross revenue derived by the adviser from all sources or exceeds 5% of the individual's or the advisor's net worth (on an estimated fair market value basis).

3.
On loans made available to the PROGRAM by the SPONSOR, the SPONSOR may not receive interest or similar charges or fees in excess of the amount which would be charged by unrelated lending institutions on comparable loans for the same purpose, in the same locality of the property if the loan is made in connection with a particular property. No prepayment charge or penalty shall be required by the SPONSOR on a loan to the PROGRAM secured by either a first or a junior or all-inclusive trust deed, mortgage or encumbrance on the property, except to the extent that such prepayment charge or penalty is attributable to the underlying encumbrance.
4.
The SPONSOR shall be prohibited from providing FINANCING except:
a.
As permitted by Section V.I.2., in which case there will be independent advisers for each publicly registered party to the transaction; or
b.
As permitted by Section V.I.5.

5.
An "all-inclusive" or "wrap-around" note and deed of trust (the "all-inclusive note" herein) may be used to finance the purchase of property by the PROGRAM only if the following conditions are complied with:
a.
The SPONSOR under the all-inclusive note shall not receive interest on the amount of the underlying encumbrance included in the all-inclusive note in excess of that payable to the lender on that underlying encumbrance;
b.
The PROGRAM shall receive credit on its obligation under the all-inclusive note for payments made directly on the underlying encumbrance, and
c.
A paying agent, ordinarily a bank, escrow company, or savings and loan, shall collect payments (other than any initial payment of prepaid interest or loan points not to be applied to the underlying encumbrance) on the all-inclusive note and make disbursements therefrom to the holder of the underlying encumbrance prior to making any disbursement to the holder of the all-inclusive note, subject to the requirements of subparagraph a. above, or, in the alternative, all payments on the all-inclusive and underlying note shall be made directly by the PROGRAM.
J.
Development Construction, or MAJOR REPAIRS OR REHABILITATION of Properties.
1.
Provision of Services by the SPONSOR. The SPONSOR will be permitted to develop, construct or provide MAJOR REPAIRS AND REHABILITATION for properties, or render any services in connection with such activities only if all of the following conditions are satisfied:
a.
The transactions occur upon the formation of the PROGRAM and are for properties specified in the final PROSPECTUS.
b.
The specific terms of the contract(s) are ascertainable and fully disclosed in the final PROSPECTUS.
c.
The purchase price to be paid by the PROGRAM is based upon a contract price fully disclosed in the final PROSPECTUS which in no event can exceed the lesser of appraised value as completed (assuming a market rate of occupancy) or the sum of the cost of the land and the cost of development, construction or repairs and rehabilitation. For the purposes of this paragraph, the cost of development, construction or repairs and rehabilitation includes the DEVELOPMENT FEE, the CONSTRUCTION FEE, direct costs, the cost of construction site personnel construction administration, legal fees, design costs, engineering costs, and construction site utilities. The costs of construction site personnel and construction administration shall be limited as required by Section V.E.1.a. and shall not include reimbursement of costs of controlling persons as set forth in that section. In no event may any other overhead of the SPONSOR be charged to the PROGRAM or included in the total costs paid. The appraisal shall be prepared in accordance with Section V.L.
d.
The ADMINISTRATOR may require demonstration that the fees and costs payable under paragraph c. above are comparable to and competitive with amounts charged by third parties in

the same geographic area. The total of the DEVELOPMENT FEE and the CONSTRUCTION FEE paid in connection with such project shall not exceed 15% of the direct costs of the project. For the purposes of this limitation, direct costs shall not include construction site personnel or construction site utilities.

e.

Notwithstanding Section IV.C., the only FRONT-END FEES paid to the SPONSOR in connection with such project shall consist of ORGANIZATION AND OFFERING EXPENSES, a DEVELOPMENT FEE (if applicable), a CONSTRUCTION FEE and a real estate commission in connection with the acquisition of the land from PERSONs who are not AFFILIATES of the general partner. The SPONSOR may not receive any other FRONT-END FEES. The foregoing fees and commissions plus any additional ACQUISITION FEES and ACQUISITION EXPENSES to unaffiliated PERSONS (and any DEVELOPMENT FEE and CONSTRUCTION FEE individually) must be comparable to and competitive with the fees paid to unaffiliated PERSONS rendering comparable services in the same geographic location. The ADMINISTRATOR may require demonstration that such fees, commissions and expenses are comparable and competitive.

f.

The SPONSOR must comply with Section V.K.

g.

Subcontractors who are affiliates of the general partner must meet the requirements of Section V.E.2.b-f.

h.

If the contract price equals the appraised value set forth in subparagraph c. above, the SPONSOR shall be responsible for the direct costs incurred to achieve the appraisal assumptions.
COMMENT: In lieu of this requirement, the ADMINISTRATOR may impose higher suitability standards for PROGRAM PARTICIPANTS pursuant to Section III.

i.

The SPONSOR complies with paragraphs c., d., e. and f. of Section V.E.2.

j.

DEVELOPMENT FEES and CONSTRUCTION FEES paid to PERSONS not affiliated with the general partner may be included in INVESTMENT IN PROPERTIES.

K.

Completion Bond Requirements.

1.

The completion of property acquired which is under construction shall be guaranteed at the price contracted by an adequate completion bond or other satisfactory arrangements.

2.

For purposes of this Section, satisfactory arrangements include, but are not limited to, the following:

a.

A written guarantee of completion by a person, supported by financial statements demonstrating sufficient net worth or adequately collateralized by other real or personal properties or other persons guarantees.

b.

A retention of a reasonable portion of the purchase consideration as a potential offset to such purchase consideration in the event the seller does not perform in accordance with the purchase and sale agreement.

3.

Other satisfactory arrangements to guarantee completion may be made, provided they are disclosed in the prospectus and the prior written approval of the ADMINISTRATOR has been obtained.

L.

Requirement for Real Property Appraisal. All real property acquisitions must be supported by an appraisal prepared by a competent, independent appraiser. The appraisal shall be maintained in the SPONSOR's records for at least five years, and shall be available for inspection and duplication by any PARTICIPANT. The PROSPECTUS shall contain notice of this right.

M.

Mortgage Loan PROGRAMS. A PROGRAM will not be permitted to invest in or make mortgage loans unless a real property appraisal is obtained as provided for in Paragraph L of this Section for each mortgage loan and a mortgagee's or owner's title insurance policy or commitment as to the priority of a mortgage or the condition of title is obtained. Further, the sponsor of mortgage loan programs shall observe the following policies in connection with investing in or making mortgage loans:

1.

The PROGRAM may not invest in or make mortgage loans on any one property which would exceed, in the aggregate, an amount equal to 20% of the CAPITAL CONTRIBUTIONS to be raised by the program;

2.

The PROGRAM may not invest in or make mortgage loans to or from any one borrower which would exceed, in the aggregate, an amount greater than 20% of the CAPITAL CONTRIBUTIONS to be raised by the program;

3.

The PROGRAM may not invest in or make mortgage loans on unimproved real property in an amount in excess of 25% of the CAPITAL CONTRIBUTIONS to be raised by the program;
COMMENT: Subsections 1. 2. and 3. shall not apply to SPECIFIED PROPERTY PROGRAMS.

4.

The PROGRAM shall not invest in real estate contracts of sale otherwise known as land sale contracts unless such contracts of sale are in recordable form and are appropriately recorded in the chain of title;

5.

The PROGRAM shall not make or invest in mortgage loans on any one property if the aggregate amount of all mortgage loans outstanding on the property, including the loans of the PROGRAM, would exceed an amount equal to 85% of the appraised value of the property as determined by an independent appraisal unless substantial justification exists because of the presence of other underwriting criteria. For purposes of this subsection 5., the "aggregate amount of all mortgage loans outstanding on the property, including the loans of the PROGRAM," shall include all interest (excluding contingent participations in income and/or appreciation in value of the mortgaged property), the current payment of which may be deferred pursuant to the terms of

such loans, to the extent that deferred interest on each loan exceeds 5% per annum of the principal balance of the loan;

COMMENT: This restriction applies to all loans including construction loans.

6.
The PROGRAM is permitted to borrow money to the extent necessary to prevent defaults under existing loans; when the program has taken over the operation of property and there is a need for additional capital; to pay organizational and/or offering expenses.

COMMENT: This Section provides certain minimum standards in connection with the investment in or making of mortgage loans by a program. The standards may be exceeded for a particular registration if the mortgage loans are supported by sound underwriting criteria, such as the net worth of the borrower; the credit rating of the borrower based on historical financial performance; or collateral adequate to justify waiver from application of this section. The standards may also be exceeded where program mortgage loans are or will be insured or guaranteed by a government or a government agency; where the loan is secured by the pledge or assignment of other real estate or another real estate mortgage; where rents are assigned under a lease where a tenant or tenants have demonstrated through historical net worth and cash flow the ability to satisfy the terms of the lease; or where similar criteria is presented satisfactory to the Administrator.

COMMENT: MANDATORY DEFERRED PAYMENTS in PROGRAMS which make or invest in mortgage loans may require adherence to more conservative diversification standards as the ADMINISTRATOR deems appropriate.

N.
PROGRAM INDEBTEDNESS.
1.
Except as contained in paragraph 2, following the termination of the offering the total amont of indebtedness incurred by the PROGRAM shall at no time exceed the sum of 85% of the aggregate PURCHASE PRICE of all properties which have not been refinanced, and 85% of the aggregate fair market value of all refinanced properties, as determined by the lender as of the date of refinancing.
2.
For PROGRAMS which own properties financed by (i) loans insured or guaranteed by the full faith and credit of the United States government, or of a state or local government, or by an agency or instrumentality of any of them, and/or (ii) loans received from any of the foregoing entities, following the termination of the offering the total amount of indebtedness incurred by the PROGRAM shall at no time exceed the sum of 100% of the aggregate PURCHASE PRICE of all properties which have not been refinanced, and 100% of the aggregate fair market value of all refinanced properties as determined by the lender as of the date of refinancing.
3.
For any PROGRAM subject to the limitations of both paragraphs 1 and 2, the maximum percentage of indebtedness for the entire PROGRAM shall be calculated as follows:

(a)
divide the total value of properties as determined under paragraph 2 by the total value of properties as determined under paragraphs 1 and 2;
(b)
multiply the number 15 by the quotient of subsection (a); and,
(c)
add the product from subsection (b) to the number 85.
4.
For purposes of this section V.N. only, "indebtedness" shall include the principal of any loan together with any interest that may be deferred pursuant to the terms of the loan agreement which exceeds 5% per annum of the principal balance of such indebtedness (excluding contingent participations in income and/or appreciation in the value of the PROGRAM property); and shall exclude any indebtedness incurred by the PROGRAM for necessary working capital.
O.
APPRAISAL AND COMPENSATION.
1.
In connection with a proposed ROLL-UP, an appraisal of all PROGRAM assets shall be obtained from a competent, INDEPENDENT EXPERT. If the appraisal will be included in a PROSPECTUS used to offer the securities of a ROLL-UP ENTITY, the appraisal shall be filed with the SEC and the states as an Exhibit to the Registration Statement for the offering. Accordingly, an issuer using the appraisal shall be subject to liability for violation of Section 11 of the Securities Act of 1933 and comparable provisions under state laws for any material misrepresentations or material omissions in the appraisal. PROGRAM assets shall be appraised on a consistent basis. The appraisal shall be based on an evaluation of all relevant information, and shall indicate the value of the PROGRAM'S assets as of a date immediately prior to the announcement of the proposed ROLL-UP. The appraisal shall assume an orderly liquidation of the PROGRAM'S assets over a 12 month period. The terms of the engagement of the INDEPENDENT EXPERT shall clearly state that the engagement is for the benefit of the PROGRAM and its PARTICIPANTS. A summary of the independent appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to the PARTICIPANTS in connection with a proposed ROLL-UP.
2.
In connection with a proposed ROLL-UP the PERSON sponsoring the ROLL-UP shall offer to PARTICIPANTS who vote "no" on the proposal the choice of:
(a)
accepting the securities of the ROLL-UP ENTITY offered in the proposed ROLL-UP; or
(b)
one of the following:
(i)
remaining as PARTICIPANTS in the PROGRAM and preserving their interests therein on the same terms and conditions as existed previously; or
(ii)
receiving cash in an amount equal to the PARTICIPANTS' pro-rata share of the appraised value of the net assets of the PROGRAM.

COMMENT: With respect to the options specified in Subsection V.O.2.(b), the PERSON sponsoring the ROLL-UP needs only offer one of these alternatives to dissenting investors who do not wish to accept the security of the ROLL-UP ENTITY.

3.
The PROGRAM shall not participate in any proposed ROLL-UP which would result in PARTICIPANTS having democracy rights in the ROLL-UP ENTITY which are less than those provided for under Sections VII.A. and VII.B. of these Guidelines. If the ROLL-UP ENTITY is a corporation, the voting rights of PARTICIPANTS shall correspond to the voting rights provided for in these Guidelines to the greatest extent possible.
4.
The PROGRAM shall not participate in any proposed ROLL-UP which includes provisions which would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the ROLL-UP ENTITY (except to the minimum extent necessary to preserve the tax status of the ROLL-UP ENTITY). The PROGRAM shall not participate in any proposed ROLL-UP which would limit the ability of a PARTICIPANT to exercise the voting rights of its securities of the ROLL-UP ENTITY on the basis of the number of PROGRAM INTERESTS held by that PARTICIPANT.
5.
The PROGRAM shall not participate in any proposed ROLL-UP in which PARTICIPANTS' rights of access to the records of the ROLL-UP ENTITY will be less than those provided for under Section VII.D. of these Guidelines.
6.
The PROGRAM shall not participate in any proposed ROLL-UP in which any of the costs of the transaction would be borne by the PROGRAM if the ROLL-UP is not approved by the PARTICIPANTS.

VI. NON-SPECIFIED PROPERTY PROGRAMS.

The following special provisions shall apply to NON-SPECIFIED PROPERTY PROGRAMS:

A.
Minimum Capitalization. A NON-SPECIFIED PROPERTY PROGRAM shall provide for minimum cash gross proceeds from the offering of not less than $1,000,000.00 to be available for INVESTMENT IN PROPERTIES.

B.
Experience of SPONSOR. For NON-SPECIFIED PROPERTY PROGRAMS, the SPONSOR or at least one of its principals must establish that he has had the equivalent of not less than five years experience in the real estate business in an executive capacity and two years experience in the management and acquisition of the type of properties to be acquired or otherwise must demonstrate to the satisfaction of the ADMINISTRATOR that he has sufficient knowledge and experience to acquire and manage the type of properties proposed to be acquired by the NON-SPECIFIED PROPERTY PROGRAM.

C.
Statement of Investment Objectives. A NON-SPECIFIED PROPERTY PROGRAM shall state types of properties in which it proposes to invest, such as first-user apartment projects, subsequent-user apartment projects, shopping centers, office buildings, unimproved land, etc., and the size and scope of such projects shall be consistent with the objectives of the PROGRAM and the experience of the SPONSORS. As a minimum the following restrictions on investment objectives shall be observed.

1.
Unimproved or non-income producing property shall not be acquired except in amounts and upon terms which can be financed by the PROGRAM's proceeds or from cash available for distribution from operations. Investments in such property shall not exceed 25% of the gross proceeds of the offering. Properties which are expected to produce income within a reasonable period of time shall not be considered non-income producing. For purposes of this subsection two years shall be deemed to be presumptively reasonable.

2.
Investments in junior trust deeds and other similar obligations shall be prohibited, except for junior trust deeds which arise from the sale of PROGRAM properties.
COMMENT: This provision shall not be applicable to: (1) those PROGRAMS formed solely to make or invest in mortgage loans, and (2) in the case of programs whose objectives are to invest in mortgage loans and acquire real properties to that portion of net offering proceeds which are utilized to make or invest in mortgage loans. The restrictions on these PROGRAMS are governed, in part, by Section V.M. of these GUIDELINES.

3.
The manner in which acquisitions will be financed including the use of an all-inclusive note or wrap-around, and the leveraging to be employed shall all be fully set forth in the statement of investment objectives.

4.
The statement of investment objectives shall indicate whether the PROGRAM will enter into joint venture arrangements and the projected extent thereof.

5.
The statement of investment objectives shall not include a quantitative estimate of the PROGRAM's anticipated economic performance or anticipated return to investors (in the form of distributable funds or tax benefits). The presentation of a proposed level of economic performance or return to investors (in the form of distributable funds or tax benefits) in connection with a NONSPECIFIED PROPERTY PROGRAM is prohibited by Section VIII.C.

D.
Period of Offering and Expenditure of Proceeds. Subject to compliance with applicable state securities laws and regulations, an offering of securities in a NON-SPECIFIED PROPERTY PROGRAM may extend for up to two years from the date of original effectiveness provided that the minimum amount of PROGRAM INTERESTS necessary to satisfy the greater of the minimum capitalization requirements of Section VI.A. or the impound requirements set by the PROGRAM is sold within one year of commencement of the offering. While the proceeds of an offering are awaiting investment in real property, the proceeds may be temporarily invested in short-term highly liquid investments where there is appropriate safety of principal, such as U.S. Treasury Bonds or Bills. Any proceeds of the offering of PROGRAM INTERESTS not invested within the later of two years after commencement of the offering or one year after the termination of the offering, or, if allowed by the ADMINISTRATOR, six months from the last scheduled MANDATORY DEFERRED PAYMENT date (except for necessary operating capital) shall be distributed pro rata to the PARTICIPANTS as a return of capital so long as the adjusted INVESTMENT IN PROPERTIES is in compliance with Section IV.C.

E.
Multiple Programs. The method for the allocation of the acquisition of properties by two or more programs of the same SPONSOR seeking to acquire similar types of properties shall be reasonable. The method also shall be described in the prospectus.

VII. RIGHTS AND OBLIGATIONS OF PARTICIPANTS.

A.
Meetings. Meetings of the PROGRAM may be called by the SPONSOR or the PARTICIPANTS holding more than 10% of the then outstanding limited partnership interests, for any matters for which the PARTICIPANTS may vote as set forth in the limited partnership agreement. Upon receipt of a written request either in PERSON or by certified mail stating the purpose(s) of the meeting, the SPONSOR shall provide all PARTICIPANTS within ten days after receipt of said request, written notice (either in PERSON or by certified mail) of a meeting and the purpose of such meeting to be held on a date not less than fifteen nor more than sixty days after receipt of said request, at a time and place convenient to PARTICIPANTS.
B.
Voting Rights of Limited Partners. To the extent permitted by the law of the state of formation, the PROGRAM agreement shall provide that a majority of the outstanding PROGRAM INTERESTS may, without necessity for concurrence by the general partner, vote to: (1) amend the PROGRAM agreement, (2) remove the general partner(s), (3) elect a new general partner(s), (4) approve or disapprove the sale of all or substantially all of the assets of the PROGRAM except pursuant to a plan disclosed in the final PROSPECTUS, and (5) dissolve the PROGRAM. Without concurrence of a majority of the outstanding PROGRAM INTERESTS, the general partner(s) may not (i) amend the PROGRAM agreement except for amendments which do not adversely affect the rights of PARTICIPANTS, (ii) voluntarily withdraw as a general partner unless such withdrawal would not affect the tax status of the PROGRAM and would not materially adversely affect the PARTICIPANT, (iii) appoint a new general partner(s), (iv) sell all or substantially all of the PROGRAM's assets other than in the ordinary course of the PROGRAM's business, (v) cause the merger or other reorganization of the PROGRAM or (vi) dissolve the PROGRAM. Notwithstanding clause (iii) of the preceding sentence, an additional general partner may be appointed without obtaining the consent of the PARTICIPANTS if the addition of such PERSON is necessary to preserve the tax status of the PROGRAM, such PERSON has no authority to manage or control the PROGRAM under the PROGRAM agreement, there is no change in the identity of the PERSONS who have authority to manage or control the PROGRAM, and the admission of such PERSON as an additional general partner does not materially adversely affect the PARTICIPANTS. Any amendment to the PROGRAM agreement which modifies the compensation or distributions to which a general partner is entitled or which affects the duties of a general partner may be conditioned upon the consent of the general partner. With respect to any PROGRAM INTERESTS owned by the SPONSOR, the SPONSOR may not vote or consent on matters submitted to the PARTICIPANTS regarding the removal of the SPONSOR or regarding any transaction between the PROGRAM and the SPONSOR. In determining the existence of the requisite percentage in interest of PROGRAM INTERESTS necessary to approve a matter on which the SPONSOR may not vote or consent, any PROGRAM INTERESTS owned by the SPONSOR shall not be included. If the law of the state of formation provides that the PROGRAM will dissolve upon termination of a general partner(s) unless the remaining general partner(s) continues the existence of the PROGRAM, the PROGRAM agreement shall obligate the remaining general partner(s) to continue the PROGRAM's existence; and if there will be no remaining general partner(s), the termination of the last general partner shall not be effective for a period of at least 120 days during which time a majority of the outstanding PROGRAM INTERESTS shall have the right to elect a general

partner who shall agree to continue the existence of the PROGRAM. The PROGRAM agreement shall provide for a successor general partner where the only general partner of the PROGRAM is an individual.

COMMENT: A sale of all or substantially all of the PROGRAM's assets shall mean the sale of two-thirds or more of the PROGRAM's assets based on the total number of properties and mortgages, or the current fair market value of these assets.

C.
Reports to Holders of Limited Partnership Interests. The partnership agreement shall provide that the SPONSOR shall cause to be prepared and distributed to the holder of PROGRAM INTERESTS during each year the following reports:
1.
In the case of a PROGRAM registered under Section 12(g) of the Securities Exchange Act of 1934, within sixty days after the end of each quarter of the PROGRAM, a report containing:
a.
A balance sheet, which may be unaudited,
b.
A statement of income for the quarter then ended, which may be unaudited, and
c.
A statement of cash flows for the quarter then ended, which may be unaudited, and
d.
Other pertinent information regarding the PROGRAM and its activities during the quarter covered by the report;
2.
In the case of all PROGRAMS, within 75 days after the end of each PROGRAM's fiscal year, all information necessary for the preparation of the limited partners' federal income tax returns;
3.
In the case of all PROGRAMS, within 120 days after the end of each PROGRAM's fiscal year, an annual report containing: (i) AUDITED FINANCIAL STATEMENTS accompanied by an auditor's report which, for purposes of this Section only, may contain a qualified, adverse or disclaimer opinion or explanatory paragraph, (ii) a report of the activities of the PROGRAM during the period covered by the report, and (iii) where forecasts have been provided to the holders of limited partnership interests to the holders of limited partnership interests, a table comparing forecasts previously provided with the actual results during the period covered by the report. Such report shall set forth distributions to limited partners for the period covered thereby and shall separately identify distributions from: (a) CASH FLOW from operations during the period, (b) CASH FLOW from operations during a prior period which had been held as reserves, (c) proceeds from disposition of property and investments, (d) lease payments on net leases with builders and sellers, and (e) reserves from the gross proceeds of the offering originally obtained from the limited partners.

COMMENT: See the additional reporting requirements of section V.E.1.b.

4.
Where ASSESSMENTS have been made during any period covered by any report required by paragraphs 1., 2., and 3. hereof, then such report shall contain a detailed statement of such ASSESSMENTS and the application of the proceeds derived from such ASSESSMENTS.
5.
Where PROGRAM INTERESTS have been purchased on a mandatory deferred payment basis, on which there remains an unpaid balance during any period covered by any report required by paragraphs 1., 2., and 3., hereof; then such report shall contain a detailed statement of the status of all MANDATORY DEFERRED PAYMENTS, actions taken by the PROGRAM in response to any defaults, and a discussion and analysis of the impact on capital requirements of the PROGRAM.
D.
Access to Records. Every PARTICIPANT shall at all times have access to the records of the PROGRAM and may inspect and copy any of them. The limited partnership agreement, by-laws, or other PROGRAM agreement shall include the following provisions regarding access to the list of PARTICIPANTS:
1.
An alphabetical list of the names, addresses, and business telephone numbers of the PARTICIPANTS of the PROGRAM along with the number of PROGRAM INTERESTS held by each of them (the "PARTICIPANT List") shall be maintained as a part of the books and records of the PROGRAM and shall be available for inspection by any PARTICIPANTS or its designated agent at the home office of the PROGRAM upon the request of the PARTICIPANT;
2.
The PARTICIPANT List shall be updated at least quarterly to reflect changes in the information contained therein;
3.
A copy of the PARTICIPANT List shall be mailed to any PARTICIPANT requesting the PARTICIPANT List within ten days of the request. The copy of the PARTICIPANT List shall be printed in alphebetical order, on white paper, and in a readily readable type size (in no event smaller than 10-point type). A reasonable charge for copy work may be charged by the PROGRAM;
4.
The purposes for which a PARTICIPANT may request a copy of the PARTICIPANT List include, without limitation, matters relating to PARTICIPANTS' voting rights under the PROGRAM agreement, and the exercise of PARTICIPANTS' rights under federal proxy laws; and
5.
If the SPONSOR of the PROGRAM neglects or refuses to exhibit, produce, or mail a copy of the PARTICIPANT List as requested, the SPONSOR be liable to any PARTICIPANT requesting the list for the costs, including attorneys' fees, incurred by that PARTICIPANT for compelling the production of the PARTICIPANT List, and for actual damages suffered by any PARTICIPANT by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the PARTICIPANT List is to secure such list of PARTICIPANTS or other information for the purpose of selling such list or copies thereof, or of using the same for a commercial purpose other than in the interest of the applicant as a PARTICIPANT relative to the affairs of the PROGRAM. The SPONSOR may require the

PARTICIPANT requesting the PARTICIPANT List to represent that the list is not requested for a commercial purpose unrelated to the PARTICIPANT'S interest in the PROGRAM. The remedies provided hereunder to PARTICIPANTS requesting copies of the PARTICIPANT List are in addition to, and shall not in any way limit, other remedies available to PARTICIPANTS under federal law, or the laws of any state.

E.

Admission of PARTICIPANTS. Admission of PARTICIPANTS to the PROGRAM shall be subject to the following:

1.

Admission of original PARTICIPANTS. Upon the original sale of partnership units by the PROGRAM, the purchasers should be admitted as limited partners not later than 15 days after the release from impound of the purchaser's funds to the PROGRAM, and thereafter purchasers should be admitted into the PROGRAM not later than the last day of the calendar month following the date their subscription was accepted by the PROGRAM. Subscriptions shall be accepted or rejected by the PROGRAM within 30 days of their receipt; if rejected, all funds should be returned to the subscriber within ten (10) business days.

2.

Admission of substituted limited partners and recognition of assignees. The PROGRAM shall amend the certificates of limited partnership at least once each calendar quarter to effect the substitution of substituted PARTICIPANTS, although the SPONSOR may elect to do so more frequently.

In the case of assignments, where the assignee does not become a substituted limited partner, the PROGRAM shall recognize the assignment not later than the last day of the calendar month following receipt of notice of assignment and required documentation.

3.

Except where deemed inappropriate by the ADMINISTRATOR, PERSONS holding PROGRAM INTERESTS by assignment from entities holding limited partnership interests in a PROGRAM for the purpose of assigning all or a portion of such interests to PERSONS investing in such PROGRAM (hereinafter the "Assignor") shall be expressly granted the same rights as if they were limited partners except as prohibited by applicable local law, including but not limited to, the rights enumerated under Article VII of this Statement of Policy Regarding Real Estate Programs.

The assignment agreement and PROSPECTUS shall provide that the Assignor's management shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the assignees, whether or not in the Assignor management's possession or control, and that the management of the Assignor shall not employ, or permit another to employ such funds or assets in any manner except for the exclusive benefit of the assignees. In addition, the agreement shall not permit the assignees to contract away the fiduciary duty owed to the assignees by the Assignor's management under the common law of agency.

F.

Redemption of PROGRAM INTERESTS. Ordinarily, the PROGRAM and the SPONSOR may not be mandatorily obligated to redeem or repurchase any of its PROGRAM INTERESTS, although the PROGRAM and the SPONSOR may not be precluded from purchasing such outstanding interests if such purchase does not impair the capital or the operation of the PROGRAM.

Notwithstanding the foregoing, a real estate PROGRAM may provide for mandatory redemption rights under the following necessitous circumstances:

1.

death or legal incapacity of the owner, or

2.

a substantial reduction in the owner's NET WORTH or income provided that: (i) the PROGRAM has sufficient cash to make the purchase, (ii) the purchase will not be in violation of applicable legal requirements, and (iii) not more than 15% of the outstanding units are purchased in any year. Where the purchase price is not mutually agreed upon, the matter shall be submitted to arbitration.

G.

Transferability of PROGRAM INTERESTS. Restrictions on assignment of PROGRAM INTERESTS or on the substitution of a limited partner are generally disfavored and such restrictions will be allowed only if (i) they comply with the safe harbor provisions of Internal Revenue Service Notice 88-75 (or other safe harbors adopted by the Internal Revenue Service that protect against treatment as a publicly traded partnership) or (ii) they are intended to preserve the tax status of the partnership or the characterization or treatment of income or loss. In the case of (ii), any restriction must be affirmatively supported by an opinion of counsel. The PROGRAM agreement shall require the SPONSOR to eliminate or modify any restriction on substitution or assignment at such time as the restriction is no longer necessary.

H.

ASSESSMENTS and Defaults.

1.

ASSESSMENTS. ASSESSMENTS will not be allowed for NON-SPECIFIED PROGRAMS. In the case of SPECIFIED PROGRAMS, ASSESSMENTS shall be permitted only when specific circumstances demonstrate a need. If the anticipated CASH FLOW from property (after payment of debt service and all operating expenses) is not sufficient to pay taxes and/or special ASSESSMENTS imposed by governmental or quasi-government units, the PROGRAM agreement may include a provision for assessability to meet such deficiencies. Assessability must be limited to the foregoing obligations, and all amounts derived from such ASSESSMENTS must be applied only to satisfaction of said obligations.

2.

Defaults on ASSESSMENTS. In the event of a default in the payment of ASSESSMENTS by a PARTICIPANT his interests shall not be subject to forfeiture, but may be subject to a reasonable penalty for failure to meet his commitment. Provided that the arrangements are fair, this may take the form of reducing his proportionate interest in the PROGRAM, subordinating his interest to that of nondefaulting partners, a forced sale complying with applicable procedures for notice and sale, the lending of the amount necessary to meet his commitment by the other PARTICIPANTS or a fixing of the value of his interest by independent appraisal or other suitable formula with provision for a delayed payment to him for his interest not beyond a reasonable period, but a debt security issued for such interest should not have a claim prior to that of the other investors in the event of liquidation.

COMMENT: A limited partner will be reinstated to his full status as a limited partner upon payment of the delinquent ASSESSMENT with interest at the maximum rate allowed by law, within 30 days of the date of default. Default would be the failure to pay the ASSESSMENT

within 30 days of the date of notice requesting the ASSESSMENT.

I.

Dividend Reinvestment Plans. A PROGRAM may offer participants the opportunity to elect to have cash distributions reinvested in the PROGRAM or subsequent programs if the following conditions are met:

1.

The PROGRAM and subsequent programs in which the participants reinvest are registered or exempted under the state's blue sky laws.

2.

Counsel for the PROGRAM submits an opinion that the pooling of the funds for reinvestment is not in itself a security.

3.

The subsequent program has substantially identical investment objectives as the original PROGRAM.

4.

The participants are free to elect or revoke reinvestment within a reasonable time and such right is fully disclosed in the offering documents.

5.

Prior to each reinvestment the participants receive a current updated disclosure document which contains at a minimum the following information:

a.

The minimum investment amount.

b.

The type or source of proceeds (e.g. cash distributions from operations or the sale or disposition of properties) which may be reinvested.

c.

The tax consequences of the reinvestment to the participants.

6.

Counsel for the PROGRAM submits an opinion that different consideration paid on reinvestment is not in violation of the state law (the difference arises when one participant agrees to payment of commission to the broker-dealer and another participant does not agree to payment of commission).

7.

The broker-dealer or the issuer assumes responsibility for blue sky compliance and performance of due diligence responsibilities and has contacted the participants to ascertain whether the participants continue to meet the state's suitability standard for participation in each reinvestment.

8.

If a broker-dealer is involved it shall obtain in writing an agreement from the client by which the client agrees to the payment of compensation to the broker-dealer in connection with individual reinvestment.

J.

Within 60 days after the end of each quarter during which there have been real property acquisitions, a "Special Report" (which may be part of the quarterly report) shall be sent to all

PARTICIPANTS until the proceeds of the offering are committed or returned to the investors. The report shall contain the following information:

1.
the location and a description of the general character of all materially important real properties acquired or presently intended to be acquired by or leased to the program, during the quarter.

2.
the present or proposed use of such properties and their suitability and adequacy for such use.

3.
the terms of any material lease affecting the property.

4.
the proposed method of financing, including estimated down payment, leverage ratio, prepaid interest, balloon payment(s), prepayment penalties, due-on-sale or encumbrance clauses and possible adverse effects thereof and similar details of the proposed financing plan, and

5.
a statement that title insurance and any required construction, permanent or other financing and performance bonds or other assurances with respect to builders have been or will be obtained on all properties acquired.

COMMENT: When a PROGRAM is making or investing in mortgage loans then information should be included in these reports not only about the terms and present status of the loan but also such information reasonably available about the underlying property which could influence the value of the loan.

K.
Arbitration of Disputes. Except as permitted in Section II.F., no provision requiring the mandatory arbitration of disputes between the PARTICIPANT and the SPONSOR or the PROGRAM is permitted. Nothing contained herein shall apply to preexisting contracts between broker-dealers and PARTICIPANTS.

VIII. DISCLOSURE AND MARKETING REQUIREMENTS.

A.
Sales Promotional Efforts.
1.
Sales Literature. Sales literature, sales presentations (including prepared presentations to prospective investors at group meetings) and advertising used in the offer or sale of partnership interests shall conform in all applicable respects to requirements of filing, disclosure and adequacy currently imposed on sales literature, sales presentations and advertising used in the sale of corporate securities.
2.
Group Meetings. All advertisements of and oral or written invitations to "seminars" or other group meetings at which PROGRAM INTERESTS are to be described, offered or sold shall clearly indicate that the purpose of such meeting is to offer such PROGRAM INTERESTS for sale, the minimum purchase price thereof, and the name of the SPONSOR, underwriter or selling agent. No cash, merchandise or other item of value shall be offered as an inducement to any prospective PARTICIPANTS to attend any such meeting. In connection with the offer or sale of PROGRAM INTERESTS, no general offer shall be made of "free" or "bargain price" trips to visit property in which the PROGRAM or proposed PROGRAM has invested or intends to invest.

All written or prepared audio-visual presentations (including scripts prepared in advance for oral presentations) to be made at such meetings must be submitted in advance to the ADMINISTRATOR not less than three business days prior to the first use thereof. The foregoing paragraphs 1. and 2. shall not apply to meetings consisting only of representatives of securities broker-dealers.
B.
Contents of PROSPECTUS. The PROSPECTUS shall meet the requirements of Guide 5 of the Securities and Exchange Commission. The use of proceeds tabular summary required by Guide 5 shall include a separate line item for estimated ACQUISITION EXPENSES to be incurred by the PROGRAM. All of the information required to be set forth in the use of proceeds tabular summary by Guide 5 shall also be provided for estimated ACQUISITION EXPENSES, including an estimate of ACQUISITION EXPENSES to be paid to the SPONSOR. The description of the method for the allocation of the acquisition of properties by two or more programs of the same sponsor shall meet the requirements of Section VI.E. The PROSPECTUS shall contain a full description of the terms, consequences, risks to investors and the PROGRAM of any MANDATORY DEFERRED PAYMENTS. The ADMINISTRATOR may require additional disclosure if, in the ADMINISTRATOR'S opinion, specific facts concerning the offering require it.

COMMENT: Where the ADMINISTRATOR deems it appropriate, offering materials may be required to comment on the ability of investors to rely on tax benefits and cash flow from the PROGRAM to satisfy future obligations on MANDATORY DEFERRED PAYMENTS, the inappropriateness of treating such obligations as options or warrants, possible liability to third-party creditors of the PROGRAM as a result of such unpaid obligations, and/or possible tax

consequences of the use of such payment methods.

C.
Forecasts.
1.
Use of Forecasts. The presentation of predicted future results of operations of real estate PROGRAMS shall be permitted but not required for specified property PROGRAMS investing primarily in improved property and shall be prohibited for NON-SPECIFIED PROPERTY PROGRAMS or specified property PROGRAMS investing primarily in unimproved land. The covers of the PROSPECTUS must contain in bold face language one of the following statements:
a.
for SPECIFIED PROPERTY PROGRAMS:
FORECASTS ARE CONTAINED IN THIS PROSPECTUS (OFFERING CIRCULAR). ANY PREDICTIONS AND REPRESENTATIONS, WRITTEN OR ORAL, WHICH DO NOT CONFORM TO THOSE CONTAINED IN THE PROSPECTUS (OFFERING CIRCULAR) SHALL NOT BE PERMITTED.
b.
for NON-SPECIFIED PROPERTY and unimproved land programs:
THE USE OF FORECASTS IN THIS OFFERING IS PROHIBITED. ANY REPRESENTATIONS TO THE CONTRARY AND ANY PREDICTIONS, WRITTEN OR ORAL, AS TO THE AMOUNT OR CERTAINTY OF ANY PRESENT OR FUTURE CASH BENEFIT OR TAX CONSEQUENCE WHICH MAY FLOW FROM AN INVESTMENT IN THIS PROGRAM IS NOT PERMITTED.
2.
Presentation of Forecasts. Forecasts for specified property PROGRAMS shall be included in the PROSPECTUS or sales material of the PROGRAM only if they comply with the following requirements:
a.
General. Forecasts shall be realistic in their predictions and shall clearly identify the assumptions made with respect to all material features of the presentation. Forecasts shall be examined by an independent certified public accountant in accordance with the Statement on Standards for Accountants' Services on Prospective Financial Information and the Guide for Prospective Financial Statements as promulgated by the American Institute of Certified Public Accountants. The accountant's examination report shall be included in the PROSPECTUS. No forecasts shall be permitted in any sales literature which does not appear in the PROSPECTUS. If any forecasts are included in the sales literature, all forecasts must be presented.

COMMENT: If predicted future results of operations are used, they shall be prepared in the form of a forecast by an expert using standard criteria and format.

b.
Material Information. Forecasts shall include all the following information:
(i)
Annual predicted revenue by source; including the occupancy rate used in predicting rental revenue;
(ii)

Annual predicted expenses;
(iii)
Mortgage obligation--annual payments for principal and interest, points and financing fees, shown as dollars, not percentages;
(iv)
The required occupancy rate in order to meet debt service and all expenses;
(v)
Predicted annual CASH FLOW; stating assumed occupancy rate;
(vi)
Predicted annual depreciation and amortization with full description of methods to be used;
(vii)
Predicted annual taxable income or loss and a simplified explanation of the tax treatment of such results; assumed tax brackets may not be used;
(viii)
Predicted construction costs--including disclosure regarding contracts;
(ix)
Accounting policies--e.g., with respect to points, financing costs and depreciation.
c.
Presentation.
(i)
Caveat. Forecasts shall prominently display a statement to the effect that they represent a mere prediction of future events based on assumptions which may or may not occur and may not be relied upon to indicate the actual results which will be obtained.
(ii)
Additional Guidelines. Explanatory notes describing assumptions made and referring to risk factors should be integrated with tabular and numerical information.
(iii)
Sale-leasebacks. When a sale-leaseback is employed, the statement that the seller is assuming the operating risk and consequently may have charged a higher price for the property must be included.
d.
Additional Disclosures and Limitations.
(i)
Forecasts shall be for a period at least equivalent to the anticipated holding period for the property, or 10 years, whichever is shorter, and project a resale occurrence, including depreciation recapture, if applicable. The forecasted resale price must be reasonable.
(ii)
Adequate disclosure shall be made of the changing economic effects upon the limited partners resulting principally from federal income tax consequences over the life of the partnership property, e.g., substantial tax losses in early years followed by [an] increasing amount of taxable income in later years.
(iii)
Forecasts shall disclose all possible undesirable tax consequences of an early sale of the PROGRAM property (such as, depreciation recapture or the failure to sell the property at a price which would return sufficient cash to meet resulting tax liabilities of the PARTICIPANTS).
(iv)

In computing the return to investors, no appreciation, so called "equity buildup", or any other benefits from unrealized gains or value shall be shown or included.

3.

Unimproved Land.--Forecasts shall not be allowed for unimproved land. Instead, a table of deferred payments specifying the various holding costs, i.e., interest, taxes, and insurance shall be inserted. However, where the PROGRAM intends to develop and sell the land as its primary business, a detailed CASH FLOW statement showing the timing of expenditures and anticipated revenues shall be required. Additionally, the consequences of a delayed selling PROGRAM shall be shown.

4.

The PROSPECTUS and sales material shall not include a quantitative estimate of a PROGRAM's anticipated economic performance or anticipated return to PARTICIPANTS (in the form of distributable funds or tax benefits), except as permitted under this Section VIII.C.

COMMENT: Quantitative estimates of returns are permitted when they are consistent with a financial forecast that has been examined by an independent certified public accountant and the forecast is included in the PROSPECTUS.

IN SPECIFIED PROPERTY PROGRAMS formed to generate tax credits, quantitative statements of tax credit objectives may be included in the PROSPECTUS if they are accompanied by adequate disclosure concerning the risks involved, the limited utility of the tax credits to investors (including appropriate investment suitability), and the analytical basis supporting such statements.

An ADMINISTRATOR may require documentation supporting the reasonableness of any quantitative statements of tax credit objectives.

IX. MISCELLANEOUS PROVISIONS.

A.
Deferred Payments. Deferred payments or similar arrangements on account of the purchase price of PROGRAM INTERESTS shall not be allowed except as set forth below:
1.
MANDATORY DEFERRED PAYMENTS may be allowed in the case of SPECIFIED PROPERTY PROGRAMS to the extent such payments bear a reasonable and demonstrable relationship to the capital needs and objectives of the PROGRAM as described in the presentation of the business development plan in the investor disclosure document, but in any event such arrangements shall be subject to the following conditions:
a.
A minimum of 50% of the purchase price of the PROGRAM INTERESTS must be paid by the investor at the time of sale, with the remainder to be paid within three years of the earlier of the completion of the offering or one year following the effective date of the offering or such shorter period as the ADMINISTRATOR, under the circumstances, deems appropriate.
b.
MANDATORY DEFERRED PAYMENTS shall be evidenced by a promissory note of the investor. Such notes shall be with recourse, shall not be negotiable and shall be assignable only subject to defenses of the maker. Such notes shall not contain a provision authorizing a confession of judgment. In any event, the notes shall provide for venue in the jurisdiction of the investor.
c.
The PROGRAM shall not sell or assign the MANDATORY DEFERRED PAYMENT notes at a discount.
d.
Selling commissions for PROGRAM INTERESTS sold on a mandatory deferred payment basis are payable pro rata only from cash payments made by the PARTICIPANT.
e.
In the event of default in the payment of MANDATORY DEFERRED PAYMENTS by a PARTICIPANT, the PARTICIPANT'S interest may be subject to a reasonable reduction as set forth in the PROSPECTUS and acceptable to the ADMINISTRATOR. Responses to defaults should be designed to protect the capital requirements of the PROGRAM and the best interests of the non-defaulting PARTICIPANTS while being fair to the defaulting PARTICIPANT.
f.
The PROGRAM may take a security interest in the PARTICIPANT'S PROGRAM INTERESTS in the amount of the unpaid portion of the note provided that proceedings to enforce the security interest may not be commenced earlier than 30 days after default and notice of intent to foreclose on the security interest. Security interests on PROGRAM INTERESTS that have been fully paid up shall be dissolved promptly.
g.
Unless MANDATORY DEFERRED PAYMENTS are guaranteed by the SPONSOR or by a surety bond or other arrangement satisfactory to the ADMINISTRATOR at the start of the offering, the SPONSOR shall not be allowed to purchase PROGRAM INTERESTS recovered as a result of default in MANDATORY DEFERRED PAYMENTS unless, after recovery, such PROGRAM INTERESTS have first been offered to the non-defaulting PARTICIPANTS.

h.
Any certificates evidencing PROGRAM INTERESTS purchased on a mandatory deferred payment basis shall so indicate.
i.
Upon receipt of any request to assign or transfer PROGRAM INTERESTS purchased on mandatory deferred payment basis and having an unpaid balance, the SPONSOR, before the assignment or transfer, at its own cost, shall notify the proposed assignee/transferee of the material terms of the mandatory deferred payment obligation, including: the schedule of payments, the status of payments, the status of any encumbrance held by the PROGRAM on the PROGRAM INTEREST; the terms of default, the consequences thereof, and the terms of curing the default. In lieu of such notification the SPONSOR may accept a written statement containing such information and signed by the assignee/transferee.
j.
A default would be the failure to make a scheduled payment on the mandatory deferred payment obligation note before 30 days after its due date. A PARTICIPANT shall be allowed to cure a default and avoid any reduction in his interest in the PROGRAM if within a minimum of 30 days from default and notice thereof the PARTICIPANT makes the delinquent payment with interest at the rate set forth in the PROSPECTUS for the curing of defaulted payments.

COMMENT: Default provisions should have as a priority the integrity of the PROGRAM'S capital. Depending on the circumstances, examples of arrangements which may be appropriate include: 1) a reduction in the PARTICIPANT'S percentage interest in PROGRAM revenues based on the ratio of the cost to the PROGRAM of his unpaid mandatory deferred payment obligation to all CAPITAL CONTRIBUTIONS; 2) a reallocation of the defaulting

PARTICIPANT'S right to receive revenues from the PROGRAM and application of such revenues to make up the cost to the PROGRAM of his unpaid mandatory deferred payment obligations; 3) a reallocation of the defaulting PARTICIPANTS right to receive revenues from the PROGRAM to those nondefaulting PARTICIPANTS who have voluntarily paid the defaulting PARTICIPANT'S obligation until such time as such non-defaulting PARTICIPANTS have recovered from this reallocation 200% of the proportionate amount of the defaulted payment which they forwarded; 4) a forced sale of the PROGRAM INTEREST complying with applicable procedures for notice and sale; 5) a delayed buy-out of the defaulting

PARTICIPANT'S interest; or 6) a foreclosure on the security interest held by the PROGRAM. "Cost to the PROGRAM" shall be defined in the PROSPECTUS and may include the reasonable costs to the PROGRAM of collecting unpaid installments, reselling the interests, and/or additional financing costs caused by the default.

2.
MANDATORY DEFERRED PAYMENTS shall not be allowed in the case of NON-SPECIFIED PROPERTY PROGRAMS except where the SPONSOR is able to satisfy the ADMINISTRATOR that the MANDATORY DEFERRED PAYMENTS bear a reasonable and demonstrable relationship to the capital needs and objectives of the PROGRAM as described in the business development plan in the investor disclosure document. In any event, such arrangements shall be subject to the following conditions:

a.
A minimum of 50% of the purchase price of the PROGRAM INTERESTS must be paid by the investor at the time of sale, with the remainder to be paid within two years of the earlier of the completion of the offering or one year following the effective date of the offering or such shorter period as the ADMINISTRATOR, under the circumstances, deems appropriate.
b.
The PROGRAM shall otherwise comply with the provisions of IX.A.1.b. through 3.

COMMENT: A plan that merely states that money will be invested as installments are received or at specified intervals will not be considered a sufficient business development plan.

3.
Warrants or options (or their equivalents) to purchase PROGRAM INTERESTS will be allowed only at the discretion of the ADMINISTRATOR but, in any event, must be identified as such and be accompanied with a clear statement of their nature and effect. PROGRAM INTERESTS acquired by their exercise may not differ from the stated terms of PROGRAM INTERESTS otherwise acquired. Any penalty for non-exercise will ordinarily be viewed with disfavor.
B.
Reserves. Provision should be made for adequate reserves in the future by retention of a reasonable percentage of proceeds from the offering and regular receipts for normal repairs, replacements and contingencies. Normally, not less than 3% of the offering proceeds will be considered adequate. However, in PROGRAMS that invest in or make mortgage loans, reserves in an amount greater than 1% of the offering proceeds will be considered adequate.
C.
Reinvestment of CASH FLOW (excluding proceeds resulting from a disposition or refinancing of property) shall not be allowed. The partnership agreement and the PROSPECTUS shall set forth that reinvestment of proceeds resulting from a disposition or refinancing will not take place unless sufficient cash will be distributed to pay any state or federal income tax (assuming investors are in a specified tax bracket) created by the disposition or refinancing of property. Such a prohibition must be contained in the PROSPECTUS.
D.
Financial Information Required on Application. In any offering of interests by a PROGRAM, the PROGRAM shall provide as an exhibit to the application the following financial information.

COMMENT: In the case of PROGRAMS which invest in or make mortgage loans any reinvestment must be structured to terminate when the PROGRAM terminates.

1.
Financial Statements of Program. The PROSPECTUS shall include AUDITED FINANCIAL STATEMENTS of the PROGRAM for each of the last three fiscal years (or for the life of the PROGRAM, if less), provided that the only audited balance sheet that shall be required shall be as of the end of the most recent fiscal year of the PROGRAM. When a PROGRAM has operated less than one fiscal year, AUDITED FINANCIAL STATEMENTS are not required unless requested by the ADMINISTRATOR.
2.

Balance Sheet of Corporate Sponsor. AUDITED FINANCIAL STATEMENTS consisting only of an audited balance sheet for each corporate SPONSOR as of the end of the SPONSOR's most recent fiscal year shall be included in the PROSPECTUS.

3.

Other SPONSORS. A balance sheet for each noncorporate SPONSOR (including individual partners or individual joint ventures of a SPONSOR) as of a date not more than one hundred thirtyfive days prior to the date of filing the application shall be submitted. Such balance sheet shall be prepared in accordance with generally accepted accounting principles and reviewed and reported upon by an independent certified public accountant under the review standards set forth by the American Institute of Certified Public Accountants, and shall be signed and sworn to by such SPONSOR. A representation of the amount of such NET WORTH must be included in the PROSPECTUS, or in the alternative, a representation that such SPONSOR meets the NET WORTH requirements of Section II.B. shall be so included.

COMMENT: It is not intended that financial statements of AFFILIATES of the SPONSOR be required to be disclosed unless appropriate in order to comply with the NET WORTH requirements of Section II.B.

4.

Interim Financial Information. Where an audited balance sheet required by this Section IX.D. is as of a date more than 90 days prior to the date of filing, an unaudited balance sheet as of a date not more than 90 days prior to the date of filing shall also be provided. Where the application is made in coordination with a Registration Statement submitted to the Securities and Exchange Commission pursuant to the Securities Act of 1933, an interim unaudited balance sheet as of a date not more than one hundred thirtyfive days prior to the date of filing shall be provided only if the audited balance sheet is as of a date more than 134 days prior to the date of filing. Interim unaudited statements of income, partners' equity, and cash flows shall also be provided with the unaudited balance sheet in instances where such statements are required by this Section IX.D. as part of the AUDITED FINANCIAL STATEMENTS for the last fiscal year. The ADMINISTRATOR may require the interim unaudited information to be included in the Prospectus when the audited information required by this Section must be included.

5.

Filing of Other Statements. The ADMINISTRATOR may perrmit the omission of one or more of the statements required under this Section and the filing (in substitution thereof) of appropriate statements verifying financial information having comparable relevance to an investor in determining whether to invest in the PROGRAM. Such substitution will only be allowed where the ADMINISTRATOR finds this would be consistent with the protection of investors.

E.

Opinions of Counsel. The application for qualification and registration shall contain a favorable ruling from the Internal Revenue Service or an opinion of independent counsel to the effect that the issuer will be taxed as a "partnership" and not as an "association" for federal income tax purposes. An opinion of counsel shall be in form and substance satisfactory to the ADMINISTRATOR and shall be unqualified except to the extent permitted by the ADMINISTRATOR. However, an opinion of counsel may be based on reasonable assumptions, such as:

(1) facts or proposed operations as set forth in the offering circular or PROSPECTUS and organizational documents; (2) the absence of future changes in applicable laws; (3) the securities offered are paid for; (4) compliance with certain procedures such as the execution and delivery of certain documents and the filing of a certificate of limited partnership or an amended certificate; and (5) the continued maintenance of or compliance with certain financial, ownership, or other requirements by the issuer or SPONSOR. The ADMINISTRATOR may request from counsel as supplemental information such supporting legal memoranda and an analysis as he shall deem appropriate under the circumstances. To the extent the opinion of counsel or Internal Revenue Service ruling is based on the maintenance of or compliance with certain requirements or conditions by the issuer or SPONSOR the offering circular or PROSPECTUS shall contain representations that such requirements or conditions will be met and the partnership agreement shall, to the extent practicable, contain provisions requiring such compliance.

There shall be included also an opinion of independent counsel to the effect that the securities being offered are duly authorized or created and validly issued interests in the issuer, and that the liability of the public investors will be limited to their respective total agreed upon investment in the issuer.

The ADMINISTRATOR may request an opinion of counsel concerning tax aspects when this appears necessary for the protection of investors.

F.

Provisions of the Partnership Agreement. The requirements and/or provisions of appropriate portions of the following sections shall be included in the partnership agreement: I.B.; II.C.; II.D.; II.E.; II.F.; IV.C.; IV.D.; IV.E.; IV.F.; IV.G.; IV.H.; IV.I.; V.A.; V.B.; V.C.; V.D.; V.E.; V.F.; V.G.; V.H.; V.I.; V.K.; V.L.; V.M.; V.N.; VI.C.; VI.D.; VII.A.; VII.B.; VII.C.; VII.D.; VII.E.; VII.F.; VII.H.; VII.J.; VII.K.; IX.A.; IX.B.; and IX.C.

NOTE: The cross-reference sheet will be amended to include Sections I.B.4., I.B.11. and I.B.18. if Section IX.F. is amended to include Section I.B.

[G.

Omitted in the 1986 amendment.--CCH]

H.

General Instructions--NASAA Real Estate Guidelines.

1.

The Cross Reference Sheet should be completed with the Application for Registration.

2.

Sections which are not applicable should be noted as such.

3.

Provisions of the program which vary from the Guidelines must be explained by footnote; for example, if the program uses a defined term which is different from the Guidelines definition, the variance must be explained. Footnotes should be numbered sequentially in the column designated Footnotes and should be presented on a rider identified as Footnotes with each Footnote on the rider numerically corresponding to the Footnote identified on the Cross Reference Sheet.

4.
A section is provided at the bottom of each page of the Cross Reference Sheet for additional or supplemental Cross References. Lines are provided in the event additional Cross References are needed with respect to subsections of the Guidelines not specifically identified on the top of the page, or in the event there were insufficient lines to present all relevant cross references with respect to an item appearing on that page.
5.
The last page of the Cross Reference Sheet should be executed by preparer.
6.
These General Instructions should be *removed* before filing with the State Administrator.

REAL ESTATE GUIDELINES CROSS REFERENCE SHEET

Name of Applicant: ----------

Footnote See Instruction 3	Page Number Prospect?	Section Number Partners? Agreement	Guideline Section
		I.	B. Definitions
---	---	---	1. Acquisition expenses
---	---	---	2. Acquisition fee
---	---	---	4. Affiliate
---	---	---	5. Assessments
---	---	---	6. Asset based fee
---	---	---	7. Audited financial statements
---	---	---	8. Base amount
---	---	---	9. Capital contribution
---	---	---	10. Carried interest
---	---	---	11. Cash available for distribution
---	---	---	12. Cash flow
---	---	---	13. Competitive real estate commission
---	---	---	14. Construction fee
---	---	---	15. Cross reference sheet
---	---	---	16. Development fee
---	---	---	17. Financing
---	---	---	18. Front-End fees
---	---	---	19. Investment in properties
---	---	---	20. Major repairs and rehabilitation
---	---	---	21. Mandatory deferred payments
---	---	---	22. Net worth
---	---	---	23. Non-specified property programs
---	---	---	24. Organization and offering expenses
---	---	---	25. Participant
---	---	---	28. Program interest
---	---	---	29. Program management fee
---	---	---	30. Property management fee
---	---	---	32. Purchase price
---	---	---	33. Specified property program
---	---	---	34. Sponsor

			II.	Requirements of Sponsors
---	---			A. Experience
---	---			B. Net worth
---	---	---		C. Reports to administrators
---	---	---		D. Liability
---	---	---		E. Fiduciary duty
---	---	---		F. Termination
			III.	Suitability of the Participant
---	---			A. Standards
---	---			C. Maintenance of records
---	---		IV.	Fees--Compensation--Expenses
---	---			B. Organization & offering expenses
---	---	---		C. Investment in properties
---	---	---		D. Program management fee
---	---	---		E. Promotional interest
---	---	---		2. a. Interest in cash available for distribution
---	---	---		b. Interest in sale or re-financing proceeds

Additional or Supplemental Cross References

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---	---	---	---
---	---	---	---

Name of Applicant: ----------

					3. Definition of capital contributions and date for commencement of calculating the preferred return
---	---	---			Dissolution and
---	---	---			4. liquidation
				F.	Real estate brokerage commissions on resale of property
---	---	---			
---	---	---		G.	Property management fee
---	---	---		H.	Insurance services
---	---	---		I.	Mortgage servicing fee
---	---	---		J.	Asset based fee
---	---	---			1. Eligibility
---	---	---			2. Computations
---	---	---			3. Limitations
			V.		Conflicts of interest and Investment Restrictions
					Sales and leases to
---	---	---		A.	1. program
					Sales and leases to
---	---	---			2. sponsor
					Dealing with related
---	---	---			3. programs
				B.	Exchange of limited
---	---	---			partnership interests
---	---	---		C.	Exclusive agreements
				D.	Commissions on reinvestment or distribution
---	---	---			
				E.	Services rendered to the
---	---	---			program by the sponsor
					a. Expenses billed to
---	---	---			1. program
					b. Annual program
---	---	---			report
---	---	---			2. Other services
				F.	Rebates, kickbacks and
---	---	---			reciprocal arrangements
---	---	---		G.	Commingling of funds
					Investments in other
---	---	---		H.	programs
---	---	---		I.	Lending practices
					Development or
---	---	---		J.	construction contracts
					Completion bond
---	---	---		K.	requirements
---	---	---		L.	Appraisals
---	---	---		M.	Mortgage loan programs
---	---	---		N.	Program indebtedness

Additional or Supplemental Cross References

				Non-Specified Property
			VI.	Programs
				A. Minimum capitalization
				B. Sponsor experience
				C. Investment Objectives
				1. Unimproved or non-income producing property program
				2. Junior trust deeds
				3. Financing
				4. Joint ventures
				D. Offering period
				E. Multiple programs
			VII.	Rights and Obligations of Participants
				A. Meetings
				B. Voting rights
				C. Reports
				1. 12(g) programs, quarterly reports
				Limited partners tax 2. information
				3. Annual report
				4. Assessment reports
				5. Mandatory deferred payment reports
				D. Access to records
				E. Admission of participants
				1. Original participants Substitute limited
				2. partners Assignor limited
				3. partnership Redemption of program
				F. interests Transferability of program
				G. interests
				H. 1. Assessments
				2. Defaults on assessments
				I. Dividend Reinvestment Plan
				J. Special reports
				K. Arbitration of disputes.
			VIII.	Not officially reflected.
			IX.	Miscellaneous Provisions
				A. Deferred payments
				B. Reserves
				C. Reinvestment of cash flow

Additional or Supplemental Cross References

---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---

Response to this cross reference sheet
has been prepared by:

Name: ----------

Title: ----------

I.

A redlined copy of all amendments and supplements to an application shall be filed with the ADMINISTRATOR as soon as the amendment or supplement is available.

Real Estate Investment Subcommittee of the

NASAA Merit Regulation Committee

ADVISORY I

adopted on April 23, 1983

[In General]

The NASAA Real Estate Investment Subcommittee ("Subcommittee") at its meeting of May 12, 1982, has adopted a procedure whereby the Subcommittee will from time to time issue interpretations of the NASAA Real Estate Guidelines ("Guidelines"). As with the Guidelines themselves, and even to a greater degree with respect to these interpretations, each state administrator will retain the discretion with respect to the interpretations and implementation of the Guidelines. However, for those administrators who are seeking to increase the degree of uniformity of interpretations of the Guidelines and/or seeking additional guidance with respect to the interpretation of the Guidelines, the Subcommittee has prepared the following interpretations:

INTERPRETATION 1

When a sponsor's promotional interest in liquidation proceeds is subordinated to a higher return to the limited partners than is specified under Sections IV.E.1 and IV.E.2 b. of the Guidelines, the compensation permitted the sponsors by this section or other sections of the Guidelines should not be increased as a result of this type of arrangement unless specifically justified under Section I.A.2.

INTERPRETATION 2

When a sponsor takes an increased promotional interest pursuant to Section IV.C.3 of the Guidelines, but subordinates the payment of such fees to a higher return to the investors than is specified under such section, the compensation permitted sponsors by this section or other sections of the Guidelines should not be increased as a result of this type of arrangement unless specifically justified under Section I.A.2.

INTERPRETATION 3

When a sponsor takes a share of cash distributions from operations under Section IV.E.2 a. of the Guidelines, but subordinates this interest to a specified return to the investors (which is not required by the Guidelines), the compensation permitted sponsors by this section or other sections of the Guidelines should not be increased as a result of this type of arrangement unless specifically justified under Section I.A.2.

COMMENT ON INTERPRETATIONS 1 THROUGH 3 ABOVE. The Subcommittee believes that the Guidelines create a substantial opportunity for the sponsor to exchange one form of compensation for another form of compensation. For example, there is substantial latitude as to the "mix" in the front-end fees permitted, and the front-end fees can be deferred entitling the sponsor to a larger liquidation fee. In addition, the maximum compensation permitted to sponsors under the Guidelines is liberal and sponsors are permitted and in fact do, in many instances, package programs with sponsors' compensation well below the maximum permitted by the Guidelines. Therefore, in general, the Subcommittee does not believe that it is necessary

or appropriate to create an additional standard for modification of the compensation based upon the sponsor increasing subordination beyond that specified in Sections IV.E.1, IV.E.2, and IV.C.3 of the Guidelines. The fact that a sponsor may increase the subordination of his share of cash distributions could be meaningful only when an accurate forecast of annual cash distributions from operations and net proceeds from liquidation could be forecasted, and thus show the "real trade-off" involved in a particular arrangement. Nevertheless, even if a very reliable forecast of the future timing and amount of proceeds from operations and the sale of the property could be made, the Subcommittee believes that the sponsor's willingness to subject its return to a higher subordination than is required under the Guidelines should be considered a response to the pressures of the competitive marketplace and not a trade-off in compensation entitling the sponsor to a larger share somewhere else.

INTERPRETATION 4

When applying the suitability standards under Section III.B.4. of the Guidelines to a participant which is an IRA or Keogh plan, the participant for the purposes of suitability is the beneficiary of the IRA or Keogh plan.

COMMENT ON INTERPRETATION 4. Suitability standards for investors are imposed because of factors such as the limited transferability, relative lack of liquidity, degree of risk, and specific tax orientation of a real estate program. When an investment in a real estate program is made through an IRA or Keogh plan the investor or participant is considered to be the beneficiary. The beneficiary is the real investor in interest. The beneficiary is the person who supplies the funds to purchase the partnership interest and is the person at risk on the selection and performance of the investment. In the case of self-directed plans or accounts, the beneficiary makes the investment decision. In a fiduciary account the ability to bear the loss as reflected by the beneficiary's financial status is more relevant to the application of a suitability standard than the trustee's financial status or ability to understand the investment risks to the beneficiary.

INTERPRETATION 5

Section II.E. of the Guidelines prohibits the sponsor from employing or permitting another to employ program funds and assets in any manner except for the exclusive benefit of the program. This section would disallow deposits of funds with affiliated financial institutions, such as banks, savings and loans, or money market funds, and would also prohibit "compensating balance" arrangements for the sponsor's benefit. The administrator may allow certain deposits with affiliated institutions if it can be demonstrated that any conflict of interest between the early investment of program funds and the financial benefits to the affiliated institution could be adequately resolved:

1.
Deposits in affiliated money market funds, savings and loans, and banks may be allowed if such deposits from the program do not exceed five percent of all funds held by such money entity.

Additionally, any fees, including commissions, advisory fees, or other fees shall not be paid from PROGRAM funds.

2.

Compensating balance arrangements for the benefit of other than the program shall not be allowed.

3.

The prospectus shall contain separately numbered paragraphs in the Conflicts of Interest section which would discuss any conflicts of interest, including the possible conflict in the timing of deposits and withdrawals and the permanent investment of program funds in properties. Such section shall also contain an explicit statement that the sponsor will abide by its obligation not to use program funds except for the exclusive benefit of the program.

4.

Funds deposited in affiliated banks, savings and loans, or money market funds shall earn interest and/or dividends at a rate competitive with those available from similar independent depositories.

INTERPRETATION 6

When applying the limitation imposed by Subsection 1 and 2 of Section V.M. of the Guidelines, the phrase ". . . CAPITAL CONTRIBUTIONS to be raised by the PROGRAM" means the actual amount raised in the offering.

COMMENT ON INTERPRETATION 6. The limitations contained in Subsection 1 and 2 are designed to assure diversification in a real estate program and are based on the premise that diversification lessens the investor's risk. They require a program to invest in at least five properties with five different lenders or borrowers in order to limit to a reasonable degree the risk to the program.

Industry members have pointed out some practical problems in situations where a program does not sell completely or where the sales period is prolonged. Good investment opportunities may present themselves before the final amount of the offering is known and the limitations can be determined. It is impossible for the program to take advantage of these opportunities without the risks of finding that the limitations have been exceeded when sales are completed.

The Subcommittee believes that the language of the provisions is clear and that the limiting percentages apply to the amount actually raised by the program. The Subcommittee also recognizes the problem presented and concludes that the comment following Subsection 6 indicates that the limitations need not be rigidly applied.

A compromise reached by several states appears to the Subcommittee to meet the intent of the guideline section and is suggested as a way to handle this problem. That compromise provides that (1) the limiting percentage will apply to the stated maximum amount of the offering; (2) a minimum of three properties and three lenders or borrowers will be involved; (3) the 85% of value limitation contained in Subsection 5 will be strictly applied to each property; and (4) a risk factor discussing the relationship between the number of properties invested in and the risk to the investor shall be contained in the prospectus. A consideration of higher suitability standards may

also be appropriate because of the higher risk involved.