

RISK FACTORS

Investment in the Partnership involves risk. Each prospective investor should, therefore, consider carefully the risk factors attendant to the purchase of Units, including, without limitation, those risks discussed below, and each should obtain his or her own legal, tax and financial counsel with respect to the investment. In addition, each prospective investor should understand that the Subscription Agreement and the Partnership Agreement materially restrict each Limited Partner from selling or otherwise disposing of his or her Units.

TAX RISKS

There are tax risks associated with an investment in the Partnership. These risks include, but are not limited to, those discussed below and under the heading "Tax Aspects." Your review of the tax risks should be thorough and careful.

Taxation As a Partnership. The tax and economic benefits expected from the purchase of a Unit and the timing of those benefits depend, in part, upon the Partnership being treated as a partnership for federal income tax purposes. There can be no certainty of that status. No ruling from the Internal Revenue Service (the "Service") has been requested nor is such a ruling contemplated. Thus there can be no assurance that the Service will not successfully assert that the Partnership is an association taxable as a corporation. If the Partnership were to be classified as an association taxable as a corporation, the tax status of the Partnership and the Partners would be adversely affected. In that event, income and deductions of the Partnership would be reflected on its tax return rather than being passed through to the Partners; the Partnership itself would be subject to tax as a corporation; and all or a portion of any distributions made to the Partners could be classified as a dividend, taxable as ordinary income.

Possibility of Audit. The Service is conducting an aggressive program of auditing the income tax returns of entities that claim substantial tax benefits for their investors. This Partnership does offer some proposed tax benefits to its Limited Partners. While the General Partners believe the proposed tax treatment to be taken by the Partnership is conservative, nevertheless, there is a possibility that the Partnership's information return will be audited by the Service. The costs incurred in connection with any such audit and in any ensuing administrative or judicial procedures may adversely affect both the profitability of the Partnership's operations and its cash flow.

The Service is now authorized to conduct an audit at the Partnership level which will generally bind all Partners. An individual partner may, therefore, be unable to

control but nevertheless be bound by the General Partner's resolution of any audit adjustments proposed by the Service. Moreover, any unified Partnership audit may result in an audit of the individual returns of the Limited Partners, which could result in a disallowance of other deductions taken. Audits can also lead to the possible imposition of penalties and additional expenses for the Limited Partner, all of which the Partnership will not be obligated to pay.

In addition, the Deficit Reduction Act of 1984 requires the registration with the Service of certain tax-advantaged investments. Such registration will aid the Service in selecting certain investments for audit. The General Partners do not believe that the Partnership need be so registered, and do not currently plan to register it.

Adjustments by the Service; Deductibility of Expenses. The Service may challenge the availability, timing and/or amount of certain deductions to be taken by the Partnership or contest their availability to the Limited Partners. For instance, the Service may (1) disallow or cause to be recaptured, in whole or in part, the investment tax credit with respect to the equipment to be claimed by the Partnership; (2) postpone or disallow claimed deductions arising from the payment of fees to the General Partners; and (3) disallow a portion of the depreciation deductions with respect to the equipment. Counsel has advised the Partnership that in light of the inherently factual nature of these issues, their probable outcome, if litigated, cannot be predicted. (See "Tax Aspects"). For all these reasons, no Limited Partner can be assured that he or she will receive any projected tax benefits.

Possible Further Changes in Tax Laws. Significant new tax law changes may have been proposed by the Treasury Department which, if enacted into law as proposed and applied retroactively, would have a material negative impact on the tax benefits investors would receive from this investment because of their reduction or disallowance of accelerated depreciation allowances and the investment tax credit. There is no way to determine at this time whether these proposals will be enacted into law or the extent of their retroactivity. The General Partners believe but can not guarantee that such proposals even if enacted into law would not be made retroactive and thus would have little impact upon investors in this Partnership.

INVESTMENT RISKS

Restrictions on Transferability -- Lack of Liquidity. The Partnership Units are not and will not be registered under the Act or any state securities act and, therefore, may be transferred only under very limited circumstances in which an exemption from registration is available and only subject to other limitations and conditions imposed by the Partnership Agreement. There is no market for the Units, and it is not anticipated that any market will ever be created; therefore, a Limited Partner will have no assurance that he or she can liquidate the investment in the Partnership readily or on acceptable terms, if at all.

Lack of Registration Under Securities Law. The Partnership Units described in this memorandum have not been registered with the Securities and Exchange Commission ("SEC") or any similar agency of any state or Canada or any Province of Canada, in reliance on what the General Partners believe to be an exemption from the registration requirements of the Act or any other applicable securities acts. The General Partners may register or qualify the securities described in this memorandum in certain states where registration or qualification is required prior to the time any offer of the securities described in this memorandum is made within any such state or to any person or entity resident in any such state. However, as of the date of this memorandum, no regulatory authority has reviewed the contents of this memorandum or passed upon the sufficiency, fairness, or adequacy of the compensation, risk factors, federal income tax aspects, or any other term or condition contained in this memorandum.

Lack of Participation in Management. No Limited Partner shall have the right, power, or authority to participate in the ordinary and routine management of the Partnership affairs or exercise any control over the decisions of the Partnership. The General Partners shall have the exclusive right to manage, control, and operate the affairs and business of the Partnership and to make all decisions in relation to the affairs and business of the Partnership, and shall have full, complete, and exclusive discretion with respect to all such matters. Accordingly, no prospective investor should purchase any Units unless he or she is willing to entrust all aspects of management of the Partnership to the General Partners.

Loss of Limited Liability. The liability of each Limited Partner will be limited, assuming compliance with the laws in each jurisdiction where the Partnership operates and assuming compliance with the Partnership Agreement and applicable formative and qualifying requirements in Texas. The General Partners will, to the extent practicable, endeavor to limit the liability of the Limited Partners in each jurisdiction in which the Partnership operates. However, if a Limited Partner participates in the control of the business of the Partnership, he or she may be held liable for Partnership obligations to the same extent as the General Partners.

Projections. The projections contained in the Marketing Package have been prepared on the basis of assumptions and hypotheses that are believed to be reasonable but which are subject to substantial risk and contingencies covering an extended period of time. These assumptions constitute only estimates, and no assurances are given that any of the potential benefits described in this Marketing Package will be borne out and proven to be available. Prospective investors are cautioned that these are only assumptions made to illustrate possible results. Investors should not make their investment decisions to purchase Partnership Units solely on the basis of the projections contained in this Marketing Package, as they do not constitute a guarantee as to the results of the operations of the Partnership.

Liability of the General Partners to the Partnership. The Partnership Agreement

provides that the General Partners shall be indemnified and held harmless by the Partnership from any and all claims arising out of their management of the Partnership except for claims arising out of proven gross negligence or willful misconduct of the General Partners, or material breach of the Partnership Agreement. Therefore, the right of any Limited Partner to bring an action against the General Partners for a breach of their fiduciary responsibility or other obligations to the Partnership may be severely limited.

Obligations of General Partners not Exclusive. The obligations of the General Partners to the Partnership are not exclusive; they need only devote such of their time to management of the Partnership affairs as they determine reasonably necessary. Likewise, the General Partners may be engaged in other similar activities and other unrelated business ventures for their own account or for the account of others during the term of the Partnership.

Limited Partners' Liability. In general, the Limited Partners' liabilities are limited to the amount of their capital contributions. However, to the extent that cash distributed to the Limited Partners by the Partnership constitutes a return of all or part of their capital contributions, the Limited Partners may be liable to repay any sum, not in excess of the return of capital, plus interest, necessary to discharge the Partnership's obligations to creditors who extended credit or whose claims arose before the return of capital.

OPERATING RISKS

Lack of Operating Experience. The Partnership is newly organized and has no previous operating or financial history. Therefore, the success of the Partnership will be exclusively dependent upon the General Partner and the Management Company in managing the leasing activities of the Partnership. While the senior officer of the Management Company has had substantial experience in the area of leasing multifamily property, there can be no assurance that this experience will result in successful or profitable operations by the Partnership.

Reliance on Third Party. The Partnership intends to retain Management Company to perform most of the day-to-day business activities of the Partnership. In the event of the death, disability, or resignation of the principal officers of the Management Company or a bankruptcy or reorganization filing by the Management Company, the Partnership could incur substantial expense searching for a replacement and might not be able to locate an equally experienced manager.

Delay in Frequency of Distribution and Amount of Income. The Partnership hopes to make quarterly cash distributions of Partnership income once the asset is stabilized. Delay in the frequency of distribution and amount of any income from the Partnership's activities may occur as a result of one or more of the following causes: difficulty in leasing some or all of the Partnership property; and delays in payment or

failure to make payment of rental fees by lessees.

Short Term Leases. It is expected that most of the leases for Partnership property will be less than one year. While there are certain advantages to short-term leases, they do increase the risk of lease termination and consequent income shortfall.

Uninsured Risks. While the General Partner believes that the insurance carried on the property will be appropriate and consistent with industry standards, the insurance carried might not be sufficient to protect against all losses or liabilities, either because such insurance is unavailable or because it was not purchased because of high premium cost.

Competition. There can be no assurance that competitors will not attempt to enter the market and compete with the Partnership. Such competition, if it develops, could adversely affect the placement of leases and the rental income received.

Compensation to General Partners Regardless of Profitability. The General Partner and the Management Company are entitled to receive certain fees and other compensation and reimbursements regardless of whether the Partnership operates at a profit or loss.