

**AGREEMENT OF
LIMITED PARTNERSHIP
OF AP EQUITY PROPERTIES, LTD.
A TEXAS LIMITED PARTNERSHIP**

THIS AGREEMENT OF LIMITED PARTNERSHIP (the "Agreement") is made and entered into this 28th day of June, 2004, by and between AP Equity Properties Management, LLC., a Texas Limited Liability Company (the "General Partner"), the Initial Limited Partners as defined in this Agreement (exhibit "A"), and those parties who from time to time become Limited Partners as provided herein, (each herein referred to as the "Limited Partner" and collectively as "Limited Partners"), for the purposes and upon the terms, conditions and understandings set forth herein.

**ARTICLE I
DEFINITIONS**

1.1 Act. The term the "Act" shall mean the Texas Revised Limited Partnership Act, as it exists from time to time during the term of the Partnership.

1.2 Associate or Affiliate. The terms "Associate" or "Affiliate" shall mean (i) any person or entity directly or indirectly controlling, controlled by or under common control with a Partner, (ii) any person or entity owning or controlling ten percent (10%) or more of the outstanding voting securities of such other person or entity, and (iii) if such other person or entity is an officer, director or partner, any company for which such person or entity acts in any such capacity.

1.3 Capital Account. The term "Capital Account" shall mean an account established and maintained for each Partner pursuant to Exhibit "C" attached hereto and incorporated herein by reference for all purposes.

1.4 Capital Contribution. The term "Capital Contribution" shall mean the total amount of cash or the gross asset value of property (as stipulated by the Partners) contributed by the Partners to the Partnership pursuant to Section 4.2 and Section 4.6.

1.5 Code. The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.6 Gross Receipts. The term "Gross Receipts" as used herein shall mean all cash receipts of the Partnership from the conduct of its business during the period in question, with the exception of (i) Net Capital Proceeds, (ii) loans, advances or contributions made by the Partners, (iii) loans to the Partnership, and (iv) unforfeited tenant security or similar deposits made by tenants of all or any part of the Property.

1.7 Net Capital Proceeds. The term Net Capital Proceeds shall mean the total proceeds received by the Partnership from a Capital Transaction, reduced by all expenditures of

the Partnership related to such Capital Transaction and incurred in accordance with the terms and provisions of this Agreement, which expenses shall include (i) payment of all expenses of such Capital Transaction and (ii) capital expenditures, if any, by the Partnership paid out of the proceeds of such Capital Transaction. Expenses of a Capital Transaction shall include all costs and expenses incurred by the Partnership in connection with such Capital Transaction, including brokers' commissions, loan fees, loan repayments, other closing costs and the cost of any alteration, improvement, restoration, or repair necessitated by or incurred in connection with such Capital Transaction and, if the Capital Transaction is a financing or refinancing, after the payment of any Partnership indebtedness that is to be repaid in connection with such financing or refinancing.

1.8 Net Cash Flow. The term "Net Cash Flow" shall mean for any period the Gross Receipts of the Partnership during the period in question computed on the cash basis reduced by the cash expenditures of the Partnership during the period in question, including, without limitation, payment of all Operating Expenses of the Partnership.

1.9 Operating Expenses. The term "Operating Expenses" shall mean all expenses of any kind incurred by the Partnership in accordance with the terms and provisions of this Agreement, including, but not limited to, salaries, reimbursements, taxes, insurance, escrow payments, repair and maintenance expenses, advertising and operation costs, equipment, supplies, expenditures made for capital improvements and replacements, accountants' and attorneys' fees, commissions, amortization payments of principal and interest and all other fees and charges with respect to the indebtedness of the Partnership (whether secured or not); provided, however, that costs and expenses paid from (a) capital contributions of the Partners or (b) loans from any Partner or a third party shall not constitute Operating Expenses.

1.10 Partners. The term "Partners" shall mean the Limited Partnership, and the General Partner, together with all other limited or general partners admitted to the Partnership pursuant to the terms hereof.

1.11 Partnership. The term "Partnership" shall mean AP Equity Properties, Ltd, the Texas limited partnership formed hereby.

1.12 Partnership Interest. The term "Partnership Interest" shall mean the respective interest owned by each of the respective Partners in the Partnership, as set out in Section 2.5.

1.13 Unrecovered Contribution. The term "Unrecovered Contribution" shall mean with respect to any Partner, the aggregate Capital Contributions of such Partner to the Partnership less the aggregate amount of distributions of Unrecovered Contribution of such Partner made to such Partner pursuant to Section 10.2(b).

1.14 Subscription Agreement. The term "Subscription Agreement" means the agreement whereby a person or entity agrees to become a limited partner and to be bound by the terms of this agreement.

- 1.15 Public Offering Price. The term “Public Offering Price” means the price at which the Partnership Units are sold to the public, this price shall be governed by the most recently issued investment memorandum, private placement memorandum, or prospectus.
- 1.16 Net Asset Value. The term “Net Asset Value” means the term as defined within the most current offering memorandum of the company.

ARTICLE II
FORMATION AND TERM OF THE PARTNERSHIP;
PARTNERSHIP INTERESTS

2.1 The Name of the Partnership. The name of the Partnership shall be AP Equity Properties, Ltd. and the business of the Partnership shall be conducted under this name.

2.2 The Principal Office. The principal office and place of business of the Partnership shall be located at 6836 Bee Caves Road Suite 204, Austin Texas 78746, or such other location as the Partners may agree upon in writing.

2.3 Time of Formation; Term. The Partnership shall commence on the date of the filing of a Certificate of Limited Partnership relating to the Partnership with the Secretary of State of the State of Texas pursuant to the Act for the purposes and upon the terms and conditions herein set forth and shall continue until the occurrence of an event specified in Section 11.1 hereafter.

2.4 Filing of Certificate. The General Partner, at the expense of the Partnership, shall cause a Certificate of Limited Partnership relating to the Partnership to be filed in the Office of the Secretary of State of the State of Texas, in accordance with the Act, and shall do all other things requisite for the creation and perfection of the Partnership as a Limited Partnership pursuant to the Act. If the Partnership conducts its business under any name other than that stated in Section 2.1 above, the General Partner shall also prepare an assumed name certificate and shall cause the same to be filed in the Office of the County Clerk of the appropriate county, in accordance with the provisions of applicable law.

2.5 Partnership Interests. The Partnership Interests of the Partners are as set out in Exhibit A, attached hereto and incorporated herein by reference for all purposes.

ARTICLE III PURPOSE AND INTENT

The purpose and intent of the Partnership (“Business”) shall be to:

- (a) To invest in equity securities, debt securities, intellectual property, joint venture interest or any other viable investment on behalf of the Partners;
- (b) To purchase real properties and to operate, develop, improve, renovate, maintain, and lease the Real Properties or any part thereof;
- (c) To sell, all or any part of the assets and property of the Partnership, whether personalty or realty;
- (d) to perform any other lawful business under the Act and within the contemplation of this Agreement so long as the same shall be for the benefit of the Partnership.

ARTICLE IV CAPITALIZATION, CONTRIBUTIONS AND LOANS BY PARTNERS

4.1 Capital Accounts. A Capital Account shall be established and maintained for each Partner in accordance with Exhibit “C” attached hereto and incorporated herein by reference for all purposes. As substituted limited partners are accepted by the General Partner it shall not be deemed necessary to create an addendum to Exhibit “C”.

4.2 Initial Contributions. The initial Capital Contributions of the Partners to the Partnership shall be of the character and in the amounts set out in Exhibit C, attached hereto, and incorporated herein by reference for all purposes.

4.3 Duty to Contribute. Each Partner shall be personally liable to the Partnership to contribute to the capital of the Partnership the full amount of his initial contribution as shown in Exhibit “D”.

4.4 Property Contributions. The value of any contribution characterized as property above, if any, is the value agreed to by all the Partners as specified above and is in exchange for all or part of the Partnership Interest of such Partner.

4.5 Withdrawal of Capital. Except upon dissolution of the Partnership, no Partner shall be permitted to withdraw capital from the Partnership.

4.6 Additional Contributions. Additional contributions to the capital of the Partnership shall be mutually agreed to by the Partners, and no Partner can require or cause any

other Partner to contribute to the Partnership in any manner whatsoever, without the express consent of all Partners, provided however that the General Partner may, at its option but not his obligation, and without the necessity of obtaining consent from any other partners accept addition capital contributions and additional Limited Partners.

4.7 Loans by Partners. Nothing herein shall prevent a Partner from loaning money to the Partnership if the Partnership requires such a loan on a promissory note or similar evidence of indebtedness for a rate of interest approved by the General Partner (hereinafter referred to as “Optional Loans”). However, in order to prevent self-dealing between the General Partner and the Partnership, Optional Loans to the Partnership by a Partner shall require written approval of all of at least 50% ownership interest by the other Partners as to the terms and provisions thereof.

4.8 Loans to Partners. No loans shall be made to a Limited Partner.

4.9 Liability of Partners. The liability of the General Partner shall be as provided under the Act. Without limiting the limitations of liability provided to the Limited Partners by the Act and applicable law, the liability of each, Limited Partner with regard to the Partnership and its business in all respects is restricted and limited to the amount of the actual capital contributions that such Limited Partner makes or agrees to make to the Partnership. By way of example, but not of limitation, no Limited Partner shall have any obligation to pay and restore to the Partnership or any Partner the amount of any negative balance remaining in its Capital Account upon the liquidation of the Partnership.

ARTICLE V MANAGEMENT

5.1 General Partner’s Responsibilities. General Partner shall have the full, exclusive and complete control in the planning and management of the Partnership for the day to day operations of the Partnership and shall have the authority to take any action it deems to be necessary, convenient or advisable in connection with the management of the Partnership. In dealing with the General Partner acting on behalf of the Partnership, no person shall be required to inquire into the authority of the General Partner or its officers to bind the Partnership. Persons dealing with the Partnership are entitled to rely conclusively on the power and authority of the General Partner as set forth in this Agreement. The General Partner shall manage and control the affairs of the Partnership, and shall conduct the operations contemplated under this Agreement in a careful and prudent manner and in accordance with good industry practice. The General Partner is acting on its own behalf with respect to its duties and responsibilities under this Agreement and the General Partner shall not, nor is the General Partner intended to act as a “dummy” for any Partner in the Partnership.

5.2 Powers of the General Partner. Subject to any limitations expressly set forth in this Agreement, the General Partner shall have the authority to perform or cause to be performed at the expense of the Partnership, the coordination of all management and operational functions relating to the purposes of the Partnership as set forth in this Agreement. Without limiting the

generality of the foregoing, the General Partner is expressly authorized on behalf of the Partnership to:

- (a) Maintain and manage the Partnership business in the best interest of the Partnership, and to that end to negotiate and enter into and supervise any and all contracts and agreements, upon such terms as the General Partner reasonably approves, with respect to the operation, maintenance and management of the Partnership business and to perform the obligations and exercise the rights and privileges of the Partnership under such contracts and agreements;
- (b) Spend the capital, loan proceeds, if any, and net income of the Partnership for the purchase, development, improvement, management, operation and sale of property and the purchase of other assets as may be authorized herein, and in the exercise of any other rights or powers possessed by the General Partner under this Agreement;
- (c) Borrow funds upon such terms and conditions as the General Partner shall approve, in its sole discretion, for the financing and refinancing of property or the acquisition of other assets, and for the purpose of discharging the Partnership's obligations, protecting and preserving the assets of the Partnership, or refinancing any loans or other indebtedness of the Partnership, or to incur any other indebtedness in the ordinary course of business of the Partnership.
- (d) To purchase, lease, rent or otherwise acquire or obtain the use of office equipment, materials, supplies and other kinds any types of real or personal property, and to incur expenses for travel, telephone, telegram and for such other things, services and facilities as may be deemed necessary, convenient or advisable for carrying on the business of the Partnership;
- (e) To sell, transfer, assign, dispose of, trade, exchange, quitclaim, surrender, release or abandon Partnership property, or any interest therein to any person, and, in connection therewith, to receive such consideration as it deems fair and in the best interests of the Partnership;
- (f) To sue and be sued, complain and defend in the name and on behalf of the Partnership;
- (g) To do all acts, take part in any proceedings, and exercise all rights and privileges as could an absolute owner of Partnership property, subject to the limitations expressly stated in this Agreement and the faithful performance of General Partner's fiduciary obligations to the Partnership and the Partners;
- (h) To take such other action and perform such other acts as the General Partner deems necessary, convenient or advisable in carrying out the business of the Partnership;

- (i) Procure and maintain with responsible companies such insurance as may be available in such amounts and covering such risks as are deemed appropriate by the General Partner;
- (j) Take and hold all property of the Partnership, real, personal and mixed, tangible and intangible, in the name of the Partnership;
- (k) Execute any contracts, management agreements and other documents as may be required in connection with the purposes of the Partnership (all without necessity of joinder or approval of the other Partners except as otherwise stated in this Agreement);
- (l) Coordinate all accounting and clerical functions of the Partnership and employ such accountants, lawyers, managers, agents and other management or service personnel (including any entity in which the General Partner owns an interest) as may from time to time be required to carry on the business of the Partnership; and
- (m) Hire and compensate a manager, board of directors, or management company to manage the affairs of the limited partnership. The compensation may include cash or a partnership option plan adopted by the General Partner. The General Partner shall have the authority to pay substantial compensation to the General Partner and to third parties in connection with the management of the business and the public or private offerings.
- (n) Delegate all or any of its duties hereunder and, in furtherance of any such delegation, to appoint, employ, or contract with and pay appropriate reasonable fees to, any person it may in its discretion deem necessary or desirable for the transaction of the business of the Partnership, including persons who may: (i) serve as the Partnership's advisors and consultants in connection with policy decisions made by the General Partner; (ii) act as consultants, accountants, correspondents, attorneys, brokers, escrow agents, or in any other capacity deemed by the General Partner necessary or desirable; (iii) perform or assist in the performance of such administrative or managerial functions necessary in the management of the Partnership as may be agreed upon by the General Partner; and (iv) perform such other acts or services for the Partnership as the General Partner in its discretion may reasonably approve; provided however, that the General Partner may not delegate any of the foregoing duties or otherwise employ or engage in connection with such duties, any affiliate of the General Partner unless such delegation of duties, or other employment or engagement, is made pursuant to then current market terms and conditions.
- (o) Purchase option of the General Partner and its members: The General Partner, its Members and the members of the Advisory Board shall have the option to purchase Partnership units at NAV. Purchases at NAV shall be allowed in so far as the purchase by an individual or the General Partner does not exceed \$1,000,000. Units Purchased by these entities or individuals in excess of that amount shall be at the Public Offering Price, with the exception of any executive compensation plan adopted by the General Partner.

(p) Issuance of Partnership Units: The General Partner shall have the authority to issue additional partnership units to additional or substituted limited partners. Additionally, the General Partner shall have the authority to issue options to purchase Partnership Units to the Members of the General Partner, the members of the Advisory Board or any other founding members or partners of The Partnership.

(q) Compensation to the General Partner: The General Partner shall be compensated for its services to The Partnership in accordance with a management agreement executed between The Partnership and the General Partner. This compensation shall include a management fee, other administrative fees, and compensation in the event that of The Partnership is sold or acquired, and a cash payment equal to 10% of the difference between the total partnership contributions less the total cash distributions made to the partners and the price at which the partnership is sold or the total market capitalization of the partnership as of the close of trading the day that the partnership is listed on a public exchange.

(r) To list or cause The Partnership to have its partnership units or any derivative thereof on a public stock exchange either by a public offering, or direct offering.

(l) To offer The Partnership's ownership units to the public.

5.3 Duties of the General Partner.

(a) Management Duties. The General Partner will: (i) manage the business of the Partnership in a manner that, in the reasonable judgment of the General Partner best assures the success of the Partnership; (ii) use best efforts to cause the Partnership to perform its obligations under all contracts, agreements, instruments, and other documents to which the Partnership is at any time a party or by which it is at any time bound; (iii) use best efforts to cause the Partnership to obtain and maintain such insurance as is consistent with sound business practice; and (iv) use best efforts to cause the business of the Partnership to be conducted in compliance with all applicable laws.

(b) Level of Duty. The General Partner will conduct, manage, and control the Partnership and its affairs with the degree of reasonable care that a prudent business person would use under similar circumstances.

(c) Time and Attention to Duties. The General Partner will devote such time and attention to the performance of its duties under this Agreement as is necessary or desirable for the efficient performance thereof. Notwithstanding the existence of this Agreement, the General Partner (and all affiliates of the General Partner) may engage in such duties as it may choose, whether such activities are competitive with the Partnership or otherwise, without being under any obligation to offer any interest in such activities of the Partnership, other general partners, if any, or the Limited Partners.

(d) Limitations of Duties. The General Partner shall be obligated to perform the duties, responsibilities and obligations of the General Partner hereunder only to the extent that funds of the Partnership are available therefore.

5.4 Limitation of Duties. Notwithstanding Paragraph 5.2 above, and except as specifically set forth in Article III of this Agreement, the General Partner may not cause the Partnership to do any of the following without the written consent of seventy five percent (75%) in interest of the Partners:

- (a) Require any Partner to make any contribution to the capital of the Partnership, except as authorized elsewhere in this agreement;
- (b) Admit any general partner into the Partnership;
- (c) Confess a judgment against the Partnership; or
- (d) Make an assignment for the benefit of creditors of the Partnership or file a voluntary petition under the federal Bankruptcy Code or any state insolvency law on behalf of the Partnership.

5.5 Limitations on all Partners. During the existence of the Partnership, neither the General Partner nor any Limited Partner shall do anything in contravention of the Act or any of the following:

- (a) Use the name of the Partnership (or any substantially similar name) or any trademark or trade name adopted by the Partnership, except in the ordinary course of the Partnership's business;
- (b) Do any other act or deed with the intention of harming the business operations of the Partnership;
- (c) Do any act contrary to this Agreement, except with the prior written approval of a super majority of the Partners;
- (d) Do any act which would make it impossible to carry on the intended or ordinary business of the Partnership with the exception to a sale of all or substantially all of The Partnership's properties;
- (e) Confess a judgment against the Partnership;
- (f) Abandon or wrongfully transfer or dispose of Partnership property.

5.6 Except as may otherwise be provided herein or under the Act, the General Partner shall possess the same rights and powers as general partners in a partnership without Limited Partners (a general partnership) formed under the laws of the State of Texas.

ARTICLE VI
DEATH OF AN INDIVIDUAL PARTNER

6.1 The death of an individual Partner (hereinafter referred to as “Deceased Partner”) shall not terminate the Partnership. Within a period of ninety (90) days after the date of qualification of a legal representative of the Estate of a Deceased Partner the Estate of a Deceased Partner shall exercise one of the following options:

(a) **Sell the Interest.** The legal representative of the Estate of a Deceased Partner may offer to sell such Deceased Partner’s Partnership Interest to all remaining Partners of the Partnership by written notice sent by certified mail to such remaining Partners; the remaining Partners of the Partnership shall have a period of thirty (30) days after receipt of such notice to notify the legal representative of the Estate of a Deceased Partner if they, or one or more of them, intend to accept or refuse said offer to buy the Deceased Partner’s Partnership Interest. The remaining Partners electing to purchase shall purchase the Deceased Partner’s Partnership Interest in such proportion as the remaining Partners may agree among themselves, or in the absence of an agreement, each purchasing Partner shall purchase a portion of the Deceased Partner’s Partnership Interest, such portion to be equal to the ratio that each purchasing Partner’s Partnership Interest in the Partnership bears to the total Partnership Interests of all such purchasing Partners. The purchase price shall be for cash unless otherwise agreed upon by the parties and closing of the transaction shall take place or agreed to by the parties to the closing, or if there is no such agreement, thirty (30) days from the date of completion of the appraisal provided for below, but no later than ninety (90) days from the date of notice by the legal representative of the Deceased Partner offering such Partnership Interest. It is understood and agreed, however, that no Partner will be obligated to purchase any such Deceased Partner’s Partnership Interest. The purchase price for the Deceased Partner’s Partnership Interest shall be calculated in accordance with the procedure set forth in Section 6.2 hereof

(b) **Retain the Interest.** The Estate of a Deceased Partner may elect to retain the Partnership Interest of said Deceased Partner.

(c) **Fail to Make Election.** Should the Deceased Partner die intestate and the Estate of the Deceased Partner fails to specifically elect under either (a) or (b) of this Section 6.1, or fails to qualify a legal representative within ninety (90) days of the Deceased Partner’s death, then, in either such event, such action shall be deemed to be an election under subsection (b) above, and the Deceased Partner and its heirs specifically appoint and elect the remaining Partners their attorneys-in-fact for the purpose of amending the Partnership Agreement to reflect such election.

6.2 Valuation of Partner’s Partnership Interest. The valuation of the partnership interest shall be the prevailing market value (subscription price) of the partnership interest at the date of valuation of the partnership interest.

ARTICLE VII
TRANSFER AND ENCUMBRANCE

7.1 Prohibition Against Transfer. Except as provided herein, no Partner may sell, assign, transfer, or otherwise dispose of its Partnership Interest, or any portion thereof, without the prior written consent of the General Partner (which may be granted or withheld at the sole discretion of the General Partner) except as may be allowed elsewhere in this agreement. Any transfer of a Partnership Interest in violation of this Article VII shall be void ab initio.

7.2 Prohibition Against Encumbrance. Except as provided herein, no Partner may pledge, mortgage, or otherwise encumber its Partnership Interest, or any portion thereof, without the prior written consent of the General Partner, which may be granted or withheld as the sole discretion of the General Partner. If an encumbrance is permitted and if by reason of the enforcement of any such permitted encumbrance such Partnership Interest or any portion thereof passes to or is acquired by any other person or organization, such passing to or acquisition by such other person or organization shall constitute an offer to sell the same to the General Partner at the price and upon the terms paid by the party so acquiring it. The General Partner shall have the right during a fifteen (15) day period after such offer, to purchase or acquire all or a portion of the Partnership Interest included within such offer upon such terms and conditions by notifying the person or organization enforcing such encumbrance or acquiring the Partnership Interest in connection therewith of its acceptance thereof, whereupon the other Partners and the selling persons or organization shall forthwith consummate such sale. If the General Partner fails to exercise the option herein provided, the person or organization acquiring said Partnership Interest shall be deemed to have obtained such Partnership Interest by transfer under the provisions above and shall be deemed a permitted transferee from the encumbering Partner under said provisions, and shall cooperate in amending this Agreement as may be required to reflect the transfer of such Partnership Interest as is required.

7.3 Partnership Property. All real and personal property shall be owned by the Partnership, such ownership being subject to the other terms and provisions of this Agreement. Each Partner hereby expressly waives the right to require partition of any Partnership property or any part thereof, except as required by law or statute.

7.4 Admission of Additional Partners. The General Partner shall have the sole and exclusive right to admit new partners. Any person becoming a Partner shall execute, a written subscription agreement acknowledging among other things that they have read this Agreement and all amendments hereto and that they agree to be bound by each and every of its terms and conditions. In no event shall anyone become a partner except upon compliance with the Act and all other applicable state and federal laws, including, but not by way of limitation, the filing of an appropriate Amended Certificate of Limited Partnership with the Secretary of State of the State of Texas.

7.5 Third Party Initiated Buy-Out. In the event the Partnership shall receive a bona fide offer from any unrelated third party to purchase all of the assets owned by the Partnership on terms which would yield to the Partnership an amount sufficient to discharge in full all

indebtedness of the Partnership and to return all capital contributed and loans made by the Partners, such third party offer shall be submitted to the Partners as follows:

(a) Any such offer shall be in writing, and shall set forth the terms of such offer, the time for acceptance thereof, and any other pertinent information (including, but not limited to, the identity of the third party as well as any relationship of the third party to any Partner);

(b) Each Partner shall be given a copy of such offer within five (5) business days of the Partnership's receipt thereof and shall have a period of thirty (30) days following receipt of such offer to notify the other Partners of such Partner's decision to accept or reject such offer. Such notice shall be mailed to the address of record of the limited partner and shall be deemed given at that time. The failure on the part of a Partner to notify the other Partners of its decision within said thirty (30) day period shall be deemed as an acceptance of said offer. If all of the Partners accept or are deemed to accept said offer, the Partnership shall accept such offer and such sale shall be consummated as soon thereafter as possible, but in no event later than the date specified in such offer. Nothing shall prevent the Partners from agreeing to submit any counter offers.

(c) In the event one or more, but less than all, of the Partners wants to cause the Partnership to deny the offer, the General Partner may, in its sole authority accept the offer in the event that a simple majority of the limited partners accept such offer. In the event that a simple majority of acceptance is not obtained the General Partner may submit a counter offer on behalf of the Partnership.

7.6 Reinvestment by Limited Partner: Any limited partner may, at the option of the General Partner elect to reinvest the cash distributions from their interest in the partnership and use said reinvestment to purchase additional limited partnership units or interest. The purchase price shall be determined as the prevailing market price, or price the partnership units are being offered to the general public as of the last day of the next calendar quarter in which the reinvestment occurs, whichever is greater. The General Partner reserves the right to amend or alter the Reinvestment option (the entire section 7.6) without the consent of the Partners, provided that notice of such amendment is sent to all Partners at least 30 days prior to the effective date thereof. In the event that the Reinvestment option is to be terminated written notice shall be sent 15 days prior to such termination.

7.7 Voluntary Redemption of Partnership Units: Prior to such time that a liquidity event occurs with respect to the partnership a Limited Partner may present all or a portion (no less than 25%) of their Partnership Units for redemption to the Partnership. No request shall be accepted for any partner who has not held such Partnership Units for at least one year. If the redemption request is from a Partner who has held such units for a period of one year to five years, the redemption price for the redeeming Partnership Units shall be equal to the then current Net Asset Value or 8% less than what the unit was purchased for whichever is greater. If the Redeeming Partner has held the Partnership Units for a period greater than 5 years then redemption price shall be equal to the price that he or she subscribed to such units or the then current offering

price, whichever is greater. At no time during a 12 month period shall the number of Partnership Units redeemed by the Partnership exceed 5% of the number of the partnership units outstanding from the beginning of such 12 month period. As there is no public market for the Partnership Units there can be no assurance that sufficient liquidity would exist to support any redemptions.

In the event that there are insufficient funds to redeem all of the Partnership Units for which redemption requests have been submitted, the Partnership plans to redeem the Partnership units in the order in which such redemption requests have been received. A partner whose Partnership units are not redeemed may withdraw his or her redemption request.

ARTICLE VIII BANKRUPTCY OF A PARTNER

8.1 Upon the bankruptcy of any Partner, the General Partner shall have the option to acquire the Partnership Interest then held by such Partner. Such other Partners as desire to purchase said Partnership Interest shall have an exclusive option for a period of thirty (30) days after completion of the appraisal procedure set forth in Section 6.2 to elect to purchase all (but not less than all) of said Partnership Interest at the then prevailing market price of the Partnership Interest. The Purchase Price shall be paid in cash (unless otherwise agreed between buyer and seller) at the time of closing. The closing of such purchase shall take place within thirty (30) days after the election is made to purchase such Partnership Interest. If the General Partner does not exercise their option as herein provided, the trustee in bankruptcy shall be deemed to have obtained the Partnership Interest of the bankrupt Partner by transfer under the provisions above and shall be deemed a transferee of the bankrupt Partner under said provisions, however, without the prior written approval of all Partners, such trustee in bankruptcy may not become a General Partner and if the bankrupt Partner was the sole General Partner, a Substitute General Partner shall be selected by the Limited Partners and the bankrupt Partner (or his trustee in bankruptcy) shall assign a one percent (1%) Partnership Interest out of its Partnership Interest to the Substitute General Partner.

ARTICLE IX ACCOUNTING

9.1 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

9.2 Books. The books of account of the Partnership shall be kept by the General Partner and maintained at all times in the principal place of business of the Partnership and shall be separate and distinct from all other books and records of any other entity. The books of account shall be maintained on the cash basis of accounting in accordance with sound accounting principles, consistently applied, and shall make full disclosure of the results of operation and the statement of condition.

9.3 Banking. The Partnership shall maintain accounts with such banks or other financial institutions as approved by all the Partners. Checks shall be drawn on such accounts for Partnership purposes and shall be signed by the General Partner or its designee(s) approved by the Partners.

9.4 No Commingling of Accounts. In no event shall any account described herein be commingled with the funds of any other account.

9.5 Reports. After the close of each fiscal year and in any event within one hundred and twenty (120) days thereafter, the General Partner shall cause to be prepared and furnished, as an expense of the Partnership, to each Partner a statement of the financial condition and results of operation of the Partnership and the Property prepared in accordance with accounting principles generally accepted in the United States of America and containing such information as may be required by the Partners.

9.6 Access to Books. Each Partner shall have the right at all reasonable times, during usual business hours to audit, examine and make copies of or extracts from the books of account of the Partnership. The Partners may exercise such right through any agent or employee so designated or by an independent certified public accountant, and such expense shall be an expense of the Partner exercising such right.

9.7 Tax Returns. All tax returns are to be prepared by the General Partner or its designee and reviewed and signed by a certified public accountant as selected by the General Partner. Any expense incurred in the preparation and review of the tax returns shall be at the expense of the Partnership. Copies of all such returns and statements shall be furnished to all Partners following the close of each fiscal year upon written request from those Partners.

9.8 Investment by Qualified Plan or Retirement Account. Investment into the limited partnership by qualified plan or retirement account will be accepted at the discretion of the General Partner, however, it will be the responsibility of the prospective additional partner to comply with all of the provisions of the Internal Revenue Code. The partnership advises the prospective additional partner to consult with his or her own tax advisor before making an investment into the partnership to determine the tax treatment of an investment into the partnership.

ARTICLE X FINANCIAL

10.1 Allocation and Determination of Income and Loss.

(a) Allocation of Income and Loss. All items of income, gain, losses, deductions and credits shall be allocated among the Partners in accordance with their ownership interests in the Partnership or as otherwise mutually agreed by all Partners.

(b) Determination of Income and Loss. At the end of each fiscal year of the Partnership, income, gain, loss, deduction and credit (or items thereof) shall be determined for the accounting period then ending and shall be allocated to the Partners in accordance with their ownership interests in the Partnership or as otherwise mutually agreed by all Partners.

10.2 Distribution of Net Cash Flow. For each calendar year during the term hereof, the Net Cash Flow of the Partnership less reserves reasonably deemed necessary by the General Partner to pay expenses (including taxes, insurance, capital repairs and replacements) to be paid by the Partnership and that will become due within the next one hundred and twenty (120) days, for which the cash to make such payment(s) may not be generated by operations during such one hundred and twenty days (120) days, shall be allocated among the Partners in the following order of priority:

- (a) First, to each Partner that has made a loan to the Partnership, in repayment of such loan, in proportion to the lending Partner's Percentage Interest in the Partnership compared to the total of the Percentage Interests held by all lending Partners at such time;
- (b) Second to the Partners in proportion to their respective Partnership Interests.

Distributions of Net Cash Flow, if available, shall be made to the Partners no less frequently than annually. All other distributions of the Partnership shall be made to the Partners at the discretion of the General Partners. It is the intention of the General Partner to distribute such Net Cash Flow on a quarterly basis.

ARTICLE XI DISSOLUTION OF THE PARTNERSHIP

11.1 Events of Dissolution. The happening of any one of the following events shall work an immediate dissolution of the Partnership:

- (a) The sale of all the assets of the Partnership for cash, or if all such assets are sold and if a note(s) or other evidence of indebtedness is received in connection therewith, upon receipt of all payments on any notes received by the Partnership in connection therewith;
- (b) The agreement of the Partners;
- (c) The expiration of fifty (50) years after the date of this Agreement;
- (d) At the option of the Limited Partnership, if the General Partner is in default under the terms and provisions hereof, which default is not cured as provided in this Agreement;
- (e) the death, bankruptcy (not including the involuntary bankruptcy of the General Partner which has been dismissed as described above) or dissolution of the General Partner, unless (i) there is at least one remaining General Partner and the business of the Partnership is continued by the consent of all remaining General Partners,

or (ii) within ninety (90) days of the occurrence of such event, all remaining Partners agree in writing to continue the business of the Partnership and, to the extent that they so desire or there is no remaining General Partner, all agree to the appointment, effective as of the date of occurrence of such event, of one or more new General Partners; or

(f) Any event which would cause dissolution under the Act except as otherwise provided in this Agreement.

11.2 General Partner to Wind Up. Upon dissolution, the Partnership business shall be wound up and liquidated in accordance with the following procedures:

(a) Except as otherwise provided herein, upon the dissolution of the Partnership, no further business shall be conducted except for the taking of such action as shall be necessary for the winding up of the affairs of the Partnership and the distribution of its assets to the Partners pursuant to the provisions of this Section. The General Partner shall act as liquidating trustee, or, if requested by the Limited Partnership, will appoint a liquidating trustee acceptable to the Limited Partnership, who shall have full authority to wind up the affairs of the Partnership and make final distributions as provided herein; provided, however, if the Partnership is dissolved by court-ordered dissolution or removal of the General Partner and failure to elect a Substitute General Partner within 30 days of removal or if dissolution occurs pursuant to paragraph 11.11(d) hereof, the Limited Partnership shall formally act as the liquidating trustee or designate a party to act as the liquidating trustee. Notwithstanding any provision of this Agreement to the contrary, the Limited Partnership shall have the right, power and authority to appoint a liquidating trustee who shall act in place of the General Partner to administer the winding up of the affairs of the Partnership upon the dissolution of the Partnership.

(b) The liquidating trustee (with consent from all Partners other than a General Partner in default under the terms and provisions hereof) may sell all of the assets of the Partnership, or it may distribute those properties in kind; provided, however, that the liquidating trustee shall ascertain the fair market value by appraisal or other reasonable means of all of the assets of the Partnership remaining unsold, and each Partner's Capital Account shall be charged or credited, as the case may be, as if such property had been sold at such fair market value and the income, gain, loss, deduction and credit realized thereby had been allocated to and among the Partners in accordance with Article X above. All of the assets of the Partnership, then on hand in the Partnership, shall be applied and distributed by the liquidating trustee in the following order:

(i) to the payment of Partnership debts and obligations (other than those to Partners), and the expenses of winding up and liquidating the Partnership;

(ii) to the payment of any outstanding loans from the Partners to the Partnership, with payment pro rata according to the amount of such loans; and then

(iii) to all Partners in accordance with Section 10.2.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 Amendment. This Agreement may be amended or modified by the Partners from time to time but only by a written instrument executed by all the Partners.

12.2 Notices and Consents. All notices and consents provided for in this Agreement shall be in writing delivered in person, or by certified mail, return receipt requested, to the Partner or other addressee at its respective address, as stated in this Agreement, and shall be deemed received upon the earlier to occur of actual receipt or three (3) days after deposit thereof, so addressed, in the United States mail. A Partner may change its address by sending written notice to the other Partners in accordance with this Section

12.3 Texas Law to Apply. This Agreement shall be construed under and in accordance with the laws of the State of Texas and the construction and enforcement hereof shall be exclusively in Austin, Travis County, Texas.

12.4 Other Instruments. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the terms, provisions and interests of this Agreement.

12.5 Headings. The headings used in this Agreement are used for administrative purposes only and do not constitute substantive matter to be considered in construing the terms of this Agreement.

12.6 Binding. This Agreement shall bind the Partners, their heirs, successors, assigns, and personal representatives, subject to the provisions of Article VII above. Partnership, as used in this Agreement, shall not include any spouse of any person who may become a Partner pursuant to the provisions hereof, but such Partners, their spouses, their (and their spouse's) heirs, successors, assigns and personal representatives shall be bound by this Agreement.

12.7 Number and Gender. The singular shall be interpreted as the plural and words of each gender shall be interpreted as the other, and vice versa, as necessary to interpret this Agreement in accordance with its manifest intent.

12.8 Partial Invalidity. If any portion of this Agreement shall be held invalid or inoperative, then, insofar as is reasonable and possible, the remainder of this Agreement shall be considered valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative.

12.9 Securities-Act. The Partnership Interests described in this Agreement have been acquired for investment and have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state. Without such registration, such Partnership Interests may not be sold, pledged, hypothecated or otherwise transferred, except upon delivery to the Partnership of an opinion of counsel satisfactory to all Partners that registration is not required

for such transfer or the submission to the Partners of such other evidence as may be satisfactory to the Partners to the effect that any such transfer shall not be in violation of the Securities Act of 1933, as amended, or applicable state securities laws or any rule or regulation promulgated thereunder.

12.10 Entire Agreement. This Agreement sets forth all (and is intended by all parties hereto to be an integration of all) of the promises, agreements, conditions, understandings, warranties, and representations among the parties hereto with respect to the Partnership, the Partnership's business, and the property of the Partnership, and there are no promises, oral or written, express or implied, among them other than as set forth herein. No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless set forth in a document duly executed by or on behalf of such party. All prior agreements between the parties relative to the formation and operation of the Partnership hereby are canceled.

12.11 Time Devoted to Partnership. The General Partner shall devote such time to the Partnership as is reasonably necessary to carry out the provisions of this Agreement.

12.12 Other Business. Each Partner may engage in business other than that of the Partnership, including but not limited to the ownership, financing, leasing, operation, management and development of other business ventures and properties. No Partner shall acquire any right by virtue of this Agreement in such business ventures or properties of any other Partner.

12.13 Conflicts of Interest. AP Equity Properties Management, LLC the General Partner will contract with related parties for management, thereby, will experience conflicts of interest in connection with the management of our business affairs, including the following:

- Management will have to allocate its time between the partnership business and other real estate programs and activities in which it is involved; Management must determine which properties The Partnership should acquire or other entity should enter into a joint venture with The Partnership for the acquisition and operation of specific properties; Management may compete with The Partnership properties for the same tenants in negotiating leases or in selling similar properties at the same time; and Management and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of The Partnership's properties regardless of the quality of the property acquired or the services provided to The Partnership.

SIGNED this _____ day of _____, 2004

GENERAL PARTNER:

For: AP Equity Properties Management, LLC
By: Jeremy G. Stobie
It's: Manager
6806 Bee Caves, Suite 1B
Austin, Texas 78746

SIGNED this _____ day of _____, 2004.

LIMITED PARTNER:

Jeremy G. Stobie

Address: 6806 Bee Caves Road Suite 1B
Austin, TX 78746

EXHIBIT "A"

PARTNERSHIP INTERESTS

PARTNERS

PARTNERSHIP INTEREST

General Partner(s):

AP Equity Properties Management, LLC 2%

LIMITED PARTNER(S) Initial Capital Contribution Partnership Units Ownership %

Stobie Ventures, Ltd \$3,0000 6,000 98 %

Exhibit "B"

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EXHIBIT “C”

Unless agreed otherwise by all Partners, the following accounting practices shall apply:

Capital Account and Tax Procedures

ARTICLE I DEFINITIONS

Section 1.1 Definitions. The following definitions shall be applicable to the following terms as used in this Exhibit “A” of the Agreement:

(a) “Adjusted Net Income or Loss” of the Partnership derived for any Fiscal Year (or portion thereof) shall mean the excess or deficit, as the case may be, of (i) the Gross Income of the Partnership for such period (not including the amount of Gross Income (if any) allocated during such Fiscal Year pursuant to Sections 3.1(a), 3.1(b), 3.1(c) and 3.1(d) hereof for such period), over (ii) the Deductible Expenses of the Partnership for such period (not including the amount of Deductible Expenses (if any) allocated pursuant to Sections 3.1(e) and 3.1(f) hereof for such period) with the following modifications:

(i) Any Partnership income that is exempt from federal income tax, and that is not otherwise taken into account in computing Adjusted Net Income or Loss of the Partnership pursuant to this Section 1.1(a) shall be treated as additional Gross Income and added to the amount otherwise calculated as Adjusted Net Income or Loss under this Section 1.1(a).

(ii) Any expenditures of the Partnership that are described in Section 705(a)(2)(B) of the Code (relating to expenditures of the Partnership that are not deductible for federal income tax purposes in computing taxable income and not properly chargeable to capital), or treated as so described pursuant to Section 1.704-I(b)(2)(iv) of the Regulations, and that are not otherwise taken into account in computing Adjusted Net Income or Loss of the Partnership pursuant to this Section 1.1(a) shall be treated as additional Deductible Expenses and subtracted from the amount otherwise calculated as Adjusted Net Income or Loss under this Section 1.1(a).

(b) “Adjusted Property”. shall mean any Partnership asset that has a Book Basis different from its adjusted tax basis. Any asset that is contributed to the Partnership by a Partner shall be an “Adjusted Property”. if its Agreed Value is not equal to the Partnership’s initial tax basis in such asset. In addition, once the Book Basis of a Partnership asset is adjusted pursuant to Section 2.4 hereof, such asset shall thereafter be an Adjusted Property.

(c) “Agreed Value” of any asset contributed by a Partner to the Partnership shall mean the agreed fair market value thereof (determined without regard to Section 7701(g) of the Code) as of the date of such contribution.

(d) “Book Basis” of any asset of the Partnership shall be determined in accordance with the rules of Section 2.4.

(e) “Book Depreciation” in respect of any Partnership asset for any Fiscal Year shall mean the product of (i) the depreciation, cost recovery or other amortization deduction allowable to the Partnership for federal income tax purposes in respect of such asset for such Fiscal year, multiplied by (ii) a fraction, the numerator of which is the Book Basis of such asset as of the beginning of such Fiscal Year (or the date of acquisition if the asset is acquired during such Fiscal Year) and the denominator of which is the adjusted tax basis of such asset as of the beginning of such Fiscal Year (or the date of acquisition if the asset is acquired during such Fiscal Year). If the denominator of the fraction described in clause (ii) above is zero, “Book Depreciation” in respect of such asset shall be determined under any reasonable method selected by the Managing General Partner.

(f) “Book Gain or Loss” realized by the Partnership in respect of any Capital Transaction shall mean the excess (or deficit) of (i) the amount realized by the Partnership in connection such disposition (as determined under Section 1001 of the Code) over (ii) the then Book Basis of such asset. If Book Basis is adjusted pursuant to Section 2.4, any increase or decrease in Book Basis of the assets as a result of such adjustment shall be treated as Book Gain or Book Loss, as the case may be, and shall be allocated among the Partners pursuant to Section 3.1 of this Exhibit A.

(g) “Capital Account” shall have the meaning assigned such term in Section 2.1 hereof.

(h) “Deductible Expenses” of the Partnership for any Fiscal Year (or portion thereof) shall mean all items, as calculated for book purposes, which are allowable as deductions to the Partnership during such period under federal income tax accounting principles (including Book Depreciation) other than Book Loss.

(i) “Fiscal Year” shall mean the fiscal year of the Partnership adopted under Section 9.1 of the Agreement.

(j) “Gross Income” of the Partnership for any Fiscal Year (or portion thereof) shall measure the gross income of the Partnership derived from all sources (other than from capital contributions and loans to the Partnership and other than Book Gain or Loss from a Capital Transaction) during such period, as

calculated for book purposes in accordance with federal income tax accounting principles.

(k) “IRS” shall mean the United States Internal Revenue Service.

(l) “Liquidation” of a Partner’s unit or oath” interest in the Partnership shall mean and shall be deemed to occur upon the earlier of (i) the date upon which the Partnership is terminated under Section 708(b)(1) of the Code; (ii) the date upon which the Partnership ceases to be a going concern (even though it may continue in existence for the limited purpose of winding up its affairs, paying its debts and distributing any remaining Partnership assets to the Partners); or (iii) the date upon which there is a liquidation of the Partnership’s unit or other interest in the Partnership (but the Partnership is not terminated) under Section 1.761-1(d) of the Regulations.

(m) “Modified 752 Share of Recourse Debt” of any Partner shall mean, as of any date, the amount (if any) of economic risk that such Partner is treated, as of such date, as bearing with respect to Recourse Debt under Section 1.752-2 of the Regulations (assuming the Partnership constructively liquidates on such date within the meaning of Section 1.752-2(b) of the Regulations except that, for purposes of such Section 1.752-2(b), all of the assets of the Partnership shall be deemed thereunder to be transferred in fully taxable exchanges for an aggregate amount of cash consideration equal to their respective Book Bases and such consideration shall be deemed thereunder to be used, in the appropriate order of priority, in full or partial satisfaction of the liabilities of the Partnership).

(n) “Nonrecourse Deductions” of the Partnership shall have the meaning ascribed to such term in Section 1.704-2(b)(1) of the Regulations.

(o) “Nonrecourse Liability” of the Partnership shall have the meaning ascribed to such term in Section 1.704-2(b)(3) of the Regulations.

(p) “Nonrecourse Minimum Gain” of the Partnership shall mean the amount of “minimum gain” of the Partnership that is attributable to Nonrecourse Liabilities (as determined under Section 1.704-2(b)(2) of the Regulations). A Partner’s share of such “Nonrecourse Minimum Gain” shall be calculated in accordance with the provisions of Section 1.704-2(g) of the Regulations.

(q) “Operations” shall mean all revenue producing activities of the Partnership other than activities relating to a Capital Transaction that occur in connection with the dissolution of the Partnership.

(r) “Partner Minimum Gain” of the Partnership shall mean the amount of “minimum gain” of the Partnership that is attributable to Partner Nonrecourse Debt (as determined under Section 1.704-2(i)(2) of the Regulations). A Partner’s

share of such “Partner Minimum Gain” shall be calculated in accordance with the provisions of Section 1.704-2(i)(5) of the Regulations.

(s) “Partner Nonrecourse Debt” of the Partnership shall have the meaning ascribed to such term in Section 1.704-2(b)(4) of the Regulations.

(t) “Partner Nonrecourse Deductions” of the Partnership shall have the meaning ascribed to such term in Section 1.704-2(i)(2) of the Regulations.

(u) “Recourse Debt” of the Partnership shall mean any liability (or portion thereof) of the Partnership that is neither a Nonrecourse Liability nor a Partner Nonrecourse Debt

(v) “Regulations” shall mean the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute proposed or final Regulations.

(w) “Related Person” shall mean, as to any Partner, any person who is related to such Partner (within the meaning of Section 1.752-4(b) of the Regulations).

(x) “Revaluation Event” shall mean any of the following occurrences: (a) the contribution of money or other property (other than a de minimis amount) by a new or existing Partner to the Partnership as consideration for the issuance of an additional unit or other interest in the Partnership and/or increase in any Partner’s Interest; (b) the distribution of money or other property (other than a de minimis amount) by the Partnership to a retiring or continuing Partner as consideration for a unit or other interest in the Partnership and/or decrease in any Partner’s Interest; or (c) the termination of the Partnership for federal income tax purposes under Section 708(b)(1)(B) of the Code.

(y) “Section 704 Capital Account” shall have the meaning assigned to such term in Section 2.3 hereof.

(z) “Tax Depreciation” for any Fiscal Year shall mean the amount of depreciation, cost recovery or other amortization deductions allowable to the Partnership for federal income tax purposes for such Fiscal Year.

(aa) “Tax Item” with respect to any asset shall mean any item of income, gain, loss or deduction (including depreciation, cost recovery or amortization) in respect of such asset, as computed for federal income tax purposes.

(bb) “Tax Matters Partner” shall have the meaning ascribed to such term in Section 4.4(a) hereof.

(cc) “Taxable Gain or Loss” shall mean gain or loss recognized by the Partnership on the sale, exchange or other disposition of any asset of the Partnership as computed for federal income tax purposes.

ARTICLE II
CAPITAL ACCOUNTS AND
SECTION 704 CAPITAL ACCOUNTS

Section 2.1 Capital Accounts. A separate “Capital Account” (herein so called) shall be maintained for each Partner in accordance with the capital accounting Rules of Section 1.704-1(b)(2)(iv) of the Regulations. Each Partner shall have only one Capital Account, regardless of the number or classes of units or other interests in the Partnership owned by such Partner and regardless of the time or manner in which such units or other interests were acquired by such Partner. Pursuant to the basic rules of Section 1.704-1(b)(2)(iv) of the Regulations, the balance of each Partner’s Capital Account:

(a) shall be increased by the amount of money contributed by such Partner (or such Partner’s predecessor in interest) to the Partnership (including but not limited to such Partner’s Capital Contributions described in Article VI of the Agreement) and decreased by the amount of money distributed to such Partner (or such Partner’s predecessor in interest);

(b) shall be increased by the fair market value (determined without regard to Section 7701(g) of the Code) of each property contributed by such Partner (or such Partner’s predecessor in interest) to the Partnership (net of liabilities secured by such property that the Partnership is considered to assume or take subject to under Section 752 of the Code), and decreased by the fair market value (determined without regard to Section 7701(g) of the Code) of each property distributed to such Partner (or such Partners predecessor in interest) by the Partnership (net of liabilities secured by such property that such Partner is considered to assume or take subject to under Section 752 of the Code);

(c) shall be increased by the amount of Partnership Net Adjusted Income or item of income or gain or Book Gain allocated to such Partner (or such Partner’s predecessor in interest) pursuant to Section 3.1 hereof;

(d) shall be decreased by the amount of Partnership Net Adjusted Loss or item of loss or deduction or Book Loss allocated to such Partner (or such Partner’s predecessor in interest) pursuant to Section 3. I hereof; and

(e) shall be otherwise adjusted in accordance with the other capital account maintenance rules of Section 1.704-1(b)(2)(iv) of the Regulations.

The foregoing provisions of this Section 2.1 and the other provisions of this Exhibit "A" relating to the maintenance of Capital Accounts are intended to comply with Sections 1.704-1(b) and 1.704-2 of the Regulations, and shall be interpreted and applied in a manner consistent with such Regulations. The Partners shall also make any appropriate modification if unanticipated events might otherwise cause this Exhibit "A" and the Agreement not to comply with such Regulations. If any Interest is transferred pursuant to the terms of the Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Interest.

Section 2.2 Additional Provisions Regarding Capital Accounts.

(a) If a partner pays any indebtedness of the Partnership, such payment shall be treated as a contribution by that Partner to the capital of the Partnership and the Capital Account of such Partner shall be increased by the amount so paid by such Partner.

(b) Except as specifically provided in the Agreement, no Partner may contribute capital to, or withdraw capital from, the Partnership.

(c) A loan by a Partner to the Partnership shall not be considered a contribution of money to the capital of the Partnership, and the balance of such Partner's Capital Account shall not be increased by the amount so loaned. No repayment of principal or interest on any such loan, or reimbursement made a Partner with respect to advances or other payments made by a such Partner on behalf of the Partnership or payments of fees to a Partner or Related Person to such Partner which are made by the Partnership shall be considered a return of capital or in any manner affect the balance of such Partner's Capital Account.

(d) No Partner with a deficit balance in its Capital Account shall have any obligation to the Partnership or any other Partner to restore said deficit balance.

(e) No interest will be paid on any capital contributed to the Partnership or the balance in any Partner's Capital Account

Section 2.3 704 Capital Accounts. A "Section 704 Capital Account" (herein so called) shall be determined and maintained for each Partner throughout the term of the Agreement. The balance of a Partner's Section 704 Capital Account shall be equal to such Partner's Capital Account balance (as determined after giving effect to all adjustment attributable to allocations of Partnership income, gain, loss, deduction and credits and contributions and distributions of money and property effected prior to such determination), modified as follows:

(a) decreased by the amount (if any) of cash that reasonably is expected to be distributed to such Partner, but only to the extent that the amount thereof exceeds any offsetting increase in such Partner's Section 704 Capital Account that reasonably is expected to occur during (or prior to) the Fiscal Year during which such distribution

reasonably is expected to be made (as determined under Section 1.704-1(b)(2)(ii)(d) of the Regulations);

(b) decreased by the amount (if any) of loss and deduction that reasonably is expected to be allocated to such Partner pursuant to Section 704(e)(2) or 706(d) of the Code or Section 1.704-1(b)(2)(ii) of the Regulations (as determined under Section 1.704-1(b)(2)(ii)(d) of the Regulations);

(c) increased by the amount (if any) of such Partner's share of the Nonrecourse Minimum Gain of the Partnership; and

(d) increased by the amount (if any) of such Partner's share of the Partner Minimum Gain of the Partnership.

Section 2.4 Adjustment of Book Basis. Book Basis with respect to any asset of the Partnership is the asset's adjusted tax basis for federal income tax purposes, except as follows:

(a) The initial Book Basis of any asset contributed to the Partnership by a Partner shall be the fair market value of the assets as of the date of contribution as agreed upon by the contributing Partner and the Partnership.

(b) The Book Basis of each asset shall be its respective fair market value as reasonably determined by the Managing General Partner, as of a Revaluation Event.

(c) The Book Basis of each asset distributed to any Partner will be the fair market value of the asset as reasonably determined by the Managing General Partner as of the date of determination.

(d) The Book Basis of each asset will be increased or decreased to reflect any adjustment to the adjusted tax basis of the assets under Section 734(b) or 743(b) of the Code, but only to the extent that the adjustment is taken into account in determining Capital Account balances under Section 1.704-1(b)(2)(iv)(m) of the Regulations, provided that the Book Basis will not be adjusted hereunder to the extent that an adjustment under Section 2.4(b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment under this Section 2.4(d).

Book Basis will be adjusted by Book Depreciation, and Book Gain or Book Loss on a disposition of any asset shall be determined by reference to such asset's Book Basis as adjusted herein.

ARTICLE III ALLOCATIONS OF PROFIT AND LOSS

Section 3.1 Allocation of Items of Profit and Loss. Subject to the provisions of ARTICLE IV hereof, the Partnership's Gross Income, items of loss or deduction and Adjusted

Net Income or Loss and Book Gain or Loss for each Fiscal Year shall be allocated to the Partners as follows and in the following order of priority (after giving effect to all Capital Account adjustments attributable to contributions and distributions of money and property constituting Net Cash Flow and net capital proceeds from an interim capital transaction made during such Fiscal Year, but prior to distributions of money and properly constituting net capital proceeds from a terminating capital transaction:

(a) First: Pursuant to Section 1.704-2(f) of the Regulations (relating to minimum gain chargebacks), if there is a net decrease in Nonrecourse Minimum Gain of the Partnership for such Fiscal Year (or if there was a net decrease in Nonrecourse Minimum Gain for a prior Fiscal Year and the Partnership did not have sufficient amounts of income during prior Fiscal Years to allocate to the Partners under this Section 3.1(a)), then Gross Income shall be allocated, before any other allocation is made pursuant to the succeeding provisions of this Section 3.1 for such Fiscal Year, to each Partner in an amount equal to such Partner's share of the net decrease in such minimum gain (as determined under Section 1.704-2(g) of the Regulations).

(b) Second: Pursuant to Section 1.704-2(i)(4) of the Regulations (relating to minimum gain chargebacks if there is a net decrease in Partner Minimum Gain of the Partnership for such Fiscal Year (or if there was a net decrease in Partner Minimum Gain for a prior Fiscal Year and the Partnership did not have sufficient amounts of income during prior Fiscal Years to allocate to the Partners under this Section 3.1(b)), then Gross Income shall be allocated, before any other allocation is made pursuant to the succeeding provisions of this Section 3.1 for such Fiscal Year, to each Partner with a share of such minimum gain as of the first day of such Fiscal Year in an amount equal to such Partners share of the net decrease in such Partner Minimum Gain (as required by Section 1.704-2(i)(4) of the Regulations).

(c) Third: A Partner who unexpectedly receives any adjustment, allocation or distribution described in Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations will be specially allocated items of income or gain (after the allocations required by Section 3.1(a) and Section 3.1(b) hereof but before any other allocation required by this Section 3.1) in an amount and in the manner sufficient to eliminate any deficit balance in his Section 704 Capital Account (for this purpose, a Partner's Section 704 Capital Account shall be increased by the amount (if any) that such Partner is treated as being obligated to contribute subsequently to the capital of the Partnership (as determined under Section 1.704-1(b)(2)(ii)(c) of the Regulations) and, without duplication of any amount described previously in this sentence, shall be increased by the amount (if any) of such Partnerships Modified 752 Share of Recourse Debt) as quickly as possible; provided, however, that an allocation shall be made pursuant to this Section 3.1(c) only if and to the extent that such Partner would have a deficit balance in his Section 704 Capital Account (as modified herein) after all allocations in this Section 3.1 have been tentatively made as if this Section 3.1(c) were not in this Exhibit A. This Section 3.1(c) is intended to satisfy the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

(d) Fourth: If any Partner has a deficit balance in his Capital Account (for this purpose, a Partner's Capital Account shall be increased by the amount (if any) that (i) such Partner is treated as being obligated to contribute subsequently to the capital of the Partnership (as determined under Section 1.704-1(b)(2)(u)(c) of the Regulations) and, without duplication of any amount described previously in this sentence, shall be increased by the amount (if any) of such Partner's Modified 752 Share of Recourse Debt and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5)) at the end of any Partnership Fiscal Year, each such Partner shall be specially allocated items of Partnership income and gain (after the allocations required by Section 3.1(a), Section 3.1(b) and Section 3.1(c) hereof but before any other allocation required by this Section 3.1) in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 3.1 (d) shall be made if and only to the extent that such Partner would have a deficit balance in his Capital Account (as modified herein) after all other allocations provided for in this Article m have been tentatively made as if this Section 3.1 (d) and .Section 3.1(c) were not in this Exhibit A.

(e) Fifth: All Partner Nonrecourse Deductions attributable to a Partner Nonrecourse Debt shall be allocated to the Partner that is treated (under Sections 1.704-2 and 1.752-2 of the Regulations) as bearing the economic risk of loss for such debt.

(f) Sixth: All Nonrecourse Deductions of the Partnership shall be allocated to the Partners, pro rata in accordance with their respective Partnership Interests.

(g) Seventh: Any Adjusted Net Income and Book Gain shall be allocated among the Partners in a manner such that if the Partnership were dissolved, its affairs wound up, its assets sold, the sale proceeds distributed to the Partners in accordance with their respective Section 704 Capital Account balances immediately after making such allocation, such allocations would, as nearly as possible, be consistent with the distributions that would be made pursuant to Section 10.2. For purposes of making allocations pursuant to this Section 3.1 (g) prior to the dissolution of the Partnership, the assets held by the Partnership on the date of any distribution shall be deemed to have a value equal to their book basis for Capital Account purposes.

(h) It is the intent of the Partners that, upon the occurrence of a terminating capital transaction, the allocations provided in ARTICLE III will result in their respective positive Capital Account balances (prior to any distributions of net capital proceeds from the terminating capital transaction pursuant to Section 10.2) being equal to the distributions required pursuant to Section 10.2 of the Agreement. However, if after giving effect to the allocations required in ARTICLE III the Capital Account balances of the Partners are not equal to the distributions required under Section 10.2 of the Agreement and notwithstanding anything herein to the contrary, (i) all distributions required under Section 10.2 of the Agreement shall be made to the Partners pursuant to Section 10.2; and (ii) the allocation provisions of Article III shall be amended by the

General Partner if and to the extent necessary to produce positive Capital Account balances equal to the distributions required pursuant to Section 10.2 of the Agreement.

(i) All Section 1245 Recapture and Section 1250 Recapture shall be allocated to the Partners and Assignees in accordance with the provisions of Treasury Regulation issued under Section 1245 and Treasury Regulation Section 1250, respectively.

(j) Notwithstanding any other provision herein to the contrary, no allocation of Adjusted Net Income, Adjusted Net Loss, Book Gain or Book Loss, or items of income, gain, loss and deduction will be made to a Partner if the allocation would not have “economic effect” under Section 1.704-1(b)(2)(ii) of the Regulations or otherwise would not be in accordance with the Partners’ interests in the Partnership within the meaning of Section 1.704-1(b)(3) or Section 1.704-2(b)(1) of the Regulations. The General Partner will have the authority to reallocate any item in accordance with this Section 3.1(m); provided, however, that (a) no such change shall have a material adverse effect upon the amount of cash or other property distributable to any Partner, (b) each Partner shall have 30 days prior notice of such proposed modification and (c) if such proposed modification would be material, the Partnership shall have received an opinion of tax counsel to the Partnership that such modification is necessary to comply with Section 704(b) of the Code.

Section 3.2 Allocation of Tax Items.

(a) Except as otherwise provided in the succeeding provisions of this Section 3.2, each Tax Item shall be allocated to the Partners in the same manner as each correlative item of income, gain, loss or deduction, as calculated for book purposes, is allocated pursuant to the provisions of Section 3.1 hereof.

(b) The Partners hereby acknowledge that all Tax Items in respect of Adjusted Property are required to be allocated to the Partners in the same manner as under Section 704(c) of the Code (as specified in Sections 1.704-1(b)(2)(iv)(f), 1.704-1(b)(2)(iv)(g) and 1.704-3 of the Regulations), and that the principles of Section 704(c) of the Code require that such Tax Items must be shared among the Partners so as to take account of the variation between the adjusted tax basis end Book Basis of each such Adjusted Property. Thus, notwithstanding anything in Sections 3.1 or 3.2(a) hereof to the contrary, the Partners’ distributive shares of Tax Items in respect of each Adjusted Property shall be separately determined and allocated to the Partners following any permissible method under 1.704-3 of the Regulations reasonably selected by the General Partner and the Limited Partnership, and the Capital Account balances of the Partners shall be adjusted solely for allocations of book items in respect of such assets and shall not be adjusted for their distributive shares of any corresponding Tax Items.

ARTICLE IV
SPECIAL RULES

Section 4.1 Allocation of Profit and Loss and Distributions in Respect of Interests Transferred.

(a) If any interest in the Partnership is transferred, or is increased or decreased by reason of the admission of a new Partner or otherwise, during any Fiscal Year, each item of Adjusted Net Income or Loss, and other income and deductions of the Partnership for such Fiscal Year shall be divided and allocated between the Partners in question by taking account of their varying interests in the Partnership during such Fiscal Year on a daily, monthly, or other basis, as determined by the General Partner using any permissible method under Section 706 of the Code and the Regulations thereunder.

(b) Distributions of Partnership assets in respect of an interest in the Partnership shall be made only to the persons or entities who, according to the books and records of the Partnership, are the holders of record of the interests in the Partnership in respect of which such distributions are made on the actual date of distribution. Neither the Partnership nor any Partner shall incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not the Partnership or any Partner has knowledge or notice of any transfer or purported transfer of ownership of any interest in the Partnership.

(c) Notwithstanding any provision above to the contrary, Book Gain or Loss of the Partnership realized in connection with a sale or other disposition of any substantial part of the assets of the Partnership shall be allocated solely to the parties owning interests in the Partnership as of the date such sale or other disposition occurs.

Section 4.2 Tax Elections. The Partnership shall make the following elections on the appropriate tax returns:

(a) to the extent permitted by the Code, to adopt the calendar year as the Partnership's fiscal year;

(b) to the extent permitted by the Code, to adopt the cash method of accounting and to keep the Partnership's books and records on the income-tax method;

(c) if a distribution of Partnership property as described in Section 734 of the Code occurs or if a transfer of Interest as described in Section 743 of the Code occurs, on written request of any Partner, to elect, pursuant to Section 754 of the Code, to adjust the basis of Partnership properties;

(d) to elect to amortize the organizational expenses of the Partnership ratably over a period of sixty (60) months as permitted by Section 709(b) of the Code; and

(e) any other election the General Partner may deem appropriate and in the best interests of the Partners.

Neither the Partnership nor any Partner may make an election for the Partnership to be excluded from the application of the provisions of subchapter K of chapter I of subtitle A of the Code or any similar provisions of applicable state law.

Section 4.3 Tax Matters Partner. The General Partner is hereby designated the “Tax Matters Partner” as that term is defined in Section 6231 (a)(7) of the Code.

EXHIBIT "C"

Initial Contributions:

<u>Stobie Ventures, Ltd.</u>	<u>\$3,000.00</u>
Total	\$3,000.00