

the General Partners and/or their Affiliates have received any portion of the Surplus Funds as a Subordinated Incentive Fee (pursuant to Sections 2.04 (a)(4) and 3.08(b)(ii) of the Limited Partnership Agreement), in which event long-term capital gains recognized for tax purposes shall be allocated to the General Partners and/or their Affiliates up to the amount of such Surplus Funds received. To the extent gains recognized from sale of properties are less than Surplus Funds received by the General Partners and/or their Affiliates, then as subsequent gains from sale of properties are recognized, such gains shall be allocated to the General Partners and/or their Affiliates until cumulative gains recognized from sale of properties equal such cumulative Surplus Funds received by the General Partners and/or their Affiliates. The General Partners may, in their discretion and subject to the establishment of working capital reserves deemed reasonably required by the General Partners for the Partnership business, reinvest available Surplus Funds to the extent available from financing or refinancing of a property initially purchased on an all-cash basis (in which event all such proceeds may be reinvested) or purchased with a total cash outlay (including Acquisition Fees) exceeding 20% of the Purchase Price (in which event only the allocable proceeds attributable to the amount exceeding 20% may be reinvested) in additional properties for up to two years from the date the offering closes, and in such event the General Partners may receive an Acquisition Fee on a subsequent transaction (provided that the sum of such fee and the Acquisition Fee received on the initial acquisition together do not exceed what could have been received had the initial and subsequent purchases occurred simultaneously on a combined leveraged basis of not exceeding 80% of the Purchase Price). Otherwise, in the event Surplus Funds are available and, subject to the establishment of working capital reserves deemed reasonably required by the General Partners for the Partnership business, distributions of Surplus Funds will be made in increments of \$100 per Unit at the end of the next succeeding fiscal quarter after such Surplus Funds amount to at least \$100 per Unit, provided that the balance of Partnership cash and working capital reserves remaining after such distribution is of an amount deemed adequate by the General Partners for Partnership business. The General Partners, in their discretion, may from time to time distribute Surplus Funds in smaller or larger amounts more frequently, and may accumulate Surplus Funds not yet distributed for any valid business purposes of the Partnership, including its general operations and working capital needs. Notwithstanding the above, during the entire term of this fund, on or before 90 days after the close of each fiscal year, that portion of the Surplus Funds actually received by the Partnership as of the end of the preceding fiscal year and which results from sale (but not including refinancing) of any Partnership assets during such year, up to the amount of total net economic gain, if any, realized with respect to all Partnership assets sold during such year (total gains realized from the sales measured according to generally accepted accounting principles less the gain attributable to cumulative depreciation, loan premiums, or loan dis-