

This PARTNERSHIP AGREEMENT entered into as of this day of August, 1979, by and among Bruce K. Terwilliger and Vincent A. Marcello, as General Partners and the persons signing this agreement as Limited Partners on the signature pages hereto (collectively "Limited Partners"), all of whom do hereby form a limited partnership pursuant to the Uniform Limited Partnership Act of the State of Rhode Island, upon the following terms and conditions:

1. NAME AND PLACE OF BUSINESS

The name of the Partnership is, "NEWPORT RENTAL PROPERTIES FUND I," and its principal place of business is 38 Bellevue Avenue, Newport, Rhode Island 02840, or such other place or places as the General Partners may hereafter determine.

2. DEFINITIONS AND GLOSSARY OF TERMS

(1) "Adjusted Invested Capital" of a Holder shall be the Original Invested Capital paid for or attributable to his Units reduced by the total of cash distributed to him and prior Holders of his Units from Cash From Sales or Refinancings and from Cash From Property Reserve Account (to the extent such cash distributed came from Net Proceeds).

(2) "Agents" shall refer to such other persons or firms as the General Partners shall select and contract with (which need not be in the same form as the Agent's Agreement in the event that the Agent is unable to serve with respect to any one or more Properties of the Partnership for performance of the services that the Agent is to perform under the Agent's Agreement.

(3) "Assignee" shall mean a person who has acquired a beneficial interest in one or more Units from a third party but who is neither a substituted Limited Partner nor an Assignee of Record.

(4) "Assignee of Record" shall mean an Assignee who has acquired a beneficial interest in one or more Units whose ownership of such Units has been recorded on the books of the Partnership and which ownership is the subject of a written instrument of assignment, the effective date of which assignment has passed.

(5) "Cash from Property Reserve Account" shall mean that portion of the Net Proceeds not utilized in the acquisition of Partnership Properties including cash maintained according to the provisions of "Business and Purpose", of the Partnership Agreement.

(6) "Cash From Sales of Refinancing" shall mean the net cash realized by the Partnership from the sale, refinancing or other disposition of any Partnership Property after retirement of applicable mortgage debt and all expenses related to the transaction; however, Cash From Sales or Refinancing shall not include Cash From Initial Financing or Cash From Property Reserve Account.

(7) "Gross Revenues" shall mean all revenues from the operation of real property owned by the Partnership. The term "Gross Revenues" shall not include revenues from sale, refinancing or other disposition of Partnership Properties.

(8) "Limited Partners" shall refer to the original Limited Partner, and to any other persons who are admitted to the Partnership as additional or substituted Limited Partners. Reference to a "Limited Partner" shall refer to any one of them.

(9) "Majority Vote" shall mean the vote of Limited Partners who own more than 50 percent of the Total Outstanding Units.

(10) "Net Income" or "Net Loss" shall mean the net income or net loss of the Partnership, as determined in accordance with generally accepted accounting principles.

(11) "Net Proceeds" shall mean the total Gross Proceeds less expenses incurred and to be paid by the Partnership in organizing, registering and offering the Units to the Public.

(12) "Partnership" shall refer to the Limited Partnership created under this Partnership Agreement.

(13) "Partnership Management Fee" shall refer to the fee payable to the General Partners.

(14) "Partnership Properties" or "Properties" shall refer to all properties or any interest therein acquired directly or indirectly by the Partnership, in whole or in part, with Gross Proceeds or Cash From Initial Financing. Reference to "Partnership Property" or "Property" shall be to any one of them.

(15) "Property Management Fee" Shall refer to the fee payable to the Agent.

(16) "Subordinated Incentive Fee" shall refer to the fee payable to the General Partners.

(17) A "Unit" shall represent a capital contribution of \$2,500. to the Partnership and shall entitle the Holder thereof to an interest in the net income, net Loss, and Distributions of the Partnership, without regard to capital accounts.

BUSINESS AND PURPOSE

The primary purpose (character of business) of the Partnership is to invest in, hold and manage income-producing real estate which is improved or which will be improved within a reasonable period after acquisition, with emphasis planned to be upon the acquisition of existing apartment complexes. The Partnership may enter into ventures, partnerships, and other business arrangements with respect to real estate deemed prudent by the General Partners in order to achieve successful operations for the Partnership.

For the Partnership Properties, the Partnership shall initially endeavor to maintain a cash reserve for normal repairs, replacements, contingencies and related items in an amount of equal to at least five percent in the aggregate of the Net Proceeds applicable to the acquisition of such Properties. Upon the disposition of each Partnership Property, any cash reserve for that Property need not be maintained thereafter, but may be applied as reserves for other Properties.

TERM

The Partnership commenced as of the day of August 1979 and shall continue until the 31st day of December 2000, A.D. unless previously terminated in accordance with the provisions of this Partnership Agreement.

GENERAL PARTNERS

Bruce K. Terwilliger and Vincent A. Marcello, as General Partners at all times during the existence of the Partnership shall have a present and continuing interest in the net income, net loss and distribution of this Partnership Agreement. As between the General Partners their interest shall be allocated 50% to Bruce K. Terwilliger and 50% to Vincent A. Marcello.

LIMITED PARTNERS

The Partnership intends to sell and issue not more than 40 Units, and to admit as Limited Partners the persons who contribute cash to the capital of the Partnership for such Units.

The General Partners shall in timely fashion amend (but not later than the 1st day of the calendar month following the date of acceptance of the additional Limited Partner's subscription) this Partnership Agreement and any separate certificate of Limited Partnership filed for record to reflect the admission

of a person as an additional Limited Partner.

All original Invested Capital of Holders shall be received by the Partnership in trust, and shall be deposited in an escrow account for the Original Invested Capital and shall be temporarily invested in short term highly liquid investments where there is minimum appropriate safety of principal.

STATUS OF LIMITED PARTNERS

Limited Partners shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Partnership. Limited Partners shall not be responsible for losses in excess of their capital balance.

STATUS OF UNITS

Each Unit shall be fully paid and nonassessable.

COMPENSATION TO GENERAL PARTNERS OR AGENTS

The General Partners and Agent (or Agents) shall receive compensation only as specified by this Partnership Agreement.

Property Management Fee.

The General Partners shall be entitled to a Property Management Fee for services in providing continuing professional property management of the Partnership Properties. Such fee shall be paid monthly and shall be equal to eight percent of Gross Revenues for the preceding month (but not to exceed rates prevailing for comparable services in the localities where the Properties are located). In the event the General Partners retain third parties to perform a portion of all of the services set forth below, the General Partners will be solely responsible for any fees charged by such persons which will be paid by the General Partners without cost to the Partnership. The Property Management Fee shall be paid on a monthly basis as compensation for the

services of the General Partners in overall management of the Partnership Properties, including, but not limited to: (i) review of the maintenance, repair, remodeling, and refurbishing of all Partnership Properties, (ii) review of rental schedules and recommendations with respect to changes thereto, (iii) employment and supervision of on-site property managers together with the establishment of procedures and preparation of operational manuals regarding the management of Partnership Properties, (iv) review of rental surveys, (v) review of historical and projected performance and variation analyses, (vi) review of leases, management agreements and maintenance agreements, (vii) review of replacement reserves and working capital and recommendations with respect to changes thereto; (viii) review of regional economic surveys; (ix) review of budgets and cash flow projections for each project and the Partnership as a whole over the term of the Partnership; (x) review of working capital levels; (xi) review of cash requirements, including the determination of the amount and timing of Distributions, if any; (xii) periodic physical inspections and market surveys; (xiii) determination and implementation of capital improvements; (xiv) continuing review to recommend when Properties should be sold and acceptable terms of sale; and (xv) initiation of any necessary litigation. Property management services to be rendered by the General Partners or by third parties retained by the General Partners does not include the salaries of on-site property managers for which separate fees will be paid.

Real Estate Commission Fee.

The General Partners shall be paid by the Partnership for real estate brokerage services in connection with the sale of Partnership Properties the real estate brokerage fees customarily charged by independent real estate brokers for the type of service

performed for each Property in the area where each Property is located, but as to any Agent affiliated with the General Partners such fees shall not exceed five per-cent (5%).

Subordinated Incentive Fee.

As additional compensation for the services the General Partners shall be entitled to receive the Subordinated Incentive Fee. The Subordinated Incentive Fee shall be an amount equal to ten percent of the remaining Cash From Sales or Refinancings and shall be paid when such Cash From Sales or Refinancings is distributed; provided, however, that payment thereof shall be computed on the remainder after the Partnership has distributed to Holders an aggregate amount in cash which is equal to (i) the total of Original Invested Capital and (ii) a sum equal to twelve percent per annum cumulative on their Adjusted Invested Capital, commencing with the third full fiscal quarter following the Closing Date.

ALLOCATION OF INCOME, LOSS AND DISTRIBUTIONS

That portion of Net Income, Net Loss and Distributions of the Partnership allocated to the Unit Holders shall be apportioned among the Holders, in the ratio in which the number of Units owned by each of them.

Allocation of Net Loss of this Partnership Agreement, Net Loss shall be allocated as follows:

5 percent shall be allocated to the General Partners.

95 percent shall be allocated to the Unit Holders.

Allocation of Net Income. Net Income shall be allocated as follows:

5 percent shall be allocated to the General Partners
95 percent shall be allocated to the Unit Holders.

Distribution of Distributable Cash From Operations.
Distributable Cash From Operations (subject to the payment of the Partnership Management Fee) shall be distributed 100 percent to the Unit Holders.

Distributions of Cash From Sales and Refinancings and Cash from Property Reserve Account. Cash From Sales and Refinancings and Cash From Property Reserve Account shall be distributed in the following order of priority:

First, to the Unit Holders, in an amount equal to: the amount, when added to all prior Distributions to the Unit Holders, that shall be equal to twelve percent per annum on their Adjusted Invested Capital and the Original Invested Capital.

Second, to the General Partners, in an amount equal to the Subordinated Incentive Fee.

Third, with respect to the remainder, 100 percent thereof to the Unit Holders.

The Partnership may be restricted from making Distributions under the terms of notes, mortgages or other types of debt obligation which it may issue or assume in conjunction with borrowed funds and Distributions may also be restricted or suspended in circumstances when the General Partners determine, in their absolute discretion, that such action is in the best interests of the Partnership.

All Distributions are subject to the payment of Partnership expenses, and to the maintenance of reasonable reserves for alterations, repairs, improvements, maintenance, and replacement of furniture and fixtures.

ASSIGNMENT OF PARTNERSHIP UNITS

GREGORY F. F.
ATTORNEY-
228 BELLEVUE
NEWPORT, R. I. 02840

A limited partner cannot substitute a new limited

Partner or assign his or her interest in the Unit or Units without first obtaining the written consent of the General Partnership which will not be unreasonably withheld. The General Partnership shall have the right of first refusal to purchase the interest of the Limited Partner. Such right must be exercised within 15 days of written notice given to each of the General Partners by the Limited Partner who intends on transferring or assigning the interest in the Unit of the Partnership. During the first year after the original purchase of a share the partnership will repurchase the share at book value. After the first year of the original purchase of said share the price will be negotiable and the partnership will retain its right of first refusal during the first year after the original purchased shares can not be sold to third parties. No assignment may be made or interest transferred in a Unit until the first property has been purchased and the transaction settled by the Partnership. Any assignment or transfer in contravention of the provisions of this paragraph is void and ineffectual and will not bind the Partnership.

SUBSTITUTED LIMITED PARTNERSHIP or assignees and substituted Limited Partnership consent to the Partnership Agreement and all its terms, provisions.

BOOKS, RECORDS, ACCOUNTS AND REPORTS

Partnership books shall be kept at its principal office and shall be opened for inspection by all partners. The Partnership books shall be closed at the end of each calendar year. The federal and state income tax returns required shall be prepared by a public accountant employed by the Partnership, and copies furnished to each Partner. The bank account shall be in the Partnership name and all receipts and disbursements are to be deposited thereto and drawn therefrom.

RIGHTS, POWERS, DUTIES OF GENERAL PARTNERS

The General Partners shall have the rights, authorities, power and duty to manage the partnership business by way

of illustration but not limited to the following:

- (1) To acquire, hold and dispose of all property in any form and to improve, lease and maintain said property.
- (2) To borrow money and mortgage property to secure this financing or to refinance, modify or change any financial or security devise.
- (3) To place record title in partnership name in fee simple.
- (4) To insure partnership property.
- (5) To employ persons to operate and manage business of the partnership.
- (6) To prepare reports for the Unit holders.
- (7) To open accounts for the partnership in banks and Savings and Loan Associations.
- (8) To select an account.
- (9) To amend the partnership agreement.
- (10) To create, acknowledge and deliver any and all instruments necessary for the purpose of the partnership.
- (11) To reinvest all cash from initial financing.
- (12) Both General Partners will be necessary to sign any deed of conveyance, transfer or interest in any property owned by the partnership.
- (13) To do any other act or take any further actions conferred by law or required or appropriate to the management of the partnership business.

RIGHTS OF THE LIMITED PARTNERS

Limited partners shall take no part in the management of the Partnership affairs and shall have no right to act or bind partnership. Limited partners shall have one vote for each Unit purchased as long as that Unit is fully paid. Each Limited

Partner and his Unit vote shall have a right to vote on the following matters:

- (1) The basic structure of the partnership.
- (2) Removal of a General Partner.
- (3) Election of a successor, general partner termination and disalution of the partnership.
- (4) Amendment of the partnership.

A meeting of the Limited Partners for a vote may be called by the General Partnership and shall notify the Limited Partners by return request at least 10 days prior to the date a vote is required. If a meeting is unable to be held a vote may be taken by the Limited Partner signing their written vote and returning it to the General Partners within 10 days of the date of the notice of the meeting. If a vote is to be taken without a meeting the General Partner shall provide the Limited Partnership with the issue to be determined and their recommendations and a form to record the vote of the limited partners, which shall be sent back to the General Partnership by a date to be specified but not less than 10 days from the date of the notice.

EXPULSION, BANKRUPTCY, DISSOLUTION OR DEATH OF A GENERAL PARTNER

Either General Partner may be expelled from the Partnership upon a Majority Vote.

Written notice of the expulsion of a General Partner shall be served upon him either by certified or by registered mail, return receipt requested, or by personal service. Such notice shall set forth the date upon which the expulsion is to become effective.

Upon the retirement, expulsion, adjudication of bankruptcy, insolvency or death of an individual General Partner ("Terminated Partner"), the interest of such Terminated Partner

in the Net Income, Net Loss and Distributions of the Partnership shall be purchased by the Partnership for a purchase price.

The Terminated Partner shall receive from the remaining General Partner or new general partner or partners ("acquiring partner"), as the case may be, the fair market value of his interest in the Partnership, determined by agreement between the Terminated Partner or former General Partners and the acquiring partner, or if they cannot agree, by arbitration in accordance with the then current rules of the American Arbitration Association. For this purpose, the fair market value of the interest of the Terminated Partner or former General Partners shall be deemed to be the amount the Terminated Partner or former General Partners would receive upon dissolution and termination of the Partnership assuming such dissolution or termination occurred on the date of the dissolving event.

TERMINATION AND DISSOLUTION OF THE PARTNERSHIP

The Partnership shall be terminated and dissolved when the retirement, expulsion, adjudication of bankruptcy, insolvency, dissolution or death of a General Partner, unless (i) the remaining General Partner, within 90 days of the date of such event, elects to continue the business of the Partnership or (ii) the General Partner elected in place thereof within 120 days of the date of such event by Majority Vote of the Limited Partners elects to continue the business of the Partnership, Expenses incurred in the reformation, or attempted reformation, of the Partnership shall be deemed expenses of the Partnership.

A Majority Vote in favor of dissolution and termination of the Partnership and the expiration of the term of the Partnership.

SPECIAL POWER OF ATTORNEY

Each Limited Partner in form accepts and constitutes

and appoints as their attorney in fact the General Partners with the power and authority to act in their joint names on behalf of the partnership and to execute, acknowledge and swear to in the execution, acknowledgement and filing of any and all documents necessary for the management of the partnership business. This Power of Attorney is to be a power coupled with an interest which is irrevocable and shall survive the death of a granting Limited Partner.

INDEMNIFICATION

The Partnership, its receiver or its trustee, shall indemnify, save harmless and pay all judgments and claims against the General Partners, their officers, directors, employees, agents, subsidiaries and assigns, from any liability, loss or damage incurred by them or by the Partnership by reason of any act performed or omitted to be performed by them in connection with the business of the Partnership, including costs and attorneys' fees (which attorneys' fees may be paid as incurred) and any amounts expended in the settlements of any claims of liability, loss or damage provided that, if such liability, loss or claim arises out of any action or inaction of the General Partners, the General Partners must have determined, in good faith, that such course of conduct was in the best interest of the Partnership and did not constitute fraud, negligence, breach of fiduciary duty or misconduct by the General Partners and, provided further, that any such indemnification shall be recoverable only from the assets of the Partnership and not from the assets of the Holders. All judgments against the Partnership and a General Partner, wherein a General Partner is entitled to indemnification, must first be satisfied from Partnership assets before such General Partner is responsible for these obligations. The Partnership shall not pay for any insurance covering liability of the General Partners, their officers,

directors, employees, agents, subsidiaries and assigns for actions or omissions for which indemnification is not permitted hereunder; provided, however, that nothing contained herein shall preclude the Partnership from purchasing and paying for such types of insurance, including extended coverage liability and casualty and workmen's compensation, as would be customary for any person owning comparable property and engaged in a similar business or from naming the General Partners and any of their Affiliates as additional insured parties thereunder, provided that such addition does not add to the premiums payable by the Partnership. Nothing contained herein shall constitute a waiver by any Limited Partner of any right which he may have against any party.

MISCELLANEOUS

This Partnership Agreement may be executed in several counterparts and all so executed shall constitute one Partnership Agreement, binding on all of the parties hereto, notwithstanding that all of the parties are not signatory to the original or the same counterpart.

The terms and provisions of this Partnership Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the respective Partners.

In the event any sentence or paragraph of this Partnership Agreement is declared by a court of competent jurisdiction to be void, such sentence or paragraph shall be deemed severed from the remainder of the Partnership Agreement and the balance of the Partnership Agreement shall remain in effect.

The names and addresses of the General Partners are :

Bruce K. Terwilliger
38 Bellevue Avenue
Newport, R.I. 02840

Vincent A. Marcello
38 Bellevue Avenue
Newport, R.I. 02840

The names, addresses and capital contributions of the Limited Partners are set forth on Exhibit I attached hereto, which exhibit shall be maintained at the principal place of business of the Partnership.

All the terms and provisions hereof shall be construed under the laws of the State of Rhode Island and that the Uniform Limited Partnership Act of the State of Rhode Island as now adopted or as may be hereafter amended shall govern the partnership aspects of this Agreement.


Bruce K. Terwilliger


VINCENT A. MARCELLO

LIMITED PARTNERS
sign on Exhibit I.
Attached hereto.

Subscribed and sworn to before me; Bruce K. Terwilliger.


Notary Public

Subscribed and sworn to before me; Vincent A. Marcello.


Notary Public

EXHIBIT L.

LIST OF LIMITED PARTNERS

<u>Limited Partners</u>		<u>Capital Contribution</u>
<u>Name and Address</u>		
1.	<i>Thomas R. Weschler</i> THOMAS R. WESCHLER 31 INDIAN AVE PORTSMOUTH, R.I. 02871	\$ 2,500.00
2.	<i>Saverio DeRuggiero</i> Saverio DeRuggiero 222 1/2 W. 1st St Newport, R.I. 02840	\$ 2,500.00
	<i>Christopher Withers</i> C. Withers	
3.	<i>Tom Lawler & Margaret Lawler</i> 50 Bliss Mine Middletown, R.I. Tom Lawler & Margaret Lawler 1742 Woodmen Rd. Foxcroft, Va.	\$ 2,500
4.	<i>Vincnet A. Marcello</i> Vincnet A. Marcello 36-0 G-41 Ave. Newport	\$ 1,250
5.	<i>F. West Jr.</i> F. West Jr.	
6.	<i>85 Old Beach Rd Apt</i> 85 Old Beach Rd Apt Gilbert R. Green	\$ 2,500
7.	<i>10 Jackson Road Newport R.I.</i> 10 Jackson Road Newport R.I. Judith A. Terwilliger	\$ 2,500.00
8.	<i>22 Jackson Rd.</i> 22 Jackson Rd. Newport, R.I. 02840	\$ 1,250
9.		
10.	The above named individuals, Thomas R. Weschler, Saverio DeRuggiero, Christopher Withers, Tom Lawler, Margaret Lawler, F. West, Jr., Gilbert R. Green, Judith A. Terwilliger, have subscribed and sworn before me that their signatures affixed to this attached agreement is their free act and deed.	
11.		<i>Vincnet A. Marcello</i> Notary Public
12.		
13.	The above named Vincnet A. Marcello has subscribed and sworn before me that his signature affixed to this attached agreement is his free act and deed.	
14.		<i>Turner</i> Notary Public

GREGORY F. FATER
ATTORNEY-AT-LAW
226 BELLEVUE AVENUE
NEWPORT, R. I. 02840

EXHIBIT A

LIST OF LIMITED PARTNERS

Limited Partners

Capital Contribution

NAME OF PARTNER

1. *Philip Robert Kruse*
PHILIP ROBERT KRUSE
4934 POWELL ROAD
Fairfax, Virginia 22032
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- 10.
- 11.
- 12.
- 13.
- 14.

\$2500.00

Earthlink 3 Mass
Notary Public
My Commission expires
on May 16, 1982

EXHIBIT L

LIST OF LIMITED PARTNERS

<u>Limited Partners</u>		<u>Capital Contribution</u>
<u>Name and Address</u>		
1.	<i>John Cook Jr</i> CDR JOHN C COOK JR 3199 Brillden CT San Diego, Ca. 92117	\$2,500
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GREGORY F. FATER
ATTORNEY-AT-LAW
220 BELLEVUE AVENUE
NEWPORT, R. I. 02840

Signature Certified to be True by
LCDR WILLIAM D. FRASER 24 JAN 1980 aboard
MAS North Island, San Diego, Ca. 92135
William D Fraser SIGN 24 JAN 1980 date

Original

*****03*

21-8B -765A14.

				<p>LAW OFFICE GREGORY F. FATER ROOMS 11 - 12 - AUDRAIN BUILDING 226 BELLEVUE AVENUE NEWPORT, RHODE ISLAND</p>
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