Mayor – Sandy Sanders

City Administrator – Ray Gosack

City Clerk – Sherri Gard

Board of Directors

Ward 1 – Steve Tyler
Ward 2 – Andre' Good
Ward 3 – Don Hutchings
Ward 4 – George Catsavis
At Large Position 5 – Pam Weber
At Large Position 6 – Kevin Settle
At Large Position 7 – Philip H. Merry Jr.

AGENDA

Fort Smith Board of Directors

Study Session

September 25, 2012 ~ 12:00 Noon

Fort Smith Public Library Community Room
3201 Rogers Avenue

1. Present proposed five-year CIP for Streets, Bridges and Drainage and the 2013 Sidewalk Program

2. Discussion regarding the $150,000 HOME Program Loan for Koller Place Addition Project

3. Review proposed amendments to the 2009 Unified Development Ordinance (UDO) *(Land Use Chart – Industrial Zoning Districts)*

4. Update on Year 2013 Budget

5. Review preliminary agenda for the October 2, 2012 regular meeting

MEMORANDUM

To: Ray Gosack, City Administrator

From: Stan Snodgrass, P.E., Director of Engineering

Subject: Five Year Capital Improvement Program (2013-2017)
Streets, Bridges and Drainage Sales Tax Funds
and the 2013 Sidewalk Program

Date: September 20, 2012

Attached is a summary of the 5-Year Capital Improvement Program for the street, bridge and drainage sales tax funds and the 2013 Sidewalk Program. This is transmitted for review and discussion with the Board of Directors at next week's study session prior to submittal to the Board for approval. The funding for the streets, bridges and drainage program is provided by the one-cent sales tax. Funding for the sidewalk program is generated from building permit assessment fees. Determination of projects is based on numerous factors including citizen input, interdepartmental requests, pavement rating of streets, rating of sidewalks and input from the Board of Directors.

The proposed program includes a combination of neighborhood street improvements, major street projects, local and basin wide drainage improvements, traffic signals and sidewalk improvements. The program totals $37 million for the year 2013 and $135 million for the five year period from 2013 to 2017. The five year plan supports the Board's goals of neighborhood vitality, riverfront development, jobs creation and beautification.

The attached spreadsheet outlines the anticipated revenues and expenditures for the various projects. A narrative description, project lists and exhibits for some of the projects shown on the spreadsheet are also included.

Enclosure

The City of Fort Smith Arkansas
Engineering Department
623 Garrison Avenue • P.O. Box 1908
Fort Smith, Arkansas 72902
Phone: 479-784-2225 • Fax: 479-784-2245

CITY OF FORT SMITH

9/19/12

Five-Year Capital Improvement Program for Streets Bridges and Drainage (2013-2017) and Sidewalk Program (2013)

		2012	2013	2014	2015	2016	2017
	Beginning Balance	15,527,826	20,811,879	8,876,498	5,047,930	1,091,753	1,144,435
	Current Year Revenues						
	Sales Tax	19,903,772	20,202,329	20,505,364	20,915,471	21,333,780	21,760,456
	Grants/Other Participation	1,867,633	4,851,428	4,178,398	228,398	428,398	408,398
	Interest	5,136	12,412	4,871	2,954	903	690
	Total - Current Year Revenues	21,776,541	25,066,169	24,688,632	21,146,823	21,763,082	22,169,544
	Total Funds Available	**37,304,367**	**45,878,048**	**33,565,130**	**26,194,753**	**22,854,835**	**23,313,978**
1	Street Overlays & Reconstruction	4,544,218	9,310,528	7,000,000	7,000,000	9,500,000	9,500,000
2	Neighborhood Drainage Improvements	1,274,635	8,902,945	1,500,000	1,500,000	2,500,000	2,500,000
3	Town Branch / Carnall Drainage	195,714	1,500,000	500,000	0	0	1,000,000
4	May Branch Outfall Culvert Replacement	200,000	3,800,000	0	0	0	0
5	North B Truck Route	6,000	190,000	1,710,000	0	0	0
6	Intersection and Signal Improvements	710,437	450,000	300,000	300,000	300,000	300,000
7	Spradling Extension at Riverfront Drive	0	170,000	1,700,000	1,530,000	0	0
8	Jenny Lind Road - Zero to Cavanaugh	700,000	3,300,000	9,000,000	8,000,000	0	0
9	Dallas St. (Massard to 91st)	0	300,000	0	0	0	0
10	May Branch Drainage Project	140,000	900,000	1,500,000	2,500,000	4,600,000	4,500,000
11	Levee Certification & Repair	2,621,722	2,449,000	0	0	0	0
12	Streetscape - Garrison Av.& Towson Av.	2,489,841	560,000	0	0	0	0
13	Overlays/Drainage by Street Department	150,000	150,000	150,000	150,000	150,000	150,000
14	Aerial Mapping	50,000	550,000	0	0	0	0
15	Traffic Studies	48,000	25,000	25,000	25,000	25,000	25,000
16	Sidewalk Program	284,019	200,000	200,000	200,000	170,000	160,000
17	FCRA Development	482,802	1,476,077	1,000,000	1,000,000	1,000,000	1,000,000
18	FSHA - Street & Drainage	0	0	1,100,000	0	0	0
19	Jenny Lind - Dallas to Phoenix	0	0	0	0	500,000	500,000
20	Engineering Dept. and Other Depts.	2,505,100	2,568,000	2,632,200	2,698,000	2,765,400	2,834,500
21	Contingency	90,000	200,000	200,000	200,000	200,000	200,000
	TOTAL	**16,492,488**	**37,001,550**	**28,517,200**	**25,103,000**	**21,710,400**	**22,669,500**
	Ending Balance	**20,811,879**	**8,876,498**	**5,047,930**	**1,091,753**	**1,144,435**	**644,478**

Grants/Other Participation

Jenny Lind Road - Zero to Cavanaugh	83,815	2,600,000	3,900,000	0	0	0
Streetscape - Garrison and Towson	950,000	1,270,000	0	0	0	0
McClure Drive (FCRA)	205,526	363,030	0	0	0	0
Flagstone Road Ext. (FCRA)	25,875	300,000	0	0	0	0
Jenny Lind Road - Dallas to Phoenix	0	0	0	0	250,000	250,000
Sidewalk Fund	602,417	318,398	278,398	228,398	178,398	158,398
TOTAL	**1,867,633**	**4,851,428**	**4,178,398**	**228,398**	**428,398**	**408,398**

Five Year Capital Improvement Program (2013-2017)
Streets, Bridges and Drainage Sales Tax Funds
and 2013 Sidewalk Program

Descriptions of Selected Projects
September 19, 2012

1. **Street Overlays and Reconstruction.** The proposed 2013 projects are shown on the attached list and exhibits. The total length of streets to be improved is approximately 7.3 miles. The estimated cost for the 2013 street overlays and reconstruction projects is $6.2 million. The total cost shown in 2013 is $9.3 million which includes $3.1 million in ongoing construction for the 2012 projects. (See pages 5-8)

2. **Neighborhood Drainage Improvements.** The projects identified in the 2013 drainage program include neighborhood drainage improvements in the areas shown on the attached list and exhibits. The total estimated cost for this work is $2.4 million and includes 8 different locations. The majority of these projects are associated with structure flooding. The total cost shown for the neighborhood drainage projects in 2013 is $8.9 million which includes $6.5 million of remaining work for the 2012 drainage projects. (See pages 9-11)

3. **Town Branch - Carnall Drainage.** This project is associated with the flooding that occurs in the downtown area and areas just north of downtown. The Town Branch area is a subbasin to the May Branch watershed. The $2.0 million split between 2013 and 2014 is for improving the upstream outfall beginning at the South G Street/Towson intersection and extending to the west. This outfall is currently restricted which is contributing to the flooding in the downstream areas. (See page 12)

4. **May Branch Outfall Culvert Replacement.** The May Branch outfall culvert is a 12 foot diameter culvert that was constructed approximately 100 years ago. It serves as the outlet for the May Branch drainage basin. The culvert is severely deteriorated and in need of replacement. This project includes replacement of approximately 1300 feet of the culvert. Construction plans have been completed and the project is currently being advertised for construction bids. This section of culvert will still be required in association with the future May Branch drainage project. (See page 13)

5. **North B Street Truck Route.** This project is the modification of North B Street from 5th Street west to Riverfront Drive to accommodate two way truck traffic. This is in lieu of the current one way split that exists along this section of North A and B Streets. The project is based on the concept of closing a section of North A Street between North 1st and 2nd Streets to add more green space and allow for construction of a splash pad. The total estimated cost of $1.9 million includes $1.2 million for intersection and radius improvements at North 5th and B Streets plus an additional $700,000 to improve the remaining sections of North A Street which would be removed from the truck route. This cost does not include any property or right of way acquisition costs, but does include demolition of the building at the southwest corner of North 5th and B Streets. This street work is being designed in 2013 with construction scheduled for 2014. (See page 14)

6. **Intersection and Signal Improvements.** This project includes replacement of the traffic signals at the intersections of North 10th Street with both North "A" and "B" Streets. Also included with this item is the proposed construction of a new traffic signal at the intersection of Zero Street with Ben Geren Park which will serve the traffic associated with the new water park. (See page 15)

7. **Spradling Avenue Extension at Riverfront Drive.** This project includes the new construction of Spradling Avenue eastward from Riverfront Drive. The project is being designed in two phases. Phase 1 will serve the proposed ball fields on the City's 51 acre tract. Phase 2 will extend the street further east and tie to the existing Spradling Avenue at North 23rd Street. (See page 16)

8. **Jenny Lind Road - Zero to Cavanaugh Road.** This project includes improvements to Jenny Lind Road between Zero and Cavanaugh Road. It also includes improvements to Ingersoll Avenue from U.S. Hwy 271 to Jenny Lind and the extension of Ingersoll Avenue from Jenny Lind to U.S. Highway 71B. Plans are generally complete and the appraisal and right of way acquisition process is ongoing. Approximately 55 tracts of properties are affected. Thirteen tracts have been acquired, eight have offers that have been submitted, twenty one have appraisals that are under review by the AHTD, eleven have appraisals that have not been finalized and there are two that we are seeking donations on. Construction is expected to begin in late 2013. Federal funding in the amount of $7.2 million will benefit this project. (See page 17)

9. **Dallas Street – Massard Road to 91st Street.** This project includes removal and replacement of the severely cracked sections of concrete pavement and then diamond grinding of the street surface to improve the smoothness. This $300,000 project is estimated to extend the life of the street several years. (See page 18)

10. <u>May Branch Drainage Project.</u> This project is to reduce flooding along May Branch from the Arkansas River to Park Avenue. It consists of constructing a drainage channel to replace the existing deteriorated and hydraulically inadequate concrete pipe. The project is currently being designed by the Corps of Engineers. The City continues to lobby for federal funding to assist with the project as the total cost is in excess of $30 million. The Corps of Engineers have indicated that the most downstream section of the project (from approximately N. 7th Street to the river) can be constructed entirely with City funds with an agreement that the City's cost would be credited towards the future cost sharing on the project when federal funds become available. The Corps of Engineers is preparing an agreement that will allow this to occur. The anticipated construction will follow preparation of final plans, right of way acquisition and utility relocations. Construction of the lower section will reduce flooding for both the lower May Branch area and the Town Branch sub basin. (See page 12)

11. <u>Levee Certification and Repair.</u> This project includes items associated with flood protection and the levee certification evaluation in accordance with federal design criteria. Work is ongoing to repair the washed out section of the Rice Carden levee, replace and repair the floodwall, construct street closure devices and repair of the outlet culverts. The construction contract for the pump station repairs is scheduled for advertisement early next year. (See page 19)

12. <u>Streetscape – Garrison Avenue and Towson Avenue.</u> This project includes the ongoing Garrison Avenue Streetscape along both sides from 9th Street to 13th Street which is scheduled for completion later this fall. It also includes another project that will provide streetscaping along Towson Avenue south of Garrison Avenue and replacement of the traffic signal at Rogers Avenue and Towson Avenue. Federal grants in the amount of $270,000 will benefit this project. Anticipated construction of the Towson project is in 2013 and this first phase would extend to South "A" Street. (See page 20)

14. <u>Aerial Mapping.</u> This project consists of aerial survey and photogrammetry services for the city limits of Fort Smith and the extra territorial jurisdictional area south of the city, comprising a total area of 90 square miles. The project includes performing aerial photography, providing topographic maps, digital photos, and other related tasks. The current aerial mapping of the city was performed in 2003. This project will provide current aerial mapping data that will be utilized extensively on street and drainage projects.

16. Sidewalk Program. The 2013 sidewalk program includes repairing the sidewalks in the locations shown on the attached exhibit. (See page 21)

17. FCRA Development. This item includes the construction of a new street to serve the McClure Amphitheater and an extension of Flagstone Road to serve the Old Dominion freight line terminal. Both of these projects are being cost shared equally with the Fort Chaffee Redevelopment Authority. This item also includes construction of a 500 foot new street section on the west side of Fire Station #11. (See page 22)

18. FSHA – Street and Drainage. This item includes assistance for the street and drainage construction associated with two Fort Smith Housing Authority residential developments. One project is located at the old Bailey Hill Reservoir site and the other is southwest of the current Northpointe housing development.

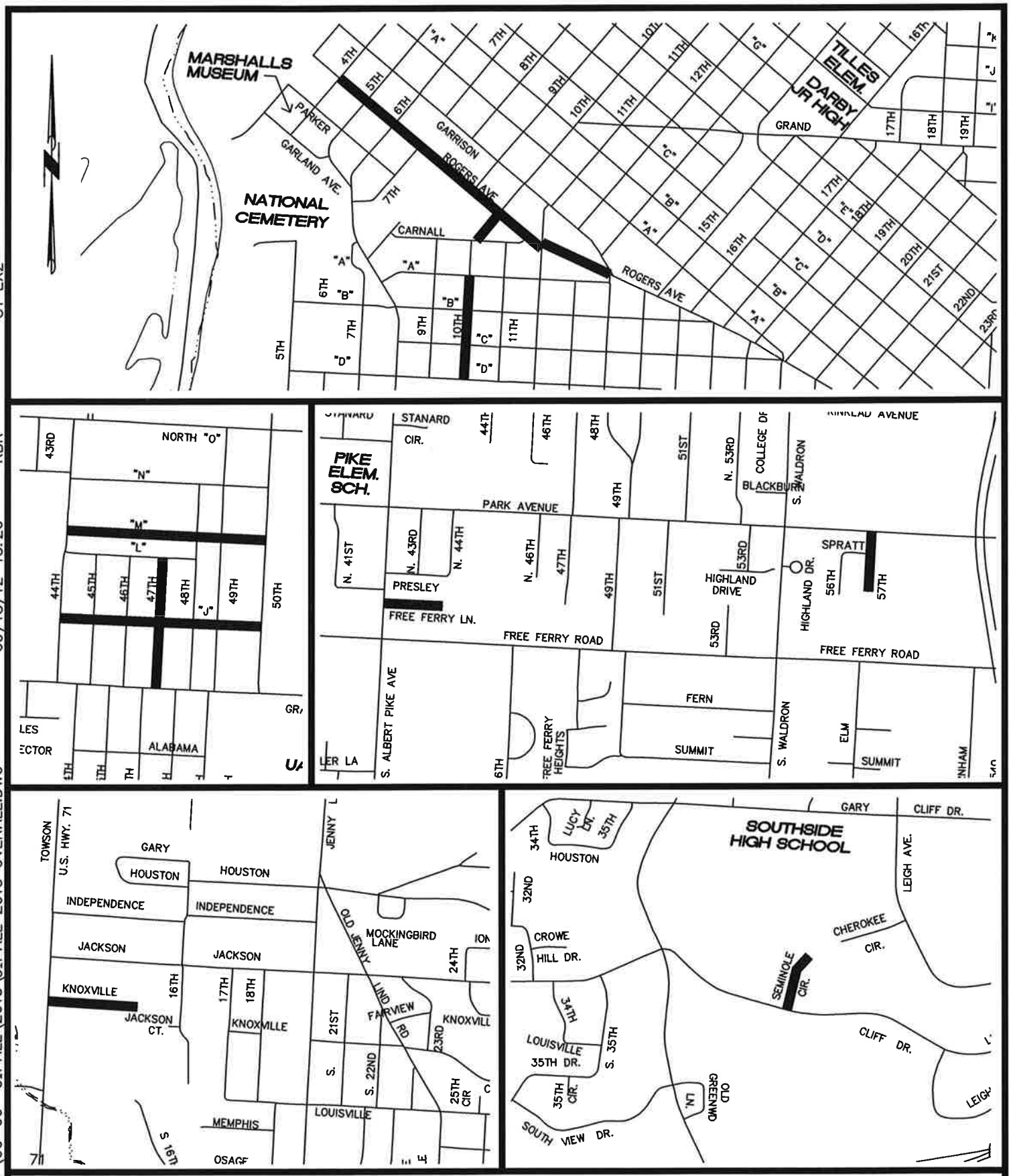
2013 CAPITAL IMPROVEMENTS PROGRAM
STREET OVERLAYS/RECONSTRUCTION

STREET	FROM	TO	LENGTH	COST
FREE FERRY LN.	ALBERT PIKE AVE.	END OF ROAD	591	$92,196.00
ROGERS AVE.	4TH ST.	14TH ST.	3408	$1,122,368.00
10TH ST.	CARNALL AVE.	ROGERS AVE.	348	$60,320.00
ROOSEVELT RD.	VICTORY CR.	CHURCHILL DR.	3230	$492,180.00
NORTH J ST.	44TH ST.	50TH ST.	2016	$209,664.00
NORTH M ST.	44TH ST.	50TH ST.	1990	$206,960.00
47TH ST.	GRAND AVE.	NORTH L ST.	1315	$136,760.00
57TH ST.	END OF ROAD	PARK ST.	608	$94,848.00
HARPER DR.	BALL RD.	ST HWY. 45	1052	$230,972.44
BALL RD.	PLANTERS RD.	HARPER DR..	2770	$608,168.89
ALLEN LN.	6TH ST.	REED LN.	1438	$132,935.11
PRYOR AVE.	35TH ST.	36TH ST.	362	$37,648.00
35TH ST.	KELLEY HWY.	BIRNIE AVE.	666	$61,568.00
36TH ST.	KELLEY HWY.	BIRNIE AVE.	666	$61,568.00
SEMINOLE CR.	CLIFF DR.	END OF ROAD	608	$94,848.00
14TH ST.	US HWY. 71	VICKSBURG ST.	1381	$303,206.22
VICKSBURG ST.	TOWSON AVE.	14TH ST.	650	$142,711.11
XAVIER CR.	14TH ST.	END OF ROAD	190	$41,715.56
33RD ST.	LINDEN ST.	WILLOW ST.	881	$101,804.44
LINDEN ST.	33RD ST.	MUSSETT RD.	312	$32,448.00
CAVANAUGH RD.	US HWY. 271	JENNY LIND RD.	2831	$384,788.44
TAYLOR AVE.	WARD AVE.	TERRY ST.	1535	$301,542.22
50TH ST.	KELLEY HWY.	WIRSING AVE.	988	$114,168.89
NORTH R ST.	13TH ST.	14TH ST.	351	$40,560.00
6TH ST.	REED LN.	HARRIET LN.	2417	$335,157.33
KNOXVILLE ST.	TOWSON AVE.	END OF ROAD	895	$93,080.00
39TH ST.	KELLEY HWY.	BIRNIE AVE.	667	$69,368.00
37TH ST.	JOHNSON ST.	YOUNG ST.	350	$24,266.67
38TH ST.	JOHNSON ST.	YOUNG ST.	329	$28,513.33
YOUNG ST.	END OF ROAD	END OF ROAD	1032	$107,328.00
10TH ST.	SOUTH D ST.	SOUTH A ST.	1051	$182,173.33
DIVISION ST.	EDWARDS ST.	CHURCHHILL RD.	1675	$274,444.44
			38603	

TOTAL FOR 2013 STREET OVERLAYS/RECONSTRUCTION PROGRAM $6,220,280.44

BALANCE OF 2012 PROJECTS CURRENTLY UNDERCONSTRUCTION $3,090,248.00

TOTAL $9,310,528.44



2013 CAPITAL IMPROVEMENTS PROGRAM

STREET OVERLAYS/RECONSTRUCTION

The City of Fort Smith ARKANSAS

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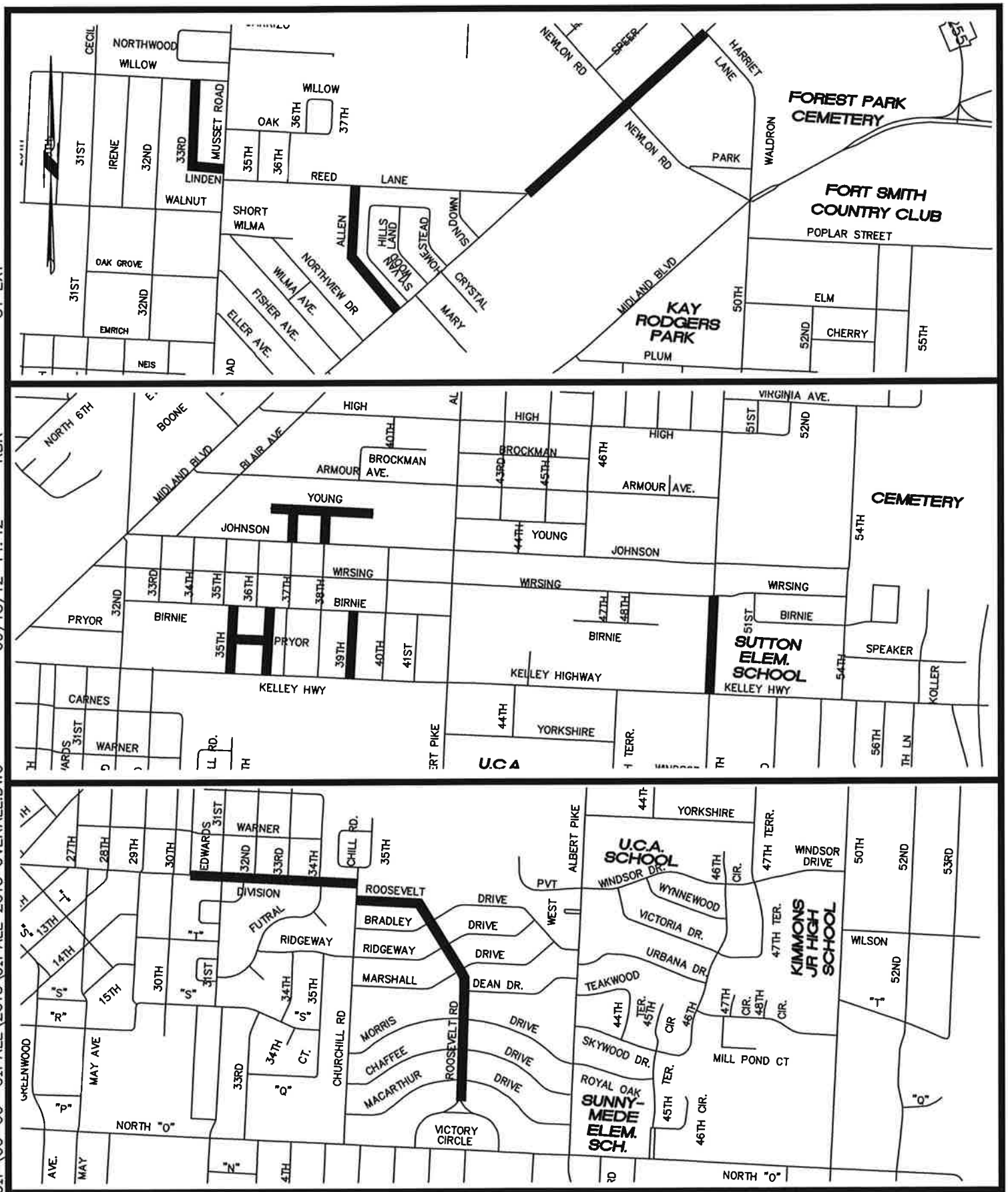

2013 CAPITAL IMPROVEMENTS PROGRAM
STREET OVERLAYS/RECONSTRUCTION

The City of Fort Smith ARKANSAS

Project:	2013 OVERLAYS
Date:	SEPT. 2012
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Page 7

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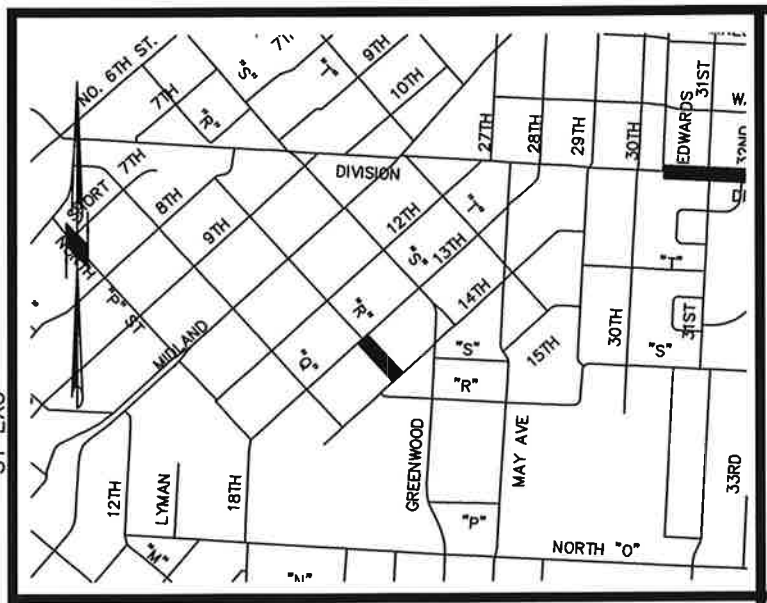

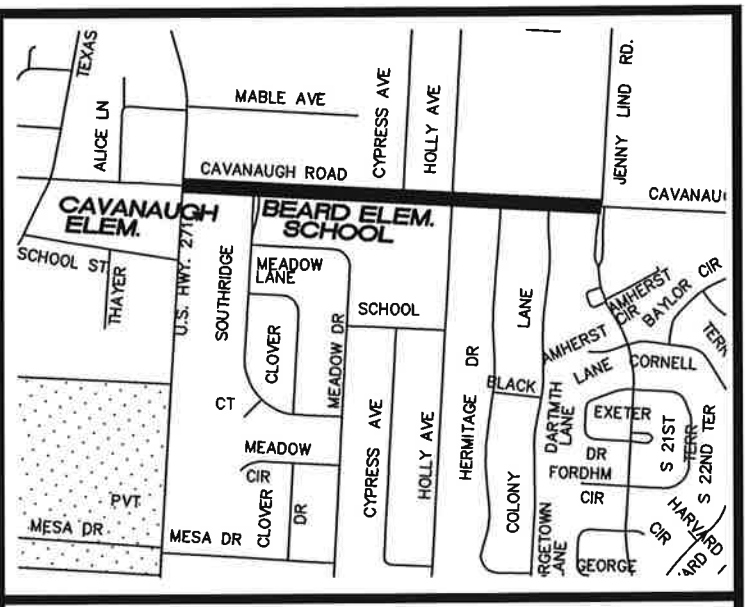

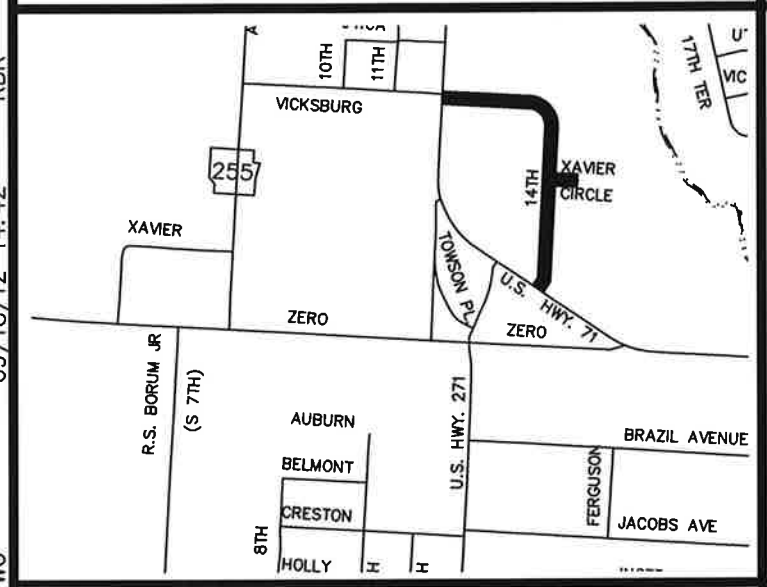

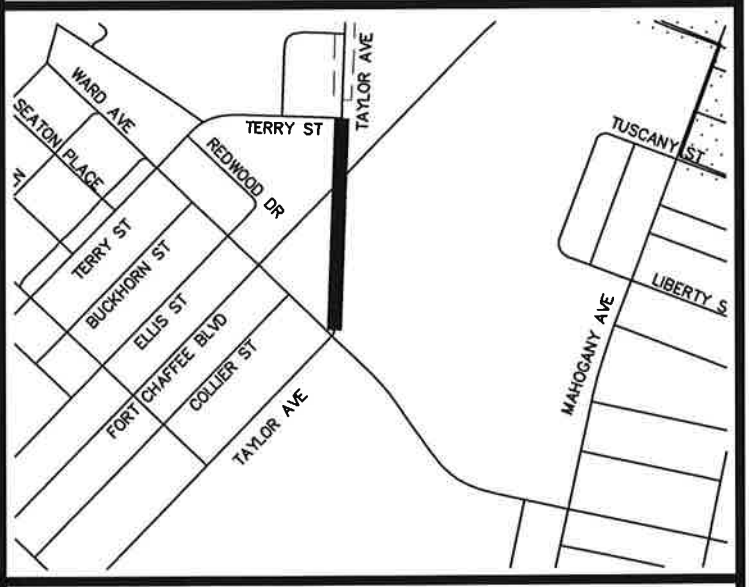

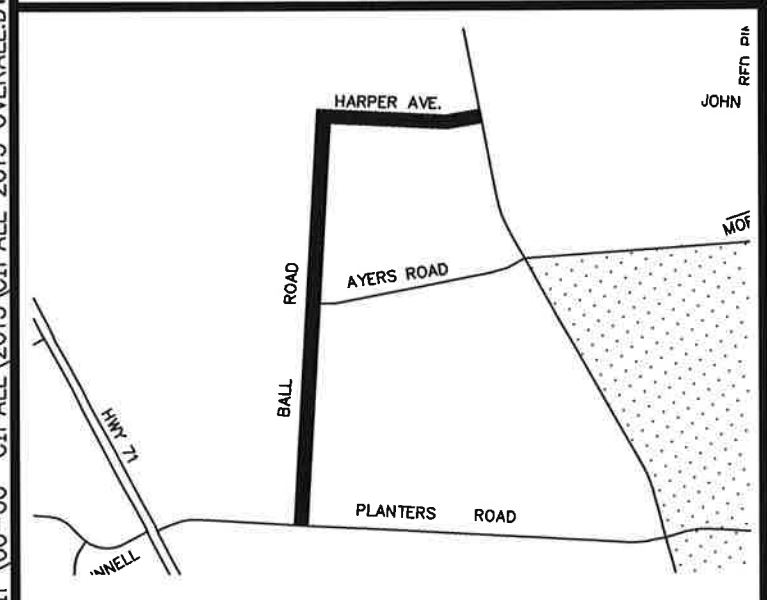

2013 CAPITAL IMPROVEMENTS PROGRAM

STREET OVERLAYS/RECONSTRUCTION

The City of Fort Smith ARKANSAS

Project:	2013 OVERLAYS
Date:	SEPT. 2012
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Drawn By:	RBR

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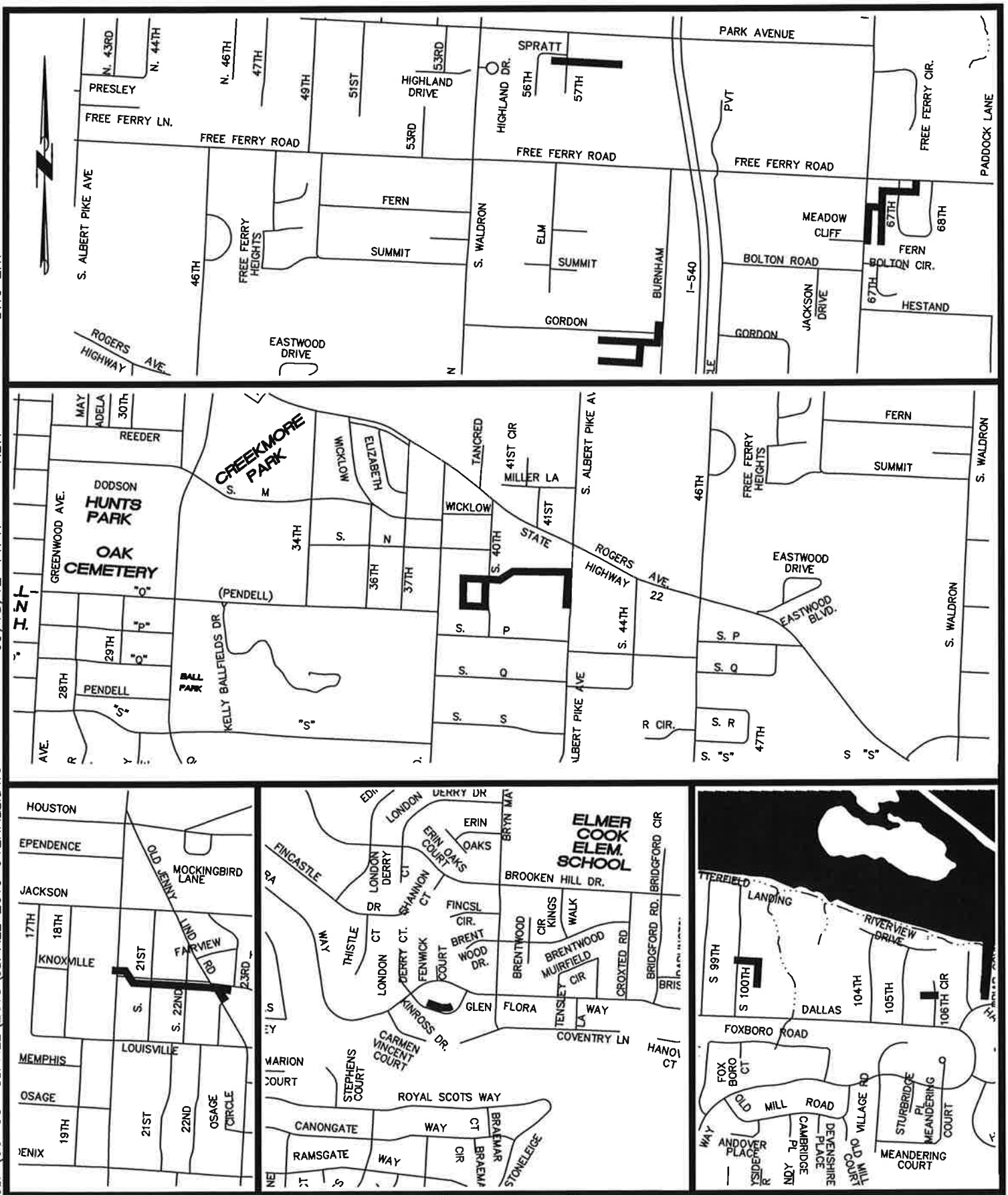
2013 Neighborhood Drainage Projects

Project		Estimated Cost
Knoxville Street & Cliff Drive Area This project will replace an undersized earthen channel and undersized storm drains with a concrete box storm drain. Two houses are experiencing flooding in this area, severe street and yard flooding are occurring, and the existing system is difficult to maintain (see page 11).	$	750,000
3300 Block of Kinross Drive This project will add inlets and a storm drain to intercept runoff from the hillside. One house is experiencing flooding in this area, and severe street and yard flooding are also occurring (see page 11).	$	70,000
200 Block of North 57th Street This project will add inlets and a storm drain to intercept runoff from the hillside, and it will complete a previous drainage project. Two houses are experiencing flooding in this area, and severe street flooding is also occurring (see page 11).	$	150,000
5800 & 5900 Blocks of Gordon Lane This project will replace an undersized earthen channel and driveway culverts with a storm drain and concrete swales. Two houses are experiencing flooding in this area, and severe street and yard flooding are occurring. Erosion has also become a problem in some of the yards and the earthen channel (see page 11).	$	320,000
South 66th Street and South 67th Lane Area This project will replace an undersized storm drain, earthen channel, and concrete channel with a concrete box storm drain and concrete channels. Three houses are experiencing flooding in this area, and severe yard flooding is also occurring (see page 11).	$	550,000
1500 Block of South 40th Street This project will replace a concrete channel and add earthen channels and storm drains to intercept and carry runoff. Two houses and an apartment complex are flooding in this area, and severe yard flooding is also occurring (see page 11).	$	360,000

3100 Block of South 100th Street This project will replace an undersized earthen channel and storm drain. One house is flooding in this area, and severe yard flooding is also occurring (see page 11).	**$**	**140,000**
3100 Block of South 106th Street This project will add a concrete channel to intercept runoff from the adjacent properties. One house is flooding in this area, and severe yard flooding is also occurring (see page 11).	**$**	**30,000**
Total	**$**	**2,370,000**



2013 CAPITAL IMPROVEMENTS PROGRAM

DRAINAGE IMPROVEMENTS

The City of Fort Smith ARKANSAS

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Date:	SEPT. 2012
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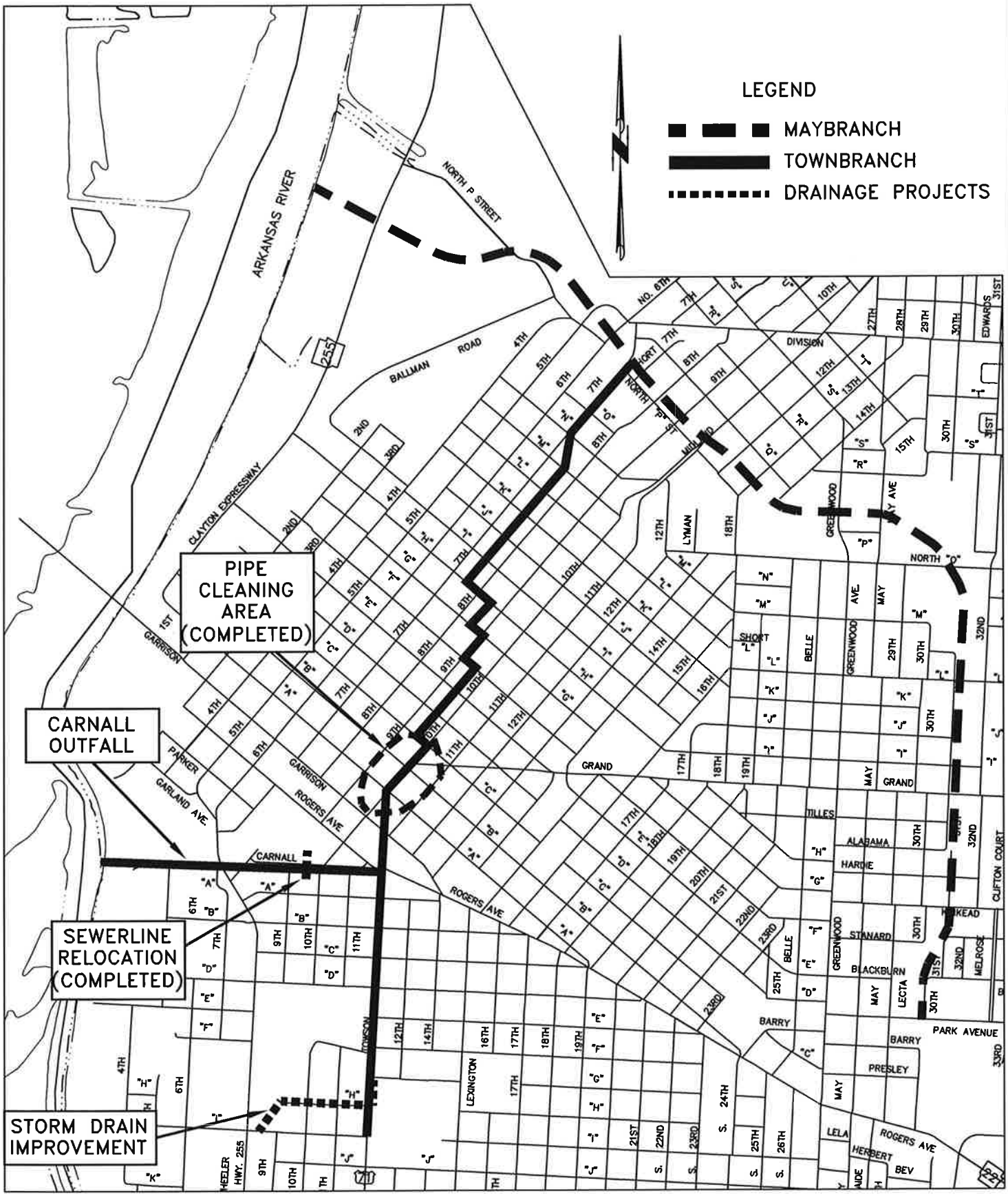

2013 CAPITAL IMPROVEMENTS PROGRAM

DRAINAGE IMPROVEMENTS

MAYBRANCH & TOWN BRANCH

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
Scale:	NONE
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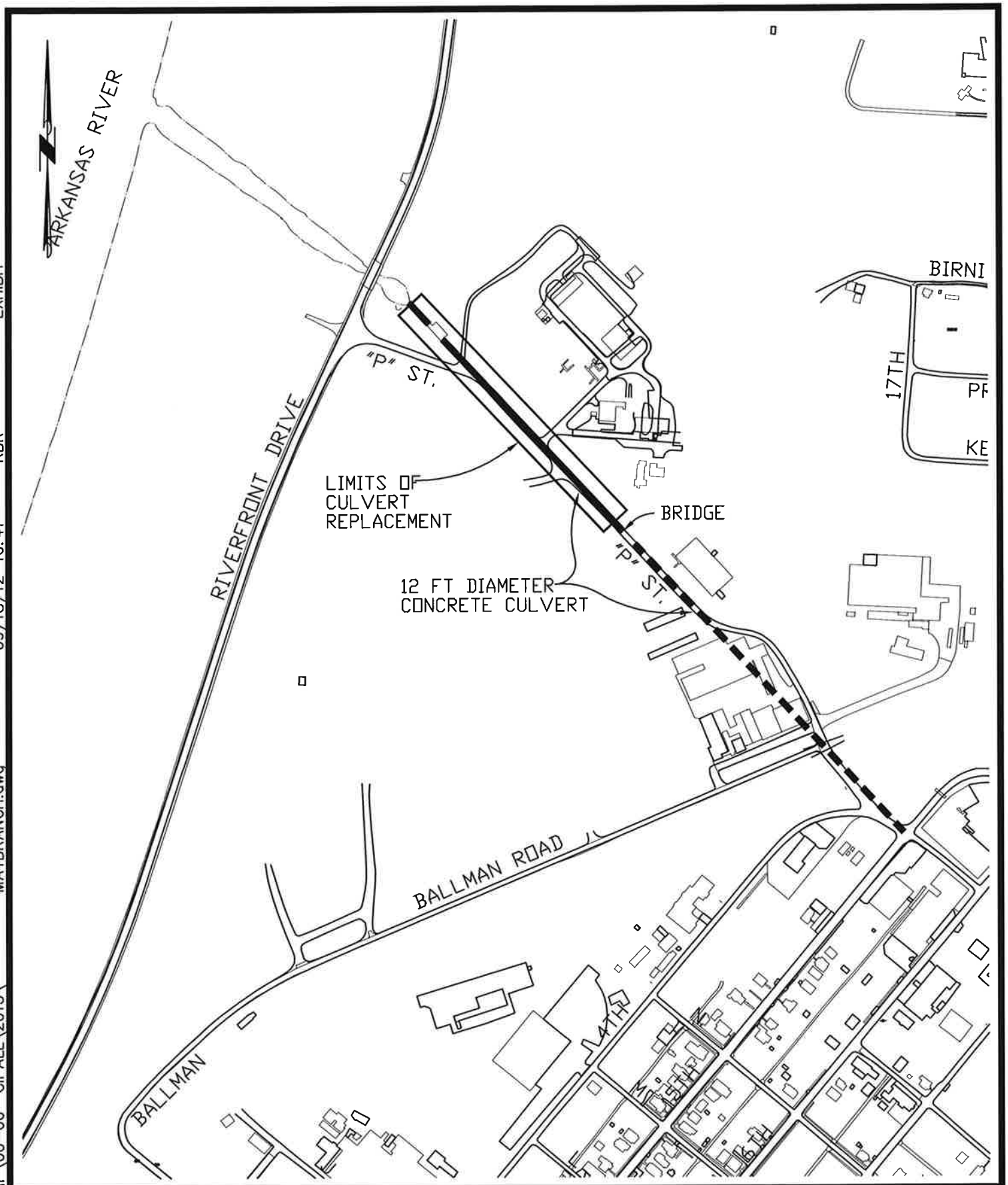

2013 CAPITAL IMPROVEMENTS PROGRAM

MAYBRANCH OUTFALL

CULVERT REPLACEMENT

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
Scale:	NONE
Drawn By:	RBR Page 13

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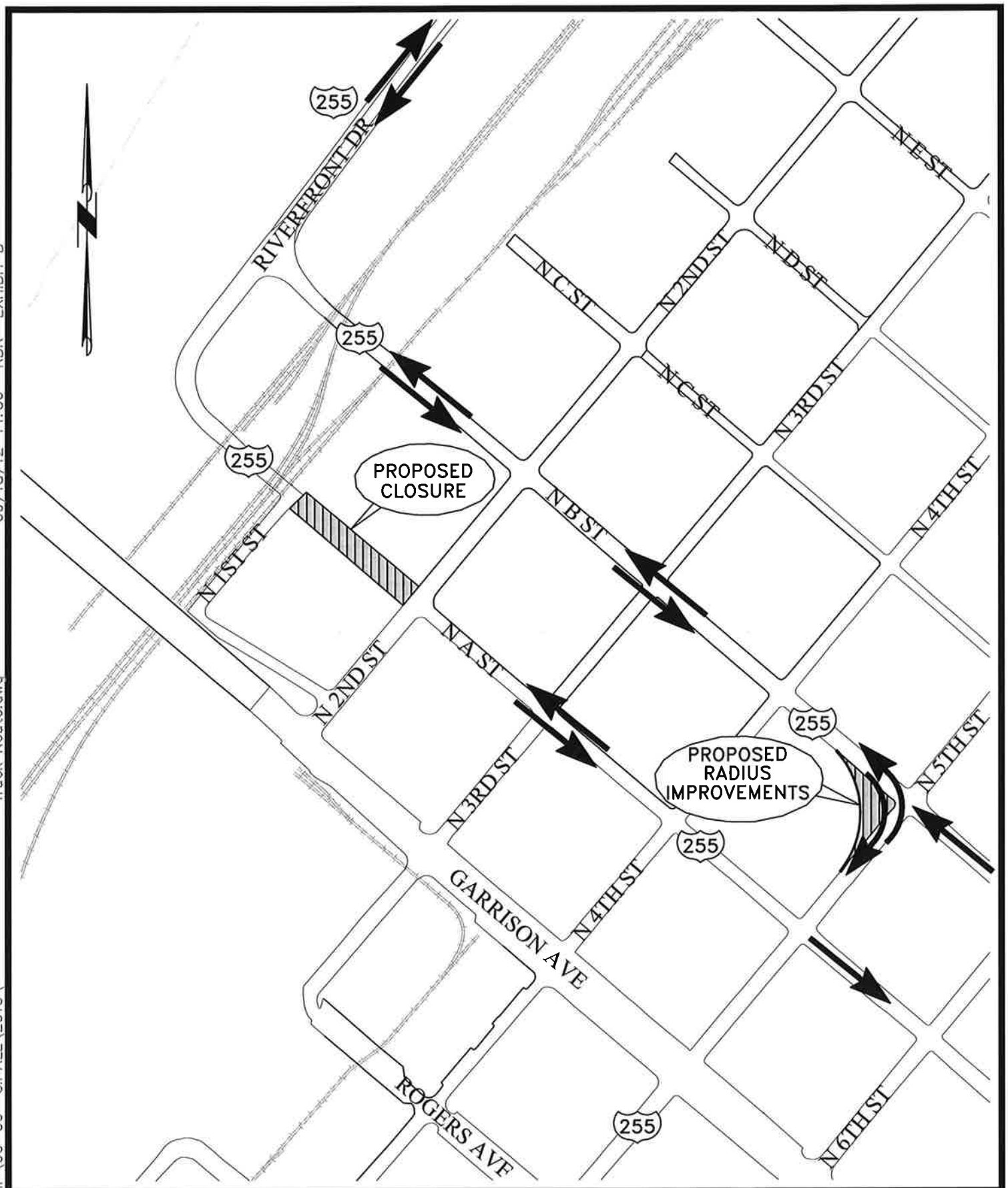

2013 CAPITAL IMPROVEMENT PROGRAM
NORTH B TRUCK ROUTE
FORT SMITH, ARKANSAS

The City of Fort Smith ARKANSAS

Project:	
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Drawn By:	RBR Page 14

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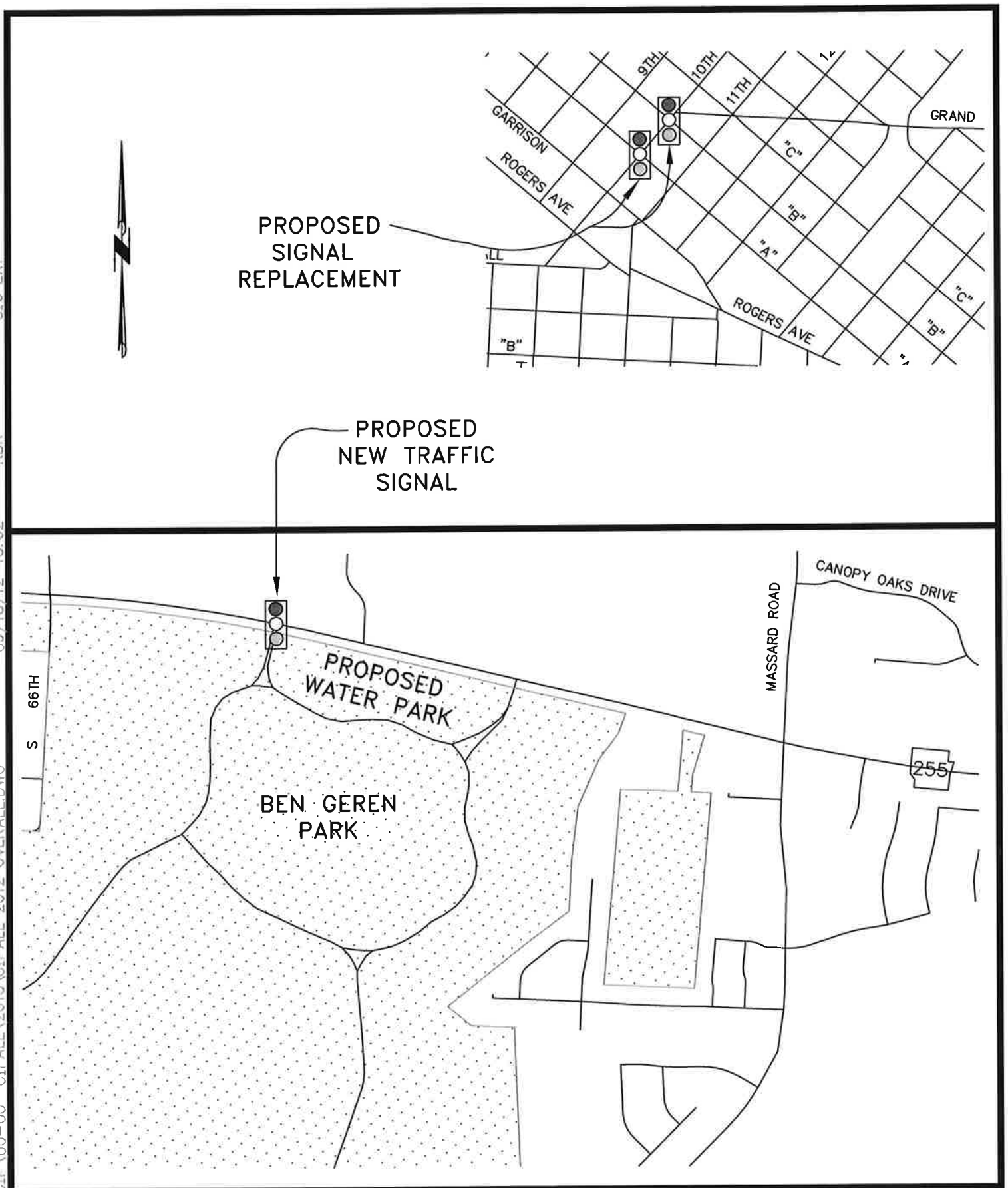

2013 CAPITAL IMPROVEMENTS PROGRAM

SIGNAL IMPROVEMENTS

The City of Fort Smith ARKANSAS

Project:	
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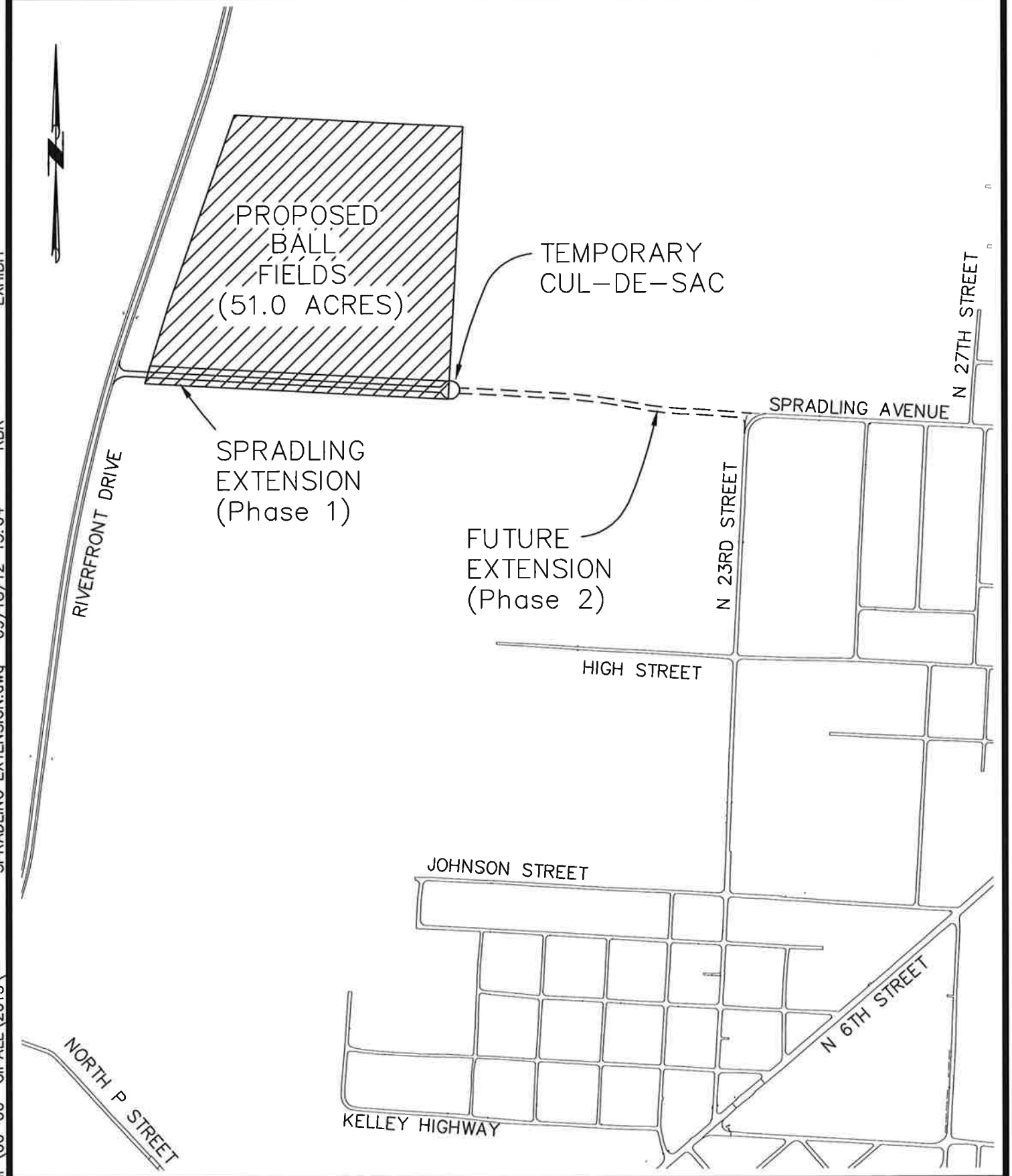

2013 CAPITAL IMPROVEMENTS PROGRAM
SPRADLING EXTENSION
FORT SMITH, ARKANSAS

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPTEMBER 2012
Scale:	NONE
Drawn By:	RBR

Page 16

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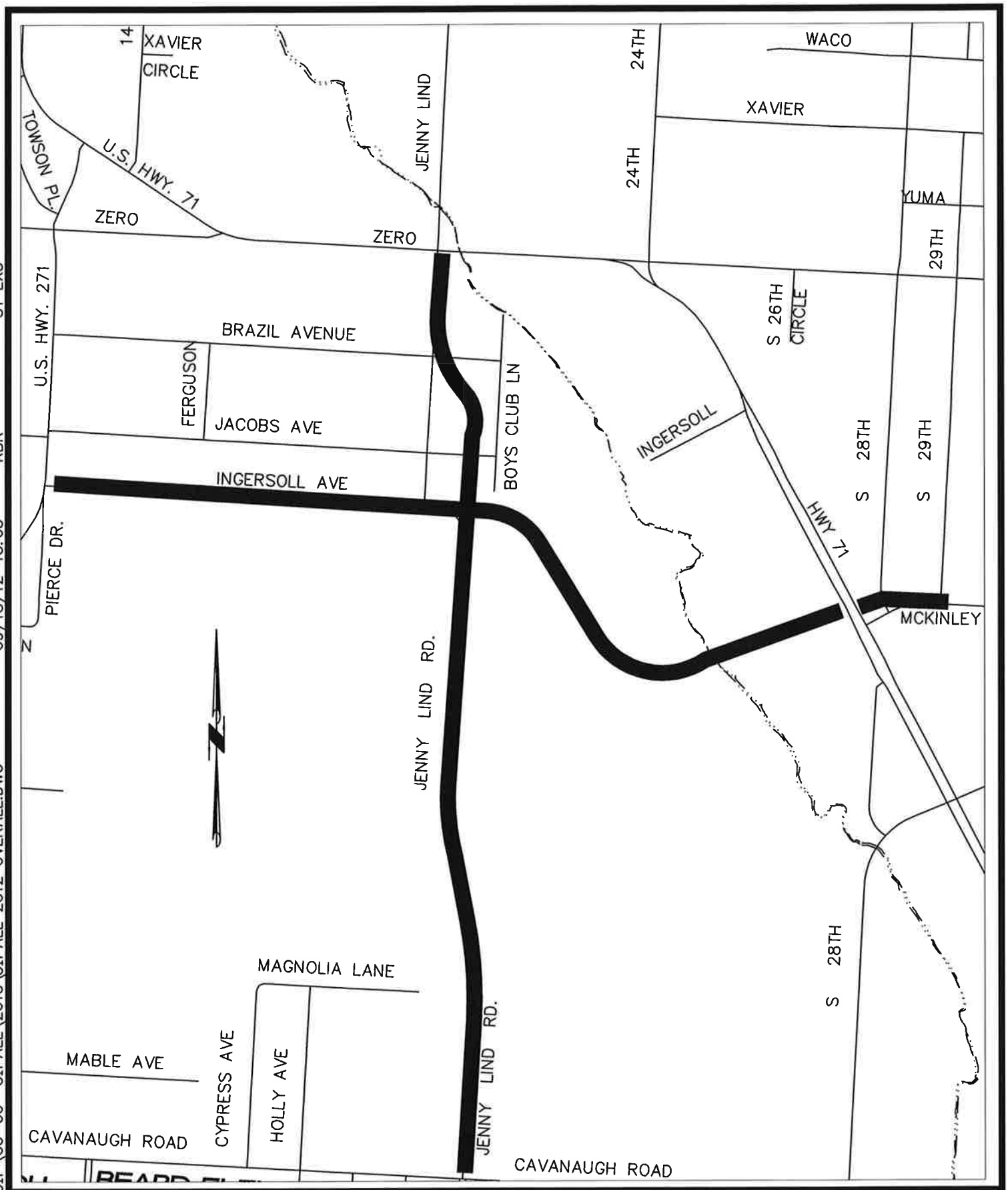

2013 CAPITAL IMPROVEMENTS PROGRAM

JENNY LIND

ZERO STREET TO CAVANAUGH ROAD

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
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Page 17

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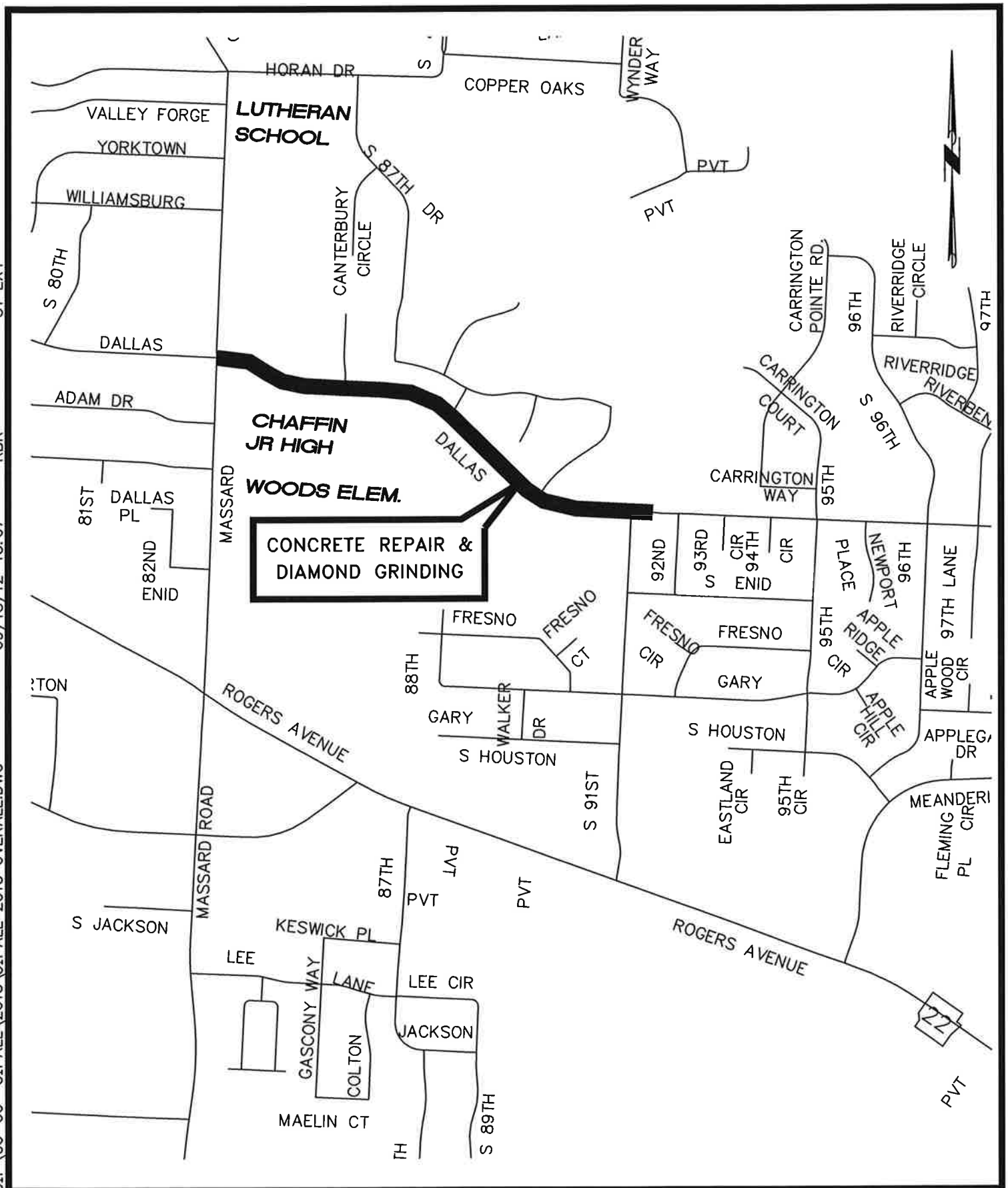

2013 CAPITAL IMPROVEMENTS PROGRAM

DALLAS STREET

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
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Page 18

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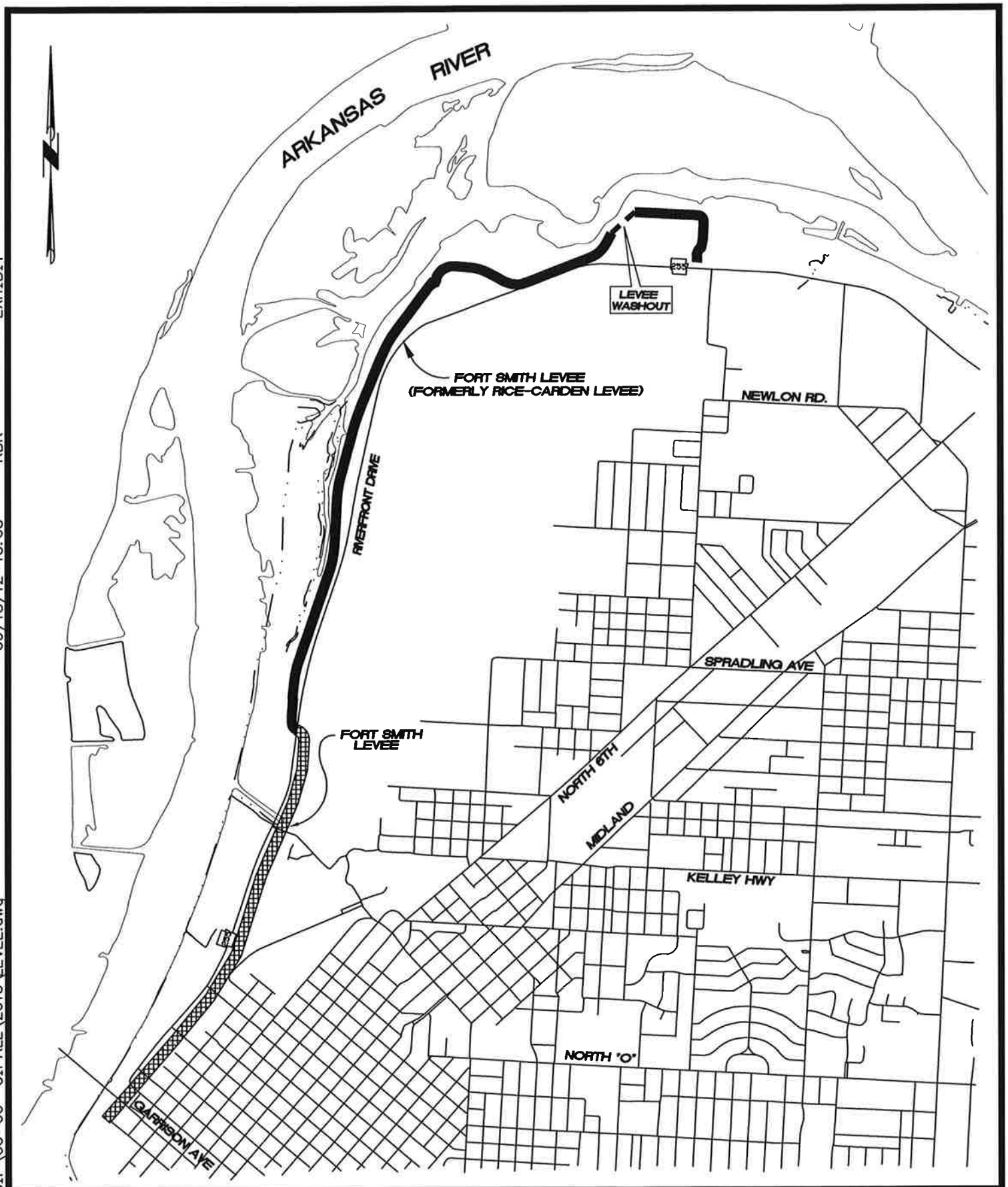

2013 CAPITAL IMPROVEMENTS PROGRAM
LEVEE CERTIFICATION & REPAIR
FORT SMITH, ARKANSAS

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
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Page 19

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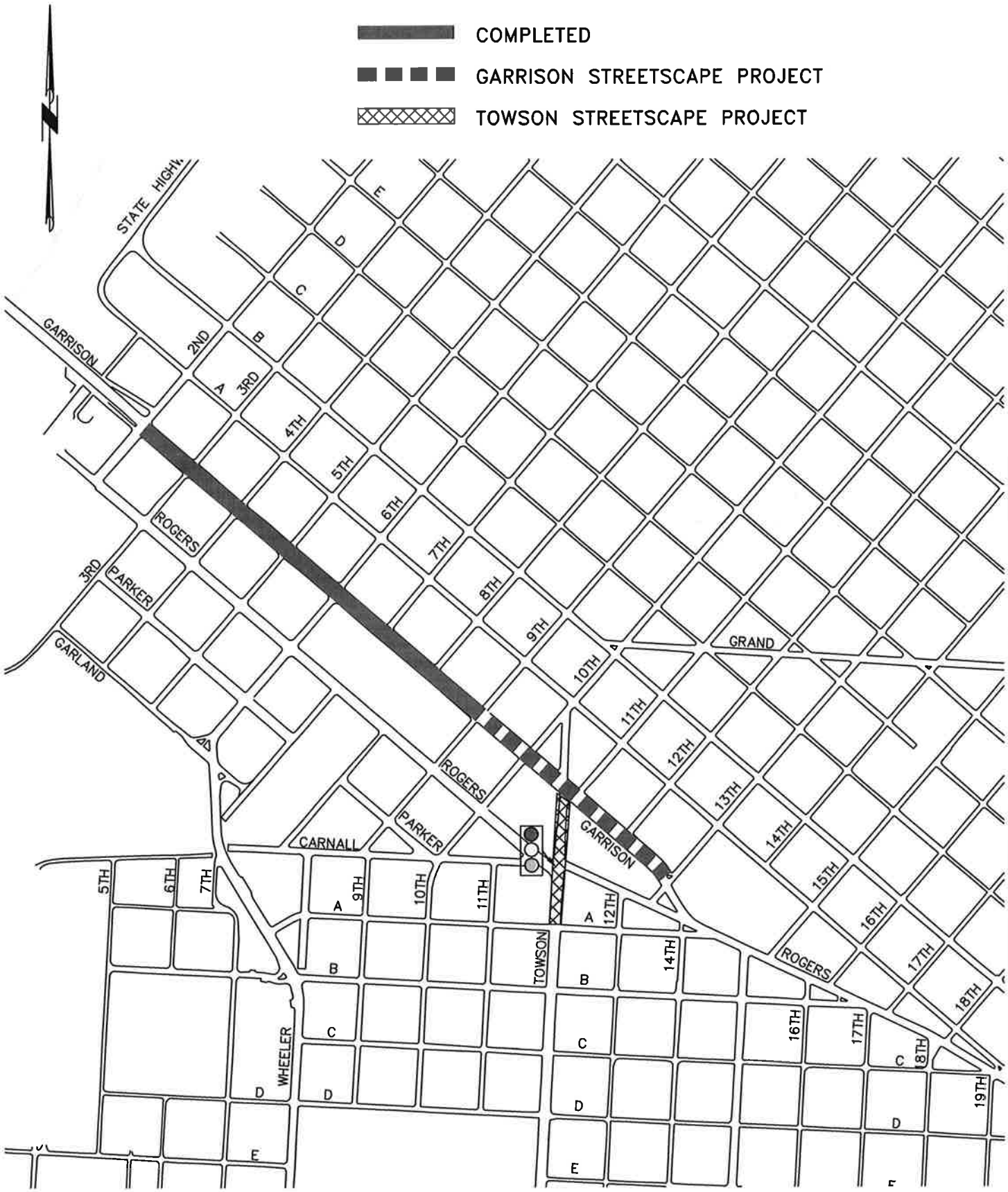

2013 CAPITAL IMPROVEMENTS PROGRAM

GARRISON/TOWSON STREETSCAPES

FORT SMITH, ARKANSAS

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
Scale:	N/A
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2013 SIDEWALK PROGRAM

The City of Fort Smith ARKANSAS

Project:	2013 SIDEWALKS
Date:	SEPT. 2012
Scale:	NONE
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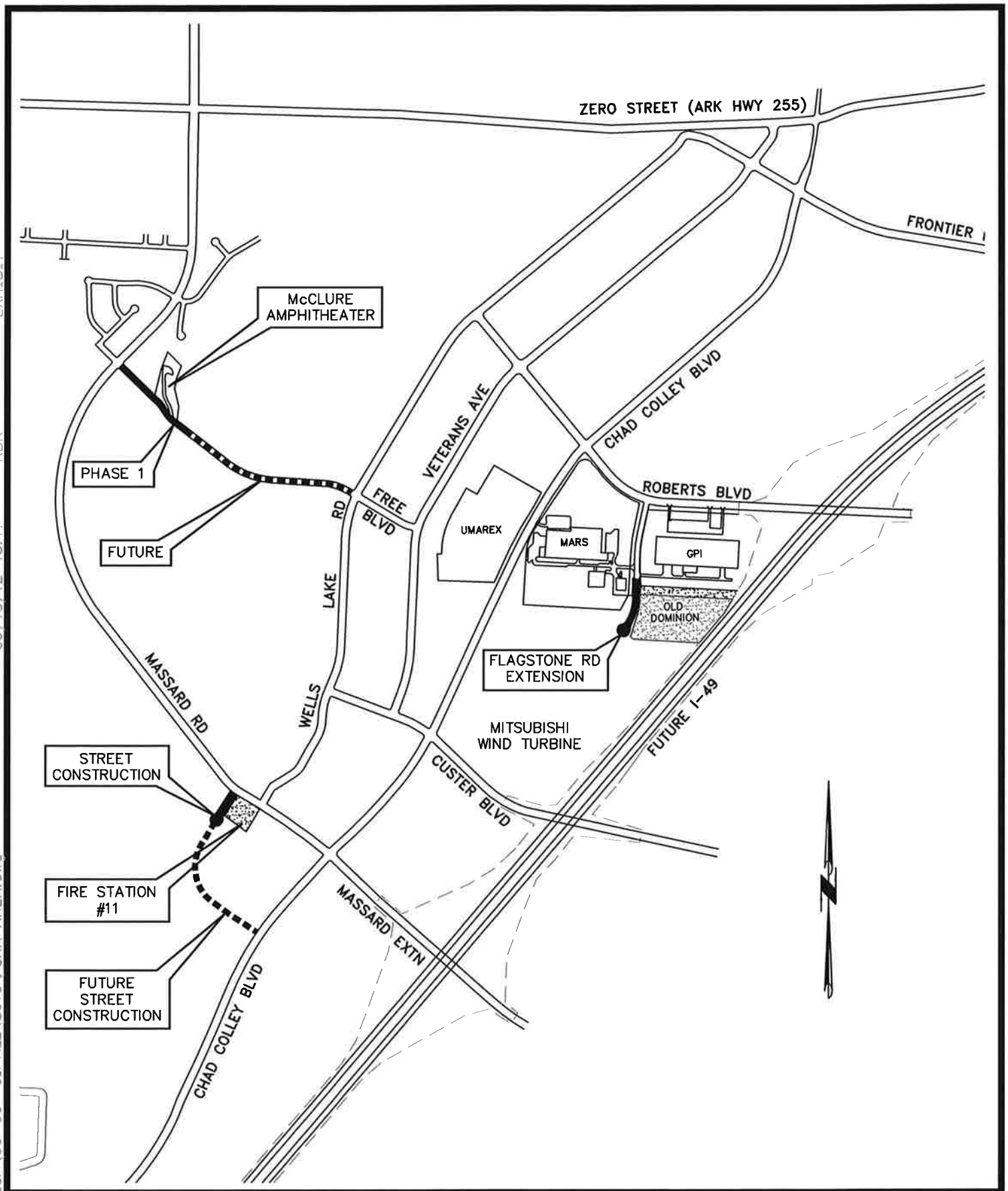

2013 CAPITAL IMPROVEMENTS PROGRAM

FCRA DEVELOPMENT

The City of Fort Smith ARKANSAS

Project:	
Date:	SEPT. 2012
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Page 22

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Memo

To: Ray Gosack, City Administrator

From: Matt Jennings, Director of Community Development

CC: U. C. Washington, Lend A Hand & Buddy Coleman, Aaron's Inc.

Date: 9/19/2012

Re: Koller Place HOME Program Loan

Background

During the 1998 CDBG and HOME funding cycle, Lend A Hand, Inc. and their development partner, Aarons, Inc. proposed a project to the Community Development Advisory Committee (CDAC) which was recommended for approval to the City Board of Directors and subsequently approved by Resolution R-83-98. The project was to construct 23 affordable housing units in a new subdivision which was named Koller Place Addition and the street name of Koller Avenue. At that time, Lend A Hand, a certified Community Housing Development Organization (CHDO) proposed and the City Board approved the loan of $150,000.00 with 1% interest to be repaid in ten (10) years. That agreement was executed on November 16, 1998 and is attached as Attachment "A".

On March 1, 1998, Lend A Hand, Inc., and Aaron's, Inc. formed a partnership named Barlee Properties II Limited (Barlee) partnership for the purpose of engaging in the development and operation of commercial enterprises including housing projects and specifically including 23 single family dwelling units located in Fort Smith (See Attachment "B").

The Koller Place property ownership was acquired on May 18, 1998. By September, 1998 the construction of Koller Place structures were under way. Three of the planned twenty-three (23) home were identified to be built with the City of Fort Smith HOME funds. Following the construction of the three homes, title to the three lots were deed restricted for low income housing to recognize the investment of public funds in the properties. A HOME program restrictive covenant was executed by the managing partner of Barlee on February 19, 1999 and recorded at the courthouse on the same date.

On December 28, 1999, Lend A Hand paid with check number 1474 the amount of $1,500.00 as the one percent interest payment regarding the Koller Place Project. While LAH officials believe another payment of $1,500.00 in interest was made in 2000, no records can be found of the payment.

In December 2002, the managing general partner of Barlee acknowledged the Fort Smith HOME loan, including its interest obligation by making a request on December 5, 2002, to the City of Fort Smith for a deferral of the interest loan on the purported basis of inability of the rental units to charge sufficient rent to pay the obligations of the project. The city staff responded noting its interest in those units which were constructed, in whole or part with City of Fort Smith HOME funds. No agreement was reached; however Barlee did not cause the annual interest payments to be made. The city staff noted, to the certified public accountant conducting an audit of LAH activities in 2003, that the $150,000.00 continued in effect with its principal balance of $150,000.00 and that one percent (1%) annual payments had not been received by Fort Smith since the year 2000.

At some point during the ensuing years, the documents were placed in a file folder box and stored in the basement at city offices. A flood occurred and the documents were apparently destroyed and removed by community service workers. The community development staff began to search for the files, which contained the agreement but were unable to find them and as such could not take action to resolve this matter.

Recent Actions

In July, 2011, I received a copy of the agreement between the City and LAH from the attorney representing Barlee and at that point froze all funding to LAH until arrangements could be made to repay the loan. At this point, the LAH officials requested that the loan be forgiven since they have no resources to repay the loan. The partnership was the structure where the interest payments and the loan were to be repaid.

At that point, I met with the City Attorney and discussed the matter with him and the city requested the financial statements of the partnership so we could understand the structure of the project and determine its ability to pay back the loan. Neither the city nor LAH was able to obtain these financial documents even to this day. Once LAH provided the city with a plan on hiring an attorney and unraveling all of the issues, we “unfroze” the funding and allowed them to continue with any open agreements with the city’s HOME funds. Additionally, an attempt was made to have LAH sign over their interest so the city could pursue the repayment of the loan proceeds, however all partners had to agree to the assignment and Aaron’s, Inc. would not agree.

I have contacted the Department of Housing and Urban Development’s Little Rock Field Office to determine if one of the options would be to completely forgive the loan. The field office also contacted HUD headquarters and they have reviewed the agreements, deed restrictions plus information inputted into the computer system and was informed that there is a low probability that the $150,000.00 could be forgiven unless the city itself pays the money back to the HOME Investment Trust fund.

As you are aware, we met with the general managing partner for the Koller Place project on September 12, 2012 trying to reach a solution. The partner indicated that he believes it is only an obligation of LAH and does not

intend to repay the loan. The city attorney has opined that there are contract and equitable principles that indicate otherwise.

Another possibility exists and that is to take a reduction in the next HOME grant funds, however that will reduce homebuyer assistance to the low to moderate income Fort Smith citizens that will not receive homebuyer assistance. If the loan repayment were to occur, the funds would be placed in the downpayment assistance program and could serve approximately 30 homebuyers. Moreover, taking a reduction in HOME funds would result in an inability to serve 30 homebuyers for that program year.

It is very unfortunate that we have been unable to work out a satisfactory solution. Legal time limitations dictate immediate action.

Other Lend A Hand Projects

Currently, LAH has two open projects with the city which includes an agreement from Program Year 2010 to build 3 single family homes to be sold to income eligible homebuyers. This work is in the very early stages and the lots have not been purchased for construction as of the date of this memo.

The second project is the agreement to develop the Fisher's Way proposed subdivision at Chaffee Crossing as a mixed income affordable housing project. The project is in the early development stage with engineering drainage studies and preliminary subdivision layout being completed. At this point, LAH has spent $62,211.49 in CDBG funds from various program years. The city will be requesting the developer's agreement and other funding commitments prior to December 31, 2012 to amend the agreement since the original developer agreement is being dissolved. This places LAH and the City in a precarious position if this project cannot move forward especially considering the current state of the housing market and the $62,211.49 in CDBG funds may have to be repaid.

Other Community Development Loans

As of the month of August the department has $740,715.25 in outstanding CDBG loans to our low to moderate income Fort Smith citizens and $74,844.56 in outstanding HOME loans. Of those 65 are performing and 31 are nonperforming. We are working with the city attorney's office with the nonperforming loans and the ones that have been foreclosed on by the principal mortgagor. While it is not our desire, we may find ourselves in the position of foreclosure on some of these loans in the near future.

Options

1) Forgive the loan

A) ***Request that the Department of HUD allow the city to take a reduction in the next allocation of HOME funding for Program Year 2013.***

Pros: a solution to the loan issue in a relatively painless manner for LAH and the general partner

Cons: reduces the amount of low to moderate income homebuyers to serve both by the reduction and the nonpayment of the loan. Others in the city program's loan portfolio may request for forgiveness as would be given to the developer. Public perception of forgiving the repayment of public funds for a private entity's profit.

B) ***Repay the loan strictly from non federal city sources.***

Pros: this solution would be the most expedient way to resolve the issue for LAH and the general partner

Cons: the Fort Smith citizens shouldn't be expected to pick up the tab on something that was proposed by the partnership voluntarily. Again others may request loan forgiveness in the city's extensive Community Development loan portfolio. Public perception of forgiving the repayment of public funds for a private entity's profit.

2) File a lawsuit prior to the expiration of the statute of limitations to recover the $150,000.00 loan proceeds and $7,500 in interest that are within the statute of limitations.

Pros: The City and LAH will be able to compel the general partner to prove there is no equity available to pay the funds back.

Cons: a lengthy process that will be costly and possibly prevent LAH from carrying forward future projects. LAH will be a party to the suit.

Because the contractor has not performed according to the agreement, I am recommending that the City use Option 2 and administratively request the City Attorney to file the lawsuit to bring this issue to some sort of resolution given that others in the Community Development loan portfolio may request that loans be forgiven and could result in the city paying back those funds as well.

Koller Place Subdivision

ATTACHMENT "A"

AGREEMENT

I, Jane Goss, Executive Director of the Lend-A-Hand, Inc. enter into the following agreement with the City of Fort Smith, administrator of the HOME funds, for the construction of twenty three (23) units of housing

The purpose of this agreement is to ensure that HOME funds are used in accordance with all program requirements set forth in 24 CFR, Part 92, which is the regulatory document for the HOME Investment Partnership Program.

Henceforth, the Lend-A-Hand, Inc. will be referred to as the Entity, and the City of Fort Smith as the City.

Below are the terms of the agreement agreed to and evidenced by signatures to this contract.

1. This agreement remains in effect for the duration of the affordability requirements of the program or project for which HOME funds are expended, and during any period in which the Entity has control over HOME funds

2. The Entity agrees to submit in writing in its application for HOME funds: a) description of the use of HOME funds, b) tasks to be performed, a schedule for completing the tasks and a budget in sufficient detail for the City to provide a sound basis for the release and monitoring of the HOME funds.

3. Proposed operating budgets must be approved by the City. Construction plans, specifications, proposed improvement and cost estimates must also be reviewed by the City for all projects.

4. The Entity agrees to comply with the affordability requirements of Sections 92.252 and 92.254 of 24 CFR, Part 92 of the HOME Regulations.

Project Cost	Length of Lien
<$15,000.00	5 years
$15,000.00 - $40,000.00	10 years
>$40,000.00	15 years ✓
FHA loan	Length of loan

5. The Entity will pay 1% interest annually to the City with the entire $150,000 being paid back at the end of 10 years.

6. The Entity must comply with uniform administrative requirements as follows

Nonprofit Organizations. The Entity will comply with policies, guidelines, and requirements of OMB Circular A-122 (Cost principles Applicable to Grants, Contracts and Other Agreements with Nonprofit Institutions), OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals,

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and Other Non-Profit Organizations," and audit requirements at 24 CFR Part 44 and OMB Circular A-133 (Audits of Institutions of Higher Learning and Other Nonprofit Institutions).

7. The Entity agrees that it will comply with the per unit HOME subsidy amount required by HUD and further defined in 24 CFR 92, Section 92 250.

8. The Entity agrees that it will comply with the Housing Quality Standards and that it will comply with local codes, rehab standards, zoning ordinances, cost-effective energy conservation and effectiveness standards (24 CFR Part 39).

9. The Entity also agrees to carry out each activity in compliance with all federal laws and regulations as follows:

   A. The Entity will comply with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128) and the Coastal Barrier Resources Act (16 U.S.C. 33601).

   B The Entity will comply with the provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U S.C. 4321), and applicable related environmental authorities at 24 CFR Part 50.4 and HUD's implementing regulations at 24 CFR Part 50.

   C. The Entity will comply with the requirements of the Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR Part 100, Part 109, and Part 100; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1, and will affirmatively further fair housing.

   D The Entity will comply with the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations of 24 CFR Part 146, which prohibit discrimination because of age in programs and activities receiving Federal financial assistance.

   E The Entity will comply with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended, and with implementing regulations at 24 CFR Part 8, which prohibit discrimination based on disability in federally assisted and conducted programs and activities.

   F. The Entity will comply with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Employment Opportunities for Lower Income Persons in Connection With Assisted Projects), and with implementing regulations at 24 CFR 135.

   G. The Entity will comply with the requirements of Executive Order 11246 (Equal Employment Opportunity) and the regulations issued under the Order at 41 CFR Chapter 60.

   H. The Entity will comply with Executive Orders 11625, 12432, and 12138, which state that program participant will take affirmative action to encourage participation by minority and women owned business enterprises

I. The Entity will comply with policies, guidelines, and requirements of OMB Circular Numbers A-122 (Cost principles Applicable to Grants, Contracts and Other Agreements with Nonprofit Institutions), and audit requirements at 24 CFR Part 44 and OMB Circular A-133 (Audits of Institutions of Higher Learning and Other Nonprofit Institutions).

J. The Entity will provide drug-free workplaces in accordance with the Drug-Free Workplace Act of 1988 and HUD's implementing regulations at 24 CFR Part 24, Subpart F.

K. The Entity will comply with the requirements of the Lead-Based Poisoning Prevention Act (42 U.S.C. 4812, *et.seg.*) and implementing regulations at 24 CFR Part 35.

L. The Entity will ensure that no person has been or will be displaced from his or her dwelling as a direct result of HOME Program Assistance described in this application. This does not preclude termination of tenancy for violation of the terms of occupancy as a unit.

M. The Entity will ensure that no federally appropriated funds have been paid or will be paid, by or on behalf of the undersigned, for lobbying the Executive or Legislative Branches of the Federal Government. (Refer to the government wide common rule governing the restrictions of lobbying, published as an interim rule on February 26, 1990 (55 FR 6736) and supplemented by a Notice published June 15, 1990 (55 FR 24540). For HUD, this rule is found at 24 CFR Part 87.

N. The Lend-A-Hand, Inc. and its principals (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or involuntarily excluded from covered transactions (see 24 CFR 24.110) by any Federal department or agency; (b) have not within a three-year period preceding this application been convicted of or had a civil judgement rendered against them for commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property; are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses numerated in (b) of this certification; and (d) have not within a three-year period preceding this application had one or more public transactions (Federal, State or local) terminated for cause or default. Where the entity is unable to certify to any other statements in this certification, such entities will attach an explanation behind this page.

O. The Entity will comply with State and local codes and ordinances and other applicable laws.

P. The Entity will comply with conflict of interest provisions referred to in 24 CFR 92.356.

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Q. The Entity will comply with the Davis Bacon Act (40 U.S.C. 276a-5) involving 12 or more units assisted with HOME funds, and more fully defined in 24 CFR Part 92 Section 92.354.

R. The Entity agrees to comply with all applicable program requirements described by the HOME regulations 24 CFR, Part 92 as applicable, and any amendments hereafter to the HOME regulations.

10. The Entity agrees to comply with the City 's Affirmative Marketing Plan, and the Entity further agrees to keep records in a central file readily available for The City to monitor the Entity's efforts and compliance with affirmative marketing.

11. The Entity agrees that it will request no disbursement of HOME funds under this agreement until the funds are needed for eligible costs and each request will be limited to the amount needed.

12. The Entity agrees to transfer to the City any HOME funds on hand at the completion of a project which exceed the necessary amount of funds to complete the project

13. The Entity agrees to keep records and reports and submit same to the City including but not restricted to:

A. Owner/s occupancy by income and family size.

B. Documentation of inspections before, during and upon completion of a project.

C. Annual site visits for affordability compliance for multifamily units.

D. Biannual (twice a year) site visits for a one to four dwelling units.

E. Affirmative marketing outreach, such as clipped notices and/or advertisements, or paid invoices for electronic media.

F. Equal opportunity and fair housing records including racial and ethnic group and single headed household data, Section 3 data, minority and female owned business data and affirmative fair housing actions.

G. Census tracts where investments are made, according to the amount of HOME funds budgeted, committed and expended.

H. If new construction, records supporting certification for eligibility.

I. Records for documenting the income of HOME beneficiaries.

J. Program administration records as follows:

(1) Accounting records regarding the State's HOME Investment Trust Fund account and any separate HOME accounts set up for repayments of invested HOME funds.

(2) Draw-down records (payment certifications, reports, etc.)

(3) Records documenting program income from HOME assisted projects.

(4) Records of all HOME Program written agreement and monitoring reviews.

(5) Records of audits.

K. To comply with 24 CFR, Part 92, any data collection requirements, reports, and/or records that HUD will require.

L. The Entity will submit progress reports, annual reports and other supporting documents if and when requested by the City for the administration of the HOME Program.

14. The Entity agrees that not less than annually, the City will have the right to review the performance of each contractor and sub recipient.

15. The Entity agrees that it will retain all records in accordance with HOME regulations.

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This agreement will begin on July 1, 1998, and will remain in force for the period of affordability applicable to the project for which HOME funds are invested, unless the City determines that a breach of the contract has occurred, at which time the City may exercise any and all of its rights, and remedies under the HOME Regulations, 24 CFR, Part 92, including the right to terminate this agreement and recapture or terminate any HOME funds allocated to the Entity.

Upon the execution of this agreement, the City agrees to allocate in accordance with HOME Regulations of 24 CFR, Part 92, the amount of one hundred fifty thousand dollars ($150,000) for construction of twenty three (23) new units of housing

Jane E. Goss

Jane Goss
Executive Director
Lend-A-Hand, Inc.

11-6-98
Date

Matt Jennings

Matt Jennings
Director for Economic and Community Development
City of Fort Smith , AR

11/13/98
Date

WARNING: 18 U.S.C. 1001 provides among other things that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, will be fined not more than $10,000 or be imprisoned for not more than five years, or both

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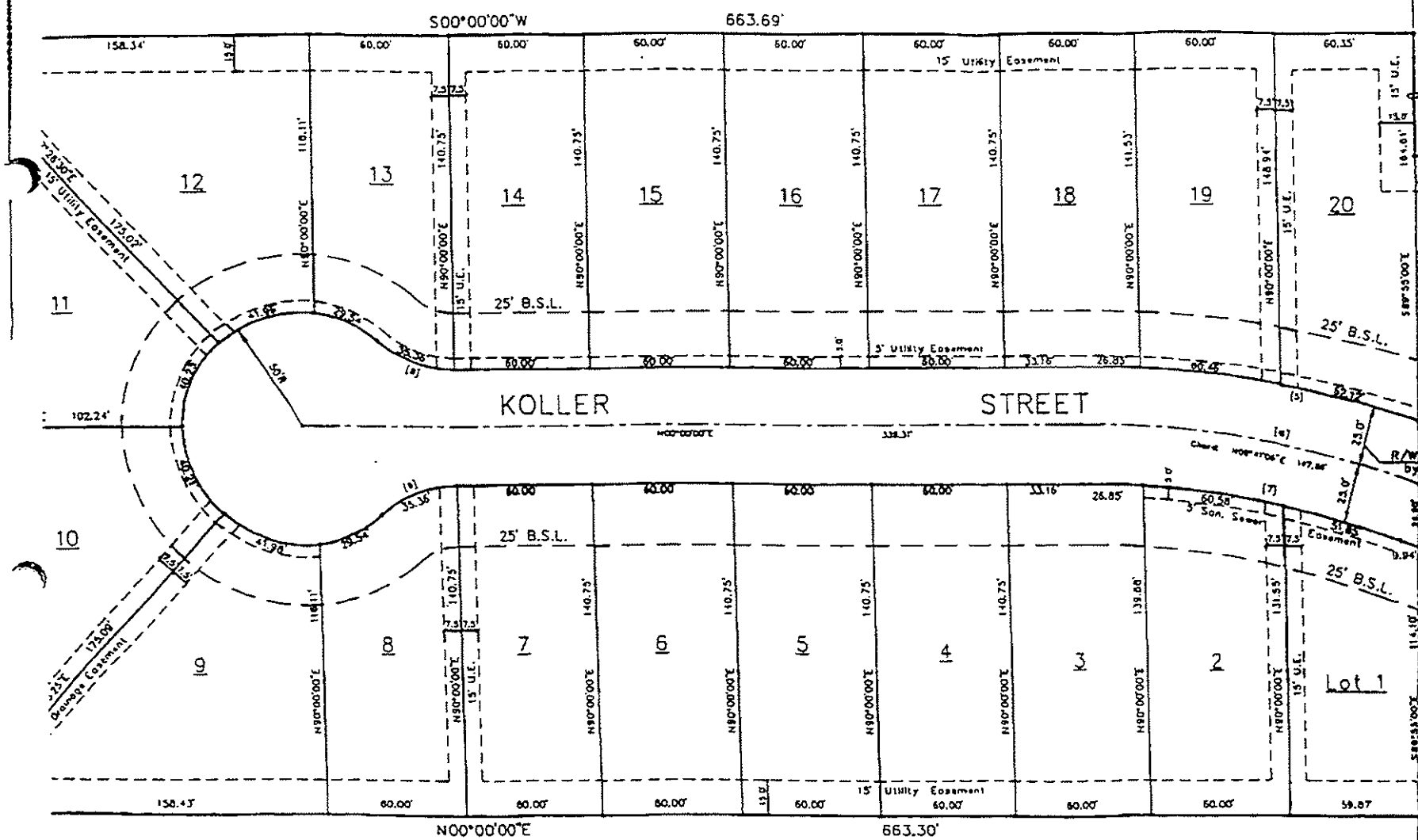

City

ATTACHMENT "B"

AGREEMENT OF LIMITED PARTNERSHIP OF
BARLEE PROPERTIES II, A LIMITED PARTNERSHIP

This Agreement of Limited Partnership of BARLEE PROPERTIES II, A LIMITED PARTNERSHIP, is entered into and deemed to be effective as of the 2nd day of January, 1997, by and between AARON'S INC. and LEND A HAND, INC., General Partner (hereinafter, if there are more than one General Partner, the term "General Partner" shall be deemed to be a reference to all General Partners regardless of the number), and the person(s) whose name(s) appear on the signature page of this document

WHEREAS, the parties desire to be governed by and subject to the revisions of the Arkansas Revised Limited Partnership Act (the "Act") and

WHEREAS, the parties have determined to reduce their agreement to writing.

NOW, THEREFORE, in consideration of the covenants and agreements made herein, the parties, intending to be legally bound, hereby agree to organize themselves as a limited partnership under the Act subject to the following terms and conditions:

ARTICLE I

Section 1.1. Name. The name of the Limited Partnership shall be BARLEE PROPERTIES II, A LIMITED PARTNERSHIP, (hereinafter the "Partnership"). The General Partner shall cause compliance with the provisions of ARKANSAS law relative to the registration of the partnership name with the Secretary of State, and compliance with all other laws and provisions of the state of ARKANSAS relative to limited partnerships in that state.

Section 1.2. Principal Office/Registered Agent. The office, principal place of business, mailing address and initial registered office in the State of the Partnership shall be at P. O. BOX 3945, FORT SMITH, ARKANSAS 72913. The initial registered agent is John Alan Lewis and the registered agent's address is 214 North Sixth, Fort Smith, Arkansas.

Section 1.3. Term of Partnership. The term for the partnership shall commence as of the 2nd day of January, 1997 and shall expire on the 31st day of December, 2055, unless it is terminated at an earlier date as provided in Section 4.1 or by operation of law.

Section 1.4. Purposes; Objectives; Partners; Powers; and Regulatory Agreement.

A. The purposes and objectives of the Partnership are to acquire, own, develop, construct, maintain, operate, and manage, primarily for low-income persons and families and handicapped individuals and/or families of moderate income in rural areas, single family dwellings in Van Buren, Arkansas (hereinafter referred to in the singular tense as the "Project").

B. The General Partner and the Limited Partners in the Partnership, their respective addresses, and their respective interests in the Partnership ("Percentage Interests") are as follows:

GENERAL PARTNER

Name	Address	Interest
AARON'S INC.	410 P Street Barling, AR 72923	7%
LEND A HAND, INC.	4301 Yorkshire Drive Fort Smith, AR 72904	.3%

LIMITED PARTNERS

Name	Address	Interest
Aaron's, Inc.	410 P Street Barling, AR 72923	84%
Rod Coleman	9405 Moody Road Fort Smith, AR 72903	10%
ERC Properties, Inc.	815 Fort Street Barling, AR 72923	5%

The term "Percentage Interest" of a Partner as used in this agreement shall mean the percentage set forth above opposite each Partner's name in this Section 1.4., and such Percentage Interest shall not be affected by changes in the Partner's capital account.

C. The Partnership is empowered and authorized:

(i) to option, purchase, or otherwise acquire any property, real or personal, in fee or under lease, and any interest therein or appurtenant thereto, which may be necessary or appropriate for the accomplishment of the purposes and objectives of the Partnership;

(ii) to develop land acquired by the Partnership with off-site and on-site improvements, and to construct, own, maintain, operate, and manage the housing units and other facilities relating thereto which, together, constitute the Project;

(iii) to assist and further the construction, rehabilitation, maintenance, and management of housing primarily for elderly persons and families and handicapped individuals and/or moderate income families in rural areas;

(iv) to raise and provide such funds as may be necessary to achieve the purposes and objectives of the Partnership and to borrow funds, execute, and issue mortgage notes and other evidences of indebtedness, and to secure the same mortgages, deeds of trust, pledges, or other liens;

(v) to apply for and obtain from the Department of Housing and Urban Development ("HUD") and/or other federal, state, or local government agencies, or other financing sources mortgage loans, mortgage insurance, and interest subsidies, rent supplement, and housing assistance payments, and other assistance provided by federal, state, and local law;

(vi) to enter into agreements with HUD or other state, local, or federal governmental agencies regarding the operation and maintenance of the Project;

(vii) to provide recreational, social, community, and commercial services to and for the benefit of tenants in the Project;

(viii) to sell, lease, or otherwise dispose of the Project, or any part thereof;

(ix) to enter into, perform, and carry out contracts and to engage in other activities, which may be necessary for the proper protection and benefit of the Partnership and the accomplishment of its purposes and objectives; and

(x) to execute a note and mortgage in order to secure a construction loan necessary to construct and/or develop the Project; and

(xi) to execute a note and mortgage in order to secure a loan to be held or insured by any lender to the Partnership and to execute a Loan Agreement and all other documents required by a lender in connection with such loan. Any incoming partner shall, as a condition to receiving an interest in the Partnership, agree to be bound by the note, mortgage, and any loan agreement and other documents required in connection with the loan held or insured by any agency of the United States of America to the same extent and on the same terms as the other Partners. Upon any dissolution, no title or right to possession and control of the Project and no right to collect the rents therefrom shall pass to any person who is not bound by the Loan Agreement pertaining to the Project.

D. All notes, mortgages, and/or loan agreements executed by the General Partners on behalf of the partnership and shall be binding upon the Partnership, its successors and assigns so long as any mortgage on the property of the Partnership is outstanding. The Partnership shall comply in every respect with the loan agreements and other documents as well as all applicable federal, state, and local statutes including, without limitation, HUD regulations applicable to a limited partnership which has a non-profit corporation as one of its general partners.

Section 1.5. Capital Contributions. The partners shall make pro-rata capital contributions to the partnership in such amounts and on such dates as the general partners require.

Section 1.6. Withdrawal of Partner's Capital Contribution. Except as expressly provided in this agreement, no Partner is entitled to the return of all or any part of its capital contribution prior to termination of the Partnership.

Section 1.7. No Additional Partners. No additional partners shall be admitted to the Partnership without the prior written consent of all of a majority in interest of the Partners. The Partners agree that new partners can be brought into the Partnership only with the consent of any lender to the Partnership.

Section 1.8. Assignment by Partners. No Partner may sell, assign, transfer, or dispose of all or any part of its interest in the Partnership without the prior written consent of all of the remaining Partners and in the event of said sale, assignment, transfer, or disposition with such consent, the assignee shall become a Substituted Limited Partner or a Substituted General Partner, as the case may be.

Section 1.9. Recording by General Partner. The General Partner shall cause a Certificate of Limited Partnership and/or this agreement (if necessary) to be recorded in all appropriate recording offices and shall do all things requisite for the perfection of the Partnership pursuant to the laws of the state of ARKANSAS, and any other jurisdiction in which the Partnership conducts business, and likewise shall prepare an amendment to this agreement and/or the Certificate of Limited Partnership, for the perfection of the Partnership pursuant to the laws of the State of ARKANSAS, and likewise shall prepare an amendment to this agreement and/or the Certificate of Limited Partnership, for execution by all proper parties (including, if appropriate, an assigning partner and his assignee and an executor or administrator) whenever necessary or appropriate and whenever otherwise required by the Act.

ARTICLE II

Operation of the Partnership

Section 2.1. Establishment of Capital Account. A capital account shall be established for each Partner which shall be credited with the amount of capital contribution of each Partner and the taxable income and gains, and which shall be charged with the losses and with the amount of income distributed to the Partners. The distributable income (as determined by the General Partners) shall be apportioned and paid to the Partner in the same proportion as their Percentage Interest.

Section 2.2. No Interest On Capital Accounts. No interest shall be paid by the Partnership on capital contributions.

Section 2.3. Management. Except as otherwise provided, no Limited Partner shall have or exercise any rights in connection with the ordinary management of the Partnership business, but such management shall be the sole responsibility, and on the sole authority, of the General Partner. The funds of the Partnership shall be deposited in such bank accounts as may be required, and the General Partner shall arrange for the appropriate use of such accounts. The General Partner shall have all of the powers which may be granted to or exercisable by a general partner under the Act. If there is more than one General Partner, any General Partner may act singly on behalf of the Partnership and thereby bind the Partnership as if all General Partners had so acted provided, however, that the action of a majority of the General Partners shall be required to commit the Partnership to any transaction or series of related transactions (including any contractual arrangement or undertaking, written or oral, in connection therewith) in excess of $1,000.00 or to any transaction which is

anticipated to last in excess of one (1) year or to any contractual arrangement or undertaking that is either longer than one (1) year or, if one (1) year or less, may not be terminated without liability to or obligation of the Partnership in excess of $1,000.00. Any General Partner who breaches the foregoing shall indemnify and hold harmless the Partnership and the other General Partner(s) from all loss, liability, damage or expense (including reasonable attorney's fees) arising or resulting therefrom.

ARTICLE III

Liability of Partners

Section 3.1. No Additional Contributions by Limited Partners. A Limited Partner shall not be personally liable for the debts, liabilities, or obligations of the Partnership. The capital contributed by the Limited Partners as set forth in Section 1.5 of this agreement is the only contribution that the Limited Partners shall be required to make to the Partnership for the satisfaction of the debts, liabilities, or obligations of the Partnership, or for any other purpose.

Section 3.2. No Additional Contributions by General Partners. The General Partner shall not be personally liable for the repayment of Limited Partner capital contributions or capital accounts of the Limited Partners or, except as expressly provided by this agreement, have any obligation to make any contribution of capital to the Partnership.

Section 3.3. Liability of Partners. The General Partner or a Limited Partner shall be liable to the Partnership or to any other Partner by reason of its actions in connection with the Partnership, unless otherwise provided in this agreement, except in the case of actual fraud, gross neglect, or dishonest conduct.

ARTICLE IV

Dissolution and Termination

Section 4.1. Dissolution. The Partnership shall be dissolved upon occurrence of any of the following events:

(i) The expiration of the term of the Partnership;

(ii) The withdrawal, retirement, or bankruptcy of each General Partner;

(iii) The date specified in a written consent executed by all of the Partners; or

(iv) The sale, exchange, or other disposition, or condemnation, of all of the real estate and improvements thereof owned by the Partnership.

Section 4.2. Who Shall Wind Up Partnership? If the Partnership is dissolved pursuant to Section 4.1.(i) (iii) or (iv), the General Partner shall wind up the affairs of the Partnership. If the Partnership is dissolved pursuant to Section 4.1(ii), the Limited Partners shall wind up the affairs of the Partnership.

Section 4.3. Winding Up. Upon dissolution of the Partnership, the assets of the Partnership shall be applied as follows:

A. First, to the payment of the debts and liabilities of the Partnership, including any indebtedness owed the General Partner, and the expenses of liquidation.

B. Second, to the setting up of any reserves which are deemed reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership, which reserves shall be paid over to a bank, as escrow holder, to be held by it for the purpose of disbursing (under the direction of the General Partner or the Limited Partners in charge of winding up) such reserves in payment of any of the aforementioned liabilities and at the expiration of such period as the General Partner or Limited Partners in charge of winding up may deem advisable for distribution in the manner hereafter provided.

C. Third, to the General Partner and Limited Partners up to the amount in their capital accounts.

D. Fourth, to the General Partner and Limited Partners in the Percentage Interests set forth in Section 1.4. hereof.

Section 4.4. Termination of Partnership. Following the distribution of the Partnership assets in accordance with Section 4.3., the Partnership shall terminate.

Section 4.5. Voluntary Dissolution. In no event shall the Partnership be voluntarily dissolved or any action be taken which would voluntarily dissolve or lead to the voluntary dissolution of the Partnership without the prior written consent of any lender to the partnership so long as any mortgage on the property of the Partnership, which is held by the said lender, is outstanding.

ARTICLE V
Miscellaneous

Section 6.1. Amendments. This agreement may be amended at any time, or from time to time, only by the written consent of a majority in interest of the Partners.

Section 6.2. Entire Agreement. This agreement embodies the entire agreement and understanding among the Partners and supersedes all prior agreements and understandings, if any, among and between the Partners relating to the subject matter hereof.

Section 6.3. Binding Effect. Except as herein otherwise provided to the contrary, this agreement shall be binding upon the inure to the benefit of, the Partners and their respective heirs, executors, administrators, successors, and assigns.

Section 6.4. Notice. Any notices, requests, instructions, or other documents required or permitted hereunder to be given to any party shall be effectively delivered for all purposes upon deposit of the same in the United States mail, postage prepaid, registered or certified, and addressed to the Partner to whom such notice, request, instruction, or other document is being given (a) at the address set forth in Section 1.4. hereof unless such Partner has designated a new business address by notice to all Partners, in which event, (b) at such new address.

IN WITNESS WHEREOF, the parties have executed this Agreement of Limited Partnership as of this the 2nd day of January, 1997.

GENERAL PARTNER:

AARON'S INC.

ATTEST:

Barbara Loyd

Barbara Loyd

BY: _____

Ernest R. Coleman, Sr.
President

ATTEST:

LEND A HAND, INC.

BY: _____

Chuck Fawcett, President

LIMITED PARTNERS:

Rod Coleman

Rod Coleman

ERC Properties, Inc.

By: Rod Coleman Pres.
Rod Coleman, President

Aaron's, Inc.

By:
Ernest R. Coleman, President

ATTEST:

Charise Stickler Asst. Sec.
Charise Stickler, Asst. Secretary

ATTACHMENT "B" CONTINUED

LIMITED PARTNERSHIP AGREEMENT

OF

BARLEE PROPERTIES II LIMITED PARTNERSHIP

March 1, 1998

AGREEMENT OF LIMITED PARTNERSHIP

OF

BARLEE PROPERTIES II LIMITED PARTNERSHIP

This AGREEMENT OF LIMITED PARTNERSHIP of BARLEE PROPERTIES II LIMITED PARTNERSHIP ("Partnership") is entered into and deemed to be effective as of MARCH 1, 1998, by and between AARON'S, INC., ("Aaron's") and LEND A HAND, INC. ("LAH"), an Arkansas non-profit corporation, as Co-General Partners (from time to time Aaron's and LAH are collectively referred as "General Partners" or "Co-General Partners"), and the Person or Persons whose name or names are set forth on Exhibit A attached hereto, as Limited Partner(s):

W I T N E S S E T H

WHEREAS, the parties desire to be governed by and subject to the provisions of the Arkansas Revised Limited Partnership Act (the "Act"); and

WHEREAS, the parties have determined to reduce their agreement to writing.

NOW, THEREFORE, in consideration of the covenants and agreements made herein, the Partners, intending to be legally bound, hereby certify and agree to organize a limited partnership under the Act as follows:

SECTION 1. THE PARTNERSHIP

1.1 Formation. The Partners hereby form a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement.

1.2 Name. The name of the Partnership shall be BARLEE PROPERTIES II LIMITED PARTNERSHIP. The Managing General Partner, as hereinafter identified, may change the name of the Partnership at any time.

1.3 Registered Agent/Principal Place of Business. The Registered Agent of the Partnership is Ernest R. Coleman, Sr. The Agent's address is 815 Fort Street, Barling, Arkansas 72923. The principal place of business of the Partnership shall be at the above referenced address. The Managing General Partner may change the principal place of business of the Partnership to any other place within the State of Arkansas upon ten (10) days notice to each Limited Partner.

1.4 Purposes. The Partnership shall acquire, develop, and construct the Project (as defined below) and hold, develop, and operate the Project as an income-producing property in a manner that will be in compliance with the provisions of Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and shall engage in any other commercial enterprise related to the ownership, construction, or operation of the Project. In addition, the Partnership may carry out any and all other activities related to its overall purpose and not prohibited to limited partnerships under applicable limited partnership laws.

1.5 Term. The term of the Partnership shall commence upon the earlier of the date on which this Agreement is recorded with the Secretary of State or the date on which the initial Capital Contributions of all of the Partners have been made and shall continue until December 31, 2048 unless the Partnership is dissolved earlier as set forth in this Agreement.

1.6 Filings.

(a) This Agreement will be filed in the office of the Secretary of State of Arkansas in accordance with the provisions of the Act. The Managing General Partner shall cause amendments to the Agreement or a Certificate to be filed whenever required by the Act. Such amendments or a Certificate may be executed solely by the Managing General Partner on behalf of the Partnership and the Partners.

(b) The Managing General Partner shall execute and cause to be filed original or amended certificates and shall take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Partnership as a limited partnership or similar type of entity under the laws of any other states or jurisdictions in which the Partnership engages in business.

(c) The Managing General Partner shall cause appropriate fictitious business name and like statements to be filed and published for the Partnership under the name set forth in Section 1.2 hereof or such other name as the Partnership may have or use in any state or jurisdiction from time to time.

1.7 Independent Activities. Each of the General Partners and each Limited Partner may, notwithstanding this Agreement, engage in whatever activities they choose, whether the same are competitive with the Partnership or otherwise, without having or incurring any obligation to offer any interest in such activities to the Partnership or any Partner. Neither this Agreement nor any activity undertaken pursuant hereto shall prevent any General Partner from engaging in such activities, or require any General Partner to permit the Partnership or any Partner to participate in any such activities, and as a material part of the consideration for the execution of this Agreement by the General Partners and the admission of each Limited Partner, each Limited Partner hereby waives, relinquishes and renounces any such right or claim of participation.

1.8 Definitions - General. Whether capitalized or not, the words and phrases used in this Agreement have the following meanings:

"Accountants" means any recognized firm of independent certified public accountants as may be engaged by the Managing General Partner.

"Act" means the Arkansas Revised Limited Partnership Act, as amended from time to time (or any corresponding provisions of any succeeding law.)

"Additional Capital Contribution" means a Capital Contribution to the Partnership pursuant to Section 2.3(c).

"Additional Capital Contribution Due Date" means the later of (i) the due date of such Additional Capital Contribution in accordance with the schedule of payments listed on Exhibit A hereof, or (ii) fifteen days after receipt by the Limited Partner of a notice of an obligation to make the Additional Capital Contribution pursuant to Section 2.3(c).

"Adjusted Capital Account" means, as of any day, a Limited Partner's Capital Contributions (including any Additional Capital Contributions) adjusted as follows:

(a) Increased by the amount of any Partnership liabilities which, in connection with distributions pursuant to Sections 4.1, 4.2, and 11.3 hereof, are assumed by such Limited Partner or are secured by any Partnership Property distributed to such Limited Partner, and

(b) Reduced by the amount of cash and the Gross Asset Value of any Partnership Property distributed to such Limited Partner pursuant to Sections 4.1, 4.2, and 11.2 hereof, if any, the amount of any liabilities of such Limited Partner assumed by the Partnership or which are secured by any property contributed by such Limited Partner to the Partnership, and the amount of Credits allocated to such Limited Partner pursuant to Section 3.

In the event any Person transfers all or any portion of his interest in the Partnership in accordance with the terms of this Agreement, that Person's transferee shall succeed to the Adjusted Capital Account of the transferor to the extent it relates to the transferred partnership interest.

"Adjusted Capital Account Deficit" means, with respect to any Limited Partner, the deficit balance, if any, in such Limited Partner's Capital Account as the end of the relevant fiscal year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts which such Limited Partner is obligated to restore (pursuant to the terms of such Limited Partner's Promissory Note or otherwise) or is deemed to be obligated to restore pursuant to the penultimate sentence of Regulations Section 1. 704-1(b)(4)(iv)(f); and

(b) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1 (b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Admission Date" means the date on which a Person is admitted to the Partnership as a Limited Partner, which shall be deemed to be the later of (i) the date of payment by each Limited Partner of his Capital Contribution due on the Admission Date in accordance with the schedule of payments listed on Exhibit A hereof, or (ii) the date this Agreement or a Certificate of Limited Partnership is filed in accordance with the Act.

"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 securities of such Person, (iii) any officer, director or general partner of such Person, (iv) any Person who is an officer, director, general partner, trustee or holder of ten percent or more of the voting securities of any Person described in clauses (i) through (iii) of this sentence.

"Agency" means the Arkansas Development Finance Agency or such other agency or department which is authorized to allocate LIHC.

"Agreement" or **"Partnership Agreement"** means this Agreement of Limited Partnership, as may be further amended from time to time. The term "Agreement" shall be construed to mean "Certificate" whenever the context so requires. Words such as "herein", "hereinafter", "hereof", "hereto" and "hereunder", refer to this Agreement as a whole, unless the context otherwise requires.

"Architect" means any reputable firm of architects as may be engaged by the Managing General Partner from time to time.

"Capital Account" means, with respect to any Partner or Limited Partner, the Capital Account maintained for such Person in accordance with the following provisions:

(a) To each Person's Capital Account there shall be credited such Person's Capital Contributions, such Person's distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to the provisions of Section 3 hereof, and the amount of any Partnership liabilities assumed by such Person or which are secured by any Partnership Property distributed to such Person.

(b) To each Person's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Partnership Property distributed to such Person pursuant to any provision of this Agreement, such Person's distributive share of Losses and any items in the nature of expenses or losses which may be specially allocated pursuant to Section 3 hereof, and the amount of any liabilities of such Person assumed by the Partnership or which are secured by any property contributed by such Person to the Partnership.

(c) 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.

(d) In determining the amount of any liability for purposes of this definition hereof, 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 General 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 General Partners and each Limited Partner), are computed in order to comply with such Regulations, the Managing General Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Partner or Limited Partner pursuant to Section 11 hereof upon the dissolution of the Partnership. The Managing General Partner also shall make any appropriate modifications in the event unanticipated events (for example, the acquisition by the Partnership of oil or gas properties) might otherwise cause this Agreement not to comply with regulations Section 1.704-1(b).

"Capital Contribution" means, with respect to any Partner or Limited 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 or Limited Partner.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provisions of succeeding law.

"Completion Date" means the date upon which the Partnership has completed the construction of the Project and all improvements and/or personal property making up the Project in accordance with the plans and specifications prepared by the Architect. Upon such date, the Architect shall execute a certificate indicating that construction of the Project has been completed in accordance with the plans and specifications except for certain punch list items which are not material and do not affect the rental of dwelling units in any of the buildings making up the Project on a full rent paying basis; provided the Partnership has provided funds in escrow to provide for the completion of construction of such punch list items.

"Credit" or **"Credits"** means the low-income housing tax credit allowable under Section 42 of the Code.

"Development Manager" means AARON'S, INC. of Barling, Arkansas, which shall provide certain services pursuant to an agreement entitled Development Manager's Agreement in connection with the construction and development of the Project.

"Development Fee" means the fee payable to the Development Manager pursuant to the development agreement between the Partnership and the Development Manager for the development of the Project.

"Event of Bankruptcy" means with respect to any Person,

(a) the entry of a decree or order for relief by a court having jurisdiction in respect of such Person in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for such Person or for any substantial part of his property, or ordering the winding-up or liquidation of his affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty consecutive days; or

(b) the commencement by such Person of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of his or its property, or the making by such Person of any assignment for the benefit of creditors, or the taking of action by such Person in furtherance of any of the foregoing; or

(c) the commencement against such Person of an involuntary case under the United States Bankruptcy Code which has not been vacated or discharged within sixty days on the date the use was commenced; or

(d) the admission by such Person of his or its inability to pay his or its debts as they become due; or

(e) such Person becoming "insolvent" by the taking of any action or the making of any transfer or otherwise, as insolvency is or may be defined pursuant to the United States Bankruptcy Code, the Uniform Fraudulent Conveyances Act, any other state or federal act or law, or the ruling of any court.

"Exhibit A" means Exhibit A to this Agreement, which, among other things, identifies the Partners of the Partnership, as such Exhibit may be amended from time to time.

"General Partners" means the two Co-General Partners referred to as such in the first paragraph of this Agreement, Aaron's and LAH as well as any person who (i) has become a General Partner pursuant to the terms of this Agreement, and (ii) has not ceased to be a General Partner pursuant to the terms of this Agreement. "General Partners" or "Co-General Partners" means all such Persons.

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

(a) 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;

(b) The Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the Managing General 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 Property as consideration for any interest in the Partnership if the Managing General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and (c) the liquidation of the Partnership within the meaning of Regulations Section 1.704- 1(b)(2)(ii)(g);

(c) 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

(d) 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 Regulation Section 1.704-(b)(2)(iv)(m) and Section 3 hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this definition to the extent the Managing General Partner determines that an adjustment pursuant to this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to this definition hereof, 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.

"Incentive Management Fee" means that fee the Partnership is obligated to pay to the Managing General Partner. The Incentive Management Fee shall be equal to eighty percent (80%) of the gross cash proceeds or revenues derived from Partnership operations less all expenses and fees attributable to Partnership opererations (including all fees otherwise payable to the Managing General Partner) and less such amounts paid or established as reserves for Partnership expenses, debt payments, capital improvements, replacements, and contingencies, all as the same may be determined by the General Partner; provided, however, this figure shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances.

"Interest" or **"Partnership Interest"** means an interest in the Partnership representing a Capital Contribution to the Partnership by a Partner.

"LIHC" means the low income housing credit provided by Section 42 of the Code.

"Limited Partner" means any Person who is the owner of an interest in the Partnership who is not a general partner. "Limited Partners" means all such persons. All references in this Agreement to a specified percentage of the Limited Partners shall mean Limited Partners holding more than the specified percentage of the interests then held by all Limited Partners.

"Managing General Partner" means AARON'S, INC. of Barling, Arkansas, or its successors and assigns which shall have full day-to-day responsibility for the management of the Project in accordance with the provisions set out in Section 5.

"Managing General Partner's Initial Investment" means the amount of development and risk capital which the Managing General Partner has committed to the development of the Project and for which the Managing General Partner shall be reimbursed in accordance with Section 4.3.

"**Maximum Annual LIHC**" means an amount equal to the lesser of (i) the Credit amount allocated to the Project by the Agency or (ii) the amount determined by multiplying the Project's "qualified basis" (as defined in Code Section 42(c)) on a date selected by the Managing General Partner (but in no event later than December 31, 1995) by the Project's "applicable percentage" (as defined in Code Section 42(b)).

"**Minimum Gain**" means the amount determined by computing with respect to each non-recourse liability of the Partnership, the amount of Gain, if any, that would be realized by the Partnership if it disposed of the asset securing such liability in full satisfaction thereof, and by then aggregating the amounts so computed. For purposes of determining the amount of such Gain with respect to a liability, the adjusted basis for federal income tax purposes of the asset securing the liability shall be allocated among all the liabilities that the asset secures in the manner set forth in Treasury Regulation Section 1.704-1(b)(4)(iv)(c) (or successor provisions).

"**Net Cash From Operations**" means the gross cash proceeds or revenues from Partnership operations less (after payment of all expenses and fees (including all fees to the Managing General Partner)) the portion thereof used to pay or establish reserves for Partnership expenses, debt payments, if any, capital improvements, replacements, and contingencies, all as determined by the Managing General Partner. "Net Cash From Operations" shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances.

"**Net Cash From Sales or Refinancings**" means the net cash proceeds from all sales, resyndications, refinancing, and other dispositions (other than in the ordinary course of business) of Partnership Property, after payment of all fees, costs, and expenses and less any portion thereof used to establish reserves, all as determined by the Managing General Partner. "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 sales and other dispositions (other than in the ordinary course of business) of Partnership Property.

"**Net Losses**" means the net loss of the Partnership for federal income tax purposes for each taxable year, calculated without regard to Gain or Loss; provided, however, that in determining net loss (i) any tax-exempt income received by the Partnership shall be included as an item of gross income, and (ii) any expenditure of the Partnership described (or treated under Treasury Regulation Section 1.704-1(b)(2)(iv)(i) as described) in Section 705(a)(2)(B) of the Code shall be treated as deductible expense.

"**Net Profits**" means the taxable income of the Partnership for federal income tax purposes for each taxable year, calculated without regard to Gain or Loss; provided, however, that in determining taxable income (i) any tax-exempt income received by the Partnership shall be included as an item of gross income, and (ii) any expenditure of the Partnership described (or treated under Treasury Regulation Section 1.704-1 (b)(2)(iv)(i) as described) in Section 705(a)(2)(B) of the Code shall be treated as a deductible expense.

"**Nonrecourse Debt**" means any Partnership liability that is considered nonrecourse for purposes of Treasury Regulation Section 1.001-2 (without regard to whether such liability is a recourse liability under Treasury Regulation Section 1.752-1T(d)(2) and any Partnership liability for which the creditor's right to repayment is limited to one or more assets of the Partnership (within the meaning of Treasury Regulation Section 1.752-1T(d)(3)(ii)(B)(4) (ii)).

"**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 Minimum Gain during that fiscal year, determined according to the provisions of Section 1.704-1(b)(4)(iv)(b) of the Regulations.

"Nonrecourse Liability" means any Nonrecourse Debt (or portion thereof) for which no Partner bears (or is deemed to bear) the economic risk of loss within the meaning of Treasury Regulation Section 1.704-1T(b)(4)(iv)(k)(3).

"Partners" means the General Partners and all Limited Partners, where no distinction is required by the context in which the term is used herein. **"Partner"** means any one of the Partners. All references in this Agreement to a specified percentage of the Partners' interests shall include or take into account the General Partners' interest and shall mean Partners holding more than the specified percentage interest then held by all Partners.

"Partnership" means BARLEE PROPERTIES II LIMITED PARTNERSHIP and any successor entity continuing the business of this Partnership in the event of dissolution as herein provided.

"Partnership Property" means the Project, including, but not limited to, all other real and personal property acquired by the Partnership and any improvements thereto.

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

"Project" means, collectively, the 23 single family dwelling units located in Fort Smith, Arkansas and the 20 single family dwelling units located in Van Buren, Arkansas developed by the Partnership as well as all other Partnership Property and including, but not limited, all other real and personal property acquired by the Partnership and any improvements thereto.

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

"State" means the State of Arkansas.

"Substituted Limited Partner" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9 hereof.

"Syndication Expenses" means all expenditures classified as syndication expenses pursuant to Section 1.709-2(b) of the Regulations. Syndication Expenses shall be taken into account under this Agreement at the time they would be taken into account under the Partnership's method of accounting if they were deductible expenses.

1.9 General Terms. Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural and the masculine shall include the feminine or neutral, and vice versa, to the extent necessary to give the terms defined in this Section 1 and/or the terms otherwise used in this Agreement their proper meaning.

SECTION 2. PARTNERS: CAPITAL CONTRIBUTIONS

2.1 General Partners. The name and addresses of the General Partners are as follows:

AARON'S, INC.
c/o Ernest R. Coleman, Sr.
P.O. Box 3945
Fort Smith, Arkansas 72913

LEND A HAND, INC.
c/o Jane Goss, Executive Director
4301 Yorkshire Drive
Fort Smith, Arkansas 72904

2.2 Limited Partner(s).

(a) The name and address of each Limited Partner, and the approximate interest of each Limited Partner in the Partnership, shall be set forth on Exhibit A attached hereto, which Exhibit A shall be amended by the Managing General Partner from time to time.

2.3 Capital Contributions.

(a) The Managing General Partner has made or shall make its Capital Contribution with respect to its interest in the Partnership in the amount of approximately $187.00 in cash concurrently with or prior to the Admission Date. LAH agrees to make a contribution of in-kind services to the Project as needed throughout the term of the Partnership as its capital contribution. Except as otherwise provided in Section 11 hereof, no General Partner shall be required to make any other Capital Contributions to the Partnership.

(b) Each Person who acquires an interest in the Partners~~hip shall~~ be admitted as a Limited Partner upon its execution of this Agreement and acceptance by the Managing General Partner.

(c) The Limited Partner agrees to make the capital contributions to the Partnership on the dates and in the exact amounts set forth next to its name on Exhibit A. In addition, each of the Partners shall be obligated to make such additional capital contributions as may be voted on from time to time by a majority in interest of the Limited Partner(s). Such capital contribution shall be made in the amounts and in accordance with the timetables as approved by a majority in interest of the Limited Partners.

(d) No Partner shall withdraw any Capital Contribution without the unanimous consent of the other Partners. Under no circumstances shall a Partner have the right to receive property other than cash except as may be specifically provided herein upon the return of its Capital Contribution.

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

(f) No Limited Partner shall be liable for the debts, liabilities, contracts or any other obligations of the Partnership. Except as otherwise provided by applicable state law, a Limited Partner shall be liable only to make the Capital Contributions as set out in Section 2.3(c) and Exhibit A and shall not be required to lend any funds to the Partnership. None of the General Partners shall have any personal liability for the repayment of any Capital Contributions of any Limited Partner.

2.4 Default on Capital Contributions. If a Limited Partner fails to make any required Capital Contribution as provided under Section 2.3(c) when due, such Limited Partner shall be in default and the Partnership may exercise all legal rights including, without limitation, the commencement of an action to collect from such defaulting Limited Partner by legal process the entire amount of its unpaid Capital Contribution (including those not currently in default), together with all court costs and reasonable attorneys' fees or, in the alternative, reducing the defaulting Limited Partner's interest in the Partnership.

SECTION 3. ALLOCATIONS

3.1 Allocation of Profits and Losses. Except as provided in Sections 3.3, 3.4, and 3.6 hereof, Profit and Loss of the Partnership shall be allocated ninety-nine percent (99%) to the Limited Partner and one percent (1%) to the General Partners (to be divided by the General Partners in accordance with the ratios set forth on Exhibit "A").

3.2 Allocation of Nonrecourse Deductions. Nonrecourse Deductions shall be allocated ninety-nine percent (99%) to the Limited Partner and one percent (1%) to the General Partners, the allocation to the General Partners to be divided in accordance with Exhibit "A".

3.3 Allocation of Gain from Sale or Other Disposition of Property. After giving effect to the allocations set forth in Section 3.6 hereof, gain from the sale or other disposition of all or substantially all of the Project shall be allocated as follows:

(a) first, among those Partners having negative Capital Accounts, in proportion to their negative Capital Accounts, until no Partner has a negative Capital Account; and

(b) then, among the Partners, so as to bring, as nearly as possible, their Capital Accounts into, and maintain their Capital Accounts in, the same ratios as the distributions that they would receive if an amount equal to the aggregate amount of their Capital Accounts (determined prior to the allocation of such gain), increased by the amount of such gain, were distributed among them in the manner and order of priority prescribed for a distribution of Net Cash from Sales or Refinancings under Section 4.2 hereof.

3.4 Allocation of Loss from Sale or Other Disposition of Property. After giving effect to the allocations set forth in Section 3.6 hereof, loss from the sale or other disposition of all or substantially all of the Project shall be allocated as follows:

(a) first, among those Partners having positive Capital Accounts, so as to bring, as nearly as possible, their Capital Accounts into, and maintain their Capital Accounts in, the same ratios as the distributions that they would receive if an amount equal to the aggregate amount of their Capital Accounts (determined prior to the allocation of such loss), reduced (but not below zero) by such loss, were distributed among them in the manner and order of priority prescribed for a distribution of Net Cash from Sales or Refinancings under Section 4.2 hereof until no Partner has a positive Capital Account; and

(b) then, one percent (1%) to the General Partners (to be divided among them in accordance with Exhibit "A") and ninety-nine percent (99%) to the Limited Partner.

3.5 Allocation of Credits. Credits shall be allocated ninety-nine percent (99%) to the Limited Partner and one percent (1%) to the General Partners (to be divided by the General Partners in accordance with Exhibit "A"). In the event there occurs a recapture of Credits previously allocated to the Partners, the responsibility for the recapture of such Credits shall be allocated in accordance with the requirements of the Code and the Regulations; namely, to the Partners (if permitted by applicable law) who are or are deemed to be Partners in the year in which such recapture occurs, in accordance with their interests in the Losses of the Partnership for that year.

3.6 Minimum Gain and Qualified Income Offset Provisions.

(a) No Loss shall be allocated to the Limited Partner to the extent that such allocation would create or increase a deficit in the Limited Partner's Adjusted Capital Account. Any loss or other

amount not allocated to a Limited Partner because of the preceding sentence shall be allocated to the General Partners.

(b) In the event the Limited Partner unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6) of the Treasury Regulations that create or increase a deficit in the Limited Partner's Adjusted Capital Account, items of gross income and gain shall be allocated to the Limited Partner in an amount and manner sufficient to eliminate to the extent required by the Treasury Regulations, such deficit as quickly as possible. This provision is intended to be a qualified income offset within the meaning of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) If there is a net decrease in Partnership Minimum Gain during any taxable year, and the Limited Partner would otherwise have a deficit in his Adjusted Capital Account at the end of such year, then the Limited Partner shall be allocated items of Partnership gross income and gain for such year (and, if necessary, subsequent years) in an amount and manner sufficient to avoid, or eliminate as quickly as possible, such deficit. Moreover, if there is a net decrease in Partnership Minimum Gain allocable to the disposition of Partnership property subject to one or more Nonrecourse Liabilities during any taxable year, then each Partner shall be allocated items of gross income or gain equal to the excess of (a) that portion of such Partner's share of the net decrease in Partnership Minimum Gain that is allocable to such disposition, determined in accordance with Section 1.704-1T(b)(4)(iv)(e)(2) of the Treasury Regulations, over (b) any amount allocated to such Partner for such taxable year under the preceding sentence. The items to be so allocated shall be determined in accordance with Section 1.704-1(b)(4)(iv)(e) of the Treasury Regulations. This provision is intended to comply with the minimum gain charge-back requirement of such Section of the Treasury Regulations and shall be interpreted consistently therewith.

(d) Any allocations pursuant to Sections 3.6(a) through 3.6(c) hereof shall be taken into account in computing subsequent allocations of Profits, Losses, and items of income, gain, expense, loss, or credit pursuant to this Section 3 so that the net amount of any items allocated pursuant to Sections 3.6(a) through 3.6(c) hereof and the Profits, Losses, and all other items allocated to each Partner pursuant to this Section 3.6(d) shall, to the extent possible, be equal to the net amount that would have been allocated to each such Partner pursuant to the provisions of this Section 3 if the allocations pursuant to Sections 3.6(a) through 3.6(c) had not occurred.

3.7 Certain Allocations and Distributions.

(a) Partners' Share of Nonrecourse Liabilities. Solely for purpose of determining the Partners' respective shares of "excess nonrecourse liabilities" of the Partnership, within the meaning of Section 1.752-1(e)(3)(ii)(8) of the Treasury Regulations, the Limited Partners' interest in profits shall be ninety-nine percent (99%), the General Partners' interest in profits shall be one percent (1%), the General Partners' one percent interest being divided in accordance with Exhibit "A".

(b) Appointment Among the Partners. Except as otherwise provided herein, any item that is allocated or distributed to the General Partners pursuant to this Section 3 shall be apportioned among the General Partners, if there is more than one, in the ratio of their contributions to the capital of the Partnership.

(c) Allocations Pursuant to Section 704(c). In accordance with Section 704(c) of the Code and the Treasury 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 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 the initial Book Value of such property.

3.8 Capital Accounts. An individual capital account ("Capital Account") shall be maintained for each Partner to which shall be credited (i) the amount of his Capital Contribution, (ii) the fair market value of any property contributed by him to the Partnership (net of liabilities securing such contributed property that the Partnership is considered to assume or take subject to under Section 752 of the Code), and (iii) his distributive share of Profits, gain from sale or other disposition of all or substantially all of the Project and any items of income or gain allocated to such Partner pursuant to Section 3.2 hereof, and debited by (iv) the amount of money distributed to him by the Partnership (other than pursuant to Section 2.3 hereof), (v) the fair market value of property distributed to him by the Partnership (net of liabilities securing such distributed property that such Partner is considered to assume or take subject to under Section 752 of the Code), considered to assume or take subject to under Section 752 of the Code), (vi) the reduction in basis of Partnership property attributable to the rehabilitation tax credit permitted pursuant to Code Section 48 allocable to such Partner, and (vii) his distributive share of Losses, loss from sale or other disposition of all or substantially all of the Project and items of loss or expense allocated to such Partner pursuant to Section 3.6 hereof

3.9 Authority to Vary Allocations. It is the intent of the Partners that each of the Partner's share of income, gain, loss, deduction, credit (or item thereof) shall be determined and allocated in accordance with this Section 3 to the fullest extent permitted by Section 704(b) of the Code. The Managing General Partner is authorized and directed to allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Section 3 to the extent that, allocating income, gain, loss, deduction, or credit (or item thereof) in the manner provided for in this Section 3 in the opinion of tax advisors to the Partnership would cause the determinations and allocations of each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) not to be permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 3.9 shall be made only with the prior written consent of the Limited Partner and, if made, shall be deemed to be a complete substitute for any allocation otherwise provided for in this Section 3.

SECTION 4. DISTRIBUTIONS

4.1 Net Cash From Operations. Except as otherwise provided in Section 11 hereof, Net Cash From Operations shall be distributed, at such times as the Managing General Partner may determine, as follows:

(a) The first $1,000 to LAH annually, with LAH to receive a "makeup" for any years in which this guaranteed payment of $1,000 from Net Cash From Operations is not otherwise payable;

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(b) The balance, if any, to the Managing General Partner; provided, however, before the managing General Partner shall receive any distributions hereunder, LAH shall be made whole on any previous years in which the Partnership was not able to distribute to them the entire $1,000 otherwise payable to it.

4.2 Net Cash From Sales or Refinancings. Except as otherwise provided in Section 11 hereof, Net Cash From Sales or Refinancings shall be distributed, at such times as the Managing General Partner may determine, as follows: 80% to the General Partners and 20% to each of the Limited Partners.

4.3 Division Among Limited Partners and General Partners. Distributions to each of the Limited Partners pursuant to this Section 4 shall be divided among them in proportion to the limited partnership interests held by each. All amounts distributed to the General Partners pursuant to this Section 4 shall be divided as follows:

(a) The Managing General Partner shall receive a distribution equal to the Managing Partner's Initial Investment (as that term is defined herein); and

(b) The balance of any funds remaining to be distributed to the General Partners shall be distributed 80% to the Managing General Partner and the remaining 20% shall be divided equally between the remaining general partners.

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 to a Limited Partner shall be treated as amounts distributed to each Limited Partner pursuant to this Section 4 for all purposes under this Agreement. The Managing General Partner may allocate any such amounts among each Limited Partner in any manner that is in accordance with applicable law.

SECTION 5. MANAGEMENT/PAYMENTS TO GENERAL PARTNERS

5.1 Authority of the Managing General Partner. Except to the extent otherwise provided herein, the Managing General Partner shall have the sole and exclusive right to manage the business of the Partnership and shall have all of the rights and powers which may be possessed by general partners under the Act. The Managing General Partner shall manage and operate the Project on a day-to-day basis. The Managing General Partner's powers shall include, but are not limited to, the following:

(a) to acquire by purchase, lease or otherwise any real or personal property which may be necessary, convenient or incidental to the accomplishment of the purposes of the Partnership;

(b) to operate, maintain, finance, improve, construct, own, grant options with respect to, sell, convey, assign, mortgage and lease any real estate and any personal property necessary, convenient or incidental to the accomplishment of the purposes of the Partnership;

(c) to execute any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the construction, development, management, maintenance, and operation of the Partnership Property;

(d) to borrow money and issue evidences of indebtedness necessary, convenient or incidental to the accomplishment of the purposes of the Partnership, and secure the same by mortgage, pledge, assignment, or other lien on any Partnership Property, as are necessary to consummate the purchase or refinancing of any Partnership Property;

(e) to execute, in furtherance of any or all of the purposes of the Partnership, any deed, option, lease, mortgage, deed of trust, mortgage, security agreement, promissory note, bill of sale, contract, assignment, or other instrument purporting to convey, assign, or encumber any or all of the Partnership Property;

(f) to execute the Development Management Agreement and pay all sums called for under that agreement and execute and deliver to the Development Manager all documents, contracts and other instruments necessary to fulfill its responsibilities under that agreement;

(g) to prepay in whole or in part, refinance, recast, increase, modify, or extend any liabilities affecting the Partnership Property and in connection therewith execute any extensions or renewals of encumbrances on any or all of the Partnership Property;

(h) to care for and distribute funds to the Partners by way of cash, income, return of capital, or otherwise, all in accordance with the provisions of this Agreement, including payment of the Incentive Management Fee;

(i) to perform all matters in furtherance of the objectives of the Partnership and this Agreement including the maintenance of all Partnership records called for in Section 9.1(a);

(j) to contract on behalf of the Partnership for the employment and services of employees and/or independent contractors and delegate to such Persons the duty to manage or supervise any of the assets or operations of the Partnership;

(k) to engage in any kind of activity and perform and carry out contracts of any kind (including contracts of insurance covering risks and potential liability to the Project and the General Partners necessary or incidental to, or in connection with, the accomplishment of the purposes of the Partnership, as may be lawfully carried on or performed by a partnership under the laws of each state in which the Partnership is then formed or qualified; and

(l) to make any and all elections for federal, state and local tax purposes including, without limitation, any election, if permitted by applicable law: (i) to adjust the basis of Partnership Property pursuant to Code Sections 754, 734(b) and 743(b), or comparable provisions of state or local law, in connection with transfers of interests in the Partnership and Partnership distributions; (ii) to extend the statute of limitations for assessment of tax deficiencies against the Partners and any Limited Partner with respect to adjustments to the Partnership's federal, state or local tax returns; and (iii) to represent the Partnership, Partners, and each Limited Partner in their capacity as Partners and Limited Partners, and to execute any agreements or other documents relating to or affecting such tax matters, including agreements or other documents that bind the Partners and each Limited Partner with respect to such tax matters or otherwise affect the rights of the Partnership, Partners, and each Limited Partner. The Managing General Partner is specifically authorized to act as the "Tax Matters Partner" under the Code and in any similar capacity under state or local law.

5.2 Authority of LAH. LAH, in its capacity as a General Partner, shall ratify and approve any and all commitments made by the Partnership relating to construction or permanent financing for the Project, the location of the Project, and the selection of engineers and architects to design and assist in the development of the Project. In addition, LAH, in its capacity as a General Partner, shall have final and exclusive authority to screen and select those tenants of the Project who will participate in any family self-sufficiency programs or other social service programs which may be offered at the Project. LAH shall have exclusive authority to coordinate and deal with all local, state, and federal agencies which wish to offer programs or services at the Project. In furtherance of this purpose, the Partnership may contract with LAH, or any affiliate of LAH, to provide social services or other family support programs for residents of the Project.

5.3 Right to Rely on Managing General Partner. Any Person dealing with the Partnership may rely upon a certificate signed by the Managing General Partner as to:

(a) the identity of any General Partner or Limited Partner;

(b) the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by a General Partner or which are in any other manner germane to the affairs of the Partnership;

(c) the Persons who are authorized to execute and deliver any instrument or document of the Partnership; or

(d) any act or failure to act by the Partnership or any other matter whatsoever involving the Partnership or any Partner.

5.4 Restrictions on Authority of the General Partners.

(a) Without the consent of all of the Partners, a General Partner shall not have the authority to:

(i) do any act in contravention of this Agreement;

(ii) do any act which would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;

(iii) confess a judgment against the Partnership in excess of $10,000;

(iv) possess Partnership Property or assign rights in specific Partnership Property, for other than a Partnership purpose; or

(v) knowingly perform any act that would subject any Limited Partner to liability as a general partner in any jurisdiction.

(b) Without the written consent of all Limited Partners, the ~~General~~ Partners shall not have authority to:

(i) elect to dissolve the Partnership; or

(ii) amend the Agreement.

5.5 Duties and Obligations of Managing General Partner.

(a) The Managing General Partner shall take all actions which may be necessary or appropriate (a) for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State (and of each other jurisdiction in which such existence is necessary to protect the limited liability of all Limited Partners or to enable the Partnership to conduct the business in which it is engaged) and (b) for the acquisition, development, maintenance, preservation, and operation of Partnership Property in accordance with the provisions of this Agreement and applicable laws and regulations.

(b) The Managing General Partner shall devote to the Partnership such time as may be necessary for the proper performance of all duties hereunder, but the Managing General Partner shall not be required to devote full time to the performance of such duties.

(c) The Managing General Partner shall be under a fiduciary duty to conduct the affairs of the Partnership in the best interests of the Partnership and each Limited Partner, including the safekeeping and use of all of the Partnership Property and the use thereof for the exclusive benefit of the Partnership.

5.6 Indemnification of the General Partners.

(a) The Partnership, its receiver or its trustee shall indemnify, save harmless and pay all judgments and claims against the General Partners or any officer or director thereof relating to any liability or damage incurred by reason of any act performed or omitted to be performed by any of the General Partners in connection with the business of the Partnership, including attorney's fees incurred

by the General Partners or any agents, attorneys, accountants, employees, officers, or directors thereof in connection with the defense of any action based on any such act or omission, which attorneys' fees may be paid as incurred, including all such liabilities under federal and state securities laws (including the Securities Act of 1933, as amended) as permitted by law.

(b) In the event of any action by a Limited Partner against a General Partner or any officer or director thereof, including a Partnership derivative suit, the Partnership shall indemnify, save harmless and pay all expenses of any General Partners and its officers and directors, including attorneys' fees, incurred in the defense of such action, if the General Partner is successful in such action.

(c) The Partnership shall indemnify, save harmless and pay all expenses, costs or liabilities of any General Partner or any officers or directors thereof who for the benefit of the Partnership makes any deposit, acquires any option or makes any other similar payment or assumes any obligation in connection with any property proposed to be acquired by the Partnership and who suffers any financial loss as the result of such action.

(d) Notwithstanding the provisions of Sections 5.5(a), 5.5(b) and 5.5(c) above, the General Partners shall not be indemnified from any liability, as determined by a court of competent jurisdiction, for fraud, bad faith, willful misconduct or gross negligence.

5.7 Compensation and Expenses of the General Partners.

(a) Any of the General Partners may charge the Partnership for any direct expenses reasonably incurred in connection with the Partnership business.

(b) Except as set forth in this Agreement, a General Partner shall not receive any fees or other compensation for serving as a general partner, unless such fees or other compensation are approved by a majority in interest of the Partners. However, each of the General Partners shall be entitled to the distributions, allocations, and fees provided for elsewhere in this Agreement.

5.8 Operation Restrictions.

(a) No loans or guarantees of loans shall be made by the Partnership to any of the General Partners or any Affiliate of the General Partners.

(b) No rebates, kickbacks or reciprocal arrangements may be received or entered into by a General Partner, nor may a General Partner participate in any business arrangement which would circumvent this Agreement.

(c) The funds of the Partnership may not be deposited in a common trust account with other affiliates. Notwithstanding any provision to the contrary, the funds of the Partnership shall not be commingled with the funds of any other Person.

(d) Only the signature of the Managing General Partner shall be necessary to convey title to any real property owned by the Partnership or to execute any lease, promissory notes, trust deeds, assignments, security agreements, mortgages, or other legal documents.

The Partners agree that a copy of this Agreement may be shown to the appropriate parties in order to confirm the same, and further agree that the signature of the Managing General Partner shall be sufficient to execute any "statement of partnership" or other documents necessary to effectuate this or any other provision of this Agreement. All of the Partners do hereby appoint the Managing General Partner as their attorney-in-fact for the execution of any or all of the documents described herein.

5.9 Development Fee. For services performed in connection with the development of the Project, the Development Manager shall be paid a fee of approximately $737,100 upon the later of the Completion Date or when all of the available units in the Project have been rented to "tax-credit qualified" tenants, as that term is defined under Section 42 of the Code.

5.10 Incentive Management Fee. The Partnership shall pay to the Managing General Partner the Incentive Management Fee, if earned, on a quarterly basis.

5.11 Property Management Services. The Partnership shall enter into an agreement for property management services with a property management company and pay a fee for such services in amounts as are reasonable and customary. The services to be performed by the property management company shall include, but are not limited to, operating the Project in a manner that will enable the Partnership to qualify for the Maximum Annual LIHC in each year, complying with all applicable rules and regulations with respect to operations of the project, advising the Managing General Partner as to the need for maintenance or capital improvements, and providing the Partnership with regular periodic reports on the operations of the Project.

The property management company may be the Managing General Partner, an affiliate thereof, or a shareholder of the Managing General Partner. The Partnership may not enter into a property management agreement with any Person who is not an affiliate of the Managing General Partner unless the prior approval of the Limited Partner has been obtained.

5.12 Termination of a Limited Partner's Interest in the Partnership. Subject to the provisions of Section 11, the Managing General Partner shall have the right to terminate a Partner's interest in the Partnership and to pay the terminated Partner the amounts called for in Section 11.

SECTION 6. ROLE OF LIMITED PARTNERS

6.1 Rights or Powers. Except as otherwise set forth in Section 6.2 hereof, each Limited Partner shall have no rights or powers to take part in the management and control of the Partnership and its business and affairs.

6.2 Voting Rights. Each Limited Partner shall have the right to vote on the matters explicitly set forth in this Agreement.

SECTION 7. BOOKS AND RECORDS

7.1 Books and Records. The Partnership shall keep adequate books and records at its place of business, setting forth a true and accurate account of all business transactions arising out of and in connection with the conduct of the Partnership. Each Partner shall have the right, at any reasonable time, to have access to and inspect and copy the contents of such books or records. The Partnership is authorized to keep its books and records in accordance with any recognized method of accounting recommended to it by the Accountants.

7.2 Annual Reports. Within a reasonable period after the end of each Partnership fiscal year, each Partner shall be furnished with an annual report containing a balance sheet as of the end of such fiscal year and statements of income, Partners' equity, and changes in financial position and a cash flow statement for the year then ended.

7.3 Tax Information. Necessary tax information shall be delivered to each Partner after the end of each fiscal year of the Partnership. Every effort shall be made to furnish such information within 75 days after the end of each fiscal year.

SECTION 8. AMENDMENTS; MEETINGS

8.1 Amendments.

(a) Amendments to this Agreement may be proposed by the General Partners or by a Limited Partner holding ten percent (10%) or more of the limited partnership interests in the Partnership. Following such proposal, the General Partners shall submit to each Limited Partner a verbatim statement of any proposed amendment, providing that counsel for the Partnership shall have approved of the same in writing as to form, and the General Partners shall include in any such submission a recommendation as to the proposed amendment. The General Partners shall seek a written vote and the General Partners may require a response within a reasonable time as specified in the notice, but not less than 15 days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partners' recommendation with respect to the proposal. A proposed amendment shall be adopted and be effective as an amendment hereto if it receives the unanimous approval of all Limited Partners.

(b) Notwithstanding Section 8.1(a) hereof,

(i) This Agreement shall not be amended without the consent of each Person adversely affected if such amendment would (A) convert a Limited Partner's interest in the Partnership into a General Partner's interest, (B) modify the limited liability of a Limited Partner, or (C) alter the interest of a Partner in Profits and Losses or other items, any Partnership distributions or payment of any fees; and

(ii) This Agreement may be amended by the General Partners, without the consent of any of the Limited Partners: (A) to add to the representations, duties or obligations of the General Partners or surrender any right or power to a Limited Partner; (B) to cure any ambiguity or correct or supplement any provisions hereof, or to make any other provision with respect to matters or questions arising under this Agreement not inconsistent with the intent of this Agreement; and (C) to change any provision of this Agreement required to be so changed by the staff of the Internal Revenue Service, Federal Reserve Board, Office of the Comptroller of the Currency, Securities and Exchange Commission, or other federal or state agencies, which change is deemed by such agency or official to be for the benefit or protection of each Limited Partner, provided that no amendment shall be adopted pursuant to this Section 8.1(b)(ii) unless the adoption thereof is for the benefit of or not adverse to the interests of each Limited Partner and does not violate Section 8.1(b)(i) hereof.

8.2 Meetings and Means of Voting.

(a) Meetings of the Partners may be called by the Managing General Partner and shall be called upon the written request of any Limited Partner(s) holding ten percent (10%) or more of the limited partnership interests in the Partnership. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or consent of Partners is permitted or required under the Agreement, such vote or consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 8.1 hereof. Except as otherwise expressly provided in the Agreement, the affirmative vote of all of the Limited Partners shall be required.

(b) For the purpose of determining the Partners entitled to vote on, or to vote at, any meeting of the Partners or any adjournment thereof, the General Partners or the Partners requesting such meeting may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than 60 days nor less than ten days before any such meeting.

(c) Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of six months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

(d) Each meeting of Partners shall be conducted by the Managing General Partner or such other Person as the Managing General Partner may appoint pursuant to such rules for the conduct of the meeting as the Managing General Partner or such other Person deems appropriate.

SECTION 9. TRANSFER OF PARTNERSHIP INTEREST

9.1 To evidence a Limited Partner's interest in the Partnership, the Partnership may issue certificates of limited partnership. The Managing General Partner shall maintain the records of the Partnership so as to determine the identity of each Limited Partner and the percentage of interest held by each Limited Partner.

9.2 Except as otherwise set forth in this Section 9, a Limited Partner shall not sell, assign, transfer, pledge or hypothecate all or any portion of his interest in the Partnership without the consent of the General Partners, and none of the General Partners may sell, assign, transfer, pledge, or hypothecate all or any portion of their interest in the Partnership without the consent of all of the Partners. Any sale, assignment, transfer, pledge, or hypothecation which does not comply with the provisions of this Section 9 shall be void and shall not cause or constitute a dissolution of the Partnership.

9.3 Each Limited Partner hereby represents and warrants to the General Partners and to the Partnership that its acquisition of an interest in the Partnership is made as a principal for his account and not for the account of others or with a view of the resale or distribution of such interest without requiring that such interests, or the acquisition, resale or distribution thereof, be registered under the Securities Act of 1933, as amended, or any applicable securities law of the United States, any state or other jurisdiction.

9.4 Each Limited Partner agrees that it will not sell, assign, pledge, encumber, or otherwise transfer its interest in the Partnership, or any portion thereof, to any Person who does not meet or agree to the representatives and warranties set forth in Section 9.2 hereof.

9.5 Each Limited Partner hereby agrees that a legend to the effect of the following may be placed upon limited partnership certificates issued to such Limited Partner representing the limited partnership interests to which such Limited Partner has subscribed:

"The Partnership Interest represented by this document have not been registered under any securities laws and the transferability hereof is restricted. The Partnership Interest(s) may not be sold, assigned pledged, encumbered or transferred, nor will any assignee, vendee, transferee, holder, bailee or endorsee hereof be recognized as having an interest in such Partnership Interest(s) by the issuer for any purpose, unless (i) a registration statement under the Securities Act of 1933, as amended, with respect to such Partnership Interest(s) shall then be in effect and such transfer has been qualified under applicable state securities laws, or unless (ii) the availability of an exemption from registration and qualification shall be established to the satisfaction of counsel for the Partnership."

"The Partnership Interest(s) represented by this document are subject to further restriction as to their sale, transferability, or assignment as set forth in the Agreement of Limited Partnership and agreed to by each Limited Partner. The restriction provides, among other things, that no vendee, transferee, or assignee shall become a Substituted Limited Partner unless consented to by the General Partners."

9.6 Exception. A Limited Partner may sell, assign, or transfer its Partnership interest if all of the following matters are satisfied:

(a) Such sale, transfer or assignment, when aggregated with any prior sales, transfers or assignments of Partnership interests, does not result in a sale or exchange within a 12-month period of 50% or more of the total interest in the Partnership's capital and profits within the meaning of Section 708(b) of the Code;

(b) Such Limited Partner and the proposed purchaser, transferee, or assignee executes, acknowledges, and delivers to the General Partners such instruments of transfer and assignment with respect to such transaction as are in form and substance satisfactory to the General Partners;

(c) Unless the transfer is to the successors, assigns, heirs, devisees or legatees of a dissolved or deceased Limited Partner or the interests are registered under the Securities Act of 1933, as amended, and any applicable state securities law, such Limited Partner delivers to the Managing General Partner an opinion of counsel satisfactory to the Managing General Partner that the interests may be sold in reliance on an exemption from such registration requirements, it being the understanding of each Limited Partner that neither the General Partners or the Partnership have any obligation or intention to register the interests for resale under any federal or state securities laws or to take any action which would make available any exemption from the registration requirements of such laws;

(d) Such Limited Partner certifies to the General Partners that such sale, transfer, or assignment will not cause the application of the so-called "tax-exempt leasing rules" in Code Sections 168(g)(1)(B) and 168(h), or similar rules, to the Partnership, Partnership Property, or any Limited Partner; and

(e) Such Limited Partner pays the Partnership a transfer fee which is sufficient to pay all reasonable expenses of the Partnership, including legal fees, in connection with such transaction.

If a sale, transfer, or assignment of a Partnership interest complies with the provisions of this Section 9.6 but the Person acquiring the interest is not admitted as Substituted Limited Partner

pursuant to Section 9.7 hereof, such Person shall be entitled to receive distributions and allocations with respect to such interest as set forth in this Agreement, including Section 9.9 hereof, but shall have no right to any information or accounting of the affairs of the Partnership, shall not be entitled to inspect the books or records of the Partnership, and shall not be entitled to any of the rights of a Limited Partner under the Act or the Agreement.

9.7 Substituted Limited Partner. No Person taking or acquiring, by whatever means, the interest of any Limited Partner in the Partnership shall be admitted as a Substituted Limited Partner without the consent of the General Partners and unless such Person:

(a) Elects to become a Substituted Limited Partner by delivering notice of such election to the Partnership;

(b) Executes, acknowledges, and delivers to the Partnership such other instruments as the General Partners may deem necessary or advisable to effect the admission of such Person as a Substituted Limited Partner, including, without limitation, the written acceptance and adoption by such Person of the provisions of the Agreement; and

(c) Pays a transfer fee to the Partnership in an amount sufficient to cover all reasonable expenses connected with the admission of such Person as a Substituted Limited Partner.

The Managing General Partner shall amend Exhibit A attached hereto from time to time to reflect the admission of Substituted Limited Partners.

9.8 Successors, Assigns, Heirs, Devisees, and Legatees. The successors, assigns, heirs, devisees, and legatees of a dissolved or deceased Limited Partner, if applicable, shall have the rights of a transferee of an existing or living Limited Partner, subject to administration of such dissolved or deceased Limited Partner's estate, and may become Substituted Limited Partners in lieu of the dissolved or deceased Limited Partner upon the consent of the General Partners and compliance with the conditions of Section 9.7 hereof.

9.9 Distributions and Allocations in Respect to Transferred Partnership Interests. If any interest is sold, assigned, or transferred during any accounting period in compliance with the provisions of this Section 9, profits, losses, income, deductions, credits, and gain, 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 General Partner. All distributions on or before the date of such 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 later than the end of the calendar month during which it is given notice of such transfer, provided that if the Partnership does not receive a notice stating the date such interest was transferred and such other information as the Managing General Partner may reasonably require within 30 days after the end of the accounting period during which the transfer occurs, 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 interest. Neither the Partnership or the General Partners shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 9.9, whether or not the General Partners or Partnership has knowledge of any transfer of ownership of any interest.

SECTION 10. GENERAL PARTNER

10.1 Cessation. A Person shall cease to be a General Partner upon the transfer of its entire interest in the Partnership or upon its removal pursuant to Section 10.2 hereof, withdrawal in accordance with Section 10.3 hereof, the dissolution of the corporation or any of the other events set forth in A.C.A. 4-43-402. Upon the occurrence of any such event, such Person or its transferee shall have the right to receive distributions and allocations with respect to his Partnership interest and shall be treated as the transferee of a Limited Partner with the consent of the remaining General Partner (if there is no remaining General Partner, then with the consent of any General Partner(s) elected pursuant to Section 10.5 hereof).

10.2 Removal of a General Partner. The Partners may remove LAH as General Partner at any time upon a majority vote of all of the Partnership interests. The Managing General Partner shall only be removed for cause upon the two-thirds (2/3's) vote of the Partners representing all of the Partnership interests.

10.3 Withdrawal of General Partner. Upon 60 days notice to the Partners, a General Partner may withdraw as a General Partner at any time, provided that the General Partner delivers to the Partnership an opinion of counsel to the effect that such withdrawal will not adversely affect the classification of the Partnership as a partnership for Federal income tax purposes.

10.4 Right of Remaining General Partner to Continue Partnership. In the event any person ceases to be a General Partner pursuant to Section 10.1 hereof, the remaining General Partner, if any, shall have the right and the power to continue the Partnership and its business without dissolution.

10.5 Election of New General Partner(s). In the event any Person ceases to be a General Partner, and as a consequence thereof the Partnership has no General Partner, any Limited Partner may nominate one or more Persons for election as General Partners. The election of a new General Partner shall require the majority vote of all of the Limited Partners.

10.6 Consequences of Withdrawal. Upon the withdrawal or removal of a General Partner or any additional or substitute General Partner pursuant to this Section 10, the withdrawing or removed General Partner shall be entitled to receive the greater of the fair value of the withdrawing or removed General Partner's interest in the Partnership or any positive balance in its Capital Account, adjusted to the date of its withdrawal, all amounts owed it by the Partnership by reason of this Agreement or otherwise, and the fair market value of all amounts which it would be entitled to receive if it remained as a General Partner. The "fair value" of these interests shall be established in accordance with the procedures set forth in Section 10.7.

10.7 Acquisition Price of a General Partner's Interest. The term "fair value" shall be a price equal to the liquidation value of such Partnership interest (the liquidation value being the amount distributable in respect thereof were the Partnership immediately to sell all of its assets for cash in the amount of their aggregate fair market value, pay all of its debts, and distribute the balance as provided herein) plus any fees otherwise due the General Partner. Such amount shall be determined as of a convenient current date (the "valuation date") by agreement of the Partnership and the General Partner or, failing such agreement, by a panel of three arbitrators consisting of one selected by each party and the third selected by the two thus appointed. The costs of arbitration will be paid by the Partnership. Once the amount has been determined, the Partnership shall acquire such Partnership interest for cash in such amount thereof, adjusted as hereinafter specified. The purchase price payable at closing shall be the amount determined a herein before provided, plus, if closing takes place more than thirty (30) days following the valuation date, an amount calculated with interest from the thirty-first (31st) day following the valuation date at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, if less. By virtue of such closing, the remaining General Partner and each Limited Partner shall succeed

to the Partnership interest formerly held by the withdrawing or removed General Partner in proportion to their respective interests in the Partnership.

SECTION 11. TERMINATION OF LIMITED PARTNER'S INTEREST DISSOLUTION AND WINDING-UP OF THE ENTIRE PARTNERSHIP

11.1 Dissolution. The Partnership shall dissolve upon the first to occur of any of the following events:

(a) The expiration of the term of the Partnership;

(b) The sale of all or substantially all of the Partnership Property;

(c) The election by the Managing General Partner, with the consent of all of the Limited Partners, to dissolve the Partnership;

(d) The failure of the remaining General Partner, if any, to continue the Partnership and its business without dissolution pursuant to Section 10.4 hereof in the event any Person ceases to be a General Partner pursuant to Section 10.1 hereof; or

(e) The failure to elect a new General Partner or General ~~Partners~~ in the event the General Partner ceases to be General Partner pursuant to Section 10.1 hereof.

11.2 Winding Up. Upon a dissolution of the Partnership, the General Partners or court-appointed trustee if there be no General Partner shall take full account of the Partnership's liabilities and Partnership Property and the Partnership 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) To the payment and discharge of all of the Partnership's debts and liabilities (other than those to the General Partners and Limited Partners), including the establishment of any necessary reserves;

(b) To the payment of any debts, liabilities, and fees to the Managing General Partner; and

(c) To the General Partners and Limited Partners as follows 50% to the Managing General Partner and 50% to the Limited Partners.

11.3 Compliance With Timing 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 (if such liquidation constitutes a dissolution of the Partnership) or Section 4 hereof (if it does not) to the General Partners and Limited 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 liquidations 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 General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partners and Limited Partners Section 11 may be:

(a) distributed to a trust established for the benefit of the General Partners and Limited 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 General Partners arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partners and each Limited Partner from time to time, in the reasonable discretion of the Managing General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partners and each Limited Partner pursuant to this Agreement; or

(b) withheld to provide a reasonable reserve for 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 General Partners and each Limited Partner as soon as practicable

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

SECTION 12. POWER OF ATTORNEY

12.1 Managing General Partner as Attorney-In-Fact. Each Limited Partner hereby makes, constitutes and appoints the Managing General Partner and each successor General Partner, with full power of substitution and resubstitution, its true and lawful attorney-in-fact for it and in its name, place and stead and for its use and benefit, to sign, execute, certify, acknowledge, swear to, file and record (a) this Agreement and all agreements, certificates, instruments and other documents amending or changing this Agreement as now or hereafter amended which the Managing General Partner may deem necessary, desirable or appropriate including, without limitation, amendments or changes to reflect (i) the exercise by the Managing General Partner of any power granted to it under this Agreement; (ii) any amendments adopted by the Partners in accordance with the terms of this Agreement; (iii) the admission of any substituted Partner; and (iv) the disposition by any Partner of its Partnership interest and (b) any certificates, instruments and documents as may be required by, or may be appropriate under, the laws of the State or any other state or jurisdiction in which the Partnership is doing or intends to do business. Each Limited Partner authorizes each such attorney-in-fact to take any further action which such attorney-in-fact shall consider necessary or advisable in connection with any of the foregoing, hereby giving each such attorney-in-fact full power and authority to do and perform each and every act or thing needed to be done in connection with the foregoing as fully as such Limited Partner might or could do personally, and hereby ratifying and confirming all that any such attorney-in-fact shall lawfully do or cause to be done by virtue thereof or hereof.

12.2 Nature as Special Power. The power of attorney granted pursuant to this Section 12:

(a) is a special power of attorney coupled with an interest and is irrevocable;

(b) may be exercised by any such attorney-in-fact by listing a Limited Partner executing any agreement, certificate, instrument or other document with the single signature of any such attorney-in-fact acting as attorney-in- fact for such Limited Partners; and

(c) shall survive the death, disability, legal incapacity, bankruptcy, insolvency, dissolution, or cessation of existence of a Limited Partner and shall survive the delivery of an assignment

by a Limited Partner of the whole or a portion of his interest in the Partnership, except that where the assignment is of such Limited Partner's entire interest in the Partnership and the assignee, with the consent of the Managing General Partner, is admitted as a Substituted Limited Partner, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling any such attorney-in-fact to effect such substitution.

SECTION 13. MISCELLANEOUS

13.1 Notices. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the Person or to an officer of the Person to whom the same is directed, or sent by regular, registered or certified mail, addressed as follows: if to the Partnership, to the Partnership at the address set forth in Section 1.4 hereof, or to such other address as the Partnership may from time to time specify by notice to the Partners; if to the General Partners, to such General Partner at the address set forth in Section 2.1 hereof, or to such other address as such General Partner may from time to time specify by notice to the Partners; if to a Limited Partner, to such Limited Partner at the address set forth in Section 2.2 hereof or on Exhibit A hereto, or to such other address as such Limited Partner may from time to time specify by notice to the Partnership. Any such notice shall be deemed to be delivered, given and received for all purposes as of the date so delivered, if delivered personally or if sent by regular mail, or as of the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, if sent by registered or certified mail, postage and charges prepaid.

13.2 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.

13.3 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.

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

13.5 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.

13.6 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 illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

13.7 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.

13.8 Additional Documents. Each Partner, upon the request of any General 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.

13.9 Variation of Pronouns. Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural and vice versa and 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.

13.10 Governing Law. The laws of the State of Arkansas shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Partners.

13.11 Waiver of Action for Partition. Each of the Partners irrevocably waives any right that it may have to maintain any action for partition with respect to any of the Partnership Property.

13.12 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.

13.13 Loans. Any Partner or Affiliate of a Partner may, with the written consent of the Managing General Partner, lend or advance money to the partnership. If a General Partner or, with the written consent of the Managing General Partner, any Limited 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 or Affiliate of a Partner shall be repayable out of the Partnership's cash and shall bear interest at a rate not in excess of the maximum rate permitted by law. None of the Partners or their Affiliates shall be obligated to make any loan or advance to the Partnership.

13.14 Sole and Absolute Discretion. Except as otherwise provided in this Agreement, all actions which any General Partner may take and all determinations which a General Partner may make pursuant to this Agreement may be taken and made at the sole and absolute discretion of the General Partner.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY.]

IN WITNESS WHEREOF, the parties have entered into this Agreement of Limited Partnership and deem it to be effective as of March 1, 1998.

GENERAL PARTNERS

AARON'S, INC.

Attest:

By: Barbara Lloyd
Sec.

By: [signature]
President

LEND-A-HAND, INC.

Attest:

By: [signature]
Secretary

By: [signature]
Its: President

LIMITED PARTNER

FIRST NATIONAL BANK OF FORT SMITH

Attest:

By: [signature]
Secretary

By: [signature]
Its: President

04212\0138\BarleeII.LtdParLAgr

EXHIBIT "A"

TO

AGREEMENT OF LIMITED PARTNERSHIP
OF
BARLEE PROPERTIES II LIMITED PARTNERSHIP

Name and Address of General Partners	Percentage	Initial Capital Contribution
AARON'S, INC. c/o Ernest R. Coleman, Sr. P.O. Box 3945 Fort Smith, Arkansas 72913	.07%	$ 187.00
LEND A HAND, INC. c/o Jane Goss, Executive Director 4301 Yorkshire Drive Fort Smith, Arkansas 72904	.03%	10.00

Name and Address of Limited Partner	Percentage	Date of Payments	Initial Capital Contribution
First National Bank of Fort Smith P.O. Box 7 Fort Smith, AR 72902	99.90%	05/20/98	$443,375
		06/15/98	141,656
		07/15/98	133,047
		08/15/98	136,347
		09/15/98	136,347
		10/15/98	136,347
		11/15/98	136,347
		12/15/98	136,347
		01/15/99	136,347
		02/15/99	337,580
TOTAL	100%		

3.

Memorandum

To: Ray Gosack, City Administrator

From: Wally Bailey, Director of Development Services

Date: 9/20/2012

Re: Industrial Land Use Amendments – Appendix A
Unified Development Ordinance

After receiving several questions concerning land uses permitted in the Industrial land uses, the planning staff conducted research and reviewed the land uses allowed in the Industrial zoning districts within Appendix A of the Unified Development Ordinance.

We compared the uses allowed in the previously existing ordinance, contacted the Chamber of Commerce for assistance with manufacturing designations/descriptions and we spent time as a staff reviewing land uses based on the questions we receive. We also examined some of the conditional uses and recommended changing many from conditional to permitted uses.

The proposed amendments expand, broaden and add more clarity for land uses permitted in Industrial zones. We presented this information to the Planning Commission at the September 11, 2012, meeting. We did not receive any negative comments regarding our recommendation. The Planning Commission voted 9-0 to recommend the amendments to the Board of Directors.

An Ordinance will be presented to The Board of Directors at the October 2, 2012 regular meeting. Before the regular meeting, we will present the amendments for review at the September 25, 2012 study session. We will be prepared to discuss the amendments with the Board in more detail at the study session.

All changes are highlighted on the attachment. Strikethrough indicates a deleted text. Underline indicates new text.

Please contact me if you have any questions.

Appendix A

Fort Smith Use Matrix	J	K	L	M	N	O					Q	R	S	T	U		W	X	Y	AB	Z	AC	AD	AE	AF
Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Size or density restrictions for any use may be noted in the district																									
Residence or Accommodation																									
Private Household																									
Single Family building																									
Structure: Accessory residential dwelling unit																P	P	P	P	P	P	P			
Structure: Detached	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P									
Structure: Duplex								P	P	P	P	P	P	P	P	P									
Structure: Guest house	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A									
Structure: Manufactured home														P											
Structure: Mobile home park														C											
Structure: Mobile home subdivision														C											
Row house							P							P											
Zero lot line dwelling unit							P							P											
Multifamily (apartments/condominiums)											P	P	P	P	C			P	P	P	P	P			
Community residential facility												P	P	P				P	P	P	P	P			
Group home, family	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P									
Group home, neighborhood											P	P	P	P				P	P	P	P	P			
Homeless shelter																					C	C	C		
Orphanage																		C	C	C	C	C			
Transitional dwelling														P											
Housing for the Elderly																									
Assisted living											C	C	C	C	C	C		P	P	P	P	P			
Retirement housing											P	P	P	P	P	P		P	P	P	P	P			
Hotels, Motels, or other Accommodations																									
Bed and breakfast inn											C	C	C	C	C	C	C	P	P	P	P	P			
Dormitory, sorority, fraternity											C	C	C	C				C	C	C	C	C			
Hotel/motel																				P	P	P			
Rooming or boarding house											C	C	C	C				P	P	P	P	P			
General Sales or Services																									
Automobile Sales or Service																									
Auto & vehicle impoundment or holding yard (no salvage)																					C		P	P	P
Auto and vehicle dealer																					P	P	P	P	P
Auto and vehicle towing (wrecker)																					P		P	P	P
Auto auction																							P	P	P
Auto body shop and paint (new parts)																					C		P	P	P
Auto detailing service																		C	P	P	P	P	P	P	P
Auto glass, muffler, and seatcover shop																		C	C	C	P		P	P	P
Auto parts and accessories sales																			P	P	P	P	P	P	P
Auto quick lube																			P	P	P	P	P	P	P
Auto repair																					P		P	P	P
Auto repair or assembly (salvage parts)																									P
Boat or marine craft dealer																					P		P	P	P

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Car wash - full service																					P		P		
Car wash self-service																		C	P	P	P	P	P		
Gasoline service station																				P	P		P	P	P
Motorcycle or ATV sales & service																					P		P	P	P
Tire sales																					P		P	P	P
Truck stop/travel plaza																					C		C	C	
Heavy Consumer Goods Sales or Service																									
Agricultural equipment and supplies (sales & service)																					P	P	P	P	P
Appliance repair - (Large)																					P		P	P	P
Appliance repair (Small)																			P	P	P	P	P	P	P
Bus, truck sales and service																					P		P	P	P
Clothing and personal items (repair)																		P	P	P	P	P			
Commercial,industrial machinery & equipment (sales & service)																					P		P	P	P
Department store, warehouse club or superstore																				P	P				
Computer and software shop																	P	P	P	P	P	P	P		
Electronics and appliances (new)																		P	P	P	P	P	P		
Electronics and appliances (used)																					P		P		
Floor, paint, wall coverings, window treatments																			P	P	P	P	~~C~~ P		
Furniture or home furnishings (new)																		P	P	P	P	P	P		
Furniture or home furnishings (used)																					P	P	P		
Furniture repair and upholstery shop																					P		P	P	P
Greenhouse (sales)																				P	P	P	P		
Hardware store																			P	P	P		P		
Hardware store (neighborhood)																		P				P	P		
Home improvement center																				P	P		P		
Lawn and garden supplies																		C	P	P	P	P	P		
Locksmith																	P	P	P	P	P	P	P		
Lumber yard and building materials																							P	P	P
Mall or shopping center																				P	P				
Manufactured home and mobile home sales and service																					P		P	P	P
Oil and gas equipment (sales and service)																							P	P	P
Sand, gravel, stone, or earth sales and storage																					C		P	P	P
Swimming pool sales and supply store (w/o storage yard)																			P	P	P	P	P		
Truck or tractor sales and service facility																					P		P	P	P
Durable Consumer Goods Sales or Service																									
Bait and tackle shop																			P	P	P	P	P		
Bicycle sales and service																	C	C	P	P	P	P	P		
Bookstore															P		P	P	P	P	P	P			
Bridal shop															P	P	P	P	P	P	P	P			
Cameras, photographic supplies and services															P		P	P	P	P	P	P			
Clothing, jewelry, luggage, shoes, accessories															C		P	P	P	P	P	P			
Gift shop															P		P	P	P	P	P	P			
Sewing machine store (sales & service)																		P	P	P	P	P			

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Sporting goods, toys, & musical instruments																		P	P	P	P	P			
Thrift store																		P	P	P	P	P	P		
Consumer Goods, Other																									
Antique shop															P		P	P	P	P	P	P			
Art dealers, art studio, galleries, supplies															P		C	P	P	P	P	P			
Arts and craft shop															P		P	P	P	P	P	P			
Flea market (indoor)																					P	P	P		
Flea market (outdoor)																							C		
Florist shop															P		P	P	P	P	P	P			
Hobby shop															P		P	P	P	P	P	P			
Office supply store																			P	P	P	P	~~C~~ P		
Pawnshop																					P		P		
Pawnshop (no outside storage)																			P	P	P	P	P		
Tobacco shop																	P	P	P	P	P	P			
Grocery, Food, Beverage, Dairy																									
Bakery or confectionery shop															P		P	P	P	P	P	P			
Beer, wine and liquor store (with drive-through)																		C	P	P	P	P			
Beer, wine and liquor store (without drive-through)																		P	P	P	P	P			
Convenience store (with gasoline sales)																		C	P	P	P	P	P		
Farmer's market																		P	P	P	P	P	P		
Fruit and vegetable store															P		C	P	P	P	P	P	P		
Grocery store or supermarket															P		P	P	P	P	P	P	P		
Neighborhood store															P			P	P	P	P	P			
Health and Personal Care																									
Cosmetics, beauty supplies, and perfume stores																	P	P	P	P	P	P			
Medical appliance services																		P	P	P	P	P	P		
Optical shop																	P	P	P	P	P	P			
Pharmacy or drug store																	P	P	P	P	P	P			
Finance and Insurance																									
Auto insurance claims office																		P	P	P	P		P		
Automatic teller machine																P	P	P	P	P	P	P	P		
Bank, credit union, or savings institution																P	P	P	P	P	P	P	~~C~~ P		
Credit and finance establishment																P	P	P	P	P	P	P	~~C~~ P		
Fund, trust, or other financial establishment															P	P	P	P	P	P	P	P	~~C~~ P		
Insurance office															P	P	P	P	P	P	P	P	~~C~~ P		
Investment banking, securities, and brokerages															P	P	P	P	P	P	P	P	~~C~~ P		
Rental and Leasing																									
Auto (rental and leasing)																					P		P	P	P
Commercial, industrial machinery & equipment																					P		P	P	P
Consumer rental center																		P	P	P	P	P	P		
Oil and gas field equipment																							P	P	P
Video, music, software																		P	P	P	P	P			
Business, Professional, Scientific, and Technical Services																									

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Professional Services																									
Abstract services															P	P	P	P	P	P	P	P	P		
Accounting, tax, bookkeeping,payroll															P	P	P	P	P	P	P	P	P		
Advertising and media services															P	P	P	P	P	P	P	P	P		
Architectural, engineering															P	P	P	P	P	P	P	P	P		
Carpet and upholstery cleaning																			P	P	P	P	P	P	P
Consulting services															P	P	P	P	P	P	P	P	P		
Extermination and pest control																					P		P	P	P
Graphic, industrial, interior design															P	P	C	P	P	P	P	P	P		
Investigation and security services																			P	P	P	P	P	P	
Janitorial services																			P	P	P	P	P	P	
Legal services															P	P	P	P	P	P	P	P	P		
Medical laboratory																							~~C~~ P	~~C~~ P	~~C~~ P
Medical laboratory (no animal research/testing)																			C	C	C	C	~~C~~ P	~~C~~ P	
Offices, corporate															P	P	P	P	P	P	P	P	P		
Offices, general															P	P	P	P	P	P	P	P	P	P	P
Property management services (office only)															P	P	P	P	P	P	P	P	P		
Real estate agency															P	P		P	P	P	P	P	P		
Travel arrangement and reservation services															P	P		P	P	P	P	P	P		
Administrative Services																									
Business support services															P	P	P	P	P	P	P	P	P		
Collection agency															P	P	P	P	P	P	P	P	P		
Employment agency																			P	P	P	P	P		
Employment agency (day labor)																					P		P		
Facilities support services															P	P	P	P	P	P	P	P	P		
Office and administrative services															P	P	P	P	P	P	P	P	P		
Telemarketer/call center																			P	P	P	P	P		
Food Services																									
Bar or tavern																		C	C	C	P	P	P		
Beer garden																			C	C	C	P	C		
Catering service																		P	P	P	P	P	P		
Food distribution center																							P	P	
Mobile food services																					P		P	P	
Restaurant															P		C	P	P	P	P	P	P		
Restaurant (with drive-in services)																			P	P	P		P		
Restaurant (with drive-through services)																		C	P	P	P	P	P		
Restaurant (with outdoor dining)																		C	C	C	C	P	C		
Vending																					P		P	P	
Personal Services																									
Bail bonds office																					P	P	P	P	
Barber shop/salon/spa/massage services															P		C	P	P	P	P	P			
Laundry (commercial/industrial)																							P	P	P
Laundry and cleaning facilities (self-service)																	P	P	P	P	P		P		

Appendix A

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Laundry, cleaner																		P	P	P	P		P		
Laundry, cleaner (drop-off station)																	P	P	P	P	P	P	P		
Photocopy shop																	P	P	P	P	P	P	P		
Photography studio															P		P	P	P	P	P	P	P		
Print shop																		P	P	P	P	P	P	P	
Shoe repair shop															P		P	P	P	P	P	P			
Tailor shop															P		P	P	P	P	P	P			
Tanning salons															P		C	P	P	P	P	P			
Tattoo/body piercing parlor																			P	P	P	P			
Weight loss centers																		P	P	P	P	P			
Pet and animal services																									
Animal and pet services (indoor)																		P	P	P	P	P	P	P	P
Animal and pet services (outdoor)																					P		P	P	P
Animal shelter																							P	P	P
Equestrian facilities																							P	P	P
Kennels																					P		P	P	P
Pet cemetery																		C	C	C	C		C	C	C
Pet shop																		C	P	P	P	P	P		
Pet supply store																		C	P	P	P	P	P	P	P
Veterinary clinic (no outdoor kennels)																		P	P	P	P	P	P	P	P
Veterinary clinic (with outdoor kennels)																					P		P	P	P
Automobile Parking Facilities																									
Parking garage																			C	C	P	P	P	P	P
Parking lot (commercial)																					P	P	P	P	P
Parking lot (off site)																		P	P	P	P	P	P	P	P
Manufacturing and Wholesale Trade																									
Food, Textiles and Related Products																									
Animal food processing																							C	C	P
Clothing manufacturing																							P	P	P
Food and beverage processing																							P	P	P
Leather and allied products																									P
Textiles																								P	P
Tobacco manufacturing																								P	P
Wood, Paper and Printing Products																									
Cabinet and woodwork shop																							P	P	P
Furniture or home furnishings																								P	P
Manufacturing, boxes/containers/corrugated																							P	P	P
Manufacturing, packaging material																							P	P	P
Paper and printing materials																							P	P	P
Wood products manufacturing plant																								P	P
Chemicals, Metals, Machinery, and Electronics Mfg.																									
Acid manufacturing																									P
Asphalt or concrete batching plant (permanent)																									P

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
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Chemicals, plastics and rubber industry																								C	~~C~~ P
Electrical equipment, applicance and components mfg.																							P	P	P
Explosives manufacturing																									C
Foundary or metal-works facility																								~~C~~ P	P
Laboratory (manufacturing)																							P	P	P
Machine, welding, or sheet metal shop																							P	P	P
Nonmetallic manufacturing																								C	P
Petroleum and coal products																									C
Pharmaceutical manufacturing																							P	P	P
Refinery																									C
Tire retreading																									P
Miscellaneous Manufacturing																									
Auto manufacturing																								P	P
Barge and ship manufacturing																									P
Boat manufacturing																							P	P	P
Dolls, toys, games, musical instruments																							P	P	P
Jewelry and silverware																							P	P	P
Manufacturing, batteries																							P	P	P
Manufacturing, fibergass																								P	P
Manufacturing, foam products																								P	P
Manufacturing, heavy																									P
Manufacturing, light																							P	P	P
Manufacturing, medium																								P	P
Manufacturing, motors, drives, and generators																								P	P
Office supplies																							P	P	~~C~~ P
Wholesale Trade Establishment																									
Durable goods																					P	P	P	P	P
Electrical, plumbing, heat & air conditioning																							P	P	P
Nondurable goods																					P	P	P	P	P
Warehouse and Storage Services																									
Auto salvage yard																									P
Building materials salvage yard																								P	P
Bulk petroleum storage																									~~C~~ P
Container storage																					P		P	P	P
Mini storage warehouse																					P		P	P	P
Packaging and distribution center																							P	P	P
Petroleum distribution facility																							C	~~C~~ P	~~C~~ P
Portable storage Unit																					P		P	P	P
Vehicle storage yard																					P		P	P	P
Warehouse																							P	P	P
Transportation, Communication, Information and Utilities																									
Transportation Services																									
Airport																							P	P	P

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Bus station and terminal																					C	C	C	C	C
Courier and messenger services																		C	P	P	P	P	P	P	P
Ferry boat facility																							P	P	P
Heliport																			A	A	A	A	P	P	P
Limousine service																					P	C	P	P	P
Mail services																	C	C	P	P	P	P	P	~~C~~ P	P
Marina																							P	P	P
Motor freight terminal																							P	P	P
Moving and storage																							P	P	P
Moving company																					P		P	P	P
Pipeline transportation																								P	P
Port facility																								P	P
Rail transportation																						P	P	P	P
Taxicab service																					P		P	P	P
Communications and Information																									
Commercial communication towers	C	C	C	C	C	C	C	C	C	C	C	C	C	C			C	C	P	P	P	C	P	P	P
Data processing facility																		C	P	P	P	P	P		
Motion pictures and sound recording studios																			P	P	P	P	P	P	P
Printing commercial/industrial																							P	P	P
Telecommunications and broadcasting studios																			P	P	P	P	P	P	P
Utilities and Utility Services																									
Amateur radio transmitting towers			C	C	C	C	C	C	C	C	C	C	C	C			C	C	P	P	P	C	P	P	P
Electric power plant																							C	C	P
Hazardous waste treatment and disposal																									C
Incinerator																									~~C~~ P
Nuclear power plant																									C
Radio, television, and microwave transmitting towers																		C	P	P	P	C	P	P	P
Recycling center																							C	P	P
Recycling collection station																		C	C	C	C	C	P	P	P
Sanitary landfill																									P
Solid waste collection																								P	P
Utility shop, storage yard or building																					C		P	P	P
Utility substation	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	P	P	P
Wastewater treatment plant																								P	P
Arts, Entertainment, and Recreation																									
Performing Arts or Supporting Establishments																									
Drive-in theater																					C		C		
Movie theater																				P	P	P			
Performance theater															P					P	P	P			
Carnival or circus (temporary with permit)																		P	P	P	P	P	P	P	
Fairground/rodeo ground																					P		P	P	
Museums and Other Special Purpose Recreational Institutions																									
Historical or archaeological institution															P							C			

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
P = Permitted Use, C = Conditional Use, A = Accessory Use			R-1	R-2	R-3	R-4	R-6	DP-2	DP-3	DP-4	MF-2	MF-3	MF-4	R-5	H	T1,2,3	C-1	C-2	C-3	C-4	C-5	C-6	I-1,2	I-3	I-4
Museum															P			C	C	C	C	P			
Zoos, botanical gardens, arboreta																					C	P	C	C	
Amusement, Sports, or Recreation Establishment																									
Amusement center (indoor)																		P	P	P	P	P	P		
Amusement center (outdoor)																					C	C	C	C	
Convention/Event center																		C	C	P	P	P	P		
Bingo parlor																				P	P	P			
Casino gaming business																							C	C	C
Country club	C	C	C	C	C	C	C	C	C	C	C	C	C	C		C	C	C	C	C	C				
Dance hall/night club																				P	P	P	P		
Private club																				P	P	P	P		
Race track																								C	C
Fitness, Recreational Sports, Athletic Club																									
Bowling alley																		C	P	P	P	P	P		
Community recreation center										C	C	C	C	C			C	C	C	C	C	C	C		
Driving range (outdoor)																				C	P	P	~~C~~ P	P	P
Golf course			C	C	C	C	C	C	C	C	C	C	C	C			C	C	C	C	C		C	C	C
Pistol Range (Indoor)																					C	C	C	C	C
Health club															P			C	C	P	P	P	P	~~C~~ P	
Fitness studio															P			P	P	P	P	P	P		
Indoor Games Facility																									
Miniature golf course																			P	P	P	P	~~C~~ P		
Pool hall																		C	C	C	P	P	P		
Sexually oriented business (see Ft. Smith Muni. Code Sec.14-141)																		P	P	P	P	P			
Skating rink																				P	P	P	P		
Sports complex/athletic field																					C	C	C	C	
Swimming pool																		C	C	C	P	C	C		
Water park																					C		C		
Camps, Camping, and Related Establishments																									
Camps, camping, and related establishments																					C		~~C~~ P	~~C~~ P	
Natural and Other Recreational Parks																									
Park or playground (public and nonpublic)	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
Education, Public Administration, Health Care and Other Institutions																									
Educational Services																									
College, university, or seminary	C	C	C	C	C	C	C	C	C	C	C	C	C	C		C		C	C	C	C	C	C		
Fine art and performance education														C	C	C	C	C	C	C	C	C	C		
Library or public arts complex			C	C	C	C	C	C	C	C	C	C	C	C	C	C		C	C	C	C	C	C		
Nursery school	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
Preschool	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
Primary and secondary school	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		C	C	C	C	C	C		
School, business professional														C	C	C	C	C	C	C	C	C	C		
School, technical or trade																					C	C	C	C	
Public Administration - Government																									

Appendix A

Districts	RE3	RE1	RS-1	RS-2	RS-3	RS-4	RS-5	RSD-2	RSD-3	RSD-4	RM-2	RM-3	RM-4	RMD	RH	T	C-1	C-2	C-3	C-4	C-5	C-6	I-1	I-2	I-3
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Criminal justice facility																						C	C	C	
Detention facility																						C	C	C	
Government office															P		P	P	P	P	P	P	~~C~~ P		
Public Safety																									
Emergency response station																C	P	P	P	P	P	C	P	P	P
Fire and rescue station	C	C	C	C	C	C	C	C	C	C	C	C	C	C	P	C	P	P	P	P	P	P	P	P	P
Police station																	C	C	C	C	C	C	C	C	C
Police substation (no incarceration)	C	C	C	C	C	C	C	C	C	C	C	C	C	C	P	C	P	P	P	P	P	P	P	P	P
Health and Human Services																									
Community health and welfare clinic																			C	C	C	C	C		
Diagnostic laboratory testing facility																C		C	C	C	P	C	P		
Doctor office and clinic															P	P		P	P	P	P	P	P	P	
Hospice residential care facility																P		P	P	P	P	P			
Hospital																C		P	P	P	P	P			
Mental health hospital																C		C	C	C	C	C			
Nursing home																C		C	C	C	C				
Substance abuse treatment facility																C		C	C	C	C				
Social Assistance, Welfare, and Charitable Services																C									
Child and youth services (office)																	P	P	P	P	P	P			
Day care Home (12 or less)	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C									
Day care center															C			C	C	C	C	C	C	C	
Community food services																					C	C	C		
Emergency and relief services																			P	P	P		P		
Family support services																					P	P	P		
Senior citizen center											C	C	C	C	C	C	C	C	C	C	C	C	P		
Vocational rehabilitation																					C		C	C	
Religious Institutions																									
Church, synagogue, temple, mosque	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
Rectory, convent, monastery											C	C	C	C	C	C	A	A	A	A	A	A	A		
Note: educational/hospital facilities owned or run by																									
religious institutions are classified by use not ownership																									
Wedding chapel															P			P	P	P	P	P			
Death Care Services																									
Cemetery, mausoleum, crematorium, funeral home, & mortuary																		C	C	C	C		C		
Monument (manufacturing)																							P	P	
Monument (sales)																		P	P	P	P		P	P	
Associations, Nonprofit Organizations																									
Lodge or fraternal organization															C			C	C	C	C	C	~~C~~ P	~~C~~ P	
Construction-Related Businesses																									
Contractor's office																P	P	P	P	P	P	P	P	P	P
Contractor's shop and storage yard																					C		P	P	P
Glass sales and service																					P		P	P	P
Landscaping contractor																					C		P	P	P

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Sign contractor																					C		P	P	P
Mining and Extraction Establishments																									
Coal mining																									C
Metallic mining																								C	P
Non-metallic manufacturing and mining																								C	P
Agriculture, Forestry, Fishing, and Hunting																									
Grain storage and processing																								C	P
~~Stockyard~~ Livestock yard, feed lot, holding pens, and auction facility																								C	C
Commercial grower																							P	P	P
Tanning and Slaughtering of Animals or Fowl																									
Animal slaughter and processing																								C	C
Note: Section 4-5 of the Fort Smith Municipal Code prohibits																									
the collection or keeping of hogs or swine within the																									
Fort Smith city limits																									
Forestry and Logging																									
Fishing, Hunting and Trapping, Game Preserves																									
Taxidermy shop																					P		P	P	

4

MEMORANDUM

September 21, 2012

TO: Mayor and Board of Directors

FROM : Ray Gosack, City Administrator

SUBJECT: 2013 Budget

Preparation of Fort Smith's 2013 operating budgets is well underway. Departments have submitted their budget requests, revenue estimates have been prepared, and meetings are occurring with each department to review their budget requests and make the adjustments necessary to present balanced budgets that are in alignment with the board's goals and the community's needs.

Key Assumptions. We're preparing the 2013 budget with these key assumptions.

- The recovery from the Great Recession will continue to be modest. Retail sales will grow slightly, due mainly to inflation. New home construction and other construction will continue at reserved paces.

- Costs for employee health coverage will increase by approximately $850,000 in 2013, half of which is in the General Fund. The increase is due to the intentional cost lowering initiated in 2010 to draw down the fund balance. The draw down ends in 2012 as originally predicted, which necessitates a return to higher allocations for 2013.

- The 2013 budget will include new programs for the fire and parks departments. These programs will account for the use of revenues from the 1/4% sales tax approved by voters in March. These separate budgets will provide greater transparency for reporting on delivery of the promises made during the campaign.

- The General Fund balance at the end of 2013 will be

7.5%, which is below the goal of 15%. We prepared the 2012 budget with an anticipated balance of 8.0% and project ending the year with a balance of 17.5%. We typically end the year in better condition than what was budgeted.

- The Water & Sewer and the Sanitation Funds will have reserves of at least 15%. The Street Maintenance Fund will have an anticipated reserve of 7.5%.

Revenue Estimates. Prior to reviewing expenditure requests, Kara Bushkuhl and I prepared revenue estimates. Below is a discussion of each major operating fund's revenues.

General Fund General Fund revenues for 2013 are projected to be $4.7 million or 11.5% higher than 2012. This increase is due to the voter-approved 1/4% sales tax for fire and parks. Those revenues are earmarked for specific purposes and projects, and won't help with other parts of the General Fund budget. Excluding this revenue source and the temporary fire dept. staffing grant, 2013 General Fund revenues are .2% (two-tenths of 1%) higher than 2012.

Street Maintenance The principal revenues in the street maintenance fund are property taxes and motor fuel tax from the state. These revenues are projected to increase $40,800 or .7% (seven-tenths of 1%) in 2013.

Water & Sewer Water and sewer revenues are projected to decline by $1,062,000 or 2.7% due to decreased consumption and the end of the Van Buren water true up payments received in 2012.

Sanitation Revenues in the sanitation fund are projected to decrease $164,000 or 1.3%. This is due to the anticipated residential rate reduction of $1.10 per month effective July 1, 2013. The rate reduction is a result of the decision to provide automated service citywide. Other sanitation revenues are projected to be similar to 2012 revenue amounts.

Departmental Budget Meetings. Meetings with each department to review the 2013 spending requests will be concluded on September

24th. The finance staff will input the budget changes to determine the status of achieving the targeted fund balances/contingencies. Adjustments will continue to be made until we reach balanced budgets.

Board Budget Meetings. The proposed 2013 budget will be presented to the mayor and board at the November 6th board meeting. The board's budget review meetings are scheduled for November 13, 15 and 19 at 6:00 p.m. in the police station community meeting room. A light dinner will be available at 5:30 p.m. each evening.

CONCLUSION

Preparing a governmental budget involves deciding how to allocate available resources. Allocations of resources should be strategic policy decisions which are in harmony with the city's comprehensive plan and other goals.

For the 2013 budget, we will prepare for the board's consideration a recommended budget which balances revenues and expenditures. Inevitably, many worthwhile budget proposals can't be funded. The recommended budget will present the staff's recommendations for a fiscally sound budget which meets as many of the community's needs and board's goals as possible.

2013 BUDGET GOALS

- Enhancing communication with citizens through social media and other forums.

- Improving citizen service by providing customer service training for employees.

- Enhance services for the homeless by supporting construction and operation of a homeless campus.

- Provide additional recreation opportunities by planning and constructing 2 softball fields and aquatics center at Ben Geren Park; a softball tournament complex at Chaffee Crossing; and a riverfront soccer complex.

- Improve the accountability and performance measurement of our budget by including key performance indicators for all departments.

- Continue advocacy of the Interstate 49 project by lobbying AHTD, federal and state legislators and the Federal Highway Administration.

- Plan for Fort Smith’s future by updating the comprehensive plan – Vision 2025 Plan.

- Initiate and develop economic growth strategies to increase the job market with higher paying jobs as well as support the construction of the regional intermodal freight facilities and Interstate 49.

- Enhance Fort Smith’s appearance and curb appeal through beautification and other efforts to stimulate quality of place and community pride.

Mayor – Sandy Sanders

City Administrator – Ray Gosack

City Clerk – Sherri Gard

Board of Directors

Ward 1 – Steve Tyler
Ward 2 – Andre' Good
Ward 3 – Don Hutchings
Ward 4 – George Catsavis
At Large Position 5 – Pam Weber
At Large Position 6 – Kevin Settle
At Large Position 7 – Philip H. Merry Jr.

AGENDA ~ Summary

Fort Smith Board of Directors

Study Session

September 25, 2012 ~ 12:00 Noon

Fort Smith Public Library Community Room
3201 Rogers Avenue

1. Present proposed five-year CIP for Streets, Bridges and Drainage and the 2013 Sidewalk Program
   Presentation by Director of Engineering Stan Snodgrass. Hutchings/Good placed resolution on October 2, 2012 regular meeting agenda.

2. Discussion regarding the $150,000 HOME Program Loan for Koller Place Addition Project
   Presentation by Director of Community Development Matt Jennings. Additional information requested with discussion continued to the October 9, 2012 study session.

3. Review proposed amendments to the 2009 Unified Development Ordinance (UDO) *(Land Use Chart – Industrial Zoning Districts)*
   Presentation by Director of Development Services Wally Bailey. Ordinance on October 2, 2012 regular meeting agenda.

4. Update on Year 2013 Budget
   Presentation by City Administrator Ray Gosack – update only.

5. Review preliminary agenda for the October 2, 2012 regular meeting