

Tax Sales Center

Partner Training Manual

by

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Confidential Document

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Introduction

This manual is part of a training program for people who wish to enter the Tax Sales Center (TSC) Investment Program as Partners. It manual explains the benefits, duties, and responsibilities of Partners. This manual also describes how Partners function within the organization, provides detailed explanations of the 11 Step Method for successfully closing and managing tax sales, and how to use the technology employed by TSC.

What Are Tax Liens and Tax Deeds?

Every property owner pays property taxes once or twice per year. For various reasons some property owners decide not to pay their property taxes and let them fall delinquent. Reasons for not paying taxes vary from forgetting, a person being ill or having died, wanting to do something else with the money, to simply not having the money when the tax bill is due.

Local governments, however, depend on these funds to provide for county services (such as fire, police, and education) and without revenues from taxes counties have trouble funding their projects. Because the government is not in the lending business, they are forced to sell the tax delinquent properties at what are called tax sales.

Tax sales are known by a variety of terms. Each state uses different language, has different laws, and uses different procedures for offering delinquent tax properties. States enforce overall guidelines regarding tax sales. However, individual counties can have their own rules regarding who is eligible for purchasing tax delinquent property, how to find information about them, how to purchase, and when to purchase them.

The rules about how tax sales are conducted in individual states generally come in two flavors: Tax Liens (or Tax Certificates) and Tax Deeds.

Here is the normal tax sale process:

- If a homeowner does not pay property taxes, the local tax collector puts a lien against the property
- The tax collector's office records this lien, where it remains until the taxes are paid
- The property owner has until a certain date to pay the taxes. If the taxes are paid after that date (called a redemption period), other penalties can be accessed taxes ranging from 8-50%, depending on the state

- No one can purchase or inherit the property without first paying the lien
- Tax liens are senior to any other loans on the property, save for an IRS lien (which is usually released by the time a county will sell the tax delinquent property). This is important because a tax sale will nullify any mortgage on a piece of property
- The county tax collector will hold an auction (called a tax sale) each year, sometimes several times a year, and sells these tax liens to the highest bidder.
- If an investor/bidder is successful in a Tax Lien state (like Texas), they have now taken the place of the government because s/he holds the certificate of the tax lien and the county has received their money to continue paying for the cost of running their county. If the taxes are still unpaid after a certain period, the owner of the tax certificate is given the deed to the property
- If an investor/bidder is successful in a Tax Deed state (like California), the ownership of the property is transferred to them

In either case, Tax Lien or Tax Deed, the previous owner has a period of time to reclaim the property by paying the taxes due before a final date. That period is called a "redemption period", and it varies from state to state.

Investing in tax liens/deeds is an alternative investment strategy that brings returns from 8% to over 500%, depending on the outcome. Average returns range from 10-20%. Investing in tax liens is safe because the investment is against collateral. If the property owner does not pay the lien, an investor who pays the lien for them may end up with the property for pennies on the dollar. It usually takes a year before the property is eligible for title insurance.

The Moral Dilemma

At first glance, some might feel this is a vicious, morally bankrupt way to make money. Some feel that property owners are taken advantage of, that they are being beaten when down on their luck, or that it is immoral to benefit from someone else's hardship.

The Tax Sale Center answers these concerns by reminding our investors and partners that taxes are needed by counties to fund their services. It is the duty, privilege, and responsibility of all property owners to pay their taxes. Paying taxes is not an optional activity, and all tax payers understand this fact. It is not only the individual tax payer who may encounter hardships, but the county government, and by extension, the community suffers from their hardship as well. Tax sales have been in existence in the United States, practically since our inception. Many countries around the world have also offered tax sales for centuries.

Some people simply make bad choices regarding their finances. A big screen TV, down payment on a new car, a computer, or paying for a vacation may substitute for

the property tax payment. Delinquent tax property owners sometimes take advantage of the redemption period and gamble that they can come up with funds to pay the taxes at a later time. Sometimes they simply use the county as a bank, essentially borrowing the money for taxes from the county to use it for other purposes. Of course, this is fundamentally unfair to their fellow citizens, who pay their taxes on time.

On the other hand, there are also people who are genuinely in financial distress due to circumstances beyond their control. Downsizing, loss of income, illness, death, divorce, and other such traumatic occurrences contribute to enormous pressures on families struggling to make ends meet. Many times the delinquent tax property owners are elderly people who do not understand that the government can actually take their home away from them. There are countless cases of elderly people who simply do not read their mail, or don't understand the warning notices they receive. People in denial because of psychological problems often do the same thing.

Paying taxes for people with tax problems, and profiting from the ownership of their appreciating asset is not necessarily a bad thing. The tax lien business, like many other real estate investment ventures can actually be beneficial to all parties. Remember that success in real estate is dependent upon your ability to solve problems for people.

In the case of elderly or otherwise disadvantaged people, simply informing them of the danger they face is often enough to get them to pay the taxes themselves. Many states and counties have homesteading allowances or special exemptions for certain groups of people. An elderly or disadvantaged property owner may qualify for assistance, but they may not be aware of programs that can help. TSC requires you, as a Partner, to know about such programs in your area, and to assist elderly and disadvantaged people with tax lien problems in every way possible. We will not knowingly exploit elderly or disadvantaged people. Any Partner who is party to such an action, or is involved in such, or by omission causes harm to another because of those actions, will be discharged from our organization.

Preparation Before Investing

Objectives

TSC investors need to understand why and how they are investing. Whether investing in Tax Liens or Tax Deeds, you should have a clear idea of both the benefits and downsides of the properties you wish to acquire. Thorough research is the key to success. Remember that both types of investments mean that you may end up owning the property you bid on.

Tax deed states allow you to own the actual property you are bidding on. They require more capital because you are actually "purchasing" the property. Property in

tax deed states require that much more attention. Realize that such property may be abandoned by the original owner because it may be environmentally contaminated, may be located near industrial waste, could have easement issues, bad neighbors, etc. You might even purchase property that is worth far less than the taxes owed or that will require a lot of money to make habitable. The idea is to buy property that is at a very large discount to similar properties - not to rescue something that might be worth money later. An investor interested in property in a tax deed state primarily wants to purchase property.

Property in tax lien states most times are not actually owned at the end of the process. In these states the investor is most interested in achieving the highest interest rate possible and in knowing the redemption period in which the owner may reclaim their property. An investor interested in property in a tax lien state wants to achieve a high return on investment with a secondary goal of property ownership.

Property Types

The kind of property you will invest in is very important. Tax sales include all kinds of property; from raw land, to commercial and industrial, to multi-unit residences, to single family residences. Commercial and industrial properties usually have fewer buyers because there is more risk and expertise required to purchase them. Residences usually lie within the comfort level for expertise, risk, and capital required for most investors. Raw land, although requiring a bit of expertise, can represent an excellent investment for most people.

What is the Tax Sales Center?

The Tax Sales Center (TSC) is the first company to recognize the outstanding opportunity in the market for a business that marries powerful technologies of computerized expert systems, relational databases, and instant Internet communications for the use of people investing in Tax Sales around the world.

We provide our customers with:

- instant access to thousands of properties on the Internet updated daily for a small monthly subscription
- a way to minimize the risk of investing in Tax Sales with groups of other people all over the world
- a sophisticated database that allows customized searches of properties to our customer's exact needs
- powerful ways of visualizing information about a property for tax sale in integrated formats
- automated evaluation and analysis tools
- help in purchasing tax sales properties every step of the way
- help with managing properties once they are purchased

- **courses and other multimedia instructional material**

The three primary services TSC provides to its customers are:

- **the first Internet-based relational database dealing with delinquent tax properties for sale anywhere in the United States**
- **courses on how to purchase delinquent tax properties, how to become an Associate Investor, and how to become a certified Partner Investor**
- **an Investors Program that allows subscribers to participate in investments with TSC as Associates or Partners, as well as to update the database**

The main proprietary product developed by TSC is the sophisticated relational database that is comprised of several associated databases:

- **State Laws**
- **County Offices**
- **Tax Liens**
- **Neighborhood Inspector**
- **Site Inspector**
- **Deal Closer**
- **Portfolio Manager**

Other software under development are evaluation tools, calculators and the corporate website (with its associated supporting technologies).

Why Become A TSC Partner?

The benefits to Partners can be enormous. By doing just a few hours of work each week, Partners may receive percentages of the value of all transactions successfully completed in their area that they participate in. They are also eligible to receive larger percentages of other transactions, even those that are outside of their area. Because TSC Subscribers, Investors, and other Partners need their services to successfully complete investments made in their area, Partners will always be in a unique position to profit from multiple, simultaneous transactions. This is in addition to any deals they may make on their own.

Partners are not employees of TSC, but are consultants who may sometimes represent companies. Most people will find this consulting work can be easily done on a part-time basis. Partners are required to take our Tax Sales Partners course, (either on-line or in classes in their area), and to successfully pass a web-based certification test. Partners are also required to sign an agreement allowing TSC first right of refusal on certain tax sales represented in the TSC database. Partners are authorized, after certification, to make certain changes to the TSC database.

The duties of Partners are:

- ensure that all delinquent tax properties records in the TSC Database in their area are accurate and updated
- perform detailed neighborhood/structural evaluations and other due diligence reports using TSC software and management techniques for delinquent tax properties records in the TSC Database in their area (especially for "Recommended" and "Preferred" properties)
- ensure that regulations and laws in counties where they represent TSC are accurately reflected in the TSC database
- to be available to assist TSC in its dealings with counties in their area (including attending bids and researching county records)
- manage teams of Investors on particular investment projects
- stay current on TSC procedures
- assist elderly and disadvantaged people who may be unaware of their rights to remain in their homes

Using TSC Software Programs and Databases

Getting Started

Your Partner Account Name & Number

Everyone joining the Tax Sales Center is assigned both an Associate Name and an Associate Number. You can change the Associate Name if you'd like. However, your Associate Number cannot be changed. It will look something like this: 1724-142007-Kop. You must keep this number handy, since it is the way the TSC system keeps track of your transactions.

A TSC email account was also setup for you at the time you joined. Set the software you use to receive and send email (Entourage, Eudora, MacOS Mail, Express, etc.) as follows:

Account Type: POP

E-mail Address: (the email address sent to you, i.e. kopper@taxsalescenter.com)

Full Name: TSC EMail

Incoming Mail Server (or SMTP): mail.taxsalescenter.com

Username: (the username sent to you, i.e. kopper@taxsalescenter.com)

Password: (the password sent to you)

Outgoing Mail Server: mail.taxsalescenter.com

If you have problems, send correspondence to TSC at either clovice@taxsalescenter.com or TSC@taxsalescenter.com.

How To Access The TSC Website

The TSC website for Partners is found at:

<http://www.taxsalescenter.com/partners>

This is where you'll find a preliminary website for all information regarding TSC partners and initial investors.

Note: Check your e-mail account and the bulletin board for up-to-date information about changes to, and the locations of TSC software programs.

How To Access The TSC Databases

To gain access to the databases go to www.taxesalescenter.com/partners, click on 'Log In', then click on 'Partners Help'. Follow instructions to enter the Partners Area. Click on any of the databases listed on the left side of the screen under the 'Browse the TSC Databases' heading. When you click on one (like 'State Laws') you'll be challenged for an ID and password. At this time the User ID is 'Initial Partner' and the Password is 'TSCdatab1'.

Note: Check your e-mail account and the bulletin board for up-to-date information about changes to passwords and IDs for the TSC Databases

Before you click the 'OK' button check the 'Remember Password' box. You should then be able to play around in the databases Partners have access to.

Using the FTP Site to Download Large Files

The FTP site is where you'll find documents for downloading that are too large to email through normal internet service providers, such as the latest versions instructional materials or new versions of software. Here's how to access the FTP site with your FTP software (such as FreeFTP or Fetch):

Name: Partners TSC
Host: taxsalescenter.com
User ID: Partners@taxsalescenter.com
Password: Partners

On-Line Interactive PERT Charts

The interactive Program Evaluation and Reporting Technique (PERT) chart has been posted on the TSC site. It is known as the Interactive Project Management System (IPMS). TSC uses this as a way to keep everyone involved with any particular project informed about every detail in an up-to-the-minute manner. It is off the "regular" TSC site, so you have to know the exact path name to get to it, which is: www.taxesalescenter.com/partners/IPMS.html.

Accessing Your BBS Account

The Bulletin Board System (BBS) is for TSC Subscribers, Investors, and Partners. The BBS provides users with an easy and efficient way to view information about TSC policies, products, and services. It is available through the TSC website at <http://www.taxesalescenter.com/partners/LogInFrame.html>, or you can go directly to it (save as a favorite in your browser) at <http://www.taxesalescenter.com/v-web/bulletin/bb/index.html>. Follow instructions to gain access to the BBS.

Accessing The Chat Room

A Chat room is available for TSC Partners. On the TSC website (<http://www.taxsalescenter.com/partners>) click on “Log In: BBS and Database” on the far left frame of menu choices, scroll down, then choose “Partners Help” to access the “Partners Area”. Scroll down on the far left frame of menu choices there and select “Visit Chat Rooms”. Use of the Chat Room is self-explanatory. If you need help, just click on the “Tutorial” button at the top of the Chat Room box.

Accessing The TSC Text-To-Data Converter (TDC)

The TDC provides a tool that allows you to convert vast amounts of data from the internet into a format that will be directly imported to the TSC databases. It allows you to prepare hundreds of records in just a few minutes, increasing your efficiency by many factors.

The TSC FTP site is where you'll find the latest version of the TDC for downloading. Here's how to access the FTP site with your FTP software (such as FreeFTP or Fetch):

Name: Partners TSC

Host: taxsalescenter.com

User ID: Partners@taxsalescenter.com

Password: Partners

Path: public_ftp/Software_Tools/TSC_TDCv[version number]mc (for Macs) or:
public_ftp/Software_Tools/TSC_TDCv[version number]pc (for PCs)

The TDC is a stand-alone application that runs like any other executable or program file. Simply double click the icon on your hard drive and it should operate. You'll find all the documentation needed to learn how to use the program included in the program itself. Simply click on self-labeled buttons for tutorials or help.

About TSC Databases

What is a Computer Database?

A database is any organized collection of information about a particular topic. A computer database uses a program to enter, search, and manipulate the data. All databases are comprised of records, which contain information collected on one entity in the database. For example, a record might include a person's name, address, phone number, and date of birth. Typically each single piece of information is contained in a field within the record. So, one field would contain a person's name, another field would contain the address, and so on.

Computer databases offer the following benefits:

- You can easily change, edit, add, or delete data
- Search features allow you to quickly find any data
- Sort features allow you to organize the data in any desired order
- You can perform calculations
- Multiple users can access the database
- Data can be imported from, and exported to, other programs

The Difference Between Flat-File and Relational Databases

Database programs come in two flavors: flat-file and relational. Generally, a flat-file database contains multiple records of one kind of file. All fields used in the file, irregardless of the number of records it contains, must be contained in that data file. On the other hand, a relational database allows for multiple interrelated data files to share fields in common. This allows data to be extracted from several different files, or even different databases.

TSC uses a powerful relational database program, primarily because the number of individual fields necessary to adequately describe something as complex as tax sales information is very large. So, the "TSC database" is really divided into multiple, separate databases that are "related" to one another to form a seamless network of information. This offers several remarkable advantages:

- Changes made to one database do not need to affect other databases
- Changes made to an important, related field in any database can be instantly reflected in all other databases that share that information (i.e. an address change)
- Partners from around the world can instantly update data and have that data propagated throughout the system
- Databases can be multiplied without changing the basic structure of information (i.e. as databases grow they can be easily divided to cover smaller geographical regions)

Figure 2-1 shows the relational structure of TSC databases. As can be seen, information relating to the state (Texas) is common to all databases. Information relating to the County (Bexar) is available to Counties, Tax Liens, and Neighborhood Inspection databases. The Property Owner information is only shared by the Tax Liens and Neighborhood Inspection databases. Note that the record for Antonio Lopez will not be seen if you are looking through records for the state of Arizona because his property is "related" to the state of Texas.

States Database

States	Counties	Tax Liens	Neighborhood Inspection	Site Inspection
County Maps 1 - County Maps 2				
State	Texas			County
Sale Type	<input type="checkbox"/> Deed <input type="checkbox"/> Lien <input type="checkbox"/> Redeemable Deed <input type="checkbox"/> Tazung			APN
Sale Frequency	Quarterly			
Sale Period	Year Round			
Percentage Rate	0%			
Redemption Period	6 Months - 1 Years			
Sale Method	Cash Bid			

State Relationship

Counties Database

States	Counties	Tax Liens	Neighborhood Inspection	Site Inspection
Tax Sales Listings				
Assessor's Information				
County Map				
County Board				
County	Bexar			County Website
http://www.co.bexar.tx.us				
Tax Sales Type	<input type="checkbox"/> Deed <input type="checkbox"/> Lien <input type="checkbox"/> Redeemable Deed			Census State
Recent Number of Parcels		Recent Sale Date		<input type="text"/> 8/27/02 <input type="text"/> 4/30/02
County Tax Collector	<input type="checkbox"/> Collector <input type="checkbox"/> Assessor <input type="checkbox"/> Treasurer			
Name				
Address				
City	San Antonio	State	Texas	
Phone Number	214-3428	Fax Number		
E-Mail				
Collector's Website	http://www.bexar.org/files/subscribed/taxcollector.htm			

Tax Liens Database

States	Counties	Tax Liens	Neighborhood Inspection	Site Inspection	Property Manager
Link to Tax Collector's Information					
Assessor's Information					
Parcel Map					
Road Map					
TSC Partner Database					
Special Tax			Adjudged Value	Associate Number	1100
Parcel/Account Number	2844019278		36450.00	Associate Name	T1000
Property Owner	Lopez, Antonio		Minimum Bid	Time Stamp	7/7/02
Property Address	788 Rockford Way		4259.30	TDC Rating	
Property City	San Antonio		Sale Price	Redeemable	<input type="checkbox"/>
Property State	Texas		Property Format	Excluded	<input type="checkbox"/>
Property Zip Code	78254	County	Bexar		
Default Date			Charges Per Year		
Judgment Date	07-JUL-2005		Order Issue Date		

County Relationship

Neighborhood Database

States	Counties	Tax Liens	Neighborhood Inspection	Site Inspection
Neighborhood Inspection				
North				
East				
South				
West				
Map				
Parcel Number	028445180078			County
Owner Name	Lopez, Antonio			Bexar
Site Address	788 Rockford Way			
City	San Antonio	State	Texas	
Setting	<input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural			
Life Cycle	<input type="checkbox"/> Growth <input type="checkbox"/> Steady <input type="checkbox"/> Decline			
Priority Values	<input type="checkbox"/> Increasing <input type="checkbox"/> Steady <input type="checkbox"/> Decreasing <input type="checkbox"/> Depressed			

APN, Owner, Address, City Relationship

Figure 2-1. TSC Database Relational Structure

TSC Databases Overall Features

The design of TSC Databases will change over time. However, the basic operation of the databases will remain the same. Instead of providing instruction about operating specific databases, this document describes general topics, such as how to navigate through databases, how to find records, and so on.

TSC Databases are accessed through the Internet using your password and user ID. There are a variety of databases, made available to you depending upon your user level. Each time you access the database you will be challenged for a User ID and Password. Enter the User ID and password TSC issued to you when you joined. Figure 2-2 shows how the challenge appears.

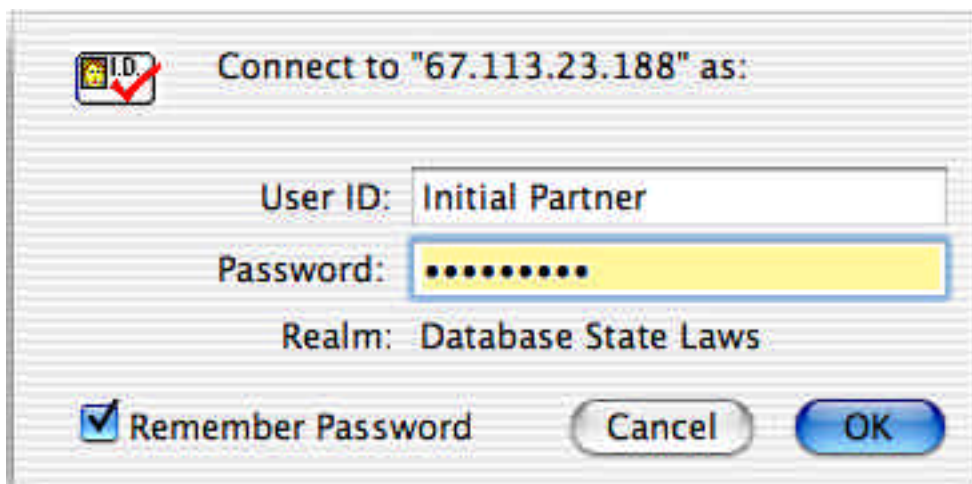


Figure 2-2. User ID and Password Challenge

A typical database is shown in Figure 2-3. A database screen is divided into three parts on your browser screen: 1) the Status Area, 2) the Navigation Bar, and 3) the Record/Field Area.

The status area on the left side of the browser window provides access to many features. Depending on your user level, you can:

- view data on different layouts
- change layout views
- view the next or previous record
- create, edit, duplicate, or delete records
- create, edit, duplicate, delete, and perform find requests to view a subset of the records
- omit records from the found set
- sort the records

Status Area

Navigation Bar

The screenshot displays a web application interface with three main sections highlighted by red lines and labels:

- Status Area:** Located on the left side, it contains a toolbar with icons for home, search, and print. Below the toolbar are several input fields and a 'Log Out' button.
- Navigation Bar:** A blue horizontal bar at the top of the main content area, containing links for 'Status', 'County Maps 1', and 'County Maps 2'.
- Record/Field Area:** The central area containing a form with various input fields and checkboxes. The form includes sections for 'State', 'Sale Type', 'Other Sale Type', and 'Comments'. A 'Dariusz Bureau State' field contains a URL: `http://cpw4076ts.cerius.gov/gd/Viewed44000.htm`.

Record/Field Area

Figure 2-4 shows the Status Area. Table 2-1 describes Status Area items.

Table 2-1. Status Area Items

Item	Description
1	Goes to Home Page listing all Databases available to you.
2	Browse Mode icon. Click to enter the Browse Mode.
3	Find Mode icon. Click to enter the Find Mode
4	Mode indicator. The Browse mode is on.
5	Help. Click this button to access the Help manual.
6	Record Control Panel. From left to right, the icons represent the following controls: New Record, Edit Current Record, Duplicate Current Record, Delete Record, Sort Records, and Show All Records
7	Find Control Panel. From left to right, the icons represent the following controls: Omit Record, Omit Multiple Records, Show Omitted Records.
8	Layout selector. Click here for a pull-down menu that allows you to view data in different arrangements.
9	Form selector. Click here for a pull-down menu that allows you to view records in form, list, or table formats.
10	Page Controls. Click on the right page to go to the next record. Click on the left page to go to the previous record.
11	Go To Record Field. Enter the number of a specific record, then click on the Go To Record button.
12	Go To Record Button. Click to go to the record number in the Go To Record Field.
13	Modify Last Found Button. Click to view, repeat, or change a find request.
14	Log Out. Click to leave all TSC Databases

The Navigation Bar provides quick access to other external databases and other screens (or layouts) within the database you are viewing.

The Record/Field Area is where all information about the record being displayed is held.

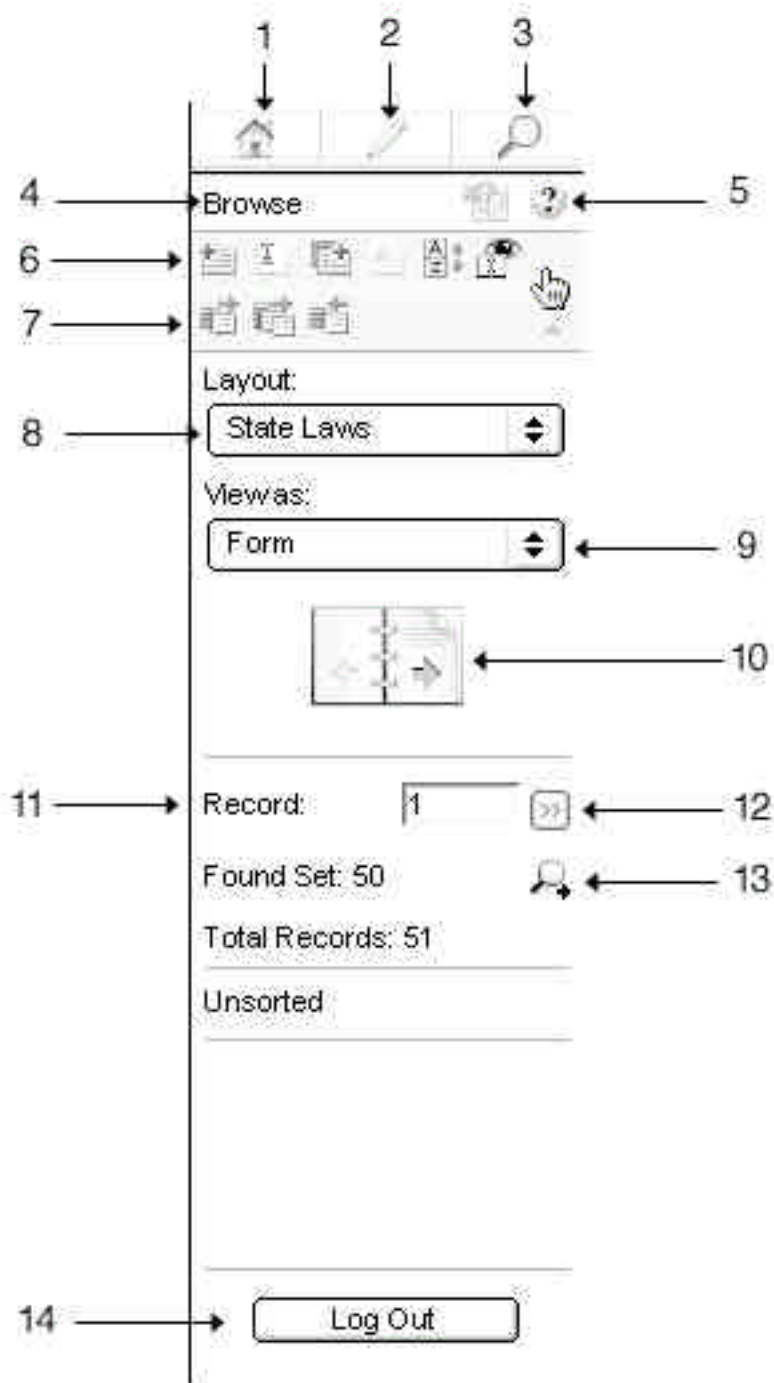


Figure 2-4. Status Area

Searching and Selecting Records

Finding Records

Use the Find mode to locate records based on search criteria. The search criteria are values you input into fields in one or more find request. Find requests are created, edited, deleted, and navigated like actual records, depending on your user level.

When you perform the find (by clicking on the "Perform Find" button), all records in the database are searched and compared with the data in the file. Records found with matching criteria become the found set, which is a subset of records displayed in Browse mode when the search is complete.

To find a record or group of records:

1. Click the **Find Mode** button.
2. Click in the field you want to search on and enter the search criteria.
3. Click the **Undo** button to reset the search criteria.

For example, to find records where the county = Bexar (a county in Texas), click in the County field and type "Bexar". Figure 2-5 illustrates this. You can also use one of the symbols described in Table 2-2 below to search different criteria.

Table 2-2. Find Symbols

To find values that are	Use this operator	Example
Less than what you type next	<	<20 finds all the records less than 20
Less than or equal to what you type next	<=	<=09:00:00 finds all the records less than or equal to 9:00
Greater than what you type next	>	>08:00:00 finds all the records after 8:00
Greater than or equal to what you type next	>=	>=John finds all the records whose name is "John" and all records alphabetically after "John"
An exact match, although the field may contain other values	= (before criteria)	=John finds all the records where the name is "John," including "John Jones," but not Johnson
An exact match, in the order specified, and the field contains no other values	== (before criteria)	==John finds all the records where the name is "John," but not "John Jones" or "Johnson"
Within the range you specified	...	2:30 pm...8:30 pm finds all the records between 2:30 and 8:30 pm.

Duplicate values	!	! finds all the records that have duplicate values in a field
Today's date	//	// finds all the records that have today's date
Invalid dates or times	?	? finds all the records that have invalid dates or times
One unknown or variable text character	@	@on finds all the records that have 4 characters and end in "low," like "Slow"
Zero or more unknown or variable text characters	*	*john* finds all the records that have "john" in the name, like "johnson," "Johnstown"
Literal text in a field (useful for searching on characters like ",")	" "	", Jr." finds all the records that have ", Jr."
Empty fields (for example, records of unfilled orders)	= (just type an equal sign)	= finds all the records that have no values

4. Click **Perform Find** to search the database and view a subset of the records.
5. The status area indicates how many records were found.

Additional Tips

- To reset the found set to include all records, click the **Show all Records** button.
- To view, repeat, or change a find request, click **Modify Last Find** button.
- You can continue a search by omitting a specific record that you are browsing, omitting multiple consecutive records, or by constraining or extending the found set with additional find requests.

Performing AND/OR Searches

To perform an AND search, specify one find request using multiple fields. For example, you can perform a search where City = Mountain View AND Name = Noble.

1. Click **Find Mode** and click into the field you want to search.
2. Type the search criteria.
For example, to find records where city = Mountain View click in the City field and type Mountain View.
3. Click into the next field to specify additional criteria (an AND search), for example click in the Name field and type Noble.
4. Repeat step 3 until you have entered all your search criteria.
5. Click **Perform Find** to search the database and view a subset of the records.

To perform an OR search, where any search criteria is matched, you specify multiple find requests. For example, you can perform a search where City = Mountain View OR Dallas, or you can perform a search where City = Mountain View OR Name = Noble.

1. Click **Find Mode** and click into the field you want to search.
2. Type the search criteria.
For example, to find records where city = Mountain View click in the City field and type Mountain View.
3. Click the **Add New Request** button.
4. In the new blank find request, click into the field you also want to search on and type the additional search criteria, for example, Name = Noble.
5. Repeat steps 3 and 4 until you have entered all your search criteria.
6. Click **Perform Find** to search the database and view a subset of the records.

Keep these points in mind:

- Multiple find requests are performed in the order they are created.
- Each find request can contain multiple fields that specify an AND request, for example to find all records where City = Mountain View AND Name = Noble.
- For search criteria using Omit (when your criteria DOES NOT EQUAL data), it is normally better to specify search requests with Omit last. (First include all the records you want to select from, then exclude undesired records from the group.)
- For multiple find requests, AND operations are evaluated before OR operations. For example, a complex AND/OR search with multiple find requests are evaluated as: (City = Mountain View AND Name = Noble) OR (City = Dallas AND Name = Smith) OR (City = Dallas AND Name = Jones).
- You can make modifications to the found set by constraining or extending the found set.

Finding Record Exceptions

To find records that do not equal a specified value, you omit records with that criteria while performing a find. For example, to find all tax sales except those for the city of Dallas:

1. In Find Mode, type criteria for the records to omit (type Dallas in the City field).
2. Click **Omit**.
3. Click **Perform Find**.

To find some records while omitting others:

For example, to find counties in the state of California, except Los Angeles:

1. In Find Mode, type the criteria for the records to find (type CA in the Counties field).
2. Click **Add New Request**.
3. Type criteria for the records to exclude (type Los Angeles in the Counties field).
4. Select **Omit**.
5. Click **Perform Find**.

Keep the following in mind:

- You can Omit search criteria in more than one request.
- Multiple find requests are performed in the order they are created.

You can also omit records from a found set after performing a find.

Omitting Records From A Found Set And Viewing Omitted Records

Omit a record or a series of records to remove them from the found set. Omitted records are still in the database; they simply won't be seen in the found set. Table 2-3 shows how to omit records from a found set.

Table 2-3. Omitting Records From a Found Set

To	Expand The Toolbar And Do This
Omit a specific record	Display or select the record to omit, then click Omit Record .
Omit multiple (consecutive) records	Display or select the first record in a series of records to omit, then click Omit Multiple . In the Omit Multiple dialog box, type the number of records to omit, then click Omit .
View the omitted set and hide the current found set	Click Show Omitted .
Reset the found set to include all records	Click Show All Records .

Narrowing A Found Set

If you have a found set and you want to further reduce the number of records to match a more specific criteria, use the Constrain Found Set feature.

For example, you can add to a find request where Partners = California to find a specific employee:

1. In Find Mode, perform a find to locate all of the Partners who work in California.

- The search results are displayed the found set in Browse mode.
2. To further reduce the records, switch back to Find mode and type the criteria to narrow the search (type Jones in the Last Name field) to find all Partners with Jones in their name.
 3. Click **Constrain Found Set**.

The found set now consists of Partners in California named Jones.

Broadening a Found Set

If you have a found set and you want to expand the number of records to match additional criteria, use the Extend Found Set feature.

For example, after searching for Partners in California, you can broaden the search to also find Partners in Arizona:

1. In Find mode, perform a find to find Partners in California.
The system displays the found set (of Partners in California) in Browse mode.
2. Switch back to Find mode and type the criteria to broaden the search (type Arizona in the State field).
3. Click **Extend Found Set**.

The found set now consists of Partners in California and Arizona.

Sorting Records

You can rearrange the order of the records by sorting the database. Records can be sorted in ascending order, descending order, or a custom order based on a list of predefined field values. Figure 2-5 shows what the dialogue box displayed on the Sort command while in a Tax Lien database.

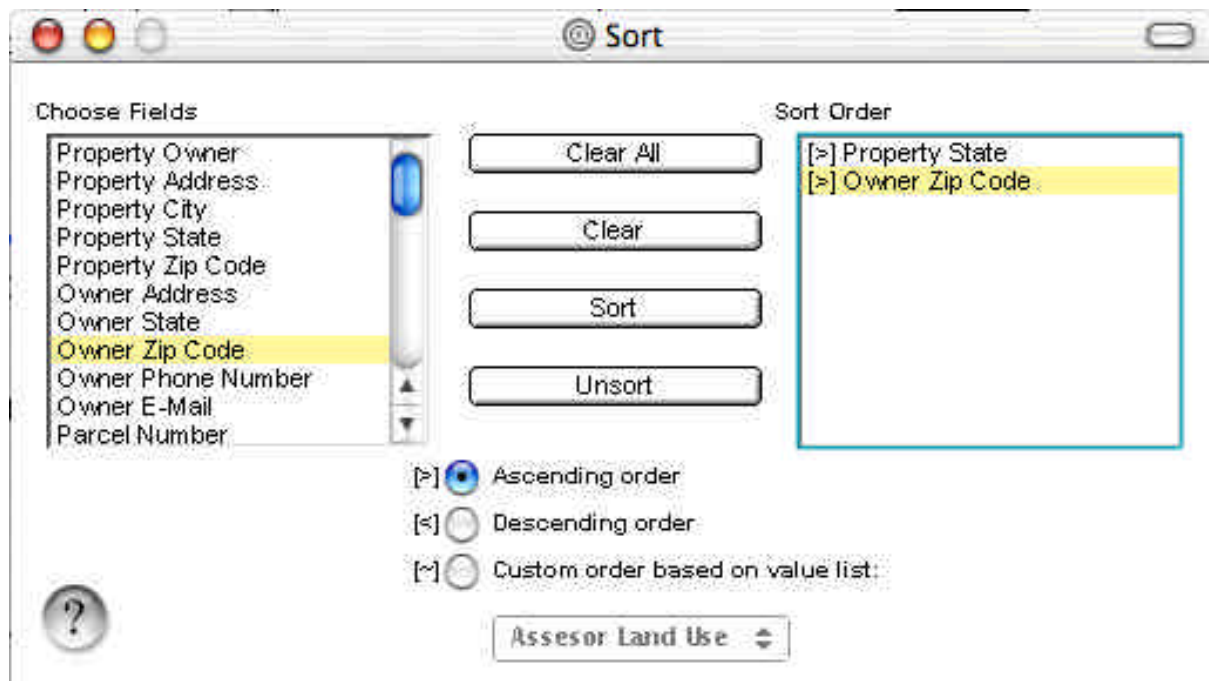


Figure 2-5. Sort Command

Here's how to sort records:

1. Go to the Tax Liens Database
2. In Browse mode, navigate to the Layout that has the fields you want to sort on, then click the **Sort** button.
3. Select the first field to sort (for example, Property State).
3. Choose the sort order (for example, Ascending order, for A to Z; Descending order for Z to A, or a custom order based on predefined field values), then click Move.
4. Repeat steps 2 and 3 for each sort field (for example, to sort on Owner Zip Code).
5. Click **Sort**.

In Table View, click the column header (the field name) to sort the table in ascending or descending order on that field.

The current record is displayed in the top row of the table. To view the first record, for Record Number, type 1 and click the **Go to Record** button. You can also click the left arrow in the book icon to view previous records.

To restore the records to the creation order, click **Sort**. In the Sort dialog box, click the **Unsort** button.

Note: You can only sort by fields that are on the current layout.

Text-to-Data Converter (TDC) Overview

Changes to the TDC are made on a regular basis. Instructions in the following section provides a general overview of TDC theory and operation. The manual for operating procedures and tutorials describing use of the TDC are included in the software.

TDC Overall Features

The TSC Text-To-Data Converter is a proprietary tool that facilitates the import of HTML-type files of tax sale properties generated by counties found on the internet into the TSC databases. The TSC databases can be populated manually, but that would take far too much time, given the thousands of records that must be inputted. The TSC databases can import large amounts of data very quickly, as long as that data is arranged into neat comma-separated files. Unfortunately, counties create files that display lists of tax delinquent properties in a multitude of formats. There is absolutely no continuity of form between any two counties. The TDC allows you to teach your computer how to understand any county's data structure and have it convert that data into a format the TSC databases can use. It helps to largely automate the task of grabbing information from the internet and converting it into TSC database records.

The good news is county records from the internet are almost always presented as simple databases that are formatted in either rows or columns. First of all, a *record* contains all the information presented on one entity in a database. A record can contain text or numbers that are separated from each other in some manner. Each record is separated from other records, as well.

A simple database, arranged in columns, would look like the following:

Item Number Bid	APN Number	Owner	Address	Minimum
1	220-339-7882	John Crichton	244 Galaxy Way	\$350
2	220-387-7224	Aeryn Soong	55634 Starpath	\$2,560

The top line is a legend to the data below it. As you can see, the information is arranged in columns, in this case, separated by tabs. Two records are separated from each other by paragraph returns.

The same database, arranged in rows, would look like the following:

Item Number: 1
 APN Number: 220-339-7882
 Owner: John Crichton
 Address: 244 Galaxy Way
 Minimum Bid: \$350

 Item Number: 1
 APN Number: 220-387-7224
 Owner: Aeryn Soong
 Address: 55634 Starpath
 Minimum Bid: \$2,560

In this configuration, each line starts with a title describing the data immediately following the ":" (colon). The information is arranged in rows, separated by paragraph returns. Records are separated by the dashed lines, and by the fact that the record set starts to repeat with the "Item Number:" title.

This Text-to-Database Converter tool arranges databases that are typically found at county websites on the internet into the comma-delimited format TSC Databases can work with, which looks like this:

```
Item Number,APN Number,Owner Address,Minimum Bid
1,220-339-7882,John Criton,244 Galaxy Way,350
2,220-387-7224,Aeryn Soong,55634 Starpath,2560
```

Notice that the first line provides a legend for all comma-separated data in each record. Also notice the dollar signs and commas of the minimum bid prices have been stripped as well. All you have to do is open a properly formatted text file (press the "Converting Files" button for more information), enter the legends (in order), activate the conversion program, check it for accuracy, then save the converted file.

Operations

The heart of the TSC system is a sophisticated database that is continually revised by professionals who understand the needs of both investors and counties. We update the database in a variety of ways:

- Counties and states provide us with data
- Partners research public records in the regions they are responsible for and input current data
- Investors input new data from on-line and off-line sources

The TSC database synthesizes information scattered among thousands of sources into a centralized, powerful tool that can be used by anyone wishing to research tax sales-related records. Subscribers to the database use it to do that kind of research. They have no desire to further their relationship with us, and receive great value for their money.

With literally hundreds of thousands of Tax Sales properties for sale in the United States alone, there are more than enough properties to satisfy demands of the market. There is a constant need for education about the market. Also, not all counties are able to offer online viewing of their records. In addition, many counties still exclusively advertise their listings for tax sales properties using old fashioned methods (such as posting them on the bulletin board of a community center or printing only in the local newspaper).

TSC has created a holistic system of interdependent functions by:

- providing subscribers with on-going education about both the Tax Sales market and our database
- giving them incentives to contribute to, and participate in, the maintenance of our database
- partnering with subscribers in joint ventures

TSC links these functions together through its Investors Program. Subscribers interested in participating in investments with us may join the Investment Program.

Investors Program

TSC's Investors Program is designed for Subscribers who are interested in participating in purchasing properties with other TSC-trained investors.

Investors

To qualify for the Investors Program, Subscribers must:

- Take our Tax Sales Investors Program course, either on-line, or in classes in their area
- Successfully pass a web-based certification test

Partners

To qualify as a Partner, Subscribers must:

- Take our Tax Sales Investors Program course, either on-line, or in classes in their area
- Take our Tax Sales Partner course, either on-line, or in classes in their area
- Successfully pass a web-based certification test
- Represent TSC at bids and auctions in their assigned area
- Ensure that information in the database regarding properties in their assigned area is accurate
- Create detailed due diligence reports on all "Recommended" and "Preferred" properties in their assigned area
- Work with TSC, Subscribers, other Partners, and county governments on all transactions in their assigned area
- Assist elderly and disadvantaged people who may be unaware of their rights to remain in their homes

In exchange for commitments from our Investors and Partners, they will be eligible to participate in percentages of property ownership. Investors and Partners will be required to sign an agreement allowing TSC first right of refusal on tax sales. Both Investors and Partners will be authorized to make certain changes to the database.

TSC Property Ratings

Any property listed in the TSC database, as tax liens, tax certificates, or other tax sales forms, is subject to one of the ratings described in the Table 3-1 below.

Table 3-1. Property Ratings

Rating	Description
Preferred	A property (or certificate) that TSC has evaluated and is made available for Partners and Investors to invest in on a percentage basis. These properties have benefited from TSC-sponsored due diligence evaluations and processes designed to ensure the best chances of purchasing the properties possible. Only Partners and Investors may bid on that property.
Recommended	Property (or certificate) that is in the TSC database which has received a partial evaluation. Especially one where the ratio between the adjudged or actual value and the taxes owed is at a level acceptable to most investors. Only Partners and Investors may bid on that property.
Not Evaluated	Property(or certificate) that is listed in the TSC database from a variety of sources. TSC has not performed any kind of evaluation, and makes no recommendation about the property. All Subscribers to the TSC system, Investors, and Partners are free to bid on the property.
Sold	Property (or certificate) that was formerly listed in the database, but which has been recently sold or otherwise removed from sale.

The ratings represent the first level of involvement for our subscribers. Their incentive to contribute to the database is twofold:

- it allows them to participate in joint ownership opportunities
- it provides them with greater percentages of ownership in jointly owned properties as they increase their commitment to contribute to the database

Investors Program Overall Structure

Our Investors Program is designed for people who wish to invest with us, sharing the risk and rewards of doing so. It will be a very beneficial program for people who want to invest in many areas of the country while leaving most of the research, evaluations, and negotiations to professionals who specialize in the field. People who wish to join our Investors Program will invest in a way that minimizes their risk and maximizes their potential for profit.

They will benefit from the automated management TSC will provide for limited partnerships because each property rated as "Preferred" or "Recommended" will operate as a unique limited partnership. The structure for limited partnerships formed by TSC and its Partner/Investors will be what is referred to as a *specified program*. TSC investors will not be purchasing units of a *blind pool*, where general partners indicate the types of property they will build or develop, but they do not have any properties specifically identified. Our Partners will have broad control over management decisions over a carefully specified single piece of property.

The limited partnership in specified programs involves much more than the division between management and liability to partners. Each program will spell out exactly how much each partner will be paid from profits, and the final disposition of the property (whether to be improved then sold, sold as is, or held as investment income property). A program prospectus will be generated for each property. The training we provide to partners, the vast network of potential partners, and our portfolio management software, will ensure profits for all involved.

Because Tax Sales properties are highly leveraged, the profits are large enough, yet the buy-in is small enough for a limited partnership to work for investors. TSC limits percentages of owner-partnerships to 10 percent increments, so there will be a maximum of 10 partners for any particular property.

How TSC Functions

TSC maintains and controls the database, the website, and all transactions rated "Recommended" and "Preferred". It operates as broker, deal-maker, referee, and gatekeeper.

TSC promotes an eleven step method to closing a successful tax deal:

- Step 1. Know the laws concerning tax sales in the state you are interested in.
- Step 2. Know the laws and rules governing the purchase of tax sale properties in individual counties.
- Step 3. Find Tax Sales properties listings.
- Step 4. Gather as much information as you can about the taxes owed on the property and the nature of the property.
- Step 5. Determine the value of the property.
- Step 6. Determine where the property is located.
- Step 7. Understand the demographics of the area where property is located.
- Step 8. Inspect the neighborhood where a property is located.
- Step 9. Inspect the site where a property is located.
- Step 10. Bid on the property.
- Step 11. Manage the property in a way that is best for the community and you as an investor.

Normal Operations

Figure 3-1 is a flowchart showing how TSC normally operates to determine ratings for tax sale properties listed. Circle numbers in the flowchart correspond to the numbered paragraphs below:

1. Counties list tax sale properties (Deeds or Certificates) in a number of ways.
2. If TSC misses a listing, it is picked up by an Investor or Partner. This is an advantage of having investors all over the country partner with us. They have incentives to find tax sale properties, even those that are not listed by their counties
3. If the total taxes owed on the property is less than the value of the property a preliminary "Due Diligence" Report is done, either by TSC or an Investor/Partner
4. Before an Investor/Partner can perform a Preliminary Due Diligence Report, they must receive a case number from TSC. This will allow TSC to keep track of who gets credit for the work that is done, which directly translates into percentages of ownership in a deal
5. If a Investor/Partner's Preliminary Due Diligence Report meets TSC standards and is accepted by TSC it is entered into the database and the Investor/Partner is credited for the report.
6. Each Investor/Partner gets up to 30 days to finish a report. A completed report must have all information formatted to TSC standards. If a report is not completed within the 30 day time period it is handed over to another Investor/Partner.
7. Preliminary Due Diligence Reports include information gathered from the county Tax Collector, Assessor, and Surveyer offices. It includes parcel maps, property values, owner information, and zoning restrictions. A Preliminary Due Diligence Report also features information about the neighborhood and site where the property is located.
8. If a property is redeemed by its owner there is no need for further processing. That question is constantly evaluated by the database at all phases of processing. Properties listed as Sold will remain in the TSC database for five years, in case the property becomes available again.
9. If a Partner is available in an area, and the property in question falls in their jurisdiction, the Partner is tasked to provide a Detailed Due Diligence Report. A Detailed Due Diligence Report is much more complete than a Preliminary Report. It is the first step in the creation of a complete prospectus for potential investors. The Detailed Due Diligence Report includes photographs taken at the site, comparable values of properties in the area, title searches, encumbrance and lien searches, and so on. If there is no Partner in the area where the property is located TSC will perform the Detailed Due Diligence Report, or will assign another qualified agent to do so.

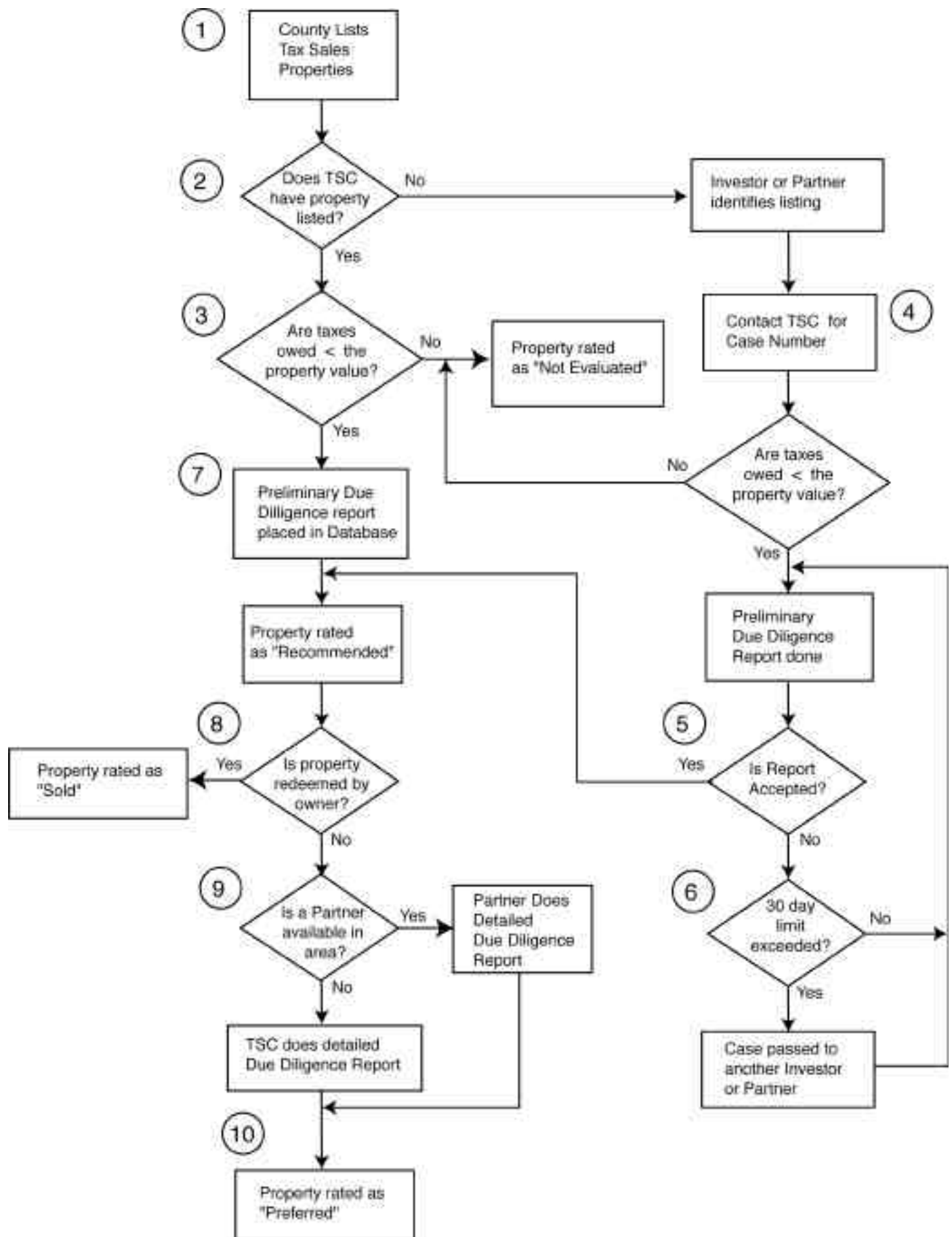


Figure 3-1. Overall TSC Operation

10. TSC will rate the property "Preferred".

All transactions regarding property and its disposition are dependent upon the TSC rating for a particular piece of property. The rating governs how different parties interact with each other for percentages of ownership. Various fees are deducted from the pre-bid value of properties located in Deed States, and from the Certificate value of properties located in Certificate States, after successful bidding.

Negotiations for Properties Rated as "Not Evaluated"

Table 3-2 describes how negotiations between parties are conducted to purchase property that is rated as "Not Evaluated" by TSC. In this situation TSC has no interest in the property, and only provides basic database information. Subscribers, Investors, and Partners may negotiate with each other if they wish to join as limited partners or they may bid against each other. Subscribers are able to view this type of property in the database.

Table 3-2. Property Rated As "Not Evaluated"

Participants	Percentage
Partner	Eligible for 100% of property value, after successful bid.
Investor	Eligible for 100% of property value, after successful bid.
Subscriber	Eligible for 100% of property value, after successful bid.

Negotiations for Properties Rated as "Not Evaluated (With Finder)"

Table 3-3 describes how negotiations between parties are conducted to purchase property that is rated as "Not Evaluated (With Finder)" by TSC. In this situation TSC has no interest in the property, and only provides basic database information. Investors Program members, and Partners negotiate with each other if they wish to join as limited partners or they may bid against each other. Subscribers are able to view this type of property in the database.

Since the property is not in the TSC database, the first Investor (or Partner) who "finds" it and successfully places a Preliminary Due Diligence Report in the database is entitled to a fee of .5%. All Subscribers, Investors, and Partners may participate in bidding for the property.

Table 3-3. Property Rated As "Not Evaluated (With Finder)"

Participants	Percentage
Partner	Eligible for 100% of property value after paying Finder's fees.
Investor	Eligible for 100% of property value after paying Finder's fees.
Subscriber	Eligible for 100% of property value after paying Finder's fees.
Finder	Finder's fee is .5%.

Negotiations for Properties Rated as "Recommended"

Table 3-4 describes how negotiations between parties are conducted to purchase property that is rated as "Recommended" by TSC. In this situation TSC will provide more detailed database information and a Preliminary Due Diligence Report for each property. For this, TSC will receive a 2% fee. Subscribers are not able to view this type of property in the database.

Investors and Partners negotiate with each other (through the TSC Portfolio Management system) if they wish to join as limited partners, or they may bid against each other. However, because the Partner, is available for remote bidding, handles information requests about the property for out of area Investors, and because the property resides in a Partner's area, the Partner receives 1% fee. If a Partner created the Preliminary Due Diligence Report, they are entitled to an additional .5% fee.

If the property is not originally in the TSC database, the first Investor or Partner who "finds" it and successfully places a Preliminary Due Diligence Report in the database is entitled to a .5% fee. If there is no "Finder", the extra .5% fee is added to the TSC pre-bid percentage.

Table 3-4. Property Rated As "Recommended"

Participants	Percentage
TSC	TSC fee is 2%, after successful bid.
Partner	Partner fee is 1% . A Partner is entitled to an additional fee of .5% fee, if they listed a Preliminary Due Diligence Report for the property.
Investor	Eligible for 100% of property value after paying TSC, Partners, and Finder's fees.
Finder	Finder's fee is .5%. If there is no Investor Partner "Finder", this fee goes to TSC.

Negotiations for Properties Rated as "Preferred"

Table 3-5 describes how negotiations between parties are conducted to purchase property that is rated as "Preferred" by TSC. In this situation TSC will provide Investors, and Partners with extensive database information and Detailed Due Diligence Reports. It will also provide communications and guidance to the parties, facilitating bidding, and other correspondence with the county. For this, TSC will receive a 2% fee. TSC is entitled to First Right of Refusal for up to 1% of the actual post-tax sale ownership of the property, or the value of that assessed ownership. Subscribers are not able to view this type of property in the database.

Partners and Investors may negotiate with each other about how much of the property they will own through the TSC Portfolio Management system. However, they *may not* bid against each other for the property.

Because the property resides in a Partner's area, is available for remote bidding, and handles information requests about the property for out of area investors, the Partner receives a 1% fee. If a Partner created the Detailed Due Diligence Report, they are entitled to an additional 1% fee. Partners are entitled First Right of Refusal for up to 1% of the actual post-tax sale ownership of the property, or the value of that assessed ownership, if they created the Detailed Due Diligence Report.

If the property is not originally in the TSC database, the first Investor or Partner who "finds" it and successfully places a Preliminary Due Diligence Report in the database is entitled to a .5% fee. If there is no "Finder", the extra .5% fee is added to the TSC pre-bid percentage.

Table 3-5. Property Rated As "Preferred"

Participants	Percentage
TSC	TSC fee is 2%, after successful bid. TSC is also entitled to FRR for 1% of ownership of property, or the assessed value of that post-bid ownership.
Partner	Partner fee is 1% . A Partner is entitled to an additional fee of 1% fee, if they listed a Detailed Due Diligence Report for the property. Partners is also entitled to FRR for 1% of ownership of property, or the assessed value of that post-bid ownership.
Investor	Eligible for 100% of property value after paying TSC, Partners, and Finder's fees.
Finder	Finder's fee is .5%. If there is no Investor Partner "Finder", this fee goes to TSC.

Payments to Partners

Payment for participants in the TSC system is be dependent upon the type of service they provide and whether or not the property resides in a tax deed state or a tax certificate state.

Deed State Valuation of Property and Ownership Percentages

The market value of properties for tax sale will change over the course of time. Once a property listed for tax sale has been purchased by another owner its value theoretically increases by virtue of the fact that it will become "productive" to the county and other potential investors again. Three distinct periods, corresponding to phases of ownership and the value of the property, are used as the milestones for paying participants in the TSC system for their services.

Figure 3-2 shows how properties in deed states are valued and how ownership percentages are handled. Prior to bidding on the property four functional entities decide how much will be paid in fees, based on a percentage of the pre-bid value of the property. The entities are:

- TSC Management
- TSC Partner
- Finder (if any)
- Investors

During the redemption period (the period of time in which the former owner may be able to reclaim the property due to some technicality), title insurance for the property is most likely not available. In addition, legal and financial considerations may result in a delay of the transfer of ownership. This period is also called the time when the property is "settled". Most times, it is possible for the new owners to take possession of the property and charge rent as well as to enter into contracts. The property can produce income, but because insurance is not possible, it is best not to make any improvements to the property.

Deed State Payment of Fees

The owners of the property (the Investors) must pay TSC, the Partner, and the Finder during the Redemption Period, usually within the first year of ownership. For example, if the market value of the property is \$200,000 before the successful bid (not the property taxes owed), the payments for participants will be as follows:

Recommended Rating

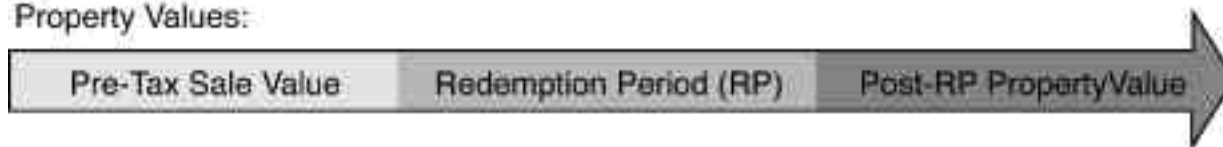
TSC -	\$4,000 (2% fee)
Partner -	\$2,000 (1% fee)
Partner -	\$1,000 (.5% for Preliminary Due Diligence Report)
Finder -	\$1,000 (.5%)
Total Fees -	\$8,000

Preferred Rating

TSC -	\$4,000 (2% fee)
TSC -	\$2,000 (1% ownership or assessed value)
Partner -	\$1,000 (1% fee)
Partner -	\$1,000 (1% for Detailed Due Diligence Report)
Partner -	\$2,000 (1% ownership or assessed value)
Finder -	\$1,000 (.5%)
Total Fees -	\$11,000

The investors are also responsible for paying property taxes, legal fees, and TSC management fees during the redemption period. These payments will most likely be made according to the percentage of ownership. In return, the investors receive full tax benefits and any cash flow from the property.

Property Values:



Ownership Phases:



Property Redeemed

- Investors pay legal fees
- Investors pay taxes
- Investors pay TSC for management services
- Investors pay for improvements
- Investors pay fees (based on pre-bid property value) to:
 - TSC
 - Partner
 - Finder
- Investors receive:
 - Tax benefits
 - Rents/leases

Post-RP Activities

- Investors pay taxes
- Investors pay for improvements
- Investors receive:
 - Tax benefits
 - Rents/leases
 - Profits from sale

Figure 3-2: Deed States Valuation of Property and Ownership Percentages

Once the property is out of the redemption period title insurance can be obtained. The investors will then own the property free and clear, and it will increase in value. They do not owe TSC or its associates for any additional fees. The property disposition of the property, decided between the investors, can be implemented.

Certificate State Valuation of Property and Ownership Percentages

Figure 3-3 shows how properties in tax certificate states are valued and how ownership percentages are handled. Prior to bidding on the property four functional entities decide how much will be paid in fees, based on a percentage of the pre-bid value of the property. The entities are:

- TSC Management
- TSC Partner
- Finder (if any)
- Investors

The former owner may be able to reclaim the property due to payment of the certificate during the redemption period. In that case, the investors must divide the value of the certificate and pay the participants their percentages. For example, if the taxes owed on the property were \$10,000 and the certificate was valued at 12% (\$1,200), payment for the participants will be as follows:

Recommended Rating

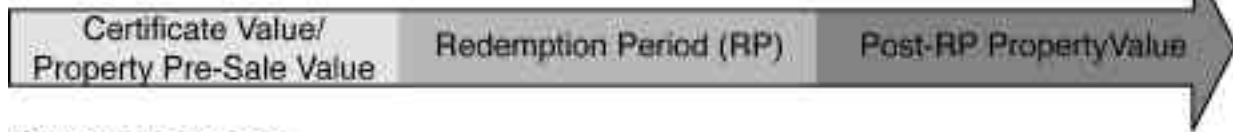
TSC -	\$24 (2% fee)
Partner -	\$12 (1% fee)
Partner -	\$6 (.5% for Preliminary Due Diligence Report)
Finder -	\$6 (.5%)
Total Fees -	\$56

Certificate State Payment of Fees

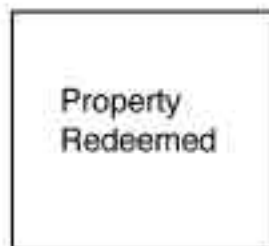
TSC and its associates must be paid every time the redemption period changes to a new penalty fee level. This will account for the fact that some certificate states raise the interest level against the owner to induce them to pay. Each time that happens, the investors must pay TSC. TSC and its associates are paid on-going, until either the property is redeemed or the deed is awarded to the investors.

In some cases, the property is not redeemed and ownership of the property is awarded to the investors. As with deed states, there is usually a "settling" period in which the owners of the property (the investors) must pay TSC, the Partner, and the Finder. For example, if the market value of the property is \$182,000 before the successful bid (not the property taxes owed or the certificate value), the payments for participants will be as follows:

Certificate and Property Values:



Ownership Phases:



Post-RP Activities

Investors pay legal fees
 Investors pay taxes
 Investors pay TSC for management services
 Investors pay for improvements
 Investors pay fees (based on pre-certificate property value) to:

- TSC
- Partner
- Finder

Investors receive:

- Tax benefits
- Rents/leases

Property Redeemed

Investors pay TSC for management services
 Investors pay fees (based on present certificate value) to:

- TSC
- Partner
- Finder

Investors receive value of certificate minus TSC-related fees

Figure 3-3. Tax Certificate States Valuation of Property and Ownership Percentages

Recommended Rating

TSC - \$3,640 (2% fee)
Partner - \$1,820 (1% fee)
Partner - \$ 910 (.5% for Preliminary Due Diligence Report)
Finder - \$ 910 (.5%)
Total Fees - \$7,280

Preferred Rating

TSC - \$ 3,640 (2% fee)
TSC - \$ 1,820 (1% ownership or assessed value)
Partner - \$ 1,820 (1% fee)
Partner - \$ 1,820 (1% for Detailed Due Diligence Report)
Partner - \$ 1,820 (1% ownership or assessed value)
Finder - \$ 910 (.5%)
Total Fees - \$11,830

As with deed states, the investors are also responsible for paying property taxes, legal fees, and TSC management fees during the redemption period. The property disposition of the property, decided between the investors, can also be implemented.

The 11 Step Method Overview

The TSC eleven step method is designed to allow our Partners and Investors to close a successful tax sales in a logical and systematic manner. It is used along with procedures, guidelines, and software that provide a powerful means of understanding and controlling the process of acquiring tax sale property.

The role of Partners and Investors is key to the success of our operation. Each Partner and Investor must have a thorough understanding of how the method works in concert with the entire TSC system. The following paragraphs provide a brief overview of the steps, which are documented in detail in the separate sections of this manual.

Step 1. Know the laws concerning tax sales in the state you are interested in.

Tax sales are known by a variety of terms. Each state uses different terms, has different laws, and uses different procedures for offering delinquent tax properties.

Step 2. Know the laws and rules governing the purchase of tax sale properties in individual counties.

The rules and procedures can vary wildly from one county to another.

Step 3. Find Tax Sales properties listings.

This information is available from newspapers, posted at physical locations within counties, or from on-line sources.

Step 4. Gather as much information as you can about the taxes owed on the property and the nature of the property.

Go to the County Tax Collector's Office to find out where the owners live, how much taxes are owed, dates of notices, and zoning restrictions.

Step 5. Determine the value of the property.

Go to the County Assessor's Office to find out how the property is assessed: the amount of improvements, land value, structure value, record date, use codes, and when structures were built.

Step 6. Determine where the property is located.

Acquire a parcel map to determine where the property is located and its dimensions from the County Assessor's Office. In addition, you should use a computerized Geographical Information System (GIS) whenever possible. Maps of precincts or districts within a county are particularly useful.

Step 7. Understand the demographics of the area where property is located.

The United States Census Bureau provides detailed information about states and counties concerning the nature of commerce and industry, growth, ethnicity of

citizens, crime, geography, housing, and a host of other useful information. This data is provided on state, counties, and regional area levels. Other sources, such as realty offices and county websites are also invaluable, especially for those of us who intend to invest in properties remotely.

Step 8. Inspect the neighborhood where a property is located.

This is a place where standard real estate practices intersect with the objectives of a Tax Sale investor. Find out whether a neighborhood or area surrounding the properties you're interested in is in decline, stagnant, or on the rise. Perform an initial evaluation to determine if a visit to the neighborhood is warranted.

Step 9. Inspect the site where a property is located.

This is another place where standard real estate practices intersect with the objectives of a Tax Sale investor. Look at the landscape and any structures. Perform an evaluation of buildings on the site. Check outside, and if possible, inside as well. Due diligence is key to a successful outcome.

Step 10. Bid on the Property.

There are many things to look out for during the bidding phase of acquiring tax sale properties. Check for last minute redemption of the property, if possible, before you attend the bid. When at the auction, make sure you understand all rules for the actual bid. When you purchase the tax deed or lien certificate make sure you follow all county rules.

Step 11. Manage the Property.

Manage the property in a way that is best for the community, the property holder, and you as an investor. Counties get the benefit of your financial assistance, owners can get away from property that is too difficult for them to hold on to, and you profit for your efforts. There are many creative ways to accomplish all of these goals in a socially responsible manner.

Step 1

Know the laws concerning tax sales in the state you are interested in

Tax sales are known by a variety of terms. Each state uses different terms, has different laws, and uses different procedures for offering delinquent tax properties.

The rules about how tax sales are conducted in individual states generally come in three flavors:

- Tax Liens (or Tax Certificates)
- Tax Deeds
- Redeemable Deed

Tax Lien Certificates

States that deal in Tax Liens allow investors to pay the taxes for an owner of a tax defaulted property. The County where the property is located will hold an auction, usually once a year, to sell certificates on the debt for interest (or penalty) of between 10 and 24 percent on the amount of taxes owed. At the auction investors bid down on the interest rate (or penalty), by competing for the *lowest* rate. The Tax Lien Certificate gives the investor a legal claim on the investment.

The value of the Tax Lien Certificate amounts to what is owed on the property along with any penalties. The owner of the property must then pay the investor back the taxes owed on the property plus any additional penalties and/or interest represented on the Tax Lien Certificate. In some states the amount of interest increases as more time goes by, up until a certain time limit called a redemption period.

In most cases the property owner pays the debt before the redemption period is up. When the county gets paid it will contact the certificate holder, who then turns in the tax lien certificate purchased at the auction in exchange for the money invested in the property plus the interest that has accrued.

In a very few cases, about 3-5% of the time, the owner will not pay the taxes. The owner then forfeits the property to the investor, who may assume ownership after satisfying the legal and financial processes required by the county.

Tax Deeds

States that deal in Tax Deeds will transfer ownership of the property to the highest bidder. Property owners in Tax Deed states are given numerous opportunities to pay their taxes before a lien is placed on it by the county. The county may then offer the property for sale for the amount of taxes, penalties, and interest owed.

In some states there is a redemption period in which the owner may contest the sale. Title companies will many times not issue title insurance until the redemption period is up on the property, usually one year. this makes it more difficult to get loans on the property.

Redeemable Deeds

States that deal in Redeemable Deeds allow the previous owner to redeem the property by paying the property taxes. The investor receives a fee, or interest rate that is payable to them. In essence, a Redeemable Deed operates like a Tax Lien Certificate.

TSC Database For State Guidelines

States enforce overall guidelines regarding tax sales. However, individual counties can have their own rules regarding who is eligible for purchasing tax delinquent property, how to find information about them, how to purchase, and when to purchase them.

TSC provides you with the most current information regarding state-wide rules for the entire United States. You will find information about all states in the United States in the "State Laws" database. The kind of sales, frequency, sale period, percentage rates, redemption periods, and bid methods is found in the "State Laws" database. You will also find maps of the state with all counties shown.

Step 2

Know the laws and rules governing the purchase of tax sale properties in individual counties

The rules and procedures can vary wildly from one county to another. Individual counties have their own rules regarding who is eligible for purchasing tax delinquent property, how to find information about them, how to purchase, and when to purchase them. TSC provides you with the most current information regarding rules for many counties in the United States.

Some counties require that you pay in advance, usually with a money order or cashier's check for a minimum amount. That amount may be a percentage of the amount you plan to bid, it may be only \$50, or the minimum amount of the bid listing. The balance of the money will be required if the bid is won. Counties will reimburse you if you don't bid, or if you lose the bid. Some counties do not accept credit cards or personal checks.

Many counties require you to preregister, sometimes with a fee. Texas requires advanced registration as well as a \$10 fee. Sometimes you are required to register many days in advance of the sale. Some counties require that you actually live in the county where the bid will take place, or that you have a notarized representative act on your behalf.

The County Offices database provides information about laws governing how each county handles tax sales. You'll see that counties offer every conceivable means of purchasing delinquent tax properties. Some counties have state-of-the-art computer-based information retrieval systems. These counties allow you to find information regarding properties for sale, how they are assessed, who owns them, geographically where they are located, and where they are on county parcel maps. The vast majority of counties do not offer such information over the internet, requiring you to visit their facilities — if they have tax sales at all. Some counties seem downright hostile to the idea, while others provide information begrudgingly, and then only if you request the information exactly the way they wish you to.

The following are questions you need to ask the county Tax Collector:

- Is the bidding handled by your office, on-line, or by a firm?
- How many people usually come to a sale?
- What about ties? Who gets the property?
- When do you need payments - can I pay by credit card?
- How long does the bidding usually take?
- What are the bid increments (by \$50 amounts, half percentage points, etc.)?

- Are there any properties left from the last sale?
- Will I be required to sign an affidavit upon successful bid of property?

Rules Available On-Line

Figure 6-1 shows a typical website from the county tax collector for Lake County, California. As you can see, the results of previous tax sales are listed on the far left corner of the screen. The main screen indicates that the next public auction dates are May 12 and 13, 2004 and that all tax sales for the county are handled by bid4assets.com. Notice the terms of sale immediately below the notice of where to find the tax sales. This information is very important to know when preparing for a tax sale.

The TSC Database For County Offices

Information about County rules and regulations are found in the TSC "County Offices" database. This database contains contact information for the tax collector/assessor for all counties in the United States. It also contains links to the websites of the collector/assessor, along with detailed information about notices, county rules, and special instructions. You will also find information about previous tax sales offered by the county. The "County Offices" features links to GIS (Geographical Information System) databases that might be offered by a county.

The "County Offices" database is where you'll find geographical information about counties. Figure 6-2 shows the GIS interface from the on-line system offered by Lake County, California. Figure 6-3 shows the county map provided for Harris county in Texas.

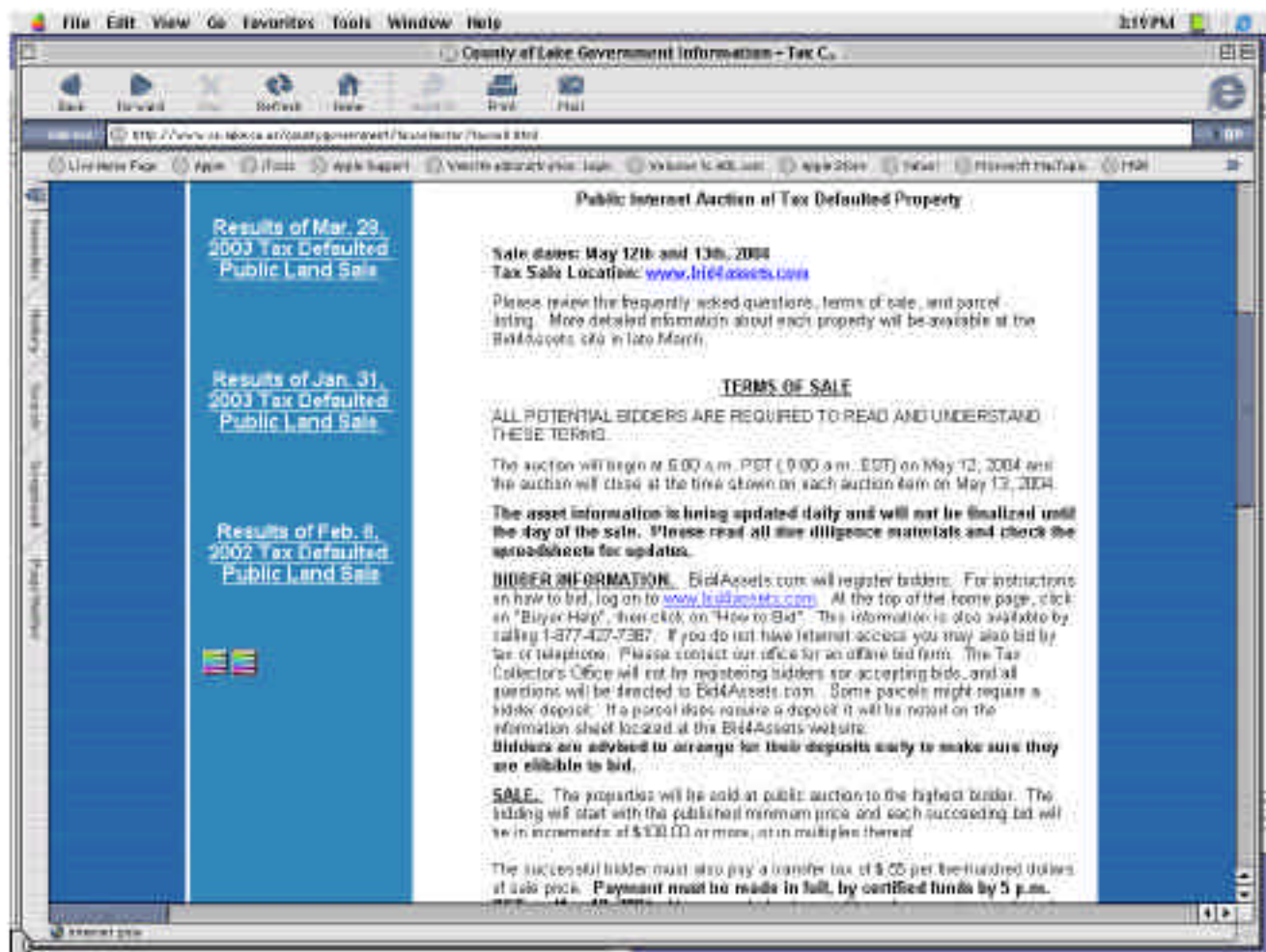


Figure 6-1. Lake County Tax Collector Website

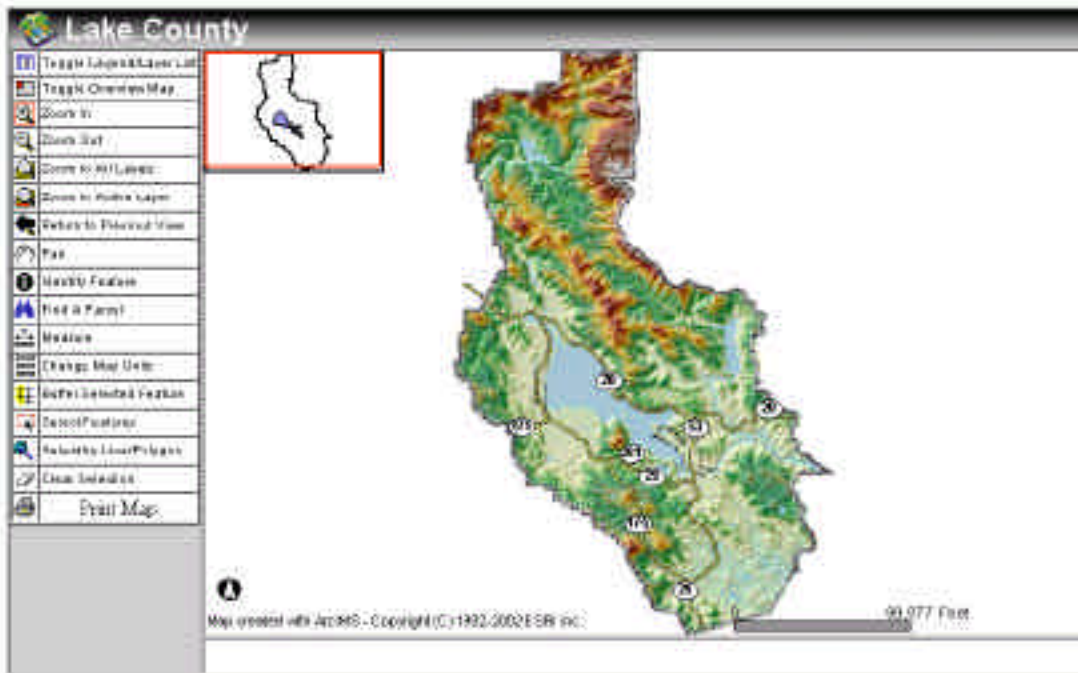


Figure 6-2. Lake County, CA GIS Interface

Harris County LEPCs

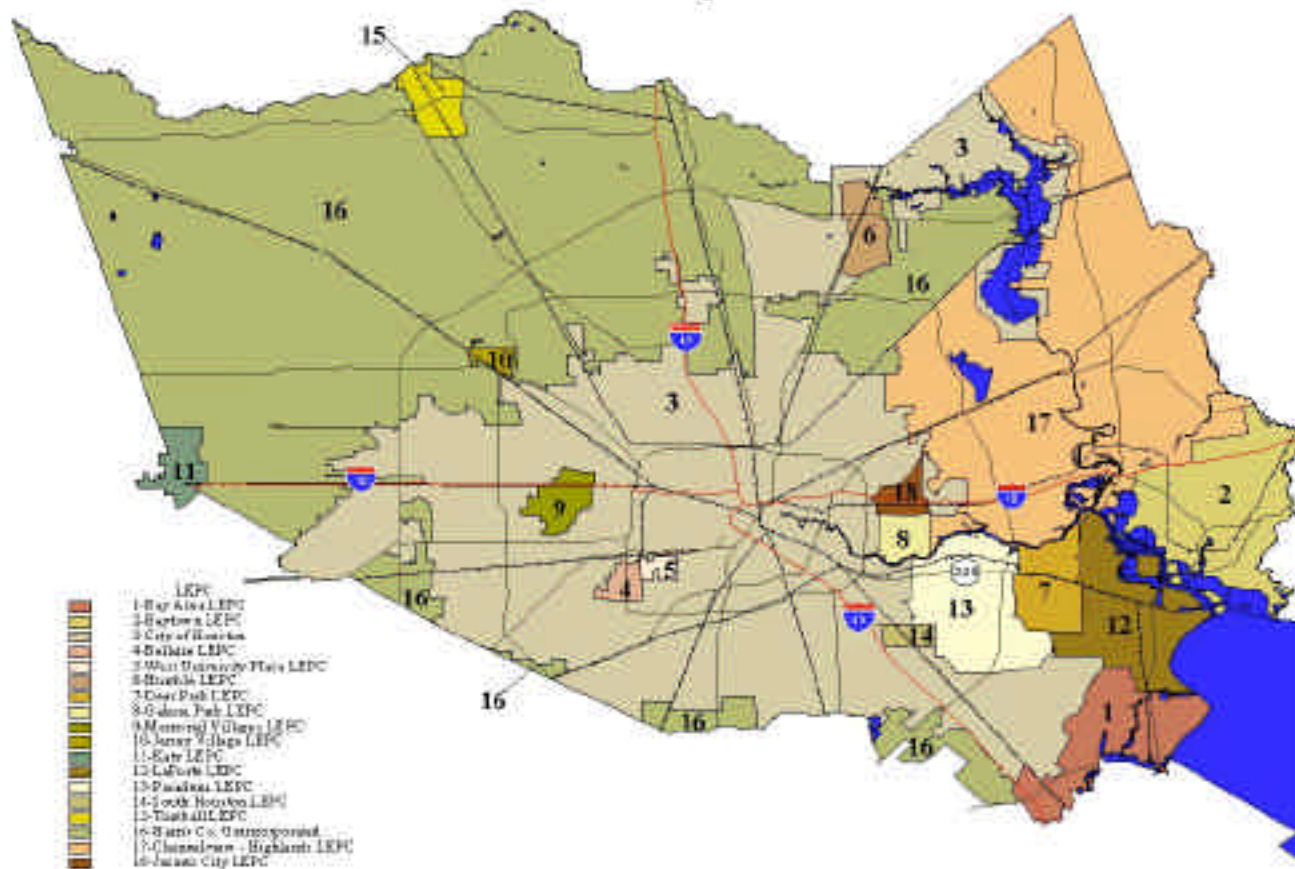


Figure 6-3. Harris County, Texas County Map

Step 3

Find Tax Sales properties listings

This information is available from newspapers, posted at physical locations within counties, or from on-line sources. Figure 7-1 shows a newspaper listing from Lake County, California. According to county laws, all property available for tax sale must be printed in the local newspaper three times before a tax sale. In this case, the listing is published many months in advance.

Here is the step where things begin to get a little “compressed”. The fact is that most counties put information about tax sales in a variety of places. Even counties with the most sophisticated internet-based databases most times do not integrate their data because it comes from many different county departments. With the myriad computer systems in use, it is a wonder how some counties ever get to the point of any computerization. In any case, to find a listing of Tax Sales properties in most counties you need to go to several places:

- To a local newspaper a few months before a tax sale. Counties will typically publish a complete listing on three dates several weeks before a sale.
- To a physical location where a list is posted. You'll need to call the Tax Collector's Office to find out where and when
- To a place on-line that is designated by the county. Many times private law firms offer the listing as a public service.
- From the county itself, sometimes for a fee (sometimes for a very large fee)

TSC has greatly simplified the process of finding listings for county tax sales. Our Tax Liens database is where properties for tax sale can be found. You will need to know the parcel number (APN Number), State, and County where the desired property is located to find a particular property. Or you can simply browse through the listings once you are in the Tax Liens database.

OK, so now you've got a list you'll find that there is either a lot of information missing, or the information you have is not very useful. That's because there are generally many county departments, all providing pieces of the data puzzle. To get useful information you normally need to go to the county Tax Collector's Office to get tax information, and go to the assessor/appraiser's office to obtain financial data about the property, as well as a parcel map of the location of the property.

Some of this information is often found in other county departments, like the Probate Court or Assayer's Office. Many states conduct tax sales only once a year, so you need to query the TSC database about when sales are available. Fortunately, that is an easy thing to do.

**NOTICE OF PROPERTY TAX DELINQUENCY
AND IMPENDING DEFAULT**

Made pursuant to Section 5351, Revenue and Taxation Code

I, Kay M. Lytton, Lake County Tax Collector, State of California, certify as follows:

That at 12:01 a.m. on July 1, 2004, by operation of law, any real property (unless previously tax-defaulted and not redeemed) for which taxes, assessments, and other charges levied for the fiscal year 2003-2004, or supplemental taxes levied to any year prior to 2003-2004, are delinquent shall be declared tax-defaulted. A detailed list of all properties tax-defaulted as of July 1, 2004, and not redeemed prior to being submitted for publication, shall be published on or before September 8, 2004.

Real property remaining in tax-defaulted status for five or more years will become subject to the tax collector's power to sell. In the case of property upon which a nuisance abatement lien has been recorded, that property shall become subject to the tax collector's power to sell after three years of tax-default. Once subject to the power to sell, real property may be sold at public auction or otherwise conveyed to new ownership.

The owner may avoid the power to sell status by initiating and maintaining an installment plan of redemption prior to the power to sell arising or by completely redeeming the property through payment of all unpaid amounts, together with penalties and fees prescribed by law, before the subject property is sold.

The right of redemption survives the property becoming subject to the power to sell, but it terminates at 5 p.m. on the last business day before the actual sale of the property by the tax collector.

Information concerning redemption or the initiation of an installment plan of redemption of tax-defaulted property will be furnished, upon request, by Kay M. Lytton, Lake County Tax Collector, 255 North Forties Street, Room 215, Lakeport, California 95451. Telephone (707) 263-2234.

I certify (or declare), under penalty of perjury, that the foregoing is true and correct.

Kay M. Lytton
Lake County Tax Collector

Executed at Lakeport, Lake County California, on May 21, 2004.

Published in Lake County Record-Bee on May 27, 2004, June 3, 2004 and June 10, 2004.

NOTICE OF IMPENDING POWER TO SELL TAX-DEFAULTED PROPERTY

Notice is hereby given that real property taxes and assessments on the parcels described below will have been defaulted five or more years, or in the case of property on which a nuisance abatement lien has been recorded, three or more years. The parcels listed will become subject to the tax collector's power to sell on July 1, 2004, at 12:01 a.m., by operation of law. The tax collector's power to sell will also unless the property is either redeemed or made subject to an installment plan of redemption initiated as provided by law prior to 5 p.m. on June 30, 2004. The right to an installment plan terminates on June 30, 2004, and after that date the entire balance due must be paid in full to prevent sale of the property at public auction.

The right of redemption survives the property becoming subject to the power to sell, but it terminates at 5 p.m. on the last business day before actual sale of the property by the tax collector.

All information concerning redemption or the initiation of an installment plan of redemption will be furnished, upon request, by Kay M. Lytton, Lake County Tax Collector, 255 North Forties Street, Room 215, Lakeport, California 95451. Telephone (707) 263-2234.

The unpaid amount, in dollars and cents, originally declared tax-defaulted is set forth opposite its parcel number. This amount does not include additional defaulted taxes, penalties and fees that have accrued since the date of tax-default.

PARCEL NUMBERING SYSTEM EXPLANATION

The Assessor's Parcel Number (APN), when used to describe property in this list, refers to the assessor's map book, the map page, the block on the map, if applicable, and the individual parcel on the map page or in the block. The assessor's maps and further explanation of the parcel numbering system are available in the assessor's office.

**PROPERTY TAX DEFAULTED ON JULY 1, 1983, FOR THE TAXES,
ASSESSMENTS AND OTHER CHARGES FOR THE FISCAL YEAR 1982-1983**

ASSESSOR'S PARCEL NUMBER	ASSEESSEE NAME	PROPERTY ADDRESS	AMOUNT DECLARED DEFAULTED ON JULY 1, 1983
033-113-180-000	PUDDY MARY M	5493 ALLEN RD LUCERNE CA	\$10.30
033-152-030-300	REYNOLDS DON D	6035 SHERWOOD RD LUCERNE CA	\$10.30
033-152-040-000	REYNOLDS DON D	6045 SHERWOOD RD LUCERNE CA	\$10.30
033-182-370-000	FLETCHER ROBERT G	4716 ABBOTT TR LUCERNE CA	\$10.30
033-193-280-000	BARTZ THEODORE J & MARY F	4927 LINCOLN TR LUCERNE CA	\$10.30
033-212-810-000	KEMBALL CRAIG R	6742 GAYLORD TR LUCERNE CA	\$10.30
033-233-270-000	HINRICHS CAROL M	4513 ROBINSON RD LUCERNE CA	\$10.03
033-241-340-000	HINRICHS BERT K JR & CAROL M	4834 FERRAND RD LUCERNE CA	\$11.15

Figure 7-1. Newspaper Listing Of Tax Sales From Lake County, CA

Tax Property Listings On-Line

Figure 7-2 shows a screen from bid4assets.com on a piece of property that is apparently available for bidding. Note that the interface is reminiscent of eBay. Some properties are available from Lake County on a year-round basis.

Figure 7-3 shows additional information about the parcel being offered. Notice that very valuable information is available, including the APN number, which can be used to find out detailed information about the property from the county on-line services.

Figure 7-4 shows a screen shot from the Marin, California County website which lists tax sale properties available. This is typical of the many hundreds of offerings by counties across the United States.

The TSC Database For Tax Lien Listings

The great advantage of the TSC databases is that it offers a central repository, with a standardized interface, for information about tax lien listings. The "Tax Liens" database is where research from the county tax collector and assessor gets placed. You'll find such information as how to contact the property owner, the taxes owed, the assessed value of the property, the TSC rating for the property, the TSC Partner or Investor responsible for the property file in the TSC system, possible hazards associated with the property, and legal descriptions. In addition, you'll find parcel map and/or road maps to help you physically locate the property.

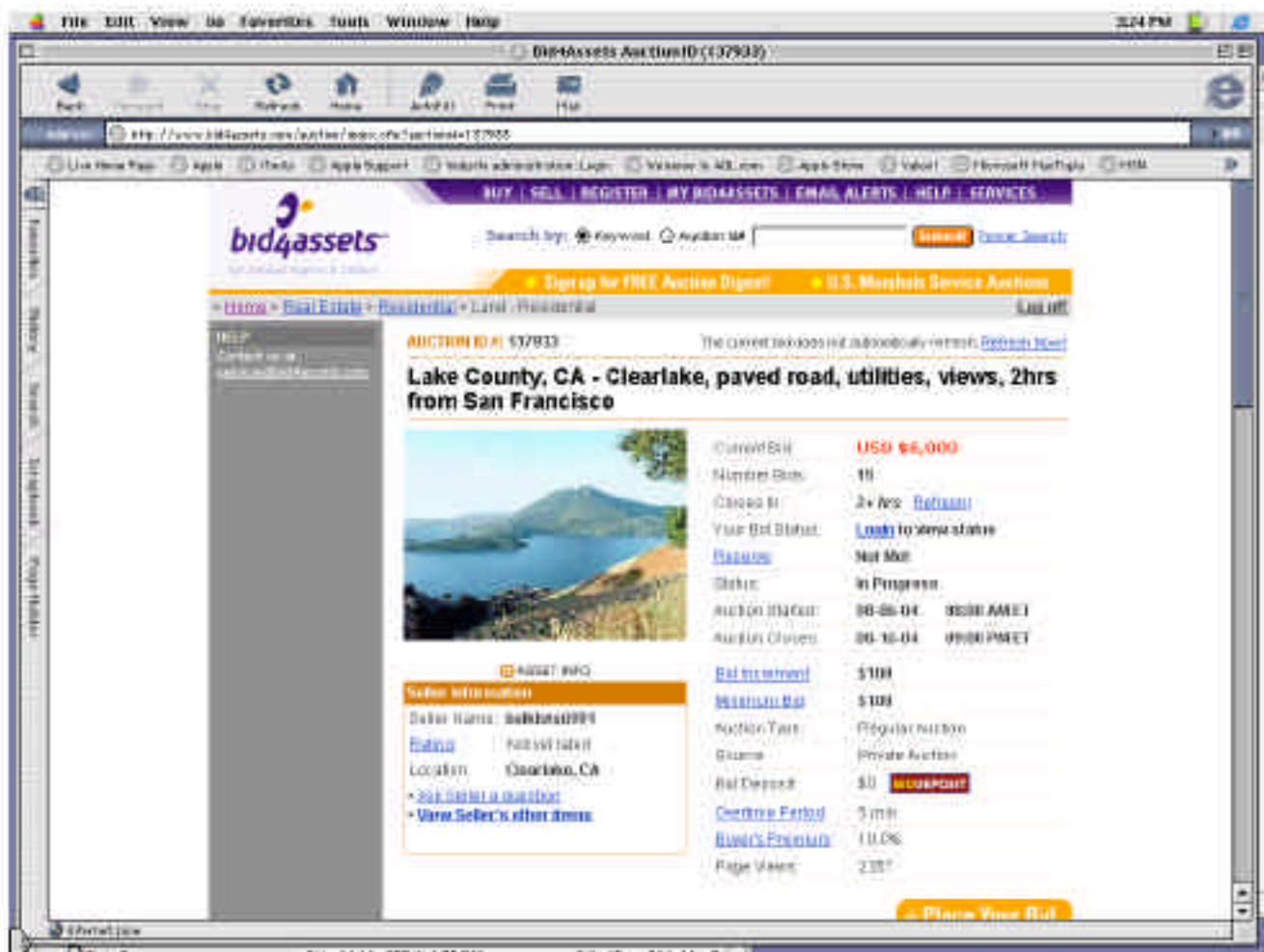


Figure 7-2. Bid4Assets.com Screen Shot

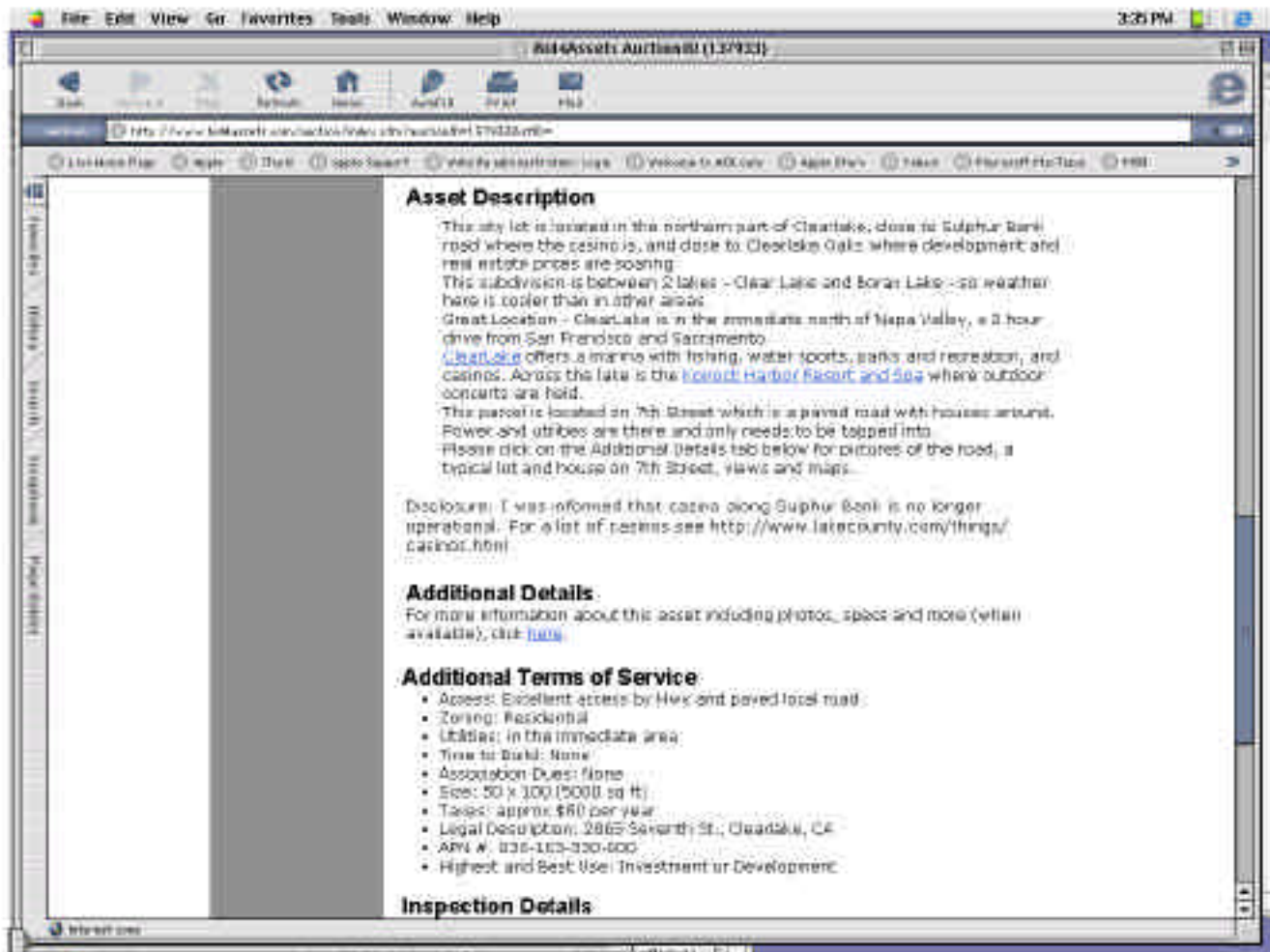


Figure 7-3. Additional Parcel Information

ITEM #	ASSESSOR'S PARCEL #	DEFAULT #	FISCAL YEAR OF DEFAULT	LAST ASSESSEE	MINIMUM BID	SELLING PRICE
2944	049-012-61	674	1996	MILL VALLEY TAMALPAIS LAND TRUST	\$ 5,500.00	\$ 5,500
2945	049-012-62	777	1998	GARIBALDI, ELMO	\$ 7,200.00	\$ 23,000
2946	049-012-64	675	1996	MILL VALLEY TAMALPAIS LAND TRUST	\$ 5,400.00	NO BID
2947	049-012-65	676	1996	MILL VALLEY TAMALPAIS LAND TRUST	\$ 5,400.00	NO BID
2948	049-012-66	677	1996	MILL VALLEY TAMALPAIS LAND TRUST	\$ 5,400.00	NO BID
2955	169-321-06	1632	1998	BECKMAN, LYNNE M.	\$ 5,500.00	\$ 27,000
2963	190-092-07	1936	1998	SCOGGINS, ROBERT G.	\$ 5,100.00	\$ 11,000
2966	191-031-13	1959	1998	BOUTMY, THEODORE T.	\$ 5,100.00	\$ 14,000

Figure 7-4. Marin County, CA Tax Properties For Sale

Step 4

Gather as much information as you can about the taxes owed on the property and the nature of the property

By the time a piece of property is up for a tax sale, there is likely to be a succession of financial problems for the owner. Go to the County Tax Collector's Office to find out where the owners live, how much taxes are owed, dates of notices, and zoning restrictions.

The county Tax Collector's Office is where you go to get tax information, and to the assessor/appraiser's office to obtain financial data about the property, as well as a parcel map of the location of the property. Some of this information is often found in other county departments, like the Probate Court or Assayer's Office. You'll want to know what taxes are owed and how much you might need to pay if you get the bid on the property.

The property owner's address is most likely included in the information from the Assessor's office. Knowing where an owner lives can offer a clue as to why the property taxes are delinquent. Also, it is useful if you need to contact the owner for any reason. Assessor's office describes hazards and special zoning uses on all properties. This information is essential to determining the possible condition and value of the property.

The parcel number is a number assigned to all properties within a subdivision in a county. It is the number used to track the pieces of data about a property through county departments. One caveat: sometimes county departments add hyphens or other numbers to accommodate their particular computer systems.

Liens or Other Encumbrances

Go to the County Clerk, County Recorder, and/or City Hall to check for liens or other encumbrances on the property you're interested in. The County Recorder's Office should have all records regarding purchases of properties in the county. Information about liens or other encumbrances may also be available online. In any case, this is a very important step *before* bidding on property. You also need to search for deed restrictions. These are rules about what may or may not be done to the property. If the property is located in a subdivision, CCRs may also be in effect.

If the County Recorder does not have the information on liens and encumbrances, their records will show the Title company that has the records for the property in question. The title company is where you'll find title plants that have accurate records of liens and encumbrances on real property. You should review a Preliminary Title Report, which will show tax information and loan data on the back pages. What you are looking for is anything that is listed as a "lien" (from the state, mechanic's, alimony, child support, etc.). Look for documentation of default on Deeds of Trust.

Tax liens from the county generally has superiority over all other liens or encumbrances. Mortgage liens and mechanic's liens are generally wiped out through the process of foreclosure. If you are interested in property in a tax deed state, it is vitally important to find out if the owner has filed for bankruptcy. That can definitely kill a deal because the courts become involved. It may be a long time before anything good happens for you. If the property owner declares bankruptcy while his or her property is listed on the tax sale inventory for the county, run... do not walk... away from the property. Look for something else.

Finding Records On-Line

Finding records on-line can be a bit tricky because there is absolutely no standardization. Each county has its own, unique approach to providing records concerning taxes owed and the condition of any property. Sometimes, if you have the APN number, it is useful to look up general information from a website such as realtor.com. Generally, the APN number is the key to finding information desired.

Figure 8-1 shows a series of screens that illustrate how the GIS system for Lake County, California can be used to gather information from a variety of county records.

The TSC Database For Taxes Owed and The Condition of Property

The great advantage of the TSC databases is that it offers a central repository, with a standardized interface, for information about taxes owed and the condition of properties available for tax sales in any county. The "Tax Liens" database is where research from the county tax collector and assessor gets placed. You'll find such information as how to contact the property owner, the taxes owed, the assessed value of the property, the TSC rating for the property, the TSC Partner or Investor responsible for the property file in the TSC system, possible hazards associated with the property, and legal descriptions. In addition, you'll find parcel map and/or road maps to help you physically locate the property.

Step 5

Determine the value of the property

Go to the County Assessor's Office to find out how the property is assessed: the amount of improvements, land value, structure value, record date, use codes, and when structures were built. These functions of the Assessor's Office are also done by the Treasurer's Office instead.

The parcel number is a number assigned to all properties within a subdivision in a county. It is the number used to track the pieces of data about a property through county departments. One caveat: sometimes county departments add hyphens or other numbers to accommodate their particular computer systems.

Usually a phone call to the office is enough to find out what you need. Going online will certainly do the trick most of the time. If you need to look at more than a few properties, it's a good idea to go into the office and get to know the people there.

With the parcel numbers in hand, you can find out the appraised value for the land and all improvements on it (a house or other structure is considered an "improvement"). The Assessor's office can give you a county plat map or allow you access to the plat book.

Finding Tax Property Value On-Line

Figure 9-1 shows a screen from bid4assets.com on a piece of property that is apparently available for bidding. Note the "Additional Terms of Service" and the "Inspection Details" information about the parcel being offered. Although the "Inspection Details" section is not complete, there is some information to indicate the value of the property and the overall tax profile.

Figure 9-2 shows a series of screens that illustrate how the GIS system for Lake County, California can be used to gather information about the value of property from a variety of county records.

The TSC Database For Finding The Value of Property

The great advantage of the TSC databases is that it offers a central repository, with a standardized interface, for information about taxes owed and the condition of properties available for tax sales in any county. The "Tax Liens" database is where research from the county tax collector and assessor gets placed. You'll find such

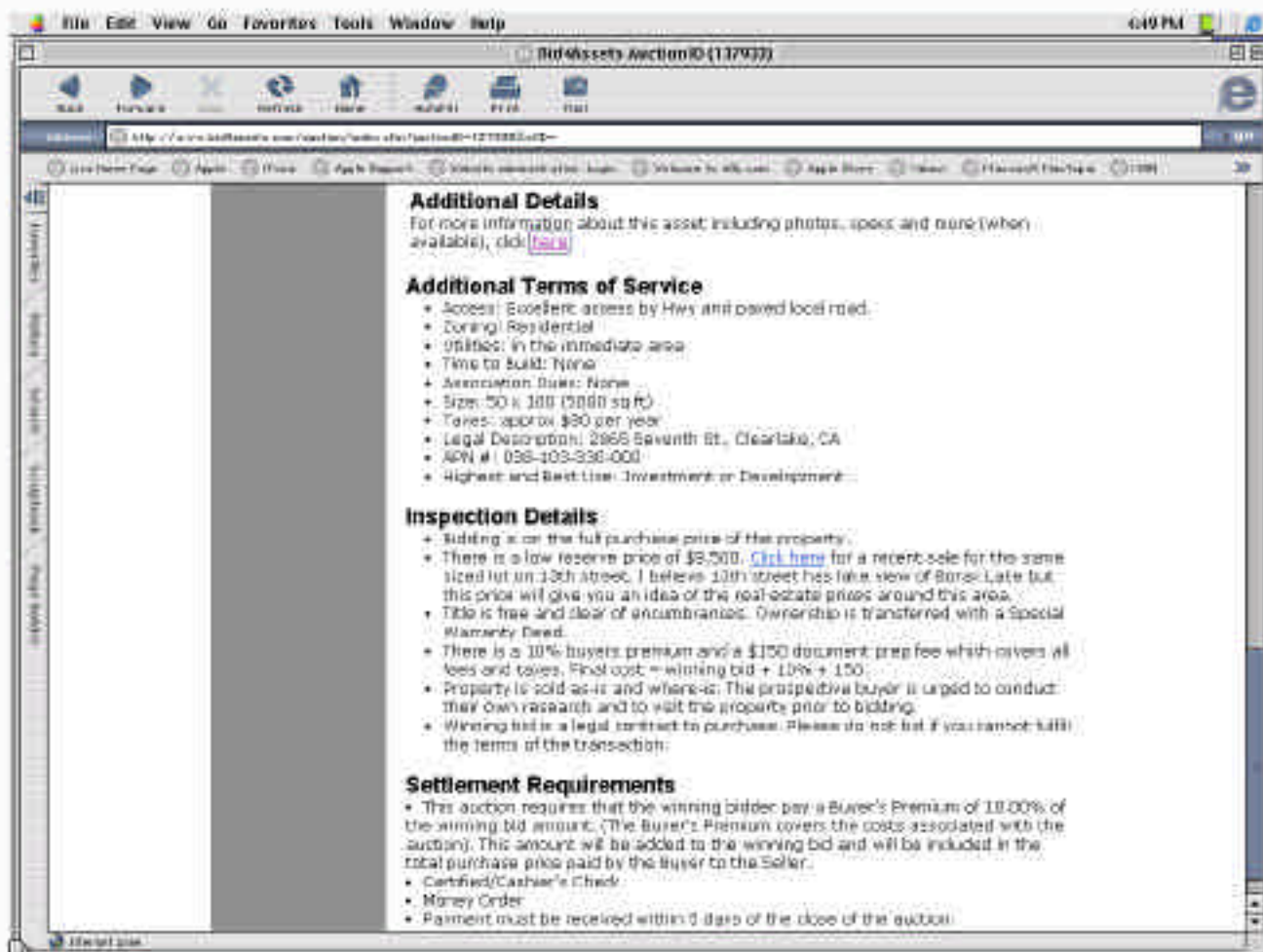


Figure 9-1. Bid4Assets.com Showing Property Value



Bexar County, Texas uses the services of a law firm called Linebarger Goggan & Sampson (www.publicans.com) to list the tax sales properties in its county. Several other counties in Texas use the same law firm for their tax sale listings. Note that the county treasurer had to be called by phone to get the web address of the firm. That information was not available on-line.

Clicking on "Tax Sale Properties" in the far left frame of the website page, then clicking on the "Go to Tax Sale Property Listings" button gains access to a screen which allows you to select the county you are interested in.



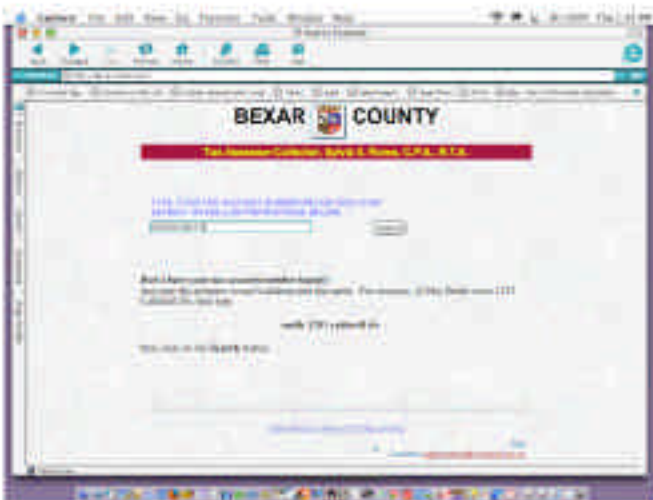
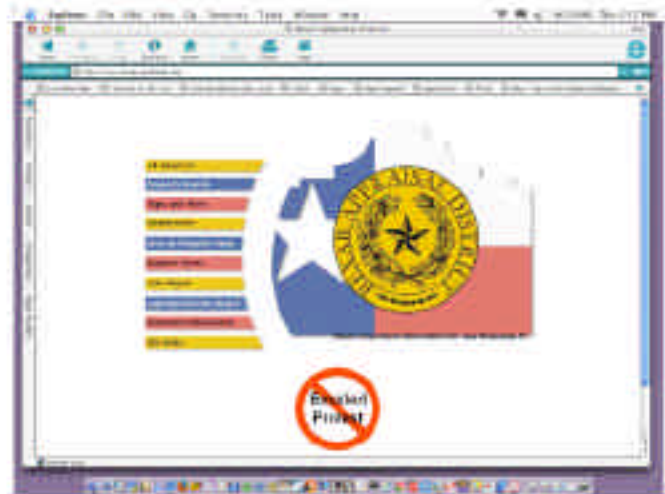
The pull down menu must be used to access the county desired. Other means of search, such as by APN number, adjudged value, and minimum bid, are also available.

Figure 9-2a. Bexar County, Texas On-Line Records For Tax Sales Property Values



For purposes of illustration, we will search for the records of the first property that appears.

The Bexar County "Appraisal District" does not appear on the county website, yet this is where you need to go to get on-line records for owners of tax sale records. A search engine search of "Tax Sale" and "Bexar County" and "Appraisor" revealed this website.



The APN number from the first tax sale record found on the LG&S lawfirm website is entered into the dialogue box, then the "Search" button is clicked.

Figure 9-2b. Bexar County, Texas On-Line Records For Tax Sales Property Values



A great deal of information is now available and ready to be included in the TSC databases. Special filters are being developed to assist in the task of inputting data from the web directly into the appropriate fields of relevant TSC databases.

This part of the Appraisor's website screen lists the owner name, address, state, parcel account, and locational data.

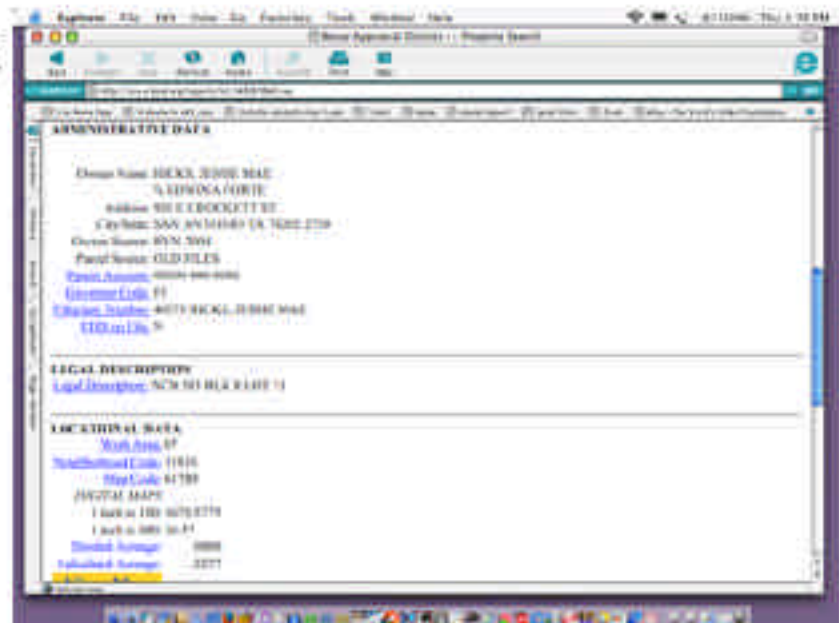


Figure 9-2c. Bexar County, Texas On-Line Records For Tax Sales Property Values

information as how to contact the property owner, the taxes owed, the assessed value of the property, the TSC rating for the property, the TSC Partner or Investor responsible for the property file in the TSC system, possible hazards associated with the property, and legal descriptions. In addition, you'll find parcel map and/or road maps to help you physically locate the property.

Step 6

Determine where the property is located

Acquire a parcel map to determine where the property is located and its dimensions from the County Assessor's Office. In addition, you should use a computerized Geographical Information System (GIS) whenever possible. Maps of precincts or districts within a county are particularly useful.

The parcel number is a number assigned to all properties within a subdivision in a county. It is the number used to track the pieces of data about a property through county departments. One caveat: sometimes county departments add hyphens or other numbers to accommodate their particular computer systems.

An on-line mapping system, like MapQuest™, is ideal for locating the physical address of the property. Subscribers to TSC typically can find all data needed to locate a delinquent property in one central location. In addition, they can search through hundreds of records to find properties that meet their exact search parameters.

Topographic maps, which show the contours of land, as well as other natural and manmade features, are instrumental in visualizing the shape of the land. Where the property is located is, of course, directly proportional to its value. You need to know, not only where the property is, but what is next to it.

How To Read A Legal Description

Most parcels of land in the United States are defined by at least one of its legal descriptions. You might think it would be great to use GPS (Global Positioning System) units of measure to precisely locate any parcel of land anywhere on the globe. Although that would be nice, consider that a way to describe the location of land has been needed for a great many years before GPS technology. Thus, there are principally three types of legal descriptions in use in the United States. Listed in order of most recent to earliest they are:

- lot and block
- rectangular survey system
- metes and bounds

Table 10-1, showing units of measure, can be referred to in the following paragraphs.

Table 10-1. Units of Measure

1 foot	12 inches
1 yard	3 feet or 36 inches
1 acre	43,560 square feet
1 rod	5 1/2 yards or 16 1/2 feet
1 furlong	40 rods
6.06 rods	100 feet
1 mile	5,280 feet or 8 furlongs, or 320 rods, or 1,760 yards
1 league	3 miles

Lot and Block

A subdivision of property is shown on a Plat Map. The lot and block system is also known as the lot, block, and tract system. It is also popularly known as the subdivision system. One of the easiest descriptions is the lot number, such as “... lot 6 of Joe’s Subdivision”. The plat, recorded in the appropriate agency, is the record land divided into subdivisions. Both lots and blocks were numbered in early plats. Modern plats do not do this because of possible confusion. An example of a subdivision plat is shown in Figure 10-1. Each parcel in a subdivision is identified by numbers that correspond to tract, lot, and block. A tract is the largest land area, divided into blocks, which is further divided into lots.

Deeds to land parcels in a subdivision refer to the tract, block, and lot numbers as shown in the subdivision map (plat map) recorded in the county recorder's office. Figure 10-1 shows a plat map with a block divided into eight residential lots. The county recorder's office will be able to find the record of a parcel using the lot and block system. A good practice when searching for records is to provide the county recorder with the book and page number where the map is recorded, along with the date of the record. Then it is easy to give the city and county name, tract name and number, then the block and lot numbers.

A typical lot and block description would appear in print as follows:

Lot 30, Block 20, Good Meadows Subdivision (as recorded September 9, 1965, Book 14, Page 98 of maps) City of Mountain View, County of Santa Clara, State of California.

Rectangular Survey System

The rectangular survey system, first suggested by Thomas Jefferson, is used by the United States Surveyor General. It is also known as the section and township system and the U.S. government survey system. The Federal Government began using the rectangular survey system in 1785 for the organization, division and sale of government-owned frontier lands. At that time land was divided into a graph paper-like grid, with no regard for the natural topography.

Plat Map
Lots 1-8, Block 20, Tract 1006

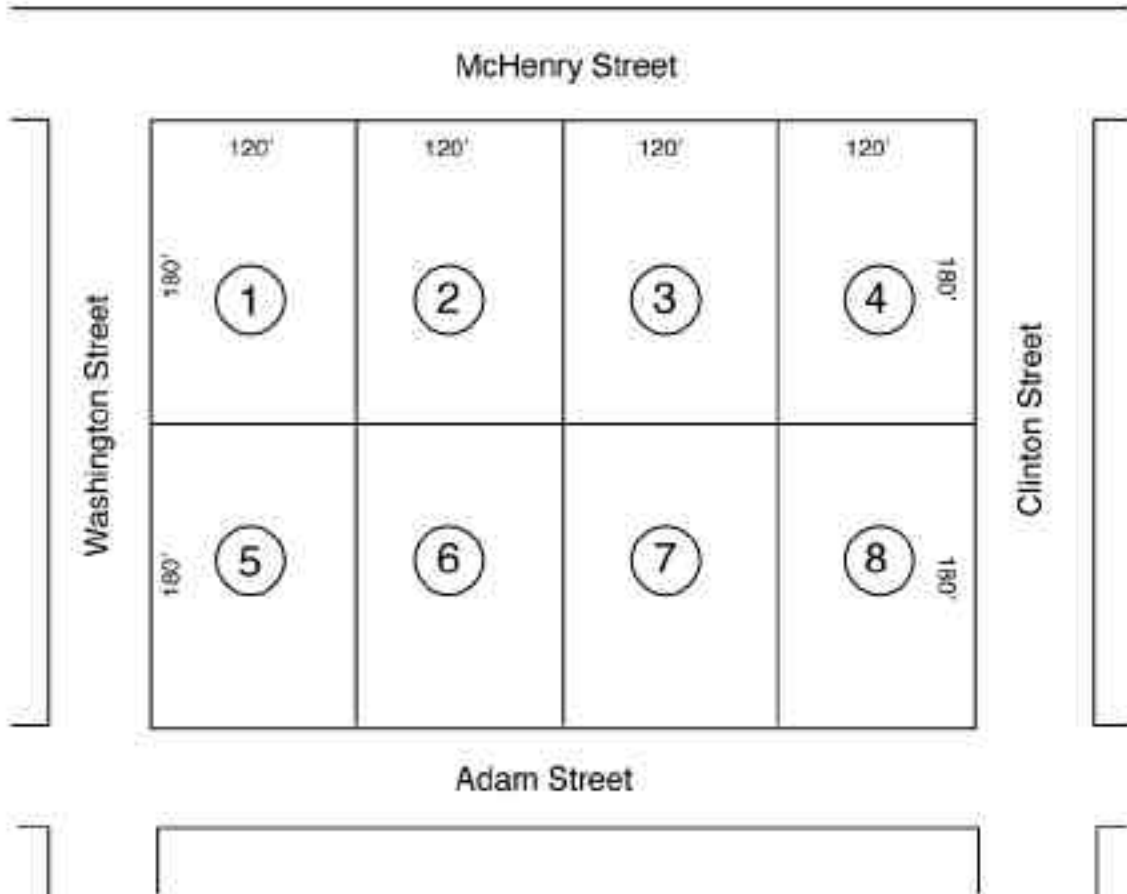


Figure 10-1. Subdivision Plat

The system describes land by its distance from a baseline that runs east-to-west and a meridian that runs north-to-south from a point of reference. Figure 10-2 shows the three main baselines and meridians used for land descriptions in California. Thus a coordinate system is established whereby a parcel may be described as 15 miles South and 10 miles East of the Mt. Diablo Baseline and Meridian.

In the rectangular survey system the basic unit of land is called a "township". A township is a square, six miles on each side. This square is further divided into thirty-six sections, each one mile square containing 640 acres. Townships are numbered in a specific sequence. It is important to note that the term "township" does not refer to an actual town or community, but rather, an area of 36 square miles.

After 1796, each township was numbered with reference to a baseline and a principal meridian to compensate for the curvature of the earth. That is because the lines that set off each township are not perfectly parallel. Every four townships north and south of the baseline, a correction line is measured at the six miles for that side of each township that it borders. A guide meridian, establishing the full six miles for that side of each township it borders, is set for every four townships east and west of the principal meridian. Townships are arranged in tiers going north-to-south, and in ranges going east-to-west. See Figure 10-3 for an illustration of the correction line, principal meridian, guide meridian, baseline, corrections line, ranges and tiers.

Townships are composed of 36 sections, of which each section is one mile square, which contains 640 acres. A section may be further subdivided as shown in Figure 10-4. Sections in a township are numbered in order, starting with section 1 in the northeast corner of the township. See Figure 10-4 for an illustration of the numbering system. Note that the numbers are in sequence from right to left, down, then left to right, and so on. That is because surveyors originally had to walk the land, so it was not practical for them to always return to the starting side.

Describing A Parcel Using the Rectangular Survey System. The most important dimensions of a rectangular survey description are compass points: north, south, east, west. Generally, the smallest area is given first in a description, and the largest area is last. To find a parcel, you must work backwards from the largest area. Legal descriptions describe directions and fractional units of measure in abbreviations. So, the shaded area of Figure 10-5 would be described as:

The east half (E1/2) of Section 15, and the northwest quarter (NW1/4) of Section 14.

Figure 10-6 shows Township 4 North (T4N) and Range 3 West (R3W). The number 15 indicates the section number, which is usually placed immediately before the township and range numbers.

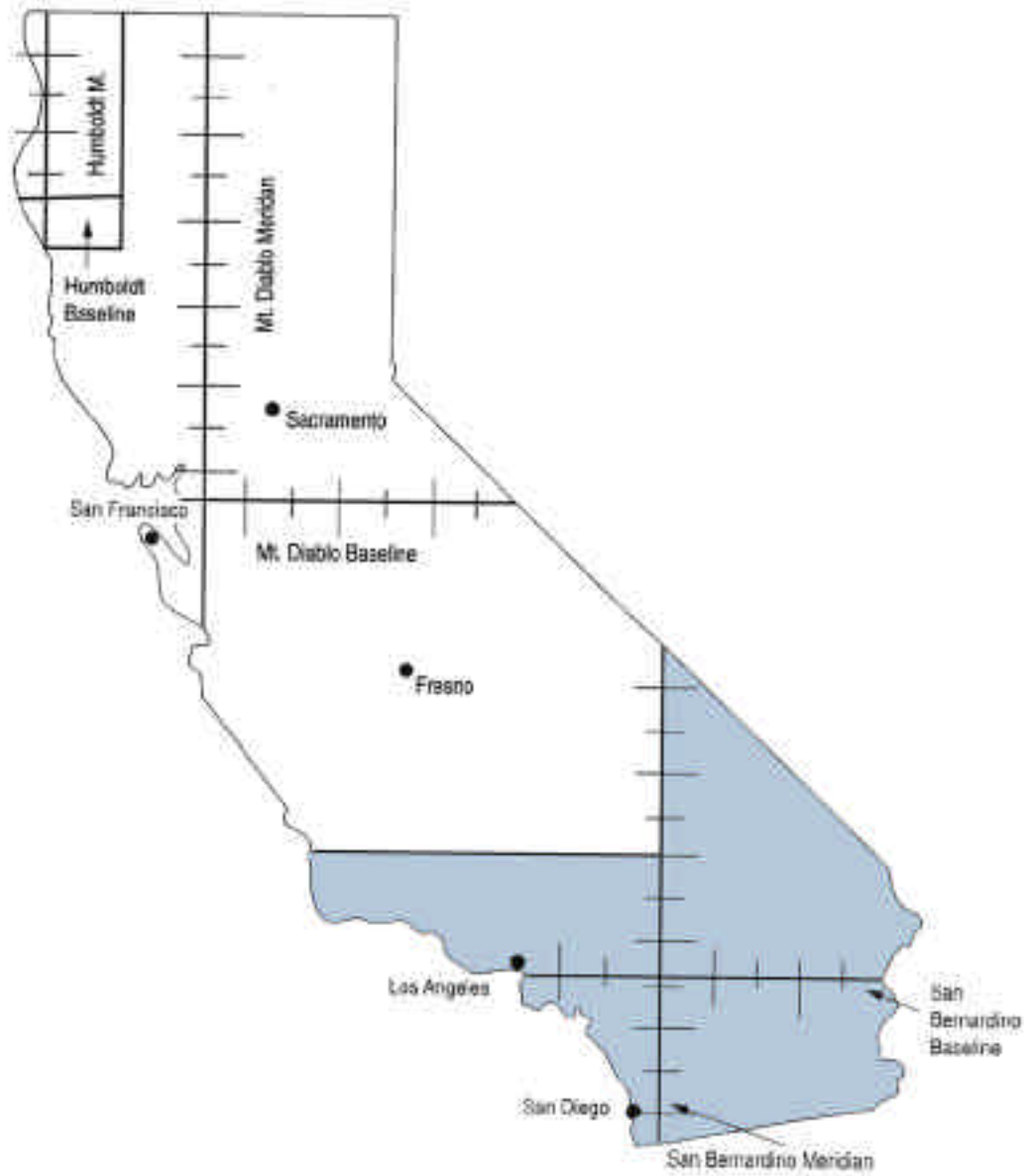


Figure 10-2. Range Survey System and Townships for California

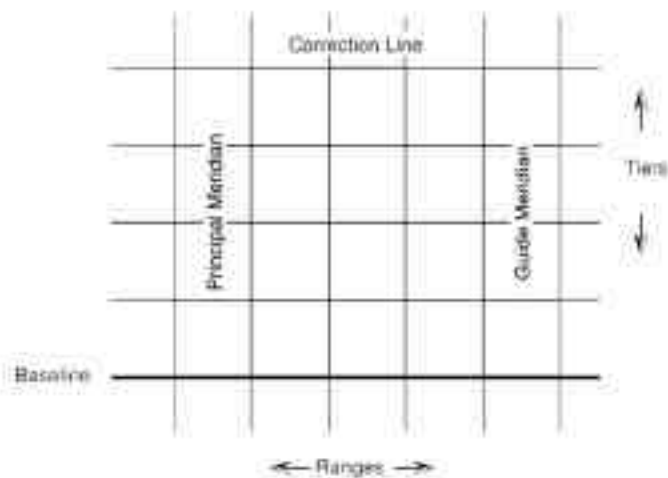


Figure 10-3. Townships With Correction Lines

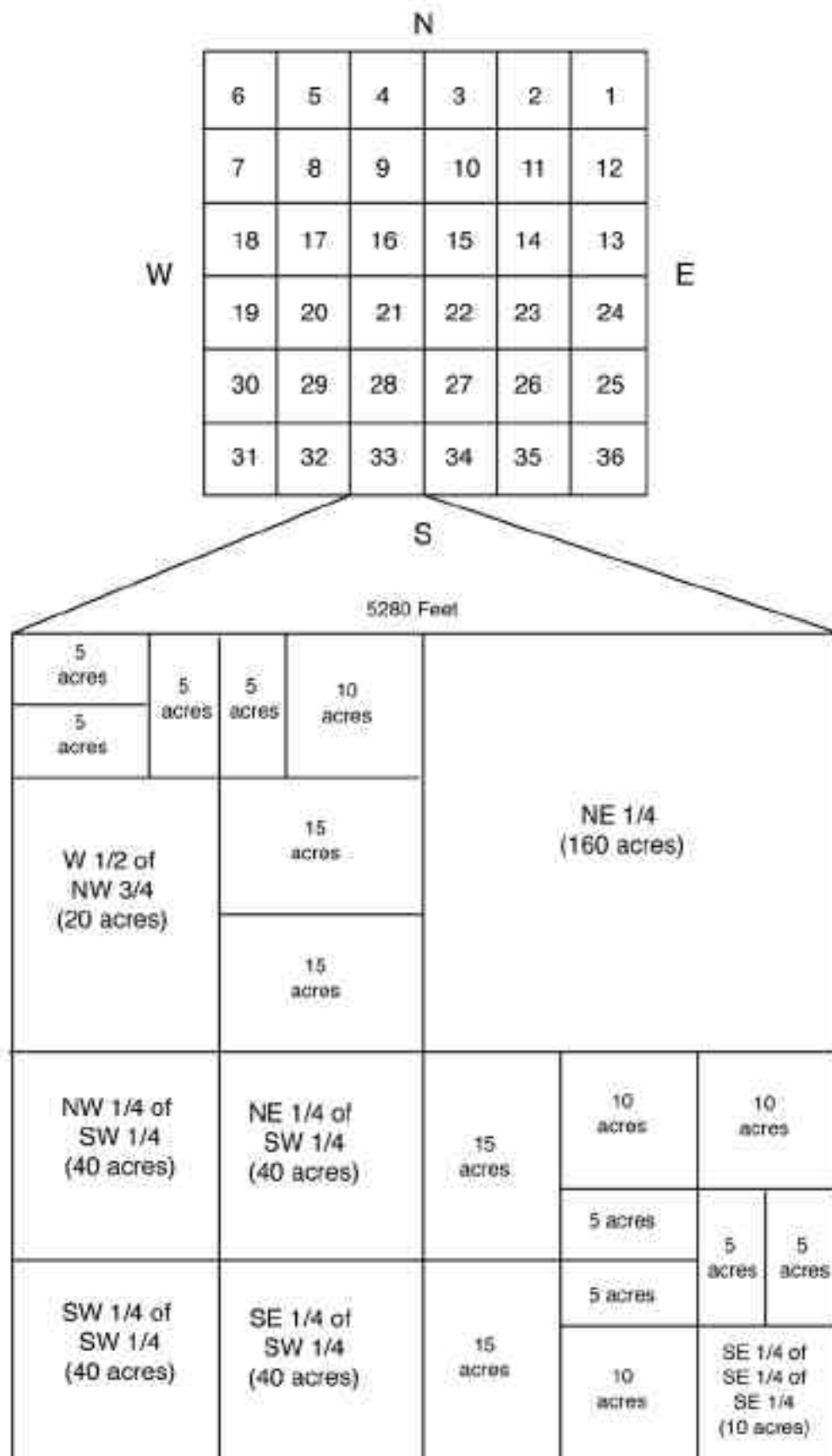


Figure 10-4. Section Divisions and Sections In A Township

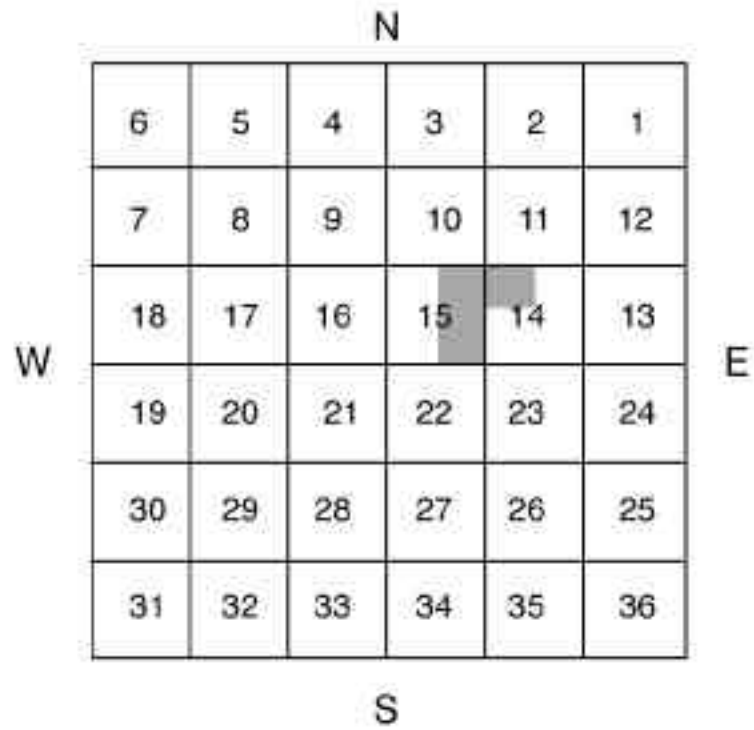


Figure 10-5. Description Of A Parcel In A Township

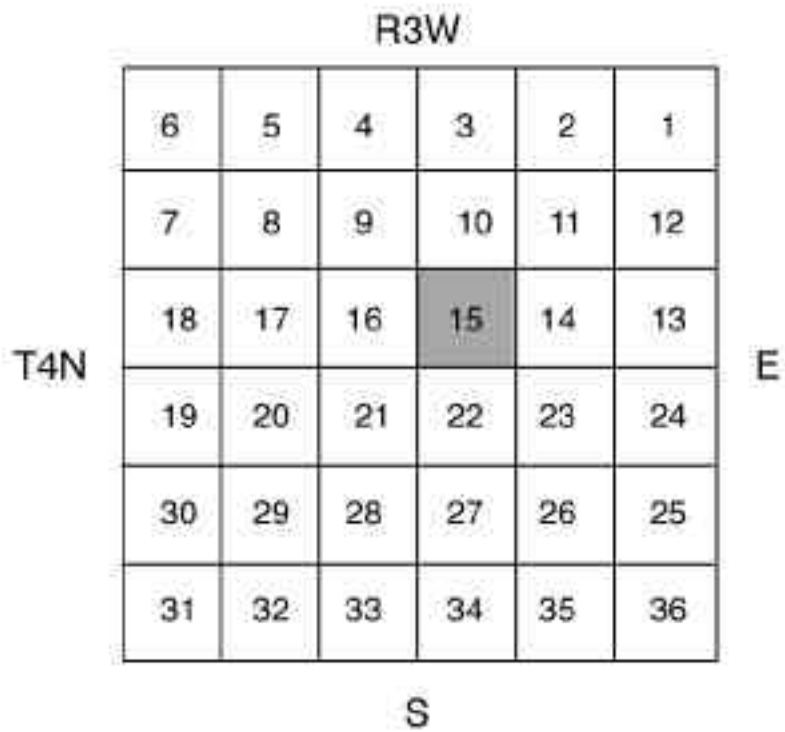


Figure 10-6. Location of Parcel 15 In A Township

Metes and Bounds

Before 1796 all land within the boundaries of the 13 American Colonies came under the control and jurisdiction of the state in which the land was situated. Lands within the states were all described by the then-accepted system of "metes and bounds". Metes and bounds is defined as the measurement of land within certain external boundaries or lines limiting the tract on all sides. The term metes refers to distance, and bounds are natural or artificial landmarks such as rivers or roads. Individual monuments or markers, such as fences, rocks, or other objects could also be used.

Obviously, rivers can change directions, trees can be felled, and other such markers can simply be eroded or removed over time. The metes and bounds method of describing property leave much to be desired. Nevertheless, there are areas of the United States where metes and bounds are still used, usually along with other legal descriptions.

The following is an example of a metes and bounds description of the land illustrated in Figure 10-7.

A tract of land in the Village of Hornsby, described as follows: Beginning at the intersection of the East line of James Road and the South line of Skill Drive, thence East along the South line of Skill Drive 300 feet; thence South 17° East 210 feet, more or less, to the center thread of Green Skill Creek; thence Northwesterly along the center line of said Creek to its intersection with the East line of James Road; thence North 180 feet, more or less, along the East line of James Road to the place of the beginning.

The TSC Database For Finding The Location of Property

The "Tax Liens" database is where you'll find parcel maps and/or road maps to help you physically locate a particular property. The location may be listed in a variety of ways, depending upon how records are kept in the county of interest. If a parcel has a TSC rating of "Recommended" or better, you may also find more detailed location information in both the "Neighborhood Inspection" and "Site Inspection" databases.

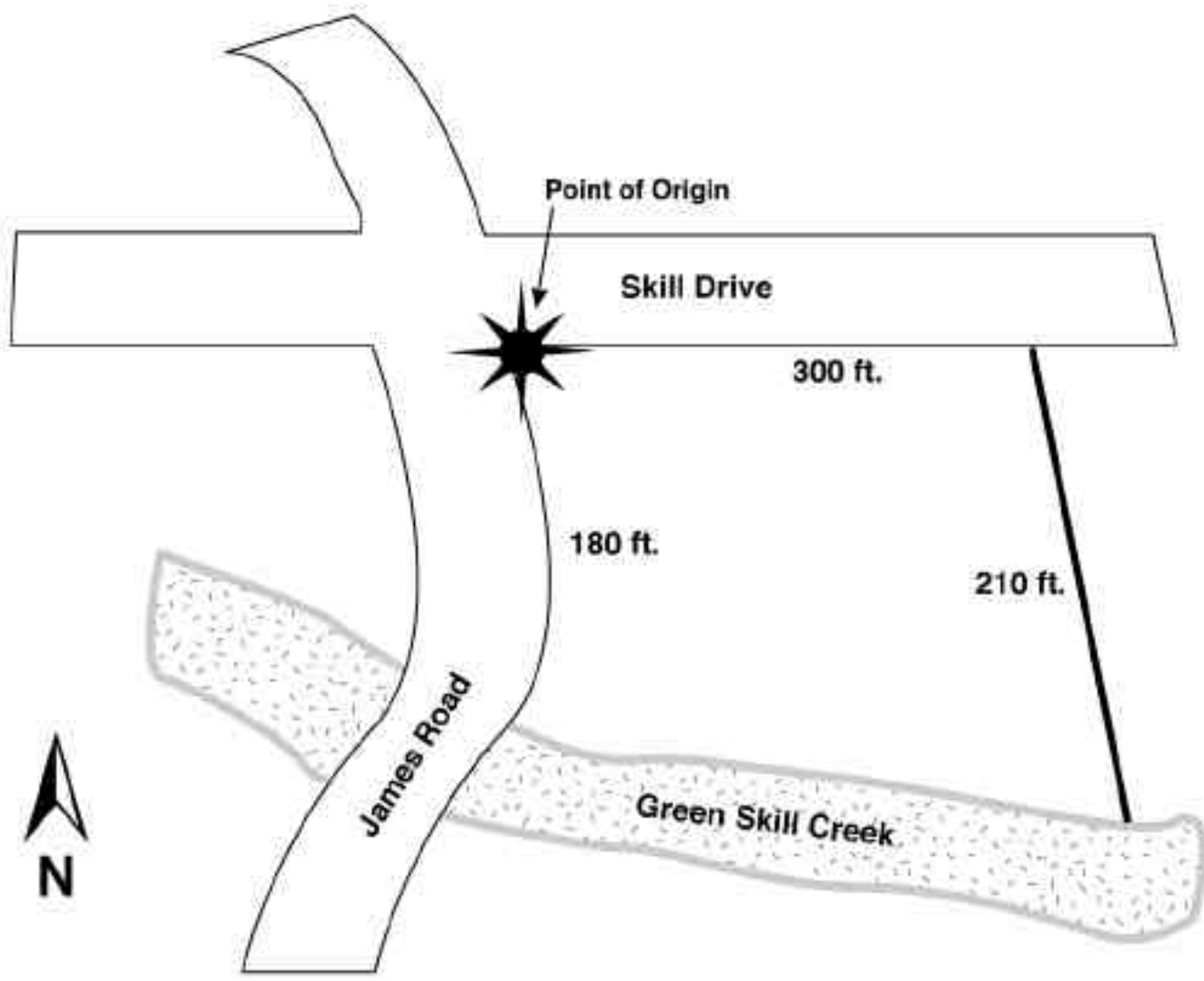


Figure 10-7. Metes and Bounds Description of Property

Step 7

Understand the demographics of the area where property is located

The United States Census Bureau provides detailed information about states and counties concerning the nature of commerce and industry, growth, ethnicity of citizens, crime, geography, housing, and a host of other useful information. This data is provided on state, counties, and regional area levels. Other sources, such as realty offices and county websites are also invaluable, especially for those of us who intend to invest in properties remotely. The National Association of Counties (NACo) is also a very good source of information about particular counties. You can find NACo on the internet at <http://www.naco.org>.

TSC subscribers enjoy a number of tools with which to evaluate the demographics of a particular region, including special reports by Associates and Subscribers.

Where To Find Demographics in the TSC Database

Demographics are found, primarily, in the "County Offices" database.

Step 8

Inspect the neighborhood where a property is located

This is a place where standard real estate practices intersect with the objectives of a Tax Sale investor. A neighborhood is defined as a cluster of properties of relatively similar land use and value. It is important to find out whether a neighborhood or area surrounding the properties you're interested in is in decline, stagnant, or on the rise. Perform an initial evaluation to determine if a visit to the neighborhood is warranted.

An analysis of neighborhoods is performed by TSC Partners. They are responsible for ensuring that all information about properties in their geographic (or assigned) area are accurate and complete. Neighborhood inspections are done for the different property types (residential, raw land, commercial or industrial).

Because of the volume of property that must be processed, the Tax Sales Center provides our Partners with automated evaluation tools. For example, there is a tool that determines whether or not a visit to the neighborhood of the site is warranted, given the information available. The TSC database is relational, so a Partner may simply click on a box to view more detailed information about any particular decision step in the flowchart.

Inspection of property is not as important for properties in Tax Lien/Certificate Detailed states as they are for properties in Tax Deed states. That is because property in a Tax Deed state is actually owned by the investor after the bidding process most of the time. Therefore TSC will generally reserve detailed neighborhood and site inspections for properties in Tax Deed states. Detailed analysis includes making sure the property is not near hazardous waste sites, gas stations, and underground storage tanks.

Some Useful Tips For Neighborhood Inspection

Stages of Development

Property areas generally goes through three stages of development: integration, equilibrium, and decline. The integration phase occurs when an area is first developed, which often determines the character and flavor of a neighborhood. The equilibrium stage follows after the majority of development activity is concluded. The uses of an area and its character stays pretty much the same. Decline occurs when the area uses change or when stable families and/or businesses move out.

Areas that have experienced decline can be rescued by younger, more professional people who revitalize and renovate properties for their use. When evaluating a neighborhood it is a good idea to find out what has happened to the area during the past 5-10 years. Noting trends like usage, zoning, housing density, and income levels helps to evaluate the direction a neighborhood is heading in.

Negative signs in a neighborhood is when buildings are being abandoned, graffiti, the conversion of large homes into apartments, increasing crime rate, and a decrease in the percentage of housing that is owned by the occupier. If retail volume is on the decline and businesses are turning over rapidly, this often indicates that an area is on the decline.

General Factors Which Influence Area Development

The value of property, especially in urban areas, is directly proportional to its location. Location in relationship to transportation, jobs, freeways, recreation, schools, and retail shopping is very important for residential properties. Commercial properties are also affected by transportation as well as availability to labor. The following are general guidelines as to area development:

- More affluent homes tend to be built outward from a community, generally towards higher ground or bodies of water
- Major transportation routes determine the direction of commercial property growth
- Institutions of higher learning, such as colleges and universities increase the value of homes around them
- Smaller businesses service larger industries near them
- Parks, golf courses, and other recreational facilities increase the value of property around them
- The character of an area is often influenced by major developments that took place earlier
- Community attitudes towards change, growth, and transportation systems effect the overall density of an area

Neighborhoods As Indicators of Value

The value of property is often a function of the physical property, and where it is located. Physical characteristics of a neighborhood are important to consider, but so too are rather intangible characteristics such as charm, age, quality, beauty, location, and infrastructure (sidewalks, trees, street lights, etc.). Location is extremely important. The same house, built by the same contractor at the same time, can have very different value, depending on where it is located. When people refer to a neighborhood, it is not simply the physical place that is referenced. They also speak about the quality, the culture, and the general characteristics that make that a neighborhood different and distinct from others.

Neighborhood boundaries change when the flavor and character of the location begins to change. For some neighborhoods the boundaries are clearly defined by such things as railroad tracks, boulevards, or zoning changes. The value of a neighborhood may be effected by boundary issues.

Physical Aspects Of Neighborhoods To Consider

The condition of neighborhoods are directly related to infrastructure, such as sewer, cable, natural gas, water, and electricity. An inability for land to properly support structures is called compaction. Some neighborhoods, especially those reclaimed by draining or filling land, may have compaction problems. The topography and drainage of land is often important, especially when considering undeveloped land. Always check U.S. Geodetic Survey maps for drainage information.

Roads, whether freeways or dirt tracks, must be considered as an important physical aspect of a neighborhood which can directly affect the value of property. Undeveloped property that lies on a major road, or what looks like it may become an important traffic route, has a greater chance of appreciating than property on a less important road. On the other hand, the value of property located in a neighborhood where the roads have not been well maintained is adversely affected.

For commercial property vehicular and pedestrian traffic is very important to property value. Slower traffic flowing through retail areas makes property in those areas more valuable. Foot traffic, especially between retail areas, is very desirable. The availability of adequate parking is extremely important to both residential and commercial areas. Parking availability has a direct effect on property value.

The TSC Database For Evaluating Neighborhoods

The "Neighborhood Inspection" database is used to evaluate neighborhoods where a particular property is located. If a parcel has a TSC rating of "Recommended" or better, an evaluation for it must be placed in the "Neighborhood Inspection" and "Site Inspection" databases.

Your camera (digital, video, film, etc.) will be needed when filling out the "Neighborhood Inspection" database records. Photos are used to show views from different directions — north, south, east, and west — of the neighborhood being evaluated. Evaluations are in at least two levels: preliminary and detailed. Maps of the neighborhood should also be included. These maps can be road direction maps, topographical maps, plat maps, or any other kind of map that you feel helps to describe the location and condition of a neighborhood.

Step 9

Inspect the site where a property is located

This is another place where standard real estate practices intersect with the objectives of a Tax Sale investor. Look at the landscape and any structures. Perform an evaluation of buildings on the site. Check outside, and if possible, inside as well. Due diligence is key to a successful outcome.

Detailed analysis of sites are performed by the Tax Sales Center Partners. They are responsible for ensuring that all information about properties in their geographic (or assigned) area are accurate and complete. Site inspections include residential homes, unimproved lots, apartment buildings, duplexes, and other commercial structures.

Because of the volume of property that must be processed the Tax Sales Center provides our Partners with automated evaluation tools. For example, there is one tool in the form of a questionnaire that Partners fill out on line. This information is then made available to all Investors and Partners who are participating in a joint deal.

Site inspections are done in several levels of detail, depending on the rating a property receives from TSC. Detailed analysis includes making sure the site or its structures do not contain asbestos, lead paint or pipes, mold, or radon. In addition, the property will be inspected for signs of water damage, soil staining, and the like.

Some Useful Tips For Site Inspection

Physical Structure

Site inspections are mostly done without going inside the property. Therefore, it is important to glean as much information as possible about the physical condition of the site, typically a structure. For residential areas that structure will be a house. For commercial/industrial areas the structure may be a retail store or plant. The American Society of Home Inspectors (http://www.ashi.com/customers/vhi_tour.asp) has a wonderful website that features a virtual home inspection tour. Make sure you view that very excellent site.

When performing a preliminary, outside inspection, answer the following questions:

- Are there obvious cracks or apparent shifts in the foundation?
- Are the basement walls dry?

Does the roof appear new, old, or of an indeterminate age? What is the overall condition?

What kind of roofing is employed?

Are gutters in good shape?

Are flashings on the roof-mounted members in good shape?

Is there evidence of leaks on the outside walls?

Is there dampness or adequate insulation around the basement or crawlspace?

What is the quality and workmanship in general, and in any additions?

Does the house appear tightly sealed?

Are window frames in good shape?

Are exterior doors weatherstripped?

Are there any external electrical wires showing?

What is the condition of the heating/cooling system?

Is the house going to need repairs or paint soon?

Does the drainage appear good--and away from the house?

Are there any trees encroaching on the roof or foundation?

What is the age of the structure?

What is the landscaping like? Are trees and shrubs far enough away from the house?

Is there a garage? How many cars will fit?

Does the driveway slope away from the house and garage?

What is the condition of sidewalks, walkways, and driveways?

Is there a deck?

Is there a swimming pool on or near the property?

Is the size of the lot satisfactory?

Do there appear to be any easement problems?

Orientation

The placement of a house on a site is its orientation. Orientation is generally best if the house faces south. View may be particularly important to the orientation of a house, especially on a hillside or when facing a body of water.

Design and Construction

Design features of buildings are a function of the materials used, the desired use of the building, and other ergonomical considerations.

Roof styles are shown in Figure 13-1, and are referred to in descriptions of architectural styles. Architectural styles most in use in the United States are listed below:

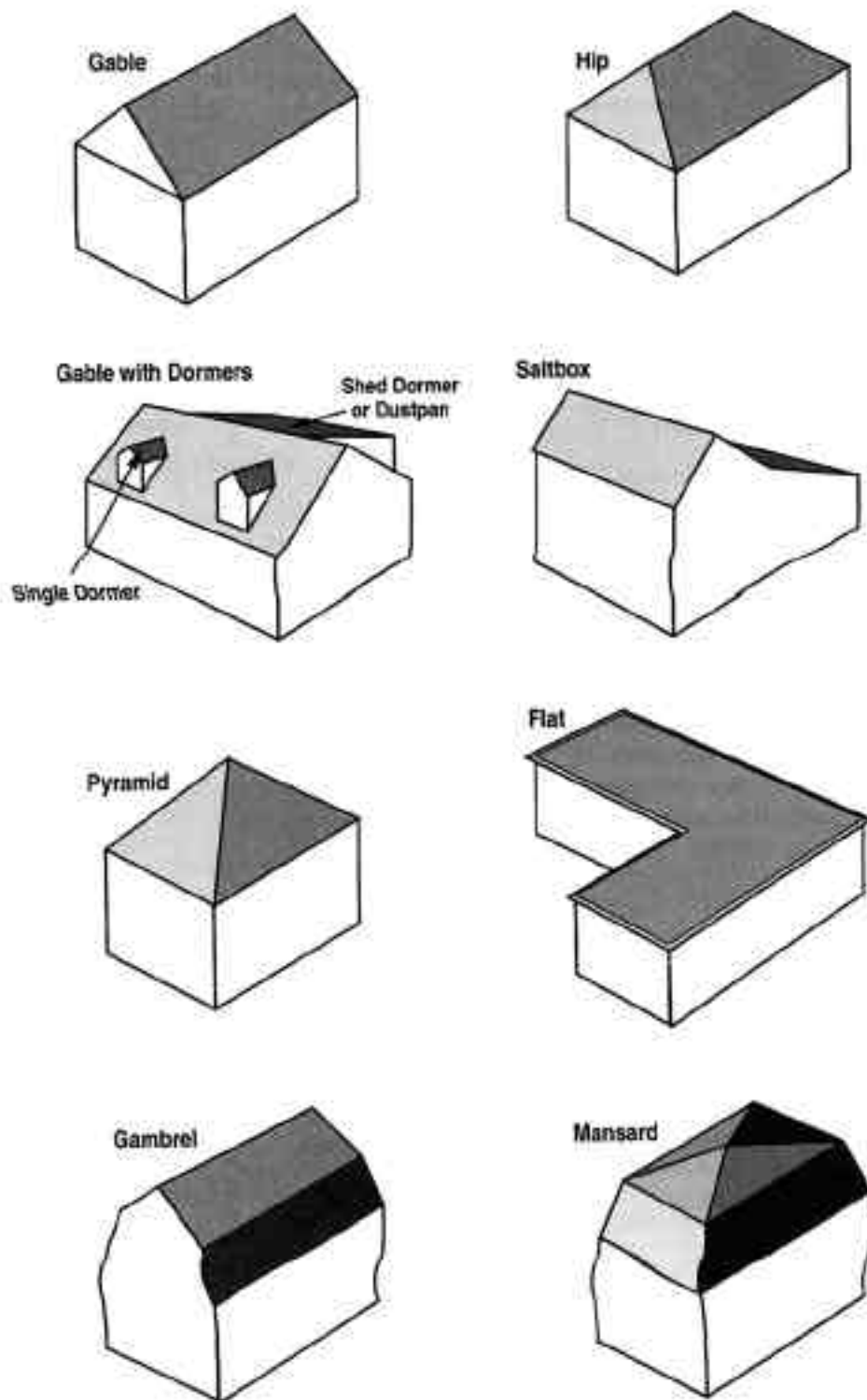


Figure 13-1. Roof Styles

- Colonial American or Cape Cod
- Southern Colonial
- Dutch Colonial
- Victorian
- Town House or Row House
- English Tutor
- French Provincial
- Spanish
- California Ranch
- Contemporary

Another way to describe the design and construction of a structure is by the number and placement of stories:

- one-story
- one-and-a-half story
- two-story
- split-level
- split-entry
- multi-story

The TSC Database For Evaluating Sites

The "Site Inspection" database is used to evaluate the site where a particular property is located. If a parcel has a TSC rating of "Recommended" or better, an evaluation for it must be placed in the "Neighborhood Inspection" and "Site Inspection" databases.

Your camera (digital, video, film, etc.) will be needed when filling out the "Site Inspection" database records. Photos are used to show views from different directions — north, south, east, and west — of the site being evaluated. Evaluations are in at least two levels: preliminary and detailed.

Maps of the site location should also be included. These maps can be road direction maps, topographical maps, plat maps, or any other kind of map that you feel helps to describe the location and condition of a site.

Step 10

Bid on the Property

Check for Redemptions

Just before the auction you need to find out if the property you're interested in has been redeemed by the owner. Sometimes that can happen up until just a few minutes before the bid. That is why it is important to have multiple properties of interest. Last minute redemptions are more likely in tax deed states because the owner stands to lose the property. In tax lien states last minute redemptions are less likely. Check with the county to find out what the rules are for timing of redemptions. Many counties update the listing of tax sale properties a day or so before the actual auction.

Go To The Auction

Auctions come in two basic flavors: on-line and in person. More and more counties are using on-line auction services like www.bid4assets.com to handle their auctions. Most counties do it the old fashioned way, at an actual building.

Make sure you are at the location where the auction will be held at least 45 minutes beforehand. That will give you an opportunity to read the postings of rules and properties that have been redeemed. Pay close attention to the reading of rules before the actual auction begins. This is when you'll most likely find out what the bidding increments are and how the bidding will actually proceed.

Realize that only 30 to 40 percent of those attending will actually bid. You might want to talk to people to find out what kind of investors they are: representatives of banks or other institutions, investors like you looking for multiple good deals, or local investors interested in a few properties.

As a TSC Partner, you'll have benefit of detailed analysis that will help you determine the minimum and maximum amounts you will bid. These amounts will depend upon the type of property, the kind of bidding (tax lien or tax deed), the bid increments, the expected disposition of the property (as income property or for sale), and return on investment. Be wary of the fact that auctions are designed to encourage you to overspend. Trust the TSC analysis and stay within those guidelines. Don't fall in love with any property. And don't get into a bidding war with a local investor who is hell-bent on adding to his own property (unless there are very good reasons to do so)!

Purchase The Property Deed or Lien Certificate

On a successful bid, you will be required to purchase the deed or certificate, along with fees and all taxes. Before the bid, you should know what the county rules are regarding purchase.

If the property is in a tax lien state you will receive a certificate of purchase. In tax deed states you may have to wait for some period of time before being issued a deed or a limited warranty deed.

This is what a typical certificate of tax sale looks like:

County Treasurer's Certificate of Tax Sale

(State of Texas, _____ County)

I, _____, Treasurer of the County of _____ in the State of Texas, do hereby certify that the following described real estate in said county and State, to wit:

(describing the same), was on the _____ day of _____, A.D., _____ duly sold by me in the manner provided by law, for the delinquent taxes for the year _____ thereon, amounting to _____ Dollars, including interest and penalty thereon, and the cost allowed by law to _____ for the sum of _____ Dollars, the purchaser being the first person to offer to pay the full amount of taxes due on the real estate.

And I further certify that unless redemption is made of the real estate, in the manner provided by law, the said _____ or assigns will be entitled to a deed therefore on and after the _____ day of _____, A.D., _____ on surrender of this certificate. In witness whereof I have hereunto set my hand this _____ day of _____, A.D. _____.

_____ Treasurer

Step 11

Manage The Property

Closing the deal and managing the property involves several phases, depending on the state where you purchased the property and what you'd like to do with it once it is in your possession. We encourage our Partners and Investors to close the deal in a way that is best for the community, the property holder, and you as an investor. Counties get the benefit of your financial assistance, owners can get away from property that is too difficult for them to hold on to, and you profit for your efforts. There are many creative ways to accomplish all of these goals in a socially responsible manner.

When you hold a tax lien (certificate) you will retain it until it is redeemed by the property owner. The county will then send you a check for the redeemed amount along with the processing fee and any interest owed to you. During the redemption period, if the owner has not redeemed the property you may be able to apply for a "Collector's Deed". The county will then issue a final notice allowing usually 90 days for the owner to redeem the property. Keep in very close contact with the county to make certain their rules are being followed. This is when you need to contact a local attorney to make sure notification, eviction, title clearing, and other procedures are followed precisely.

There is generally a grace period of up to a year after purchasing the deed to a tax sale property in a deed state. That regulatory period is available to the original owner of the property to challenge the sale. It is a good idea not to make any major changes to the property during this period. During this period the title is not free and clear yet, although, as the owner of the deed you may collect rent, lease with option to purchase, actually live in the property, and do practically everything else an owner would do. If, in the rare case, the original owner mounts a successful challenge, you will receive the amount of the taxes and other fees you paid back from the county, but you will not be entitled to reimbursement for any improvements you made to the property.

In both tax lien and tax deed states you need to get property insurance as soon as possible. Most title companies will not insure tax sale property until the title "settles", usually a year after your taking possession.

What To Do With The Property?

The disposition of properties rated as "Recommended" and "Preferred" will be decided by the partners involved in the deal.

We all want to maintain good relationships with the counties, and our fellow citizens who live in them. There are thousands of reasons why owners are delinquent on their taxes. The TSC code of conduct demands ethical, professional, and courteous dealings with all parties involved. TSC will consider all economic, ethical, and social aspects of the property to be managed, and will strive to structure deals that make good sense on all counts.

Realizing that some owners of property are truly in financial distress, TSC will often seek to help them in the following ways:

- We could purchase the property from the county at a tax sale. Because the company owning the mortgage is no longer involved, we essentially become the bank, and can offer the original property owner a drastically reduced rental payment to stay in the property. This makes economic sense because of our highly leveraged position.
- Alternatively, we can also negotiate a lease/purchase deal with the original owner where they can re-acquire the property from us after a certain time. In essence we share equity in the property with the original owner.
- We can acquire an apartment complex that the original owner is struggling to pay for. Selling the complex may result in tenants having to move because the new owner will need to offset purchase costs. Because our acquisition cost is a fraction of the property value, we can afford to make improvements to the property, keep the tenants (and their cash flow), and even keep the original owner on as a manager of the property.
- An elderly person may have a house on several acres of land. We could acquire the property through a tax sale, subdivide it, and allow the person to continue living in their house with a substantially reduced tax liability. We could even partner with the original owner in developing the other lots to provide him/her with positive cash flow.

On the other hand, it may make sense to sell the property as soon as possible to achieve maximum short term profit. We encourage our Partners and Investors to consider all possible means of managing property in a way that is beneficial to themselves, as well as to the communities they serve.

Legal Issues

TSC is a company that is driven by agreements, procedures, legalities, and the fact that all the "players" in the game of tax sales must play strictly by the "rules" to ensure success. The very nature of our business demands precision, judgment, and due diligence, so it is vitally important that legal procedures are carefully followed. The company seeks, at all times, to ensure the accuracy and integrity of the information it provides; and it relies on its Partners to fully understand both the risks and benefits of supplying that information and acting on it.

All Partners and Investors involved in working with TSC must agree to abide by agreements that are designed to legally protect them, the company, and third parties we will deal with. The importance of training, and thorough understanding of how the company operates cannot be overstressed. That is why Partners are required to take recurrent training and maintain their certification status at all times.

Being A Consultant

TSC Partners are consultants. They are independent agents and are not employed by TSC. Although Partners are trained to operate in concert with other Partners and Investors, they are responsible for doing work on their own schedule and using their own resources. Partners are consultants, subject to the same benefits and responsibilities as other consultants, such as paying their own taxes, insurance, and medical expenses. Also, Partners are not usually compensated for their services by wages, although the payment of consulting fees is certainly possible in many circumstances.

The traditional tests to determine whether a person is an employee or independent contractor involves the concept of control. The main questions to be answered are, are the services of the consultant subject to the Company's will and control over what must be done and how it must be done? In Revenue Ruling 87-41, 1987-1 CB 296, the IRS developed 20 factors used to determine whether a consultant is an independent contractor under the common law. The burden of proof is on you, the consultant/taxpayer; therefore, in general, at least 11 of these factors must show independent contractor status under the common law tests.

For the following questions, a "yes" answer means the consultant is an employee.

1. Does the company provide instructions to the consultant about when, where, and how he or she is to perform the work?
2. Does the company provide training to the consultant?
3. Are the services provided by the consultant integrated into the company's business operations?

4. Must the services be rendered personally by the consultant?
5. Does the company hire, supervise and pay assistants to the consultant?
6. Is there a continuing relationship between the company and the consultant?
7. Does the company set the work hours and schedule?
8. Does the consultant devote substantially full time to the business of the company?
9. Is the work performed on the company's premises?
10. Is the consultant required to perform the services in an order or sequence set by the company?
11. Is the consultant required to submit oral or written reports to the company?
12. Is the consultant paid by the hour, week, or month?
13. Does the company have the right to discharge the consultant at will?
14. Can the consultant terminate his or her relationship with the company any time he or she wishes without incurring liability to the company?
15. Does the company pay the business or traveling expenses of the consultant?

For the following questions, a "yes" answer means the consultant is an independent contractor.

16. Does the consultant furnish significant tools, materials and equipment?
17. Does the consultant have a significant investment in facilities?
18. Can the consultant realize a profit or loss as a result of his or her services?
19. Does the consultant provide services for more than one firm at a time?
20. Does the consultant make his or her services available to the general public?

Obviously, your work as a TSC Partner will take on some elements of employment, but not enough to qualify you as an employee. Other elements of a typical consulting arrangement are those of the requirements for non-disclosure, non-competing (refer to Appendix A - TSC Partners Agreement with Non-Competition Clause), work-for-hire, and first right of refusal (refer to Appendix B - Right Of Refusal To Acquire Real Estate Agreement) agreements between you and the company.

Protect Yourself!

TSC Partners and Investors are great people to work with. Other professionals may or may not be. Although it may be tempting to jump right into a wonderful deal without adequately protecting your personal assets, it is foolish to do so. Before you get involved in any kind of real estate transaction make certain you have formed some kind of legal entity, such as a corporation or trust, that can hold assets for you.

Real Estate Limited Partnerships

One of the keys to TSC business success is the use of Real Estate Limited Partnerships, which are tailored to the evaluation ratings individual tax sale properties receive. This organization ensures that your portion of income or losses from the property are passed on to the individual partners. Partners of the business (in this case, the property owned) are directly responsible for paying taxes on the profits of the business and may claim any losses against their other income—yet are protected against any personal responsibility for the partnership's debts or liabilities.

The structure for limited partnerships formed by TSC and its partners/investors are what is referred to as a *specified program*. Investors do not purchase units of a *blind pool*, where general partners indicate the types of property they will build or develop, but they do not have any properties specifically identified. Partners have broad control over management decisions over a carefully specified single piece of property.

The limited partnership in specified programs involves much more than the division between management and liability to partners. Each program spells out exactly how much each partner will be paid from profits, and the final disposition of the property (whether to be improved then sold, sold as is, or held as investment income property). A program prospectus is generated for each property. The training we provide to partners, the vast network of potential partners, and our portfolio management software, will ensure profits for all involved.

Characteristics of Limited Partnerships

All limited partnerships have at least one general partner and one or more limited partners. General partners have operational control and bear unlimited liability for partnership obligations. Limited partners receive all those investment benefits that typically accrue to real estate investors, and may reap additional advantages which may result from choosing this form of participation.

Certain tax sale properties that receive a "Preferred" rating may benefit from TSC's legal representation and the sharing of operational control and liability with its

partners. Properties that are rated "Recommended" or below will most likely be under the control of real estate limited partnerships formed and operated by individual (and independent) TSC Partners and Investors.

Investor Benefits

Potential investor benefits include tax shelter, equity buildup through repayment of mortgage loans, appreciation in property values, cash flows from operations and from the net proceeds of refinancing, and so forth. Limited partnerships make real estate investments affordable to individuals with limited capital resources and little or no real estate experience. Limited partnerships offer investors a number of benefits that would be difficult to obtain through direct real estate ownership. These include limited liability for obligations spawned by the venture and economies of scale combined with small initial equity investments. Investment units in limited partnership ventures sold to the general public are often priced as low as \$500 each, with a minimum subscription of as few as five units.

TSC's automation, highly sophisticated relational databases, and networking capabilities offer an exciting and relatively low-risk way for investors to invest in many deals simultaneously. Investing in limited partnership that acquire such a heterogeneous real estate portfolio can accomplish diversification objectives that for individual owners might require hundreds of thousands, or even millions, of dollars. Property search and negotiating skills are crucial elements in consistently favorable investment performance. As a major promoter of limited partnership ventures TSC has developed a network of investment specialists who quickly gain experience and are particularly adept at finding properties and structuring transactions on favorable terms. Our investments in real estate limited partnerships also provides our Partners, Investors, and Subscribers with access to professional property managers. While limited partners indirectly pay for this service, they need not spend time arranging and monitoring management performance, as must those who invest as individual owners.

Disadvantages of Participating as Limited Partners

Investors who face an unexpected need for cash resources may find it difficult to liquidate their limited partnership ventures. TSC significantly minimizes this problem because it can offer the investor a large network of other sophisticated investors who are ready to step in. Actions taken by general partners, over which limited partners have no control, may deprive all the partners of expected favorable income tax treatment. These issues include:

- The partnership may be deemed a taxable entity rather than a tax conduit.
- The IRS may reallocate profits and losses among the partners, or some losses may be completely disallowed.

- Losses from limited partnership interests are passive asset losses, and can only be used to offset passive asset income or when the related passive asset is sold.

Regulation

The Uniform Limited Partnership Act has been adopted in every state except Louisiana, albeit in some cases in highly modified form. The Act specifies rights and responsibilities of general and limited partners. A certificate of limited partnership may be filed with the appropriate state agency to create a limited partnership. If this certificate is not filed, all partners will be treated as general partners, and all become jointly and severally liable for all partnership obligations. Exercising any function reserved for general partners by the Uniform Limited Partnership Act may cause a limited partner to lose limited liability. TSC is very careful to structure its real estate limited partner agreements to comply with all Federal and State regulations. You are urged to seek legal counsel when you are involved in all such agreements.

Limited partnerships owe their popularity in large part to their special status under the Internal Revenue Code. Unlike corporations, partnerships are not taxable entities. Partnerships are frequently called "tax conduits" and have become the favored ownership entity for investments that generate tax deductible losses during the early years of operations. One thing to keep in mind: limited partnership shares are considered securities just as are corporate stocks and bonds. As securities, they are potentially subject to both federal and state securities laws.

Documentation

Securities regulations require that a potential investor be supplied with a prospectus or offering memorandum that fully discloses the nature of the offering. These are designed to satisfy full disclosure requirements, which stipulate that they must contain information sufficient for investors to intelligently evaluate the offering. In addition to the prospectus, potential investors are usually given a copy of the partnership agreement that defines the relationship between limited and general partners as well as the rights and responsibilities of each. Investors also sign a subscription agreement which spells out the nature of the relationship between limited partners and the sponsoring general partner. Private placements or intrastate offerings may also require potential investors to fill out a questionnaire designed to assess their ability to qualify as limited partners.

The TSC Real Estate Limited Partnership Agreement

Refer to Appendix C - Tax Sales Center, Networks Agreement Of Real Estate Limited Partnership for a detailed sample of how such an agreement is structured. You will note TSC's very extensive agreement adequately satisfies all concerns expressed about real estate limited partnership agreements stated in the paragraphs above.

Appendix A

TSC Partners Agreement with Non-
Competition Clause

Tax Sales Center

Confidential Document

Consulting Agreement for Independent Consultant with Non-Competition Clause

AGREEMENT made this ____day of _____, between Tax Sales Center, Networks (Herein referred to as the "Company"), having its principal place of business at 3572 Crestwood Drive, Kelseyville, CA and _____, (the "Consultant"), residing at _____.

IN CONSIDERATION of the Company's retaining the Consultant for independent consulting services, and of a thirty (30) day notice of termination provision, it is agreed as follows:

1. Independent Consulting Services

The Company hereby retains the Consultant and the Consultant hereby agrees to perform consulting services upon the terms and conditions contained herein and at consulting fees as shall be agreed upon from time to time by the parties hereto. This Agreement shall commence on the date hereof and shall remain in effect for an indefinite time until terminated by either party giving the other party notice of termination at least thirty (30) days prior to the effective date of termination.

2. Independent Contractor

The Consultant acknowledges that s/he is solely an independent contractor and consultant. The Consultant further acknowledges that s/he does not consider herself/himself to be an employee of the Company, and is not entitled to any Company employment rights or benefits. The Consultant shall not be directly supervised by the Company. The Consultant shall provide her/his own invoices for payment, on her/his own letterhead.

3. Confidentiality

The Consultant recognizes and acknowledges that the services the Company performs for its clients are confidential and to enable the Company to perform these services, its clients furnish to the Company confidential information concerning their business affairs, finances, properties, methods of operation and other data; that the good will of the Company depends, among other things, upon its keeping such serv-

ices and information confidential and that unauthorized disclosure of the same would irreparably damage the Company; and that by reason of her/his duties hereunder, the Consultant may come into possession of information concerning the services performed by the Company for its clients or information furnished by its clients to the Company, even though the Consultant does not herself/himself take any direct part in or furnish the services performed for those clients. All such information concerning clients of the Company and services rendered by the Company to such clients is hereinafter collectively referred to as "Confidential Information."

4. Non-Disclosure

The Consultant agrees that, except as directed by the Company, s/he will not at any time during or after the term of this Agreement disclose any Confidential Information to any person whatsoever, or permit any person whatsoever to examine and/or make copies of any software, processes, reports, or any documents prepared by her/him or that come into her/his possession or under her/his control by reason of her/his consulting services, and that upon termination of this Agreement s/he will turn over to the Company all documents, files, software, papers and other matter in her/his possession or under her/his control that relate to the clients of the Company.

5. Injunctive Relief

The Consultant acknowledges that disclosure of any Confidential Information by her/him will give rise to irreparable injury to the Company or the owner of such information, inadequately compensable in damages. Accordingly, the Company or such other party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available. The Consultant further acknowledges and agrees that in the event of the termination of this Agreement her/his experience and capabilities are such that s/he can obtain a consulting arrangement or employment in business activities which are either (1) of a different or noncompeting nature with her/his activities as a consultant for the Company, or (2) are carried on in a different geographic location; and that the enforcement of a remedy hereunder by way of injunction will not prevent her/him from earning a reasonable livelihood. The Consult-

ant further acknowledges and agrees that the covenants contained herein are necessary for the protection of the Company's legitimate business interests and are reasonable in scope and content.

6. Non-Competition

If this Consulting Agreement with the Company terminates for any reason, the Consultant will not, for a period of two years from the date of termination, have any business dealings whatsoever, either directly or indirectly through associates with any customer or client of the Company or its subsidiaries or any person or firm with whom the Consultant has made contact in connection with his consulting activities for the Company; and the Consultant will keep in strictest confidence, both during the term of this Agreement and subsequent to termination of this Agreement, and will not during the term of this Agreement or thereafter disclose or divulge to any person, firm or corporation, or use directly or indirectly, for her/his own benefit or the benefit of others, any information which in good faith and good conscience ought to be treated as confidential information including, without limitation, information relating to the software developed by the Company, information as to sources of, and arrangements for, hardware supplied to customers or clients of the Company, submission and proposal procedures of the Company, customer or contact lists or any other confidential information or trade secrets respecting the business or affairs of the Company which the Consultant may acquire or develop in connection with or as a result of the performance of her/his services hereunder. In the event of an actual or threatened breach by the Consultant of the provisions of this paragraph, the Company shall be entitled to injunctive relief restraining the Consultant from the breach or threatened breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to the Company for such breach or threatened breach, including the recovery of damages from the Consultant.

7. Enforceable

The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action of the Consultant against the Company whether predicated on this Agreement or otherwise.

8. Governing Law

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

9. Entire Agreement

This Agreement contains the entire agreement of the parties relating to the subject matter hereof. Any notice to be given under this Agreement shall be sufficient if it is in writing and is sent by certified or registered mail to the Consultant at his address as the same appears on the books and records of the Company or to the Company at its principal office, attention of the President, or otherwise as directed by the Company, from time to time.

IN WITNESS WHEREOF, the Company and the Consultant have duly executed this agreement as of the day and year first above written.

COMPANY

By: _____

CONSULTANT

Signature

Appendix B

Right of First Refusal to Acquire Real Estate

Tax Sales Center

Confidential Document

RIGHT OF FIRST REFUSAL TO ACQUIRE REAL ESTATE

This Right of First Refusal to Acquire Real Estate is made on this, the ____ day of _____, _____, by and between _____, hereinafter referred to as the "PARTNER" and Tax Sale Center, Networks (TSC), and its assigns, hereinafter referred to as the "COMPANY".

WHEREAS, the Company desires to obtain a right of first refusal or first option to acquire certain real estate that may be owned by Partner by virtue of her/his use of TSC computer-based systems; and

WHEREAS, Partner agrees to grant the Company a right of first refusal or first option to purchase real estate pursuant to the terms of this agreement and terms of the TSC Investment Partners Program; and

NOW, FOR GOOD AND VALUABLE CONSIDERATION is hereby acknowledged, and agreed as follows:

I.

GRANT OF FIRST OPTION: The Partner does hereby grant unto the Company the exclusive and irrevocable right, during the term of this agreement, of first refusal and first option to purchase, upon the terms and conditions hereinafter set forth, all properties which the Partner is first made aware of as a result of her/his activities conducted as a TSC Partner

II.

EXERCISE OF FIRST OPTION: This right of first refusal or first option to purchase may only be exercised by the Company within 30 days from notification by Partner that Partner desires to acquire the subject property. Partner is obligated to provide such notice to the Company prior to acquiring the subject property from a third party.

III.

FAILURE TO EXERCISE OPTION: If the Company has failed to exercised its right of first refusal, or the 30 day notification period has lapsed (whichever comes first), all rights to acquire the property shall revert to the Partner.

IV.

TERM AND EXTENSION: The term of this agreement shall be in force as long as the Partner holds Partner status with the Company.

GOVERNING LAW: This agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement on this the _____ day of _____, _____.

PARTNER

COMPANY

Appendix C

TSC - Partners Real Estate Limited
Partnership Agreement

Tax Sales Center

Confidential Document

TAX SALES CENTER, NETWORKS

AGREEMENT OF REAL ESTATE LIMITED PARTNERSHIP

Dated as of _____, _____

THIS AGREEMENT OF PARTNERSHIP of is entered into and shall be effective as of the _____ day of _____, 2004, by and among Tax Sales Center, Networks, a Limited Liability Corporation, as managing partner (the "Managing Partner"), and _____, _____ and _____, _____, as partners (the Managing Partner and the other partners being hereinafter collectively referred to as the "Partners"), pursuant to the provisions of the Act (this and other capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in Section 1.10), on the following terms and conditions:

ARTICLE 1

THE PARTNERSHIP

1.1 Organization. The Partnership is hereby organized as a Real Estate Limited Partnership effective as of the date hereof pursuant to, in accordance with and for purposes of the provisions of the Act.

1.2 Partnership Name. The name of the Partnership shall be TSC-(City and Street Name & Reference Number) [TSC-AbileneMcGuire1] and all business of the Partnership shall be conducted in such name. The Partnership shall hold all of its property in the name of the Partnership and not in the name of any Partner.

1.3 Purpose. The purpose of the Partnership is to acquire, develop, construct, improve, finance, mortgage, hold, lease, own, operate, refinance and sell or otherwise dispose of the Property and to engage in actions necessary, convenient or incidental to all of the foregoing. The Partnership shall not engage in any other activity or business and no Partner shall have any authority to hold himself out as a general agent of another Partner in any other business or activity.

1.4 Principal Place of Business. The principal place of business of the Partnership shall be located at the Managing Partner's Offices, or at such other place within or without the State of _____ as may be determined by the Managing Partner.

1.5 Term. The term of the Partnership shall commence on the date hereof and shall continue until the winding up and liquidation of the Partnership and its business is completed following a Liquidating Event.

1.6 No Payments of Individual Obligations. The Partners shall use the Partnership's credit and assets solely for the benefit of the Partnership. No asset of the Partnership shall be transferred or encumbered for or in payment of any individual obligation of a Partner.

1.7 Statutory Compliance. The Partnership shall exist under and be governed by, and this Agreement shall be construed in accordance with, the applicable laws of the State of _____. The Partners shall make all filings and disclosures required by, and shall otherwise comply with, all such laws. The Partners shall execute and file in the appropriate records any assumed or fictitious name certificates and other documents and instruments as may be necessary or appropriate with respect to the formation of, and conduct of business by, the Partnership.

1.8 Title to Property. All real and personal property owned by the Partnership shall be owned by the Partnership as an entity and, insofar as permitted by applicable law, no Partner shall have any ownership interest in such property in such Partner's individual name or right, and each Partner's interest in the Partnership shall be personal property for all purposes.

1.9 Independent Activities. The Partners hereby acknowledge and agree that each Partner may engage in any activity whatsoever (as an owner, employee, consultant or otherwise), whether or not such activity competes with or is enhanced by the Partnership's business and affairs, and no Partner shall be liable or accountable to the Partnership or any other Partner for any income, compensation or profit that such Partner may derive from any such activity. Further, no Partner shall be liable or accountable to the Partnership or any other Partner for failure to disclose or make available to the Partnership any business opportunity that such Partner becomes aware of in such Partner's capacity as a Partner or otherwise.

1.10 Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth below or in the Section to this Agreement referred to below:

(a) "Act" means the California Uniform Partnership Law, as amended from time to time and including any successor statute of similar import.

(b) "Adverse Act" means, with respect to any Partner, any of the following:

(i) a failure of such Partner to make any Capital Contribution required pursuant to any provision of this Agreement;

(ii) a Transfer of all or any portion of such Partner's interest in the Partnership except as expressly permitted or required by this Agreement;

(iii) any termination or dissolution of a corporation or partnership which is a Partner, unless substantially all assets of the terminated or dissolved corporation or partnership are transferred to an Affiliate;

(iv) a determination that such Partner has taken an action, or has failed to take an action within the scope of such Partner's duties hereunder, that results, or can reasonably be expected to result in, such Partner becoming liable to indemnify the Partnership for a material sum pursuant to any provision of this Agreement or that would justify a decree of dissolution of the Partnership under the Act. The determination whether a Partner has so acted or failed to act shall be made conclusively by vote of the Partners holding a majority of the Partnership Interests (determined without regard to the Partnership Interest of such Partner); or

(v) the occurrence of an Event of Bankruptcy with respect to such Partner.

An "Adverse Partner" is any Partner with respect to whom an Adverse Act has occurred.

(c) "Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any officer, director or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee or holder of ten percent (10%) or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence.

(d) "Agreement" means this Agreement of Partnership, including Exhibits through attached hereto, as it and they may be amended, restated or supplemented from time to time. Words such as "herein," "hereinafter," "hereof," "hereto" and "hereunder" refer to this Agreement as a whole, including Exhibits through attached hereto, unless the context otherwise requires.

(e) "Annual Business Plan" means any plan approved by the Partners pursuant to Section 6.2 hereof.

(f) "Capital Account" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

(i) To each Partner's Capital Account there shall be credited such Partner's Capital Contributions, such Partner's distributive share of Profits, and any items in the nature of income or gain which are specially allocated pursuant to Section 3.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or which are secured by the

Property or any other Partnership assets distributed to such Partner.

(ii) To each Partner's Capital Account there shall be debited the amount of cash and the Gross Asset Value of the Property and any other Partnership assets distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Losses, and any items in the nature of expenses or losses which are specially allocated pursuant to Section 3.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

(iii) In the event any interest in the Partnership is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of paragraphs (i) and (ii) of this definition, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Managing Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership or the Partners), are computed in order to comply with such Regulations, the Managing Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Partner pursuant to Section 11 hereof upon the dissolution of the Partnership. The Managing Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

(g) "Capital Contributions" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership with respect to the Partnership Interest held by such Partner pursuant to the terms of this Agreement. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Partnership by the maker of the note shall not be included in the Capital Contribution of any Partner until the Partnership makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to

time, and any Federal laws of similar import, and to the extent applicable, any Regulations promulgated thereunder.

(i) "Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managing Partner.

(j) "Event of Bankruptcy" means, with respect to any Partner or the Partnership, any of the following:

(i) filing a voluntary petition in bankruptcy or for reorganization or for the adoption of an arrangement under the Bankruptcy Code (as now or in the future amended) or an admission seeking the relief therein provided;

(ii) making a general assignment for the benefit of creditors;

(iii) consenting to the appointment of a receiver for all or a substantial part of such Person's property;

(iv) in the case of the filing of an involuntary petition in bankruptcy, an entry of an order for relief;

(v) the entry of a court order appointing a receiver or trustee for all or a substantial part of such Person's property without its consent; or

(vi) the assumption of custody or sequestration by a court of competent jurisdiction of all or substantially all of such Person's property.

(k) "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the Partnership;

(ii) The Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the Managing Partner, as of

the following times: (a) the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership's assets as consideration for an interest in the Partnership; and (c) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Managing Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(iii) The Gross Asset Value of any Partnership asset distributed to any Partner shall be the gross fair market value of such asset on the date of distribution; and

(iv) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and Section 3.4(a) hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this paragraph (iv) to the extent the Managing Partner determines that an adjustment pursuant to paragraph (ii) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to paragraph (iv) of this definition.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraph (i), (ii) or (iv) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

(l) "Liquidating Event" shall have the meaning given such term in Section 11.1.

(m) "Managing Partner" means the Person designated as the Managing Partner in the first paragraph of this Agreement, together with any replacement Managing Partner elected pursuant to Section 6.6 hereof, in such Person's capacity as Managing Partner of the Partnership.

(n) "Net Cash From Operations" means the gross cash proceeds from Partnership operations less the portion thereof used to pay or establish reserves for all Partnership expenses, debt payments, capital improvements, replacements and contingencies, all as determined by the Partners. "Net Cash From Operations" shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances, but shall be increased by any reductions of reserves previously established.

(o) "Net Cash From Sales or Refinancings" means the net cash proceeds from all sales, other dispositions and refinancings of the Property or other Partnership assets, less any portion thereof used to establish reserves, all as determined by the Partners. "Net Cash From Sales or Refinancings" shall include all principal and interest payments with respect to any note or other obligation received by the Partnership in connection with the sale or other disposition of the

Property or other Partnership assets.

(p) "Net Equity" shall have the meaning given such term in Section 9.4.

(q) "Nonrecourse Deductions" has the meaning set forth in Section 1.704-1(b)(4)(iv)(b) of the Regulations. The amount of Nonrecourse Deductions for a Partnership fiscal year equals the net increase, if any, in the amount of Partnership Minimum Gain during that fiscal year, determined according to the provisions of Section 1.704-1(b)(4)(iv)(b) of the Regulations.

(r) "Partner Loan Nonrecourse Deductions" means any Partnership deductions that would be Nonrecourse Deductions if they were not attributable to a loan made or guaranteed by a Partner within the meaning of Regulations Section 1.704-1(b)(4)(iv)(g).

(s) "Partners" means the Persons designated as Partners in the first paragraph of this Agreement, together with any Person who becomes a substituted Partner as provided herein, in such Person's capacity as a partner of the Partnership. "Partner" means any one of the Partners.

(t) "Partnership" means the general partnership formed pursuant to this Agreement, as such general partnership may from time to time be amended, restated and constituted, and including, without limitation, the partnership continuing the business of this Partnership in the event of dissolution as herein provided.

(u) "Partnership Interest" means, with respect to the Managing Partner, percent (%), with respect to , percent (%), and with respect to , percent (%), subject to adjustment from time to time by reason of any transfer of an interest in the Partnership pursuant to the applicable provisions of this Agreement. In the event any Partnership interest is transferred in accordance with the provisions of this Agreement, the transferee of such interest shall succeed to the Partnership Interest of the transferor to the extent it relates to the transferred interest.

(v) "Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-1(b)(4)(iv)(c).

(w) "Person" means any individual, partnership, corporation, trust or other entity.

(x) "Profits" and "Losses" means, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to paragraph (v)

of this definition shall added to such taxable income or loss;

(ii) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to paragraph (v) of this definition shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to paragraph (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period, computed in accordance with the definition of Depreciation; and

(vi) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Sections 3.4 hereof shall not be taken into account in computing Profits or Losses.

(y) "Property" means those certain premises _____ [to be acquired by the Partnership and] located on or about _____, all as more particularly described on Exhibit A attached hereto, including all buildings and other improvements, fixtures, furniture and other personal property used in connection with the operation and use thereof (excluding only such items as may be owned by tenants under executed leases).

(z) "Regulations" means the Federal income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

(aa) "Transfer" means, as a noun, any voluntary or involuntary transfer, sale, pledge, hypothecation or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, pledge, hypothecate or otherwise dispose of.

ARTICLE 2

CAPITALIZATION

2.1 Capital Contributions. The Managing Partner shall contribute to the Partnership on the date hereof, as the Managing Partner's Capital Contribution, _____ [all of the Managing Partner's right, title and interest in and to [the Property], which right, title and interest are agreed by the Partners to have a fair market value, as of the date hereof, of \$] [the sum of \$ in cash]. The other Partners each shall contribute to the Partnership on the date hereof, as each such Partner's Capital Contribution, the sum of \$ in cash. _____ [Except to the extent otherwise agreed in writing by the Partners, no Partner shall be permitted or required to make any addition Capital Contributions.]

[2.2 Additional Capital Contributions. Additional Capital Contributions may be called for by the Managing Partner by written demand upon the Partners from time to time for any purpose deemed appropriate by the Managing Partner in the Managing Partner's reasonable discretion as long as such purpose is consistent with an Annual Business Plan approved by the Partners pursuant to Section 6 hereof or is necessary and appropriate in connection with any matter approved by the Partners pursuant to Section 6 hereof. Such additional Capital Contributions shall be payable in proportion to the Partnership Interests of the Partners. In the event any Partner shall fail to make any such additional Capital Contribution within ten (10) days of written demand from the Managing Partner, then such Partner shall be in breach of such Partner's obligations hereunder and (i) the Partnership and the other Partners shall have the rights and remedies set forth in this Agreement, and (ii) such breach shall constitute an Adverse Act with respect to which any of the other Partners may invoke the purchase provisions of Section 9.3 hereof.]

2.3 General.

(a) Except as otherwise provided in this Agreement, no Partner shall demand or receive a return of such Partner's Capital Contributions or withdraw from the Partnership without the consent of all Partners. Under circumstances requiring a return of any Capital Contributions, no Partner shall have the right to receive property other than cash except as may be specifically provided herein.

(b) No Partner shall receive any interest, salary, or drawing with respect to such Partner's Capital Contributions or such Partner's Capital Account or for services rendered on behalf of the Partnership or otherwise in such Partner's capacity as Partner, except as otherwise provided in this Agreement.

(c) Except as otherwise provided in this Section 2 and Section 8 hereof, relating to Transfers of Partnership interests, no Person shall be admitted to the Partnership as a Partner without the unanimous consent of the Partners.

ARTICLE 3

ALLOCATIONS

3.1 Profits. After giving effect to the special allocations set forth in Section 3.4 hereof, Profits for any fiscal year shall be allocated among the Partners in proportion to their respective Partnership Interests.

3.2 Losses. After giving effect to the special allocations set forth in Section 3.4 hereof, Losses for any fiscal year shall be allocated among the Partners in proportion to their respective Partnership Interests.

3.3 General.

(a) Except as otherwise provided in this Agreement, all items of Partnership income, gain, loss, deduction and any other allocations not otherwise provided for shall be divided among the Partners in the same proportions as they share Profits or Losses, as the case may be, for the year.

(b) The Partners are aware of the income tax consequences of the allocations made by this Article 3 and hereby agree to be bound by the provisions of this Article 3 in reporting their shares of Partnership income and loss for income tax purposes.

(c) For purposes of determining the Profits, Losses or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly or other basis, as determined by the Managing Partner using any permissible method under Code Section 706 and the Regulations thereunder.

3.4 Special Allocations.

(a) Code Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

(b) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year or other period shall be specially allocated among the Partners in proportion to their respective Partnership Interests.

(c) Partner Loan Nonrecourse Deductions. Any Partner Loan Nonrecourse

Deductions for any fiscal year or other period shall be specially allocated to the Partner who bears the risk of loss with respect to the loan to which such Partner Loan Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-1(b)(4)(iv)(g).

(d) Curative Allocations. The allocations set forth in Sections 3.4(b) and 3.4(c) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Regulations Section 1.704-1(b). Notwithstanding any other provisions of this Article 3, the Regulatory Allocations shall be taken into account in allocating other Profits, Losses and items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other Profits, Losses and other items and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if the Regulatory Allocations had not occurred. Notwithstanding the preceding sentence, Regulatory Allocations relating to (a) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a reduction in Partnership Minimum Gain, and (b) Partner Loan Nonrecourse Deductions shall not be taken into account except to the extent that there would have been a reduction in Partnership Minimum Gain if the loan to which such deductions are attributable were not made or guaranteed by a Partner within the meaning of Regulations Section 1.704-1(b)(4)(iv)(g).

3.5 Tax Allocations: Code Section 704(c). In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Gross Asset Value (computed in accordance with paragraph (i) of the definition of Gross Asset Value.)

In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to paragraph (ii) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take into account any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

Any elections or other decisions relating to such allocations shall be made by the Managing Partner in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 3.5 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Person's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provisions of this Agreement.

ARTICLE 4

DISTRIBUTIONS

4.1 Net Cash From Operations. Except as provided in Section 11.2 hereof, relating to the liquidation of the Partnership, Net Cash From Operations shall be determined by the Managing Partner quarterly, and the amount so determined shall be distributed to the Partners in proportion to their respective Partnership Interests.

4.2 Net Cash From Sales or Refinancing. Except as provided in Section 11.2 hereof, relating to the liquidation of the Partnership, all Net Cash From Sales or Refinancings, if any, shall be distributed, from time to time as determined by the Managing Partner, to the Partners in proportion to their respective Partnership Interests.

4.3 Distribution Among Partners. If a Permitted Transfer, pursuant to Section 8 hereof, of an interest in the Partnership occurs during any accounting period, Profits, Losses, each item thereof and all other items attributable to such interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Managing Partner. All distributions on or before the date of a Permitted Transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making such allocations and distributions, the Partnership shall recognize a Permitted Transfer not later than the end of the calendar month during which it is given notice of such Transfer; provided, however, that if the Partnership does not receive a notice stating the date such interest was transferred and such other information as the Managing Partner may reasonably require within thirty (30) days after the end of the accounting period during which the transfer occurs, or if a Transfer is not a Permitted Transfer then all of such items shall be allocated, and all distributions shall be made, to the Person who, according to the books and records of the Partnership, on the last day of the accounting period during which the Transfer occurs, was the owner of the Partnership Interest. The Managing Partner and the Partnership shall incur no liability for making allocations and distributions in accordance with the provisions of this Section 4.3, whether or not the Managing Partner or the Partnership has knowledge of any Transfer of ownership of any interest in the Partnership.

4.4 Amounts Withheld. All amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any payment or distribution to the Partnership or the Partners shall be treated as amounts distributed to the Partners pursuant to this Section 4 for all purposes under this Agreement. The Managing Partner may allocate any such amounts among the Partners in any manner that is in accordance with applicable law.

ACCOUNTING AND RECORDS

4.5 Books and Records. The Managing Partner shall keep, or cause to be kept, complete and accurate books of account and records of the Partnership. The books and records of the Partnership shall be kept on the _____ [accrual] [cash receipts and disbursements] basis of accounting, and otherwise in accordance with generally accepted accounting principles consistently applied, and all such books and records shall at all times be maintained or made available at the principal business office of the Partnership. Each Partner, or such Partner's designated representative, shall have access to and the right to inspect and copy, during normal business hours and at the expense of such Partner, the contents of such books and records.

4.6 Reports. The Managing Partner shall prepare, or cause to be prepared, financial reports of the Partnership and shall coordinate financial matters of the Partnership with the Partnership's accountants. Within ninety (90) days after the end of each fiscal year and within sixty (60) days of the end of any fiscal quarter, the Managing Partner shall cause each Partner to be furnished with a copy of the balance sheet of the Partnership as of the last day of the applicable period and a statement of income or loss for the Partnership for such period. Annual statements shall also include a statement showing any item of income, deduction, credit or loss allocable for federal income tax purposes pursuant to the terms of this Agreement. Annual statements shall be prepared by the Partnership's accountants.

4.7 Tax Returns. The Managing Partner shall cause the Partnership's accountants to prepare all income and other tax returns of the Partnership and shall cause the same to be filed in a timely manner. The Managing Partner shall furnish to each Partner a copy of each such return, together with any schedules or other information which each Partner may require in connection with such Partner's own tax affairs.

4.8 Special Basis Adjustment. In connection with any Permitted Transfer of a Partnership interest, the Managing Partner shall cause the Partnership, at the written request of the transferor or the transferee, on behalf of the Partnership and at the time and in the manner provided in Regulations Section 1.754-1(b), to make an election to adjust the basis of the Partnership's property in the manner provided in Sections 734(b) and 743(b) of the Code, and such transferee shall pay all costs incurred by the Partnership in connection therewith, including, without limitation, reasonable attorneys' and accountants' fees.

4.9 Tax Matters Partner. The Managing Partner shall be the party designated to receive all notices from the Internal Revenue Service which pertain to the tax affairs of the Partnership. The Managing Partner shall be the "Tax Matters Partner" pursuant to the Code.

4.10 Fiscal Year. The fiscal year of the Partnership shall be the calendar year, unless otherwise approved by the Partners. As used in this Agreement, a fiscal year shall include any partial fiscal year at the beginning and end of the Partnership term.

4.11 Bank Accounts. The Managing Partner shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not in the Managing Partner's immediate possession or control. The funds of the Partnership shall not be commingled with the funds of any other Person and the Managing Partner shall not employ, or permit any other Person to employ, such funds in any manner except for the benefit of the Partnership. The bank accounts of the Partnership shall be maintained in such banking institutions as are approved by the Managing Partner and withdrawals shall be made only in the regular course of Partnership business and as otherwise authorized in this Agreement on such signature or signatures as the Managing Partner may determine. All funds of the Partnership shall be invested in accordance with the then applicable Annual Business Plan.

ARTICLE 5

MANAGEMENT

5.1 Day-to-Day Management by Managing Partner. Subject to the limitations and restrictions set forth in this Agreement, including, without limitation, those set forth in this Article 6, the Managing Partner may exercise the following specific rights and powers without any further consent of the other Partners being required:

- (a) to expend the capital and income of the Partnership to the extent permitted by this Agreement and consistent with the then applicable Annual Business Plan;
- (b) to ask for, collect and receive any rents, issues and profits or income from the Property or any other assets of the Partnership, or any part or parts thereof, and to disburse Partnership funds for Partnership purposes to those persons entitled to receive same;
- (c) to purchase from or through others, contracts of liability, casualty or other insurance for the protection of the properties or affairs of the Partnership or the Partners or for any purpose convenient or beneficial to the Partnership;
- (d) to pay all taxes, licenses or assessments of whatever kind or nature imposed upon or against the Partnership or the Property, and for such purposes to make such returns and do all other such acts or things as may be deemed necessary and advisable by the Partnership;
- (e) to establish, maintain and supervise the deposit of any monies or securities of the Partnership with federally insured banking institutions or other institutions as may be selected by the Managing Partner, in accounts in the name of the Partnership with such institutions;
- (f) to institute, prosecute, defend, settle, compromise and dismiss lawsuits or other judicial or administrative proceedings brought on or in behalf of, or against, the Partnership or the Partners in connection with activities arising out of, connected with or incidental to this Agreement, and to engage counsel for others in connection therewith;

(g) to execute for and on behalf of the Partnership, and with respect to the Property, all such applications for permits and licenses as the Managing Partner deems necessary and advisable, and to execute and cause to be filed and recorded all such subdivision, parcel or similar maps covering or relating to the Property that the Managing Partner deems advisable;

(h) to perform all ministerial acts and duties relating to the payment of all indebtedness, taxes and assessments due or to become due with regard to the Property, and to give and receive notices, reports and other communications arising out of or in connection with the ownership, indebtedness or maintenance of the Property;

(i) to conduct the affairs of the Partnership with the general objective of financial gain; and

(j) to negotiate for and enter into leases for space within the Property on terms consistent with the then applicable Annual Business Plan.

5.2 Annual Business Plan. The Managing Partner shall prepare for the approval of the Partners each fiscal year (no later than thirty (30) days prior to the end of the then current fiscal year) an Annual Business Plan for the next fiscal year. No material changes or departures from any item in an approved Annual Business Plan shall be made by the Managing Partner without the prior approval of the Partners. Each Annual Business Plan shall include the following:

(a) a narrative description of any activities proposed to be undertaken;

(b) a projected annual income statement (accrual basis) on a quarter-by-quarter basis;

(c) a projected balance sheet as of the end of the period;

(d) a schedule of projected operating cash flow (including itemized operating revenues, Property costs and Property expenses) for such fiscal year on a quarter-by-quarter basis, including a schedule of projected operating deficits, if any;

(e) a marketing plan indicating the portions of the Property that the Managing Partner recommends be made available for lease and the proposed terms and conditions relating thereto;

(f) a description of any proposed construction and capital expenditures, including projected dates for commencement and completion of the foregoing;

(g) a development schedule identifying the projected development periods as well as the times for completion of the various stages of the Property and the costs attributable to each such stage;

(h) a description of the proposed investment of any funds of the Partnership which are (or are expected to become) available for investment;

(i) a description, including the identity of the recipient (if known) and the amount and purpose, of all fees and other payments proposed or expected to be paid for professional services and, if a fee or payment exceeds \$10,000, for other services rendered to the Partnership by third parties; and

(j) a detailed description of such other information, plans, maps, contracts, agreements or other matters necessary in order to inform the Partners of all matters relevant to the development, operation, management and sale of the Property or any portion thereof or to enable the Partners to make an informed decision with respect to their approval of such Annual Business Plan or as may be reasonably desired by the Partners.

5.3 Implementation of Plan by the Managing Partner. The Managing Partner shall, subject to the limitations contained herein and the availability of operating revenues and other cash flow (as long as the Managing Partner has used reasonable efforts to maximize the same), implement the then applicable Annual Business Plan. The Managing Partner shall promptly advise and inform the Partners of any transaction, notice, event or proposal directly relating to the management and operation of the Property which does or could significantly affect, either adversely or favorably, the Property or the Partnership or cause a significant deviation from the Annual Business Plan.

5.4 Insurance.

(a) Coverage. The Managing Partner shall procure and maintain, or cause to be procured and maintained, insurance sufficient to enable the Partnership to comply with applicable laws, regulations and requirements, including as a minimum and without limitation, the following:

(i) comprehensive general liability insurance (with limits of liability not less than such amount as may be reasonably requested by the Partners) combined single limit for bodily injury, public liability, property damage and personal injury with no deductible;

(ii) with respect to completed improvements, fire and extended coverage insurance (including earthquake coverage), and, whenever construction of any improvements is taking place, builders' risk insurance, in each case, on a replacement cost basis of not less than one hundred percent (100%) of the full replacement cost of such improvements;

(iii) worker's compensation insurance as required by law including employers' liability in an amount not less than \$100,000;

(iv) fidelity insurance in an amount not less than \$250,000 to protect against losses due to employee dishonesty, theft by a property manager or any other third parties and mysterious disappearances; and

(v) such additional insurance against other risks of loss to the Property as, from time to time, may be required by any lender making a loan to the Partnership or which may be required by law.

The Managing Partner shall furnish the Partners, no less frequently than annually, a schedule of such insurance and copies of certificates evidencing the same.

(b) Liability of the Managing Partner. The Managing Partner shall be liable to the Partners for any loss to the Partnership by reason of the inadequacy of the insurance proceeds payable under any such policy or insurance if the Partners previously notified and authorized the Managing Partner to increase the limits of any such insurance to amounts within reasonable industry standards and the Managing Partner failed to increase such insurance within ten (10) days after such notice, and the insured-against event occurred.

5.5 Restrictions on the Managing Partner. Notwithstanding anything in this Agreement to the contrary, neither the Managing Partner nor any other Partner shall have any authority to take any action not expressly delegated to such Managing Partner or other Partner hereunder. Without limiting the generality of the preceding sentence, neither the Managing Partner nor any other Partner shall do any of the following acts on behalf of the Partnership without the approval of the Partners (except to the extent that the matter in question is included in, and budgeted for or permitted by, the then applicable Annual Business Plan):

(a) acquiring, by purchase, lease or otherwise, any real property in addition to the Property or constructing any new capital improvements on the Property or replacing an existing capital improvement following completion of construction thereof;

(b) giving or granting any options, rights of first refusal, deeds of trust, mortgages, pledges, ground leases, security interests or otherwise encumbering the Property or any portion thereof;

(c) obtaining, increasing, modifying, consolidating or extending any loan, whether secured or unsecured, affecting the Property or the Partnership;

(d) consenting to any rezoning or subdivision of the Property or any other material change in the legal status thereof;

(e) selling, conveying or refinancing the Property or any portion thereof;

(f) causing or permitting the Partnership to extend credit to or to make any loans or become a surety, guarantor, endorser or accommodation endorser for any person, firm or corporation or entering into any contracts with respect to the operation or management of the business of the Partnership or the Property (or any portion thereof);

- (g) releasing, compromising, assigning or transferring any claims, rights or benefits of the Partnership;
- (h) confessing a judgment against the Partnership or submitting a Partnership claim to arbitration;
- (i) distributing any cash or property of the Partnership, other than as provided in this Agreement, or establishing any reserve;
- (j) admitting a new Partner to the Partnership;
- (k) doing any act in contravention of this Agreement or which would make it impossible or unreasonably burdensome to carry on the business of the Partnership;
- (l) possessing any property of the Partnership or assigning the rights of the Partnership in any of its property;
- (m) advertising or marketing the Property other than in accordance with the provisions of the then applicable Annual Business Plan;
- (n) granting easements or other property rights by documents that are customarily recorded;
- (o) giving any approval under any management, construction or other contract to which the Partnership is a party, if the subject matter of such approval would require approval of the Partners if undertaken directly by the Managing Partner;
- (p) changing or amending the plans or specifications for any building or structure being constructed by the Partnership; or
- (q) entering into any amendment, modification, revision, supplement or rescission with respect to any of the foregoing.

Notwithstanding the above, the Managing Partner shall have the right to take such actions as the Managing Partner, in the Managing Partner's reasonable judgment, deems necessary for the protection of life or health or the preservation of Partnership assets if, under the circumstances, in the good faith estimation of the Managing Partner, there is insufficient time to allow the Managing Partner to obtain the approval of the Partners to such action and any delay would materially increase the risk to life or health or preservation of assets. The Managing Partner shall notify the Partners of each such action contemporaneously therewith or as soon as reasonably practicable thereafter. Such authority shall lapse and terminate upon reduction of such risk to life or health or preservation of assets or upon receipt by the Managing Partner of telephone, telegraphic or written notice from any Partner of such Partner's disapproval of any or all of the proposed actions.

5.6 Replacement of Managing Partner. In the event the Partners holding a majority of the Partnership Interests shall at any time, or from time to time, be dissatisfied with the Managing Partner's performance under this Section 6 (regardless of whether such dissatisfaction shall constitute legal "cause" for termination), such Partners shall have the right to give the Managing Partner written notice of such dissatisfaction, specifying the particulars in respect of which the Managing Partner's performance is deemed by such Partners to be unsatisfactory. If during the 30-day period from the date of such notice the Managing Partner's performance shall continue to be unsatisfactory (if such notice relates to matters capable of being cured) or immediately if such unsatisfactory performance is not capable of being cured, such Partners shall have the right to remove such Managing Partner. A Person who has been removed as Managing Partner shall continue to be a Partner for all other purposes of this Agreement. The approval of Partners holding a majority of the Partnership Interests shall be required to elect a new Managing Partner.

5.7 Failure to Obtain Approvals. In the event the Partners do not give their approval relative to any matter requiring such approval, including, without limitation, any proposed Annual Business Plan or any matter proposed by the Managing Partner or any other Partner requiring approval pursuant to Section 6.5 hereof, then the Partners shall have the rights set forth in Sections 9.1 and 9.2 hereof, relating to sale disagreements and impasses.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties. As of the date hereof, each of the statements contained herein shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein, and such warranties and representations shall survive the execution of this Agreement. Each Partner hereby represents and warrants that:

(a) If such Partner is a corporation (partnership), such Partner is a duly organized and validly existing corporation (partnership) under the laws of the State of and has the requisite power and authority to enter into and carry out the terms of this Agreement.

(b) If such Partner is a corporation (partnership), all corporate (partnership) action required to be taken by such Partner to consummate this Agreement has been taken and no further approval of any board, court or other body is necessary in order to permit such Partner to consummate this Agreement.

(c) To the best of such Partner's knowledge, neither the execution and delivery of this Agreement, nor the performance of or the compliance with, this Agreement has resulted (or will result) in any violation of, or be in conflict with, or invalidate, cancel or make inoperative, or interfere with, or constitute a default under, or result in the creation of any lien, encumbrance or any other charge upon the Property pursuant to any charter or bylaw provision, partnership agreement, trust agreement, mortgage, deed of trust, indenture, contract, agreement, permit, judgment, decree or

order to which such Partner is a party or by which the Property (or any portion thereof) is bound, and there is no default and no event or omission has occurred which, but for the passing of time or the giving of notice, or both, would constitute a default on the part of such Partner under this Agreement.

(d) To the best of such Partner's knowledge, there is no action, proceeding or investigation, pending or threatened (nor any basis therefore) which questions, directly or indirectly, the validity or enforceability of this Agreement as to such Partner or which would materially and adversely affect the Property or the Partnership.

ARTICLE 7

TRANSFERS OF INTERESTS: WITHDRAWALS

7.1 Restrictions on Transfers. Except as expressly permitted or required by this Agreement, no Partner shall Transfer all or any portion of such Partner's interest in the Partnership or any rights therein without the unanimous consent of the Partners. Any Transfer or attempted Transfer by any Partner in violation of the preceding sentence shall be null and void and of no effect whatever. Each Partner hereby acknowledges the reasonableness of the restrictions on Transfer imposed by this Agreement in view of the Partnership purposes and the relationship of the Partners. Accordingly, the restrictions on Transfer contained herein shall be specifically enforceable. Each Partner hereby further agrees to hold the Partnership and each Partner (and each Partner's successors and assigns) wholly and completely harmless from any cost, liability or damage (including, without limitation, liabilities for income taxes and costs of enforcing this indemnity) incurred by any of such indemnified Persons as a result of a Transfer or an attempted Transfer in violation of this Agreement.

7.2 Permitted Transfers.

(a) General. Subject to the conditions and restrictions set forth in this Section 8.2, a Partner shall have the right to Transfer all or any portion of such Partner's interest in the Partnership by means of a Permitted Transfer.

(b) Definition of Permitted Transfer; Permitted Transferees.

(i) A "Permitted Transfer" is any Transfer by a Partner of all or any portion of such Partner's interest in the Partnership to a Permitted Transferee, provided that such Transfer otherwise complies with the conditions and restrictions of this Section 8.2.

(ii) A "Permitted Transferee" of a Partner is any Person who is (1) an Affiliate of such Partner, (2) a member of such Partner's Family, (3) any other Partner, (4) a Personal Representative of such Partner, or (5) any Person approved as a Permitted Transferee by the unanimous consent of the Partners.

(iii) A Partner's "Family" includes only any Person who, at the time of the Permitted Transfer, is such Partner's spouse, natural or adoptive lineal ancestors or descendants and trusts for such Partner's or their exclusive benefit.

(iv) A Partner's "Personal Representative" includes only any Person who succeeds to such Partner's estate as a result of such Partner's death, legal incompetence or Event of Bankruptcy and any transferee of such Partner's interest from any such Person.

(c) Conditions to Permitted Transfers. A Transfer otherwise permitted under this Section 8.2 shall not be a Permitted Transfer and any attempted Transfer of a Partner's interest to a Permitted Transferee shall be null and void and of no effect whatever unless and until the following conditions are satisfied:

(i) Except in the case of a Permitted Transfer to a Partner's Personal Representative, the transferor and transferee shall execute such documents and instruments of conveyance and assumption as may be necessary or appropriate in the opinion of counsel to the Partnership to effect such Transfer and to confirm the Permitted Transferee's assumption of all monetary obligations of the transferor Partner with respect to the interest being transferred and the transferor Partner's agreement to guarantee the prompt payment and performance of such assumed obligations.

(ii) In the case of a Permitted Transfer to a Partner's Personal Representative, the Permitted Transferee shall deliver such assurances as may be necessary or appropriate in the opinion of counsel to the Partnership to confirm such Transfer and that such Partner (and/or such Partner's estate) remains liable to perform all monetary obligations with respect to such interest.

(iii) Except in the case of a Permitted Transfer to a Partner's Personal Representative, the Partnership shall receive, prior to such Transfer, an opinion of counsel satisfactory to the Partnership confirming that such Transfer will not terminate the Partnership for federal income tax purposes.

(iv) A Partner making a Permitted Transfer of all or a portion of such Partner's Partnership interest and the Permitted Transferee thereof shall pay all reasonable costs and expenses incurred by the Partnership in connection with such Transfer.

(d) Admission of Permitted Transferee as a Partner. A Permitted Transferee of an interest in the Partnership shall be admitted as a Partner in the Partnership only upon the unanimous consent of the Partners. The rights of a Permitted Transferee who is not admitted as a Partner shall be limited to the right to receive allocations and distributions from the Partnership with respect to the interest transferred, as provided by this Agreement. The transferor of such interest shall not be a partner with respect to such interest, and, without limiting the foregoing, shall have no

right to inspect the Partnership's books, act for or bind the Partnership or otherwise interfere in its operations.

(e) Effect of Permitted Transfer on Partnership. The Partners intend that the Permitted Transfer of an interest in the Partnership shall not cause the dissolution of the Partnership under the Act; provided, however, notwithstanding any such dissolution, the Partners shall continue to hold the Partnership's assets and operate its business in Partnership form under this Agreement as if no such dissolution had occurred.

7.3 Waiver of Partition. No Partner shall, either directly or indirectly, take any action to require partition or appraisal of the Partnership or of any of its assets or properties or cause the sale of any Partnership property, and notwithstanding any provisions of applicable law to the contrary, each Partner (and such Partner's legal representatives, successors or assigns) hereby irrevocably waives any and all rights to maintain any action for partition or to compel any sale with respect to such Partner's Partnership interest, or with respect to any assets or properties of the Partnership, except as expressly provided in this Agreement.

7.4 Covenant Not to Withdraw or Dissolve. Notwithstanding any provision of the Act, each Partner hereby covenants and agrees that the Partners have entered into this Agreement based on their mutual expectation that all Partners will continue as Partners and carry out the duties and obligations undertaken by them hereunder and that, except as otherwise expressly required or permitted hereby, no Partner shall withdraw or retire from the Partnership, be entitled to demand or receive a return of such Partner's contributions or profits (or a bond or other security for the return of such contributions or profits) or exercise any power under the Act to dissolve the Partnership without the unanimous consent of the Partners.

7.5 Consequences of Violation of Covenant. Notwithstanding anything to the contrary in the Act, if a Partner (a "Breaching Partner") attempts to (i) cause a partition in breach of Section 8.3 above or (ii) withdraw from the Partnership or dissolves the Partnership in breach of Section 8.4 hereof, the Partnership shall continue and such Breaching Partner shall be subject to this Section 8.5. In such event, the following shall occur:

(a) the Breaching Partner shall immediately cease to be a Partner and shall have no further power to act for or bind the Partnership;

(b) the other Partners shall continue to have the right to possess the Partnership's property and goodwill and to conduct its business and affairs;

(c) the Breaching Partner shall be liable in damages, without requirement of a prior accounting, to the Partnership for all costs and liabilities that the Partnership or any Partner may incur as a result of such breach

(d) the Partnership shall have no obligation to pay to the Breaching Partner such Partner's contributions, capital or profits, but may, by notice to the Breaching Partner within

thirty (30) days of such Partner's withdrawal, elect to make Breach Payments (as hereinafter defined) to the Breaching Partner in complete satisfaction of the Breaching Partner's interest in the Partnership;

(e) if the Partnership does not elect to make Breach Payments pursuant to Section 8.5(d) hereof, the Partnership shall treat the Breaching Partner as if the Breaching Partner were an unadmitted assignee of the interest of the Breaching Partner and shall make distributions to the Breaching Partner only of those amounts otherwise payable with respect to such interest hereunder;

(f) the Partnership may apply any distributions otherwise payable with respect to such interest (including Breach Payments) to satisfy any claims it may have against the Breaching Partner;

(g) the Breaching Partner shall have no right to inspect the Partnership's books or records or obtain other information concerning the Partnership's operations;

(h) the Breaching Partner shall continue to be liable to the Partnership for any unpaid Capital Contributions required hereunder with respect to such interest and to be jointly and severally liable with the other Partners for any debts and liabilities (whether actual or contingent, known or unknown) of the Partnership existing at the time the Breaching Partner withdraws or dissolves; and

(i) notwithstanding anything to the contrary hereinabove provided, unless the Partnership has elected to make Breach Payments to the Breaching Partner in satisfaction of the Breaching Partner's interest, the Partnership may offer and sell (on any terms that are not manifestly unreasonable) the interest of the Breaching Partner to any other Partners or other Persons on the Breaching Partner's behalf, provided that any Person acquiring such interest becomes a Partner with respect to such interest and agrees to perform the duties and obligations imposed by this Agreement on the Breaching Partner.

7.6 Breach Payments. For purposes hereof, Breach Payments shall be made in four (4) installments, each equal to one-fourth of the Breach Amount, payable on the next four (4) consecutive anniversaries of the breach by the Breaching Partner, with simple interest accrued from the date of such breach through the date each such installment is paid on the unpaid balance of such Breach Amount at % per annum. The Breach Amount shall be an amount equal to the greater of One Dollar or the Net Equity of the Breaching Partner's interest on the day of such breach, computed in accordance with Section 9.4 hereof. The Partnership may, at its sole election, prepay all or any portion of the Breach Payments or interest accrued thereon at any time without penalty.

7.7 No Bonding. Notwithstanding anything to the contrary in the Act, if, under Section 8.5(e) hereof, the Partnership treats a Breaching Partner as an unadmitted assignee of an interest in the Partnership, the Partnership shall not be obligated to secure the value of the Breaching Partner's interest by bond or otherwise; provided, however, that if a court of competent jurisdiction

determines that, in order to continue the business of the Partnership such value must be so secured, the Partnership may provide such security. If the Partnership provides such security, the Breaching Partner shall not have any right to participate in Partnership profits or distributions during the term of the Partnership, or to receive any interest on the value of such interest. For this purpose, the value of the interest of the Breaching Partner shall be the greater of One Dollar or the Net Equity of such interest as of the effective date of the Breaching Partner's withdrawal.

ARTICLE 8

BUY-SELL

8.1 Sale Disagreement Purchase. In the event of a Sale Disagreement (as hereinafter defined), the Partners shall have the rights of purchase and sale provided by this Section 9.1, to be exercised by delivering a notice (an "Election Notice"). The Partners giving Election Notices as provided herein are referred to as "Electing Partners," and the Partners receiving Election Notices are referred to as "Noticed Partners."

(a) Sale Disagreement. A "Sale Disagreement" is the failure of the Partners to agree on any proposal by any Partner or Partners to approve (as required by Section 6.5 hereof) a sale of the Property for a price (the "Third Party Price") comprised solely of money and obligations to pay money (secured only by all or portions of the Property), and the assumption of any or all mortgages, liens or other encumbrances on the Property, pursuant to a bona fide offer from a purchaser who is not a Partner or an Affiliate of a Partner (a "Third Party Offer").

(b) Sale Disagreement Purchase. In the event of a Sale Disagreement, for a period ending at 11:59 P.M. (local time at the Partnership's principal office) on the thirtieth day following the day of such Sale Disagreement (the "Election Day"), any Partner who voted to approve the proposed sale of the Property may elect to sell such Partner's entire interest in the Partnership to the Partners who voted not to approve such sale by giving an Election Notice to all of such Partners, setting forth his election to sell his interest. As a result of the giving of such Election Notice, each Electing Partner shall be bound to sell to the Noticed Partners, and the Noticed Partners shall be bound to purchase, in proportion to their Partnership Interests, the entire Partnership Interest of each such Electing Partner for an aggregate price (the "Sale Price") equal to the Net Equity of each such Electing Partner's Partnership Interest determined as of the Election Day as if the Gross Asset Value of the Property were the Third Party Price. The cost of determining Net Equity shall be borne by the Partnership and shall be treated as an expense for purposes of such determination.

(c) Closing. The closing of the purchases and sales of the interest of each Electing Partner shall occur at a time mutually determined by the Electing Partner and the Noticed Partners, but (without the consent of the Noticed Partners) no earlier than the thirtieth day following the Election Day and (without the consent of the Electing Partner) no later than the last day on which the sale of the Property would have occurred pursuant to the Third Party Offer if it had been accepted on the day of the Sale Disagreement.

The Sale Price of the Electing Partner's interest shall be paid by the Noticed Partners (who shall be severally liable for such Sale Price) in the same manner as provided in the Third Party Offer; provided, however, that, in lieu of securing any deferred portion of the Sale Price by the Property, such portion may be secured by pledges of the interests being purchased; and provided, further, that each payment of the principal amount of the Sale Price shall be deemed paid in the same manner as provided in the Third Party Offer if such payment bears the same ratio to the total Sale Price as each principal payment under the Third Party Offer bears to the total principal payable under the Third Party Offer. The failure of any Noticed Partner to perform such Noticed Partner's obligation to purchase hereunder shall not affect the obligation of an Electing Partner to sell the remaining portion of the Electing Partner's interest to the other Noticed Partners.

At the closing the Partners shall execute such documents and instruments of conveyance as may be necessary or appropriate to confirm the transactions contemplated hereby, including, without limitation, the transfer of the Partnership Interest of each Electing Partner to the Noticed Partners and the assumption by each Noticed Partner of each Electing Partner's obligations with respect to the portion of the Electing Partner's interest transferred to such Noticed Partner.

8.2 Impasse Buy-Sell. The Partners shall have the rights of purchase and sale provided by this Section 9.2, to be exercised by delivering a notice (an "Election Notice"). The Partners giving Election Notices as provided herein are referred to as "Electing Partners," and the Partners receiving Election Notices are referred to as "Noticed Partners."

(a) Impasse. An "Impasse" is the failure of the Partners to give their approval relative to any matter requiring such approval, including, without limitation, any proposed Annual Business Plan or any matter proposed by the Managing Partner or any other Partner requiring approval pursuant to Section 6.5 hereof (other than a Sale Disagreement, as defined in Section 9.1 hereof).

(b) Invocation of Buy-Sell Procedure. In the event of an Impasse, for a period ending at 11:59 P.M. (local time at the Partnership's principal office) on the thirtieth day following the day of the Impasse (the "Election Day"), this buy-sell procedure may be invoked by the giving of a single Election Notice either by (1) Partners who have Partnership Interests aggregating at least 25% and who voted in favor of the matter giving rise to the Impasse, or (2) Partners who have Partnership Interests aggregating at least 25% and who voted against such matter. Such Election Notice, to be valid, shall state an amount (the "Stated Amount") to be used as the Gross Asset Value of the Property in computing the Net Equity of the Partners' interests, and shall be given to each Partner who is not an Electing Partner. No Election Notice may be given with respect to a particular Impasse after the first Election Notice; provided, however, that, during a period ending on the later of the Election Day or the tenth day following the date the Election Notice is given, any Partner who did not vote inconsistently with the Electing Partners on the matter giving rise to the Impasse may elect to be an Electing Partner, and to not be a Noticed Partner, by giving notice of such election to all Partners.

(c) Effect of Election Notice; Buy-Sell Price. An Election Notice shall constitute an irrevocable offer by the Electing Partners either to (1) purchase all, but not less than all, of the interests in the Partnership of the Noticed Partners, or (2) sell all, but not less than all, of their interests in the Partnership to the Noticed Partners. The price at which the interest of any Partner is purchased and sold under this Section 9.2 (the "Buy-Sell Price" of such interest) is the Net Equity thereof, determined as of the Election Day as if the Gross Asset Value of the Property were the Stated Amount. The cost of determining Net Equity shall be borne by the Partnership and shall be treated as an expense for purposes of such determination. The aggregate price of all interests required to be bought and sold hereunder is the "Aggregate Buy-Sell Price."

(d) Noticed Partners' Election to Purchase or Sell. For a period (the "Election Period") ending at 11:59 P.M. (local time at the Partnership's principal office) on the thirtieth day following the Election Day, each Noticed Partner shall have the right to elect to purchase all or any portion of the aggregate interests of the Electing Partners and all Noticed Partners who do not so elect to purchase, by giving notice thereof (the "Purchase Notice") to all Partners, which Purchase Notice shall not be valid unless it states the maximum interest that such Partner (a "Purchase Notice Partner") is willing to purchase. If the aggregate interests that Purchase Notice Partners are willing to purchase pursuant to valid Purchase Notices equals or exceeds the aggregate interests of the Electing Partners and all Noticed Partners who do not give Purchase Notices, the Purchase Notice Partners shall become "Purchasing Partners" and shall be obligated to purchase all of such interests and all Partners who are not Purchasing Partners shall become "Selling Partners" and shall be obligated to sell their interests to such Purchasing Partners. Each Purchasing Partner shall be obligated to purchase that portion of the Selling Partners' interests that corresponds to the ratio of the interests that such Purchasing Partner indicated willingness to purchase in his Purchase Notice to the aggregate interests that all such Purchasing Partners indicated willingness to purchase under all Purchase Notices. In any other case, the Electing Partners shall become Purchasing Partners and shall be obligated to purchase the interests of all Noticed Partners, who shall become Selling Partners and shall be obligated to sell their interests to such Purchasing Partners.

(e) Terms of Purchase; Closing. The closing of the purchase and sale of the Selling Partners' interests shall occur on a date and time mutually agreeable to the Purchasing and Selling Partners, which shall not be later than the sixtieth day following the last day of the Election Period. At the closing each Purchasing Partner shall pay to each Selling Partner, by check or cash, that portion of the Buy-Sell Price of such Selling Partner's interest that corresponds to a fraction, the numerator of which is the portion of the Aggregate Buy-Sell Price for which such Purchasing Partner is liable, and the denominator of which is the Aggregate Buy-Sell Price. Each Purchasing Partner shall be liable only for his individual portion of the Buy-Sell Price to each Selling Partner and the failure of any Purchasing Partner to perform his obligation to purchase hereunder shall not affect the obligation of a Selling Partner to sell the remaining portion of such Selling Partner's interest to the other Purchasing Partners.

At the closing the Partners shall execute such documents and instruments of conveyance as may be necessary or appropriate to confirm the transactions contemplated hereby, including, without limitation, the transfer of the Partnership interests of the Selling Partners to the Purchasing Partners and the assumption by each Purchasing Partner of each Selling Partner's obligation with respect to the portion of such Selling Partner's interest transferred to such Purchasing Partner.

8.3 Adverse Act Purchase.

(a) Determination of Net Equity of Adverse Partner's Interest. At any time prior to the end of the later of the sixtieth day following the day upon which a Partner (an "Adverse Partner") commits or suffers an Adverse Act, or the sixtieth day after the day a Partner other than the Adverse Partner receives actual notice of such Adverse Act, any Partner, by notice to all other Partners, may cause the Net Equity of the Adverse Partner's interest to be determined as of the date of such notice as if the Gross Asset Value of the Property were the Property's Gross Appraised Value. Such notice shall designate the First Appraiser as required by Section 9.5 hereof and the Adverse Partner shall appoint the Second Appraiser.

(b) Election to Purchase Interest of Adverse Partner. For a period ending at 11:59 P.M. (local time at the Partnership's principal office) on the thirtieth day following the day on which notice of the Adverse Partner's Net Equity is given pursuant to Section 9.4 hereof, the Partners other than the Adverse Partner may elect, by notice to the Adverse Partner, to purchase the entire interest of the Adverse Partner. Said election and purchase shall be made in accordance with Sections 9.2(d) and 9.2(e) hereof as if (1) the period described in the preceding sentence were the Election Period, (2) the notice given to the Adverse Partner in accordance with the preceding sentence were a Purchase Notice, (3) each Partner giving such a notice were a Purchase Notice Partner, (4) in the event the other Partners elect to purchase the entire interest of the Adverse Partner, such Partners were Purchasing Partners and the Adverse Partner were a Selling Partner, and (5) the Aggregate Buy-Sell Price were an amount equal to 90% of the Net Equity of the Adverse Partner's interest. The cost of determining Net Equity shall be borne one-half by the Adverse Partner and one-half by the Partnership and the amount borne by the Partnership shall be treated as an expense of the Partnership for purposes of such determination.

8.4 Net Equity. The "Net Equity" of a Partner's interest, as of any day, shall be the amount that would be distributed to such Partner in liquidation of the Partnership pursuant to Section 11 hereof if (1) all of the Partnership's assets were sold for their Gross Asset Values, (2) the Partnership paid its accrued, but unpaid, liabilities and established reserves pursuant to Section 11.3 hereof for the payment of reasonably anticipated contingent or unknown liabilities, and (3) the Partnership distributed the remaining proceeds to the Partners in liquidation, all as of such day; provided, however, that in determining such Net Equity, no reserve for contingent or unknown liabilities shall be taken into account if such Partner (or such Partner's successor in interest) agrees to indemnify the Partnership and all other Partners for a portion, corresponding to such Partner's Partnership Interest, of any liability that arises out of any event or state of facts which were existing on, or occurring prior to, such day but were either unknown as of such day or too contingent as to liability or amount to be accruable as of such day.

The Net Equity of a Partner's interest shall be determined, without audit or certification, from the books and records of the Partnership by the firm of independent certified public accountants regularly employed by the Partnership. The Net Equity of a Partner's interest shall be determined within thirty (30) days of the day upon which such accountants are apprised in writing of the Gross Asset Value of the Property, and the amount of such Net Equity shall be disclosed to the Partnership and each of the Partners by written notice. The Net Equity determination of such accountants shall be final and binding in the absence of a showing of gross negligence or willful misconduct.

8.5 Gross Appraised Value. "Gross Appraised Value," as of any day, shall be equal to the fair market value of the Property as of such day. As used herein, as of any day, the "fair market value" of the Property means (1) the maximum amount that a single buyer would reasonably be expected to pay for the entire Property on such day, free and clear of all liens and encumbrances, in a single cash purchase, taking into account the current condition, use and zoning of the Property, increased by (2) the additional amount, if any, that such buyer would pay for any existing favorable financing or leases on the Property, and decreased by (3) the amount, if any, that such buyer would subtract from the unencumbered fair market value of the Property by reason of any existing unfavorable financing or leases.

In situations under this Agreement in which it is necessary to determine Gross Appraised Value, the provision requiring such determination provides the manner and time for the appointment of two appraisers (the "First Appraiser" and the "Second Appraiser"). If the Second Appraiser is timely designated, the First and Second Appraiser shall meet within ten (10) days of such appointment and shall endeavor, within twenty (20) days of such appointment, to agree upon, and give written notice to the Partnership, the Partners and the firm of independent certified public accountants regularly employed by the Partnership, of the Gross Appraised Value of the Property (the "Appraisers' Notice"). If an Appraisers' Notice is not given during such period, then at any time after such period, either the Persons who appointed the First Appraiser or the Persons who appointed the Second Appraiser, by written notice to the First Appraiser and Second Appraiser, may demand that they appoint a Third Appraiser (the "Third Appraiser"). If the First Appraiser and Second Appraiser have not either given an Appraisers' Notice or appointed the Third Appraiser (who shall have agreed to serve) by the twentieth day after such demand, either the Persons who appointed the First Appraiser or the Persons who appointed the Second Appraiser may request any judge of the Court of the State of _____ to appoint the Third Appraiser. After the appointment of the Third Appraiser, the Gross Appraised Value shall be the amount included in an Appraisers' Notice subscribed to by at least two of the three appraisers; provided, however, that before subscribing to a Gross Appraised Value, the Third Appraiser shall meet at least once with the First Appraiser and the Second Appraiser to discuss in good faith the appraisal of the Property. If two of the appraisers have not given an Appraisers' Notice within twenty (20) days of the appointment of the Third Appraiser, the Gross Appraised Value of the Property shall be determined solely by the Third Appraiser, who shall give an Appraiser's Notice within thirty (30) days of his appointment.

If a Second Appraiser is not timely appointed in the manner provided by this Agreement, the Gross Appraised Value shall be determined solely by the First Appraiser who shall give an Appraisers' Notice of such Gross Appraised Value within ten (10) days of the last day on which the Second Appraiser could have been timely designated.

Each appraiser appointed hereunder shall be disinterested and shall be an M.A.I. appraiser qualified to appraise real property similar to the Property and located in the vicinity of the Property.

ARTICLE 9

ELECTIONS, APPROVALS AND AMENDMENTS

9.1 Elections and Approvals. Except as otherwise set forth in this Agreement, any election or any matter that is subject to approval by the Partners shall require the election or approval of Partners then holding a majority of the Partnership Interests.

9.2 Amendments. This Agreement may be amended from time to time by a written agreement executed by Partners then holding a majority of the Partnership Interests; provided, however, that any amendment to this Article 10 shall require the written agreement of all Partners.

ARTICLE 10

DISSOLUTION AND WINDING UP

10.1 Liquidating Events. The Partnership shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

- (a) _____ [insert date];
- (b) The sale of all or substantially all of the Property;
- (c) The vote by Partners holding % or more of the Partnership Interests to dissolve, wind up and liquidate the Partnership;
- (d) The happening of any other event that makes it unlawful or impossible to carry on the business of the Partnership; or
- (e) Any event which causes there to be only one Partner.

The Partners hereby agree that, notwithstanding any provision of the Act, the Partnership shall not dissolve prior to the occurrence of a Liquidating Event. If it is determined, by a court of competent

jurisdiction, that the Partnership has dissolved prior to the occurrence of a Liquidating Event, the Partners hereby agree to continue the business of the Partnership without a winding up or liquidation.

10.2 Winding Up. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, winding up the Partnership's business and affairs. The Managing Partner shall be responsible for overseeing the winding up and liquidation of the Partnership and shall take full account of the Partnership's liabilities and Property, and the Property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom, to the extent sufficient therefor, shall be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than Partners;

(b) Second, to the payment and discharge of all of the Partnership's debts and liabilities to Partners; and

(c) The balance, if any, to the Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions and allocations for all periods.

The Managing Partner shall not receive any additional compensation for any services performed pursuant to this Section 11.

10.3 Compliance With Certain Requirements of Regulations. In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), (a) distributions shall be made pursuant to this Section 11 to the Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2), and (b) if any Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall contribute to the capital of the Partnership the amount necessary to restore such deficit balance to zero in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(3). In the discretion of the Managing Partner, a pro rata portion of the distributions that would otherwise be made to the Partners pursuant to Section 11.2(c) hereof may be:

(a) distributed to a trust established for the benefit of the Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the Partners arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the Partners from time to time, in the reasonable discretion of the Managing Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the Partners pursuant to this Agreement; or

(b) withheld to provide a reasonable reserve of Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld amounts shall be distributed to the Partners as soon as practicable.

10.4 Deemed Distribution and Recontribution. Notwithstanding any other provisions of this Article 11, in the event the Partnership is liquidated within the meaning of regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the Property in kind to the Partners, who shall be deemed to have assumed and taken subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the Partners shall be deemed to have recontributed the Property in kind to the Partnership, which shall be deemed to have assumed and taken subject to all such liabilities.

10.5 Rights of Partners. Except as otherwise provided in this Agreement, each Partner shall look solely to the assets of the Partnership for the return of such Partner's Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. No Partner shall have priority over any other Partner as to the return of such Partner's Capital Contributions, distributions or allocations unless otherwise provided in this Agreement.

10.6 Notice of Dissolution. In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 11.1 hereof, result in a dissolution of the Partnership, the Managing Partner shall, within thirty (30) days thereafter, (a) provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the Managing Partner), and (b) publish notice of such dissolution in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the Managing Partner).

ARTICLE 11

MISCELLANEOUS

11.1 Notices, Etc. All notices, requests, demands, consents, approvals or other communications given hereunder or in connection herewith shall be given through the TSC website and the internet-based special site established for all partners in said property. Alternatively, all notices, requests, demands, consents, approvals or other communications given hereunder or in connection herewith may be given in writing, shall be sent by registered or certified mail, return receipt requested, postage prepaid, or by hand delivery with acknowledged receipt of delivery, shall be deemed given on the date of acceptance or refusal of acceptance shown on such receipt, and shall be addressed to the party to receive such notice at the following applicable address:

If to the Partnership, to:

with a copy by ordinary first class mail to:

If to _____, to:

with a copy by ordinary first class mail to:

Any party may, by notice given as aforesaid, change its or his address for all subsequent notices.

11.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, legatees, legal representatives, successors, transferees and assigns.

11.3 Construction. Every covenant, term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Partner.

11.4 Time. Time is of the essence with respect to this Agreement.

11.5 Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

11.6 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such legality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

11.7 Incorporation by Reference. Every exhibit, schedule, and other appendix attached to this Agreement and referred to herein is hereby incorporated in this Agreement by reference.

11.8 Further Action. Each Partner agrees to perform all further acts and execute, acknowledge and deliver any documents which may be reasonably necessary, appropriate or desirable to carry out the provisions of this Agreement.

11.9 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

11.10 Applicable Law. This Agreement is made and delivered in the State of _____ and shall be governed by the laws thereof.

11.11 Counterpart Execution. This Agreement may be executed in any number of counterparts with the same effect as if all of the Partners had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

11.12 Venue, Etc. Any action to enforce, arising out of or relating in any way to, any of the provisions of this Agreement may be brought and prosecuted in such court or courts located in the State of _____ as is provided by law; and the parties consent to the jurisdiction of said court or courts located in the State of _____ and to service of process by registered mail, return receipt requested, or by any other manner provided by law.

[11.13 Loans. Any Partner may, with the approval of the Partners, lend or advance money to the Partnership. If any Partner shall make any loan or loans to the Partnership or advance money on its behalf, the amount of any such loan or advance shall not be treated as a contribution to the capital of the Partnership but shall be a debt due from the Partnership. The amount of any such loan or advance by a lending Partner shall be repayable out of the Partnership's cash and shall bear interest at the rate agreed between the Partnership and the lending Partner. None of the Partners shall be obligated to make any loan or advance to the Partnership.]

IN WITNESS WHEREOF, the parties have entered into this Agreement of Partnership as of the day first above set forth.

MANAGING PARTNER

By: _____
Its

PARTNERS

— TSC – Partners Real Estate Limited Partnership Agreement —

EXHIBIT A

Property Description

See attached copy.