

assets of the Partnership or (ii) any other transaction, the proceeds of which do not constitute Cash Flow, shall be shared 95% by the Limited Partners and 5% by the General Partners.

B. All profits and losses arising from (i) the sale or other disposition of all or substantially all the assets of the Partnership or (ii) any other transaction, the proceeds of which do not constitute Cash Flow shall be shared by the Partners, as follows:

First, to the Limited Partners, an amount of such profits equal to the amount, if any, by which (1) the aggregate losses and distributions charged prior thereto to their capital accounts, if any, exceed (2) the sum of the aggregate profits credited prior thereto to their capital accounts and the paid-in Limited Partner Class Contribution.

Second, to the General Partners, an amount of such profits equal to the amount, if any, by which (1) the aggregate losses and distributions charged prior thereto to their capital accounts exceed (2) the sum of the aggregate profits credited prior thereto to their capital accounts and the paid-in General Partner Class Contribution.

Third, to the Limited Partners, an amount of such profits equal to the amount distributable to them under Section 10.2.C, Clause Third, from the transaction giving rise to the profits being allocated hereby.

Fourth, to the Limited Partners, an amount of such profits equal to the amount distributable to them under Section 10.2.C, Clause Fourth, from the transaction giving rise to the profits being allocated.

Any remaining profits and losses shall be shared 50% by the Limited Partners and 50% by the General Partners.

C. All profits and losses shared by the Limited Partners shall be shared by each Limited Partner in the ratio of his paid-in Capital Contribution to the paid-in Limited Partner Class Contribution. All profits and losses shared by the General Partners shall be shared by each General Partner in the ratio of his Capital Contribution to the paid-in General Partner Class Contribution.

D. All profits and losses shared by the Partners shall be credited or charged, as the case may be, to their capital accounts.

E. The terms "profits" and "losses" as used in this Agreement shall mean taxable income and losses as determined with the accounting methods followed by the Partnership for Federal income tax purposes.

Section 10.2 Distribution Prior to Dissolution

A. Beginning in the first fiscal year immediately following Final Endorsement and subject to any applicable FHA regulations, the first \$42,105 of Cash Flow for each fiscal year (or fractional portion thereof) shall be distributed 95% to the Limited Partners (the "Annual Distribution") and 5% to the General Partners, the balance, if any, of Cash Flow shall first be used to discharge any outstanding Operating Expense Loans, Distribution Guarantee Loans and Residual Receipts Notes, if any, and shall then be distributed to the General Partners. The right of the Limited Partners to receive the Annual Distribution provided for herein shall be cumulative and no Cash Flow shall be used to discharge Operating Expense Loans or Distribution Guarantee Loans and no Cash Flow shall be distributed to the General Partners under the terms of this section in any year unless and until the Limited Partners have

received the full amount of cumulative Annual Distribution to which they are entitled.

Subject to applicable FHA regulations, distributions of Cash Flow to the Partners shall be made at such reasonable intervals during the fiscal year as shall be determined by the General Partners, and in any event shall be made within 45 days after the close of each fiscal period.

B. Definition of Cash Flow. For all purposes of this Agreement, the term "Cash Flow" shall mean the profits of the Partnership from and after the Initial Cash Flow Distribution Date (as determined for purposes of Section 10.1.A) but subject to any applicable FHA requirements, and further subject to the following:

(a) Depreciation of building, improvements and personal property and amortization of any financing fee shall not be considered as a deduction.

(b) Mortgage amortization shall be considered as a deduction.

(c) If the General Partners shall so determine, a reasonable reserve shall be deducted to provide for working capital needs, funds for improvements or replacements or for any other contingencies of the Partnership.

(d) Any amounts paid by the Partnership for capital expenditures shall be considered as a deduction, unless paid by cash withdrawal from any replacement reserve for capital expenditures.

(e) Gain or losses from any sale, exchange, eminent domain taking, damage or destruction by fire or other casualty or other disposition, of all or any part of the Project (other than the proceeds of any business or rental interruption insurance) shall not be included in determining Cash Flow.

(f) Payments of insurance on account of rental interruption shall be included as income in Cash Flow.

Cash Flow shall be determined separately for each fiscal year or portion thereof and shall not be cumulative.

C. Distributions of Other than Cash Flow. Prior to dissolution and subject to any applicable FHA regulations and FHA approval, if the General Partners shall determine from time to time that there is cash available for distribution from sources other than Cash Flow (such as, for example, from a refinancing of the Mortgage or a sale or disposition of any part of or all the Project or from any other transaction the proceeds of which do not constitute Cash Flow), such cash shall be distributed as follows:

First, to the discharge, to the extent required by any Lender or creditor, of debts and obligations of the Partnership, excluding Operating Expense Loans, Description Guaranty Loans and Residual Receipts Notes.

Second, to fund reserves for contingent liabilities to the extent deemed reasonable by the General Partners and the Accountants;

Third, to the Limited Partners, an amount equal to the sum of paid-in Limited Partner Class Contributions less the sum of prior distributions to the Limited Partners under this Section 10.2.C;

Fourth, to the Limited Partners until the Limited Partners have received an amount equal to the difference, if any between the cumulative annual Distribution to which they are entitled and the amount of Cash Flow actually distributed to the Limited Partners;

Fifth, to the payment of any outstanding and unpaid Residual Receipts Notes and Operating Expense Loans and Distribution Guarantee Loans;

Sixth, to the General Partners an amount equal to their Capital Contributions less an amount equal to any distributions made pursuant to this Agreement.

Seventh, the balance thereof, 50% to the Limited Partners and 50% to the General Partners.

Notwithstanding the foregoing, in no event shall the General Partners receive as an aggregate distribution under this Section 10.2.C less than one percent of the aggregate of the amounts distributed to the Limited Partners under this Section 10.2.C. In order to carry the immediately preceding sentence into effect, in the event that the amount distributable to the General Partners shall not equal 1% of the aggregate amount distributable to the Limited Partners, the amount distributable to the Limited Partners shall be reduced in order to assure the General Partners of their 1% share.

D. All distributions to the Limited Partners shall be shared by each Limited Partner in the ratio of his Capital Contribution to the Limited Partner Class Contribution. All distributions to the General Partners shall be shared by each General Partner in the ratio of his Capital Contribution to the General Partner Class Contribution. The capital account of each Partner shall be charged with his allocable share of each distribution.

Section 10.3 Distributions Upon Dissolution

Upon dissolution, after payment of, or adequate provision for, the debts and obligations of the Partnership, excluding Project Expense Loans, Distribution Guarantee Loans and Residual Receipts Notes, the remaining assets of the Partnership (or the proceeds of sales or other dispositions in liquidation of the Partnership assets, as may be determined by the remaining or surviving General Partners

or Partner) shall be distributed to the Partners in the priority set forth in Section 10.2.C, Second through Seventh.

All distributions to the Partners under this Section 10.3 shall be shared by the Partners according to the provisions of Section 10.2.D hereof. If any assets of the Partnership are to be distributed in kind, such assets shall be distributed on the basis of the fair market value thereof and any Partner entitled to any interest in such assets shall receive such interest therein as a tenant-in-common with all other Partners so entitled. The fair market value of such assets shall be determined by an appraiser to be selected by the General Partners with the Consent of the Limited Partners.

Section 10.4 Adjustment of Shares of Profits, Losses and Distributions. Notwithstanding the foregoing provisions of this Article X, if and during such time as the Partnership shall have admitted Limited Partners whose total agreed-to Capital Contributions are less than \$400,000 the share of the profits, losses and distributions allocated hereunder to the Limited Partners shall be reduced by the same percentage by which the total agreed-to Capital Contributions of the Limited Partners is less than said amount and the share of the profits, losses and distributions allocated hereunder to the General Partners shall be proportionately increased. Notwithstanding the foregoing, this Section 10.4 shall not be operative to the extent that the total agreed-to Capital Contributions of the Limited Partners shall be less than \$400,000 by reason of Section 5.4.

ARTICLE XI

Management Agent

United Health Care Facilities Management Company shall be the initial Management Agent. The General Partners shall cause the Partnership to enter into a management agreement with the Management Agent. The Management Agent shall be entitled to receive an initial annual fee during the first fiscal year following Final Endorsement equal to \$50,000 and thereafter will be entitled to receive an annual fee equal to \$50,000 less the amount by which the Cash Flow actually distributed to the partners in the year immediately preceding the year the fee is to be paid was less than \$42,105.

If at any time after Final Endorsement the Property shall be subject to a substantial building code violation or a violation of any law relating to operation of nursing homes which shall not have been cured or if contested with appropriate and seasonable court action initiated with required bond indemnification, if any, within a reasonable time after notice from the applicable governmental agency or department or from the Limited Partners, the General Partners shall forthwith give to the Limited Partners notice of such event and, thereafter, the Partnership shall forthwith terminate its management agreement with the Management Agent, unless the Consent of the Limited Partners is obtained to the retention of the Management Agent as the manager of the Project; provided, however, that the Limited Partners may not give or withhold such Consent without first receiving an opinion of Counsel acceptable to a majority in interest of the Limited Partners that the giving or withholding of Consent to such retention will not affect the continued limited liability of the Limited Partners hereunder. If such Consent is not so obtained, or the Limited

Partners cannot give or withhold such Consent, the General Partners shall immediately proceed to select a new Management Agent for the Property, which selection shall be subject to the Consent of the Limited Partners and of FHA, if applicable. The General Partners shall have the duty to manage the Property during any period when there is no Management Agent. In all cases, no Management Fee shall be payable to any person unless the management contract with any such person shall provide for termination of the same upon the occurrence of the events described in this Article XI.

ARTICLE XII

Books and Records, Accounting, Tax Elections, Etc.

Section 12.1 Books and Records

The General Partners shall keep or cause to be kept complete and accurate books and records of the Partnership which shall be maintained in accordance with sound accounting practices and shall be maintained and be available at the principal office of the Partnership for examination by any Partner, or his duly authorized representatives, at any and all reasonable times. The Partnership may maintain such books and records and may provide such financial or other statements, including those required from time to time by the Lender, FHA or any other appropriate administrative agency, as the General Partners deem advisable.

Section 12.2 Bank Accounts

The bank accounts of the Partnership shall be maintained in such banking institutions permitted by FHA as the General Partners shall determine, and withdrawals shall be made only in the regular course of business on such signature or signatures as

the General Partners shall determine. All deposits (including security deposits and other funds required to be escrowed by the Lender or the FHA and other funds not needed in the operation of the business) shall be deposited, to the extent permitted by applicable FHA and Mortgage requirements, in interest-bearing accounts or invested in short-term United States Government or municipal obligations maturing within one year.

Section 12.3 Accountants

The Accountant(s) for the Partnership shall be Laventhol, Krekstein, Horwath & Horwath, independent certified public accountants, or such other certified public accountant or firm of certified public accountants as shall be engaged by the General Partners with the Consent of the Limited Partners. The Accountant(s) shall prepare for execution by the General Partners all tax returns of the Partnership and shall audit and certify all annual financial reports to the Partners in accordance with generally accepted accounting principles.

Section 12.4 Reports to Limited Partners

A. Until Final Endorsement, the General Partners shall within 30 days after the end of each quarterly period occurring after the admission of the Limited Partners, cause to be prepared and sent to Gaudreau and to each Limited Partner a report which shall state (i) the percentage of completion furnished to the Lender and/or the FHA in the most recent submission for a Mortgage advance, (ii) the anticipated date of completion of construction

of the Project, (iii) whether there are any anticipated cost overruns and, if so, the amount thereof, (iv) a narrative summary of any deviations from the original construction plan, and (v) other matters material to the completion of construction or commencement of operations of the Project, and (vi) (after the commencement of operations of the Project), the information specified in (i) and (ii) under Paragraph B below.

B. After Final Endorsement, the General Partners shall cause to be prepared and sent to Gaudreau and each Limited Partner on or before July 31 in each year a report which shall state (i) the occupancy level of the Project as of the last day of the immediately preceding semi-annual period and the average occupancy level for such period, (ii) if there are any operating deficits or anticipated operating deficits and, if so, the manner in which such deficits will be funded, and (iii) such other matters as shall be material to the operations of the Partnership.

C. Within 75 days after the end of each fiscal year, the General Partners shall deliver to Gaudreau and to all Persons who were Limited Partners at any time during the fiscal year, an (i) audited financial report of the Partnership including a balance sheet, a profit and loss statement and all necessary tax information, together with a certification report of the Accountant(s) covering the results of their audit of the books of the Partnership; (ii) a certification by the General Partners that (a) all Mortgage payments and taxes and insurance payments with respect to the Project

are current as of the date of the year-end report, (b) there is no default under the Mortgage, management agreement or Partnership Agreement, or if there be any default, a description thereof, and (c) there is no building, health or fire code violation or similar violation of a governmental law, ordinance or regulation against the Project or, if there be any violation, a description thereof; (iii) that information specified in Paragraph B above; and (iv) a descriptive statement of all transactions during the fiscal year between the Partnership and any Affiliated Person, including the nature of the transaction and the payments involved. Upon the written request of any Limited Partner for further information with respect to any matter covered in items (ii), (iii) or (iv) above, the General Partners shall furnish such information within 15 days of receipt of such request.

D. Prior to November 1 of each year, the General Partners shall send to Gaudreau and to each Limited Partner an estimate of each Limited Partners share of the profits or losses of the Partnership for Federal income tax purposes for the current fiscal year and a projection of such profits or losses for the next fiscal year.

Section 12.5 Depreciation and Elections

With respect to all depreciable assets the Partnership shall elect to use, so far as permitted by the provisions of the Internal Revenue Code, accelerated depreciation methods. However, on the advice of the Accountants then serving the Partnership pursuant to Section 12.3, the Partnership shall elect or change to

some other method of depreciation so long as such other method is, in the opinion of the Accountant(s), most advantageous to the Limited Partners.

Subject to the provisions of Section 12.7, all other elections required or permitted to be made by the Partnership under the Internal Revenue Code shall be made by the General Partners in such manner as will, in the opinion of the Accountant(s), be most advantageous to the Limited Partners.

Section 12.6 Other Expenses

The Partnership shall treat as an expense for Federal income tax purposes all amounts incurred by it for real estate taxes, interest and other charges during or relating to the construction of improvements which may, for Federal income tax purposes, be considered as expenses.

Section 12.7 Special Basis Adjustments

In the event of a transfer of all or any part of the interest of any Partner, the Partnership shall elect, pursuant to Section 754 of the Internal Revenue Code of 1954 (or corresponding provisions of succeeding law), to adjust the basis of the Partnership Property. However, the determination of profits, losses, distributions and capital accounts, for purposes of Article X of this Agreement, shall be made without taking into account any such special basis adjustments. Each Partner will furnish to Partnership with all information necessary to give effect to such election.

Section 12.8 Fiscal Year and Accounting Method

The fiscal year of the Partnership shall be the calendar year. The books of the Partnership shall be kept on a cash basis.

ARTICLE XIII

General Provisions

Section 13.1 Restrictions

A. Notwithstanding any other provision of this Agreement, except as otherwise provided in this paragraph, no sale or exchange of any Partner's interest in the Partnership may be made if the interest sought to be sold or exchanged, when added to the total of all other interests in the Partnership sold or exchanged within the period of twelve consecutive months prior to the proposed date of sale or exchange, would result in the termination of the Partnership under Section 708 of the Internal Revenue Code (or any successor statute). However, such a sale or exchange may be made if, prior to the date of transfer, a ruling of the Internal Revenue Service (or its successors) to the effect that such proposed sale or exchange transfer will not result in such termination shall have been published in the Internal Revenue Bulletin or a private ruling to the same effect shall have been granted to the transferring Partner or the Partnership upon the application and at the expense of the Partner desiring to sell or exchange his interest in the Partnership.

B. No sale, transfer, exchange or other disposition of any interest in the Partnership may be made except in compliance with the then applicable rules and regulations of the FHA or any other governmental authority with jurisdiction over such disposition, and the General Partners may require as a condition of any transfer of such interest that the transferor furnish an opinion of counsel satisfactory to the Partnership both as to counsel and opinion, that the proposed transfer complies with applicable Federal and

state securities laws.

C. Any sale, exchange or other transfer in contravention of any of the provisions of this Section 13.1 shall be void and ineffectual, and shall not bind or be recognized by the Partnership.

Section 13.2 Appointment of General Partners as Attorneys-in-Fact

Without limiting the effect of provisions elsewhere in this Agreement appointing each General Partner as attorney-in-fact for the other General Partners and all those who become Limited Partners (including substitute or additional Limited Partners) under this Agreement in connection with the doing of certain acts and the filing of certain papers, each General Partner hereby irrevocably constitutes, and empowers to act alone, each other General Partner and each Limited Partner (including a substitute or additional Limited Partner) hereby irrevocably constitutes and empowers to act alone, each General Partner, as his attorney-in-fact with authority to execute, acknowledge and swear to all instruments and file all documents requisite to carrying out the intention and purpose of this Agreement, including, without limitation, the filing of all business certificates and necessary Certificates of Limited Partnership and amendments thereto from time to time in accordance with all applicable laws and the filing and execution of appropriate documents with the Lender of the FHA.

The foregoing appointment shall be deemed to be a power coupled with an interest in recognition of the fact that each of the Partners under this Agreement will be relying upon the power of the

General Partners to act as contemplated by this Agreement in such filing and other action by them on behalf of the Partnership. The foregoing power of attorney shall survive the assignment by any Limited Partner of the whole or any part of his interest hereunder or the Retirement of any appointing General Partner.

Section 13.3 Amendments to Certificate of Limited Partnership

In any year that cash distributions to any Limited Partner exceed the portion of Partnership profits credited to his respective capital account, the General Partners shall, within 120 days after the end of the fiscal year in which such distributions are made, file as required under the law of the State and elsewhere as the General Partners deem appropriate an amendment to the Certificate of Limited Partnership reducing by the amount of such excess (or the total amount of such distribution in the event that the Partnership has incurred losses in respect of the year in question) the amount of Capital Contribution of each Limited Partner as stated in the last previous amendment to the Certificate of Limited Partnership with respect to any year. Nothing in this Section 13.3 shall authorize, however, any change in the Schedule to this Agreement.

Section 13.4 Notices

Any and all notices called for under this Agreement shall be deemed adequately given only if in writing and sent by registered or certified mail, postage prepaid, to the party or parties for whom such notices are intended.

All such notices in order to be effective shall be addressed to the last address of record on the Partnership books when given by the General Partners and intended for the other Partners; and to the address of the Partnership when given by the Limited Partners and intended for the General Partners as a group.

Section 13.5 Word Meanings

The words such as "herein", "hereinafter", "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, unless the context otherwise requires.

Section 13.6 Binding Provisions

The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and assigns of the respective parties hereto.

Section 13.7 Applicable Law

This Agreement shall be construed and enforced in accordance with the laws of the State.

Section 13.8 Counterparts

This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart, except that no counterpart shall be binding unless signed by one of the General Partners.

Section 13.9 Internal Revenue Service Requirement

The General Partners agree to take all action (including, without limitation, such action with regard to net worth as may be required by the Internal Revenue Service Procedure 72-13) as shall be required from time to time by the Internal Revenue Service (the "Service") as a prerequisite to a ruling by the Service to the effect that the Partnership will not be treated as an association taxable as a corporation for Federal income tax purposes, which may be evidenced by (i) any amendment to the Internal Revenue Code of 1954, as amended (the "Code"), enacted after the date hereof, (ii) any regulation promulgated by the Service under the Code as it may be amended, or (iii) any revenue ruling or revenue procedure published by the Service.

Section 13.10 Separability of Provisions

Each provision of this Agreement shall be considered separable and (a) if for any reason any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid, or (b) if for any reason any provision or provisions herein would cause the Limited Partners to be bound by the obligations of the Partnership (other than the rules and regulations of the FHA), under the laws of the State as the same may now or hereafter exist, such provision or provisions shall be deemed void and of no effect.

Section 13.11 Investment Representation

Each person who becomes a Limited Partner pursuant to Section

4.6 does hereby represent and warrant by the signing of a counterpart of this Agreement that (a) the interest acquired by him was acquired for investment and not for resale or distribution, (b) he is qualified by his personal experience to analyze the risks and the advantages and disadvantages of an investment in such interest or has relied upon the advice of a Person so qualified, and (c) he has not relied on the advice of Gaudreau or the General Partners in making his investment decision.

Section 13.12 Paragraph Titles

Paragraph titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

Section 13.13 Amendments and Other Actions

A. This Agreement may not be amended or modified except by the General Partners with the Consent of the Limited Partners provided, however, that all the Limited Partners must give their consent in writing to any amendment which would (i) extend the term of the Partnership as set forth in Section 2.5 hereof, (ii) amend this Section 13.13, (iii) increase the amount of Capital Contributions payable by the Limited Partners or change or accelerate the date for payment of the Second, Third, Fourth or Final Installment of said Capital Contributions, or (iv) otherwise increase the liability of the Limited Partners.

B. Notwithstanding any other provision of this Agreement, no action may be taken under the Agreement unless such action is taken in compliance with the provisions of the Uniform Act.

WITNESS the execution hereof under seal as of the
day of December, 1974.

GENERAL PARTNERS

WITHDRAWING ORIGINAL
LIMITED PARTNER:

BY _____

BY _____

WITHDRAWING ORIGINAL
GENERAL PARTNER:

FORCIER INDUSTRIES, INC.

BY _____

BY _____

BY _____

BY _____

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Handwritten signature