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INDUSTRY GUIDES

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SECURITIES ACT INDUSTRY GUIDES

Guide 1. [Removed and Reserved]

Guide 2. [Removed and Reserved]

Statistical Disclosure by Bank Holding Companies

General Instructions

Guide 3.

1. This Guide applies to the description of business portions of those bank holding company registration statements for which financial statements are required.
2. Information furnished in accordance with this Guide should generally be presented in tabular form in the order appearing below. However, an alternative presentation, such as inclusion of the information in Management's Discussion and Analysis, may be used if in management's opinion such presentation would be more meaningful to investors.
3. When the term "reported period" is used in the Guide, it refers to each of the periods described below:
 - (a) each of the last three fiscal years of the registrant, except as is provided in paragraphs (b) and (c) below;
 - (b) each of the last five fiscal years of the registrant with respect to Items III and IV, except as is provided in paragraph (c) below;
 - (c) each of the last two fiscal years with respect to all items, if the registrant had assets of less than \$200,000,000 or net worth of \$10,000,000 or less as of the end of its latest fiscal year; and
 - (d) any additional interim period necessary to keep the information from being misleading.

The reported period shall not include an additional interim period under paragraph (d) above merely because an income statement is presented for such additional interim period, but the report period shall include such an additional period if a material change in the information presented or the trend evidenced thereby has occurred.

4. Unless otherwise indicated, averages called for by the Guide are daily averages. Where the collection of data on a daily average basis would involve unwarranted or undue burden or expense, weekly or month-end averages may be used, provided such averages are representative of the operations of the registrant. The basis used for presenting averages need be stated only if not presented on a daily average basis.
5. Some of the information called for by the Guide which is prospective in nature may not be available on a historical basis. The staff should be advised of such situations prior to filing and if the requested information is unavailable and cannot be compiled without unwarranted or undue burden or expense, the requirement that such information be furnished may be waived. If possible, reasonably comparable data should be furnished instead. If certain requested information will not be available with respect to periods to be covered in future filings subject to the Guide, this should also be brought to the staff's attention.
6. The disclosure requirements of the Guide are also applicable to foreign registrants to the extent the requested information is available. If the information is unavailable and cannot be compiled without unwarranted or undue burden or expense, this should be brought to the staff's attention.

[NOTE: In evaluating the reasonableness of assertions by registrants that the compilation of requested information, such as historical data or daily averages, would involve an unwarranted or undue burden or expense, the staff takes into consideration, among other factors, the size of the registrant, the estimated costs of compiling the data, the electronic data processing capacity of the registrant, and efforts in process to obtain the information in future periods.]

7. In various places throughout this Guide, disclosure is called for regarding certain "foreign" data. For purposes of this Guide, this information need not be presented unless the registrant is required to make separate disclosures concerning its foreign activities in its consolidated financial statements pursuant to the test set forth in §210.905 of Regulation S-X.

I. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential

- A. For each reported period, present average balance sheets. The format of the average balance sheets may be condensed from the detail required by the financial statements provided that the condensed average balance sheets indicate the significant categories of assets and liabilities, including all major categories of interest-earning assets and interest-bearing liabilities. Major categories of interest-earning assets should include loans, taxable investment securities, non-taxable investment securities, interest bearing deposits in other banks, Federal funds sold and securities purchased with agreements to resell, other short-term investments, and other (specify if significant). Major categories of interest-bearing liabilities should include savings deposits, other time deposits, short-term debt, long-term debt and other (specify if significant).
- B. For each reported period, present an analysis of net interest earnings as follows:
 - 1. For each major category of interest-earning asset and each major category of interest-bearing liability, the average amount outstanding during the period and the interest earned or paid on such amount.
 - 2. The average yield for each major category of interest-bearing asset.
 - 3. The average rate paid for each major, category of interest-bearing liability.
 - 4. The average yield on all interest-earning assets and the average effective rate paid on all interest-bearing liabilities.
 - 5. The net yield on interest-earning assets (net interest-earnings divided by total interest-earning assets, with net interest earning equaling the difference between total interest earned and total interest paid).
 - 6. This analysis may, at the option of the registrant, be presented in connection with the average balance sheet required by paragraph A.
- C. For the latest two fiscal years, present (1) the dollar amount of change in interest income and (2) the dollar amount of change in interest expense. The changes should be segregated for each major category of interest-earning asset and interest-bearing liability into amounts attributable to (a) changes in volume (change in volume times old rate), (b) changes in rates (change in rate times old volume), and (c) changes in rate/volume (change in rate times the change in volume). The rate/volume variances should be allocated on a consistent basis between rate and volume variances and the basis of allocation disclosed in a note to the table.

Instructions.

- (1) Explain how non-accruing loans have been treated for purposes of the analyses required by paragraph B.
- (2) In the calculation of the changes in the interest income and interest expense, any out-of-period items and adjustments should be excluded and the types and amounts of items excluded disclosed in a note to the table.
- (3) If loan fees are included in the interest income computation, the amount of such fees should be disclosed, if material.
- (4) Tax exempt income may be calculated on a tax equivalent basis. A brief note should describe the extent of recognition exemption from Federal, state and local taxation and the combined marginal or incremental rate used.
- (5) If disclosure regarding foreign activities is required pursuant to General Instruction 7 of this Guide, the information required by paragraphs A, B and C of Item I should be further segregated between domestic and foreign activities for each significant category of assets and liabilities disclosed pursuant to paragraph A. In addition, for each reported period, present separately, on the basis of averages, the percentage of total assets and total liabilities attributable to foreign activities.

II. Investment Portfolio

- A. As of the end of each reported period, present the book value of investments in obligations of (1) the U.S. Treasury and other U.S. Government agencies and corporations; (2) States of the U.S. and political subdivisions; and (3) other securities including bonds, notes, debentures and stock of business corporations, foreign governments and political subdivisions, inter-governmental agencies and the Federal Reserve bank.
- B. As of the end of the latest reported period, present the amount of each investment category listed above which is due (1) in one year or less, (2) after one year through five years, (3) after five years through ten years, and (4) after ten years. In addition, state the weighted average yield for each range of maturities.

Instruction. State whether yields on tax exempt obligations have been computed on a tax equivalent basis. (See Instruction (4) to Item I.) Any major changes in the tax-exempt portfolio should be discussed hereunder.

- C. As of the end of the latest reported period, state the name of any issuer, and the aggregate book value and aggregate market value of the securities of such issuer, when the aggregate book value of such securities exceeds ten percent of stock-holders' equity.

Instruction. The term "issuer" has the meaning given in Section 2(4) of the Securities Act of 1933, except that debt securities issued by a state of the United States and its political subdivisions and agencies which are payable from and secured by the same source of revenue or taxing authority shall be considered to be securities of a single issuer. This information does not have to be provided for securities of the U.S. Government and U.S. Government agencies and corporations. Consideration should be given to disclosure of risk characteristics of the securities of an issuer and of differences in risk characteristics of different issues of securities of an issuer as may be appropriate.

III. Loan Portfolio

A. Types of Loans

As of the end of each reported period, present separately the amount of loan in each category listed below. Also show the total amount of all loans for each reported period which amounts should be the same as those shown on the balance sheets.

Domestic:

1. Commercial, financial and agricultural;
2. Real estate-construction;
3. Real estate-mortgage;
4. Installment loans to individuals;
5. Lease financing

Foreign:

6. Governments and official institutions;
7. Banks and other financial institutions;
8. Commercial and industrial;
9. Other loans.

Instruction. A series of categories other than those specified above may be used to present details of loans if considered a more appropriate presentation.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

As of the end of the latest fiscal year reported on, present separately the amount of loans in each category listed in paragraph A (except that this information need not be presented for categories 3, 4 and 5, and categories 6 through 9 may be aggregated) which are: (1) due in one year or less, (2) due after one year through five years and (3) due after five years. In addition, present separately the total amount of all such loans due after one year which (a) have predetermined interest rates and (b) have floating or adjustable interest rates.

Instructions.

- (1) Scheduled repayments should be reported in the maturity category in which the payment is due.
- (2) Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts should be reported as due in one year or less.
- (3) Determinations of maturities should be based upon contract terms. However, such terms may vary due to the registrant's "roll-over policy" in which case the maturity should be revised as appropriate and the rollover policy should be briefly discussed.

C. Risk Elements

1. Nonaccrual, Past Due and Restructured Loans. As of the end of each reported period, state separately the aggregate of loans in each of the following categories:
 - (a) Loans accounted for on a nonaccrual basis;
 - (b) Accruing loans which are contractually past due 90 days or more as to principal or interest payments; and

- (c) Loans not included above which are “troubled debt restructurings” as defined in Statement of Financial Accounting Standards No. 15 (“FAS 15”), Accounting by Debtors and Creditors for Troubled Debt Restructurings.”

Instructions.

- (1) The information required by this Item should be provided separately for domestic and for foreign loans for each reported period.
 - (2) As of the most recent reported period, state separately as to foreign and domestic loans included in (a) and (c) above the following information: (i) the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the period, and (ii) the amount of interest income on those loans that was included in net income for the period.
 - (3) A discussion of the registrant’s policy for placing loans on nonaccrual status should be provided.
 - (4) No loans shall be excluded from the amounts presented, except that loans to foreign borrowers which are restructured for reasons other than concerns as to ultimate collectibility and which are included in amounts disclosed pursuant to Instruction (6)(d) to Item III.C.3. need not be included in amounts reported pursuant to Item III.C.1.(c). Supplemental disclosures may be made to facilitate understanding of the aggregate amounts reported. These disclosures may include, for example, information as to the nature of the loans, any guarantees, the extent of collateral, or amounts in process of collection.
2. *Potential Problem Loans.* As of the end of the most recent reported period, describe the nature and extent of any loans which are not now disclosed pursuant to Item III.C.1. above, but where known information about possible credit problems of borrowers (which are not related to transfer risk inherent in cross-border lending activities) causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans pursuant to Item III.C.1.
3. *Foreign Outstandings.* As of the end of the last three reported periods, state the name of the country and aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets.

Instructions.

- (1) Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets which are denominated in dollars or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local borrowings, such amounts should be included in cross-border outstandings. Commitments such as irrevocable letters of credit should not be included in outstandings; however, where such items are material, the amounts should be separately disclosed.
- (2) Disclose separately the amounts of cross-border outstandings by type of foreign borrower as set forth in Item III.A. above.
- (3) If a material amount of the outstandings to any foreign country disclosed herein is included in the amounts disclosed pursuant to Item III.C.1. or 2. identify each such country and the related amounts disclosed pursuant to those Items.
- (4) Amounts of any legally enforceable, written guarantees of principal or interest by domestic or other non-local third parties may be netted against cross-border outstandings of a country. If such a guarantee is made by a foreign guarantor, the guarantee amount shall be reflected as an outstanding of such guarantor. The value of any tangible, liquid collateral may also be netted against cross-border outstandings of a country if it is held and realizable by the lender outside of the borrower’s country.
- (5) For purposes of determining the amount of outstandings to be reported, loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank’s home country should be considered as loans to, or deposits with, the foreign bank.
- (6) Where current conditions in a foreign country give rise to liquidity problems which are expected to have a material impact on the timely payment of principal or interest on the country’s private or public sector debt, furnish:
 - (a) a description of the nature and impact of such developments.
 - (b) an analysis of the changes in aggregate outstandings to borrowers in each such country (except that a country need not be included if aggregate outstandings to all borrowers in the country at the end of the most recent reported period

do not exceed 1% of total assets), for the most recent reported period, in the following format:

	<i>Country A</i>	<i>Country B</i>
Aggregate outstandings at (beginning of period)	x	x
Net change in short-term outstandings:	x	x
Changes in other outstandings:		
Additional outstandings	x	x
Interest income accrued	x	x
Collections of: Principal	x	x
Accrued interest	x	x
Other changes	<u>x</u>	<u>x</u>
Aggregate outstandings at (end of period)	<u>\$ x</u>	<u>x</u>

For purposes of the above table, short-term outstandings are trade credits and interbank deposits (and similar items) which, at the time they were extended, had maturities of one year or less. This table should be supplemented with the amounts of (short-term outstandings that are included in the end-of-period aggregate amounts reported for each country.

- (c) the total amounts recognized as interest income and the total amounts of interest collected during the most recent reported period on all outstandings to each country disclosed pursuant to subpart (b) of this Instruction, if such totals are significantly different from the amounts disclosed pursuant to subpart (b) on the lines entitled "Interest income accrued" and "Collections of accrued interest," respectively. (The amounts might be different if, for example, all or a portion of the outstandings were on a nonaccrual basis.)
- (d) the following information, if a material portion of the outstandings to any country that is identified pursuant to subpart (b) of this Instruction is restructured during or subsequent to the most recent reported period, or if a material portion may be subject to restructuring pursuant to an agreement in principal (or its equivalent) which has been reached between the debtor and the registrant (or a committee organized by creditor banks to negotiate such an agreement in principal or its equivalent):
 - (i) information describing the pre- and post-restructuring repayment terms of the affected outstandings, including at a minimum the following (in tabular format such as the following):

	<i>Country A</i>	<i>Country B</i>
Amount restructured (or subject to restructuring)	\$x	x
Weighted average year of maturity (including any grace periods):		
Pre-restructuring	19XX	19XX
Post-restructuring	19YY	19YY
Weighted average interest rate:		
Pre-restructuring	X%	X%
Post-restructuring	Y%	Y%

Alternative tabular formats are not precluded, provided that the minimum data presented above (or their equivalent) is presented. Supplementing weighted average maturities and interest rates with ranges of maturities and interest rates is not precluded; however, ranges should not be presented without also presenting weight averages (unless the ranges are very narrow). Alternatively, individual years of maturities could be disclosed with respect to discernable portions of restructured outstandings, along with the interest rates on those portions. If interest rates are variable, the applicable index and the weighted average spread from the index should be disclosed in lieu of the actual rates as of any particular date.

- (ii) a description of commitments (e.g., new money provisions; agreements to relend, or to maintain on deposit, repayment of principal or interest within the country) arising or expected to arise in connection with the restructuring(s).
- (iii) the amount of outstandings, separately as to each country, that has been removed or is expected to be removed from nonaccrual status as a result of the restructuring(s).

Disclosures pursuant to subpart (d) should be in reasonable proximity to disclosures pursuant to other subparts of this instruction and should be described as subject to change, if applicable.

- (7) For countries whose outstandings are between .75% and 1% of total assets, disclose the names of the countries and the aggregate amount of outstandings attributable to all such countries.
 - (8) The disclosure threshold set forth in this Item is for disclosure guidance and is not intended as an indicator of a prudent level of lending to any one country by an individual bank.
4. *Loan Concentrations.* As of the end of the most recent reported period, describe any concentration of loans exceeding 10% of the total loans which are not otherwise disclosed as a category of loans pursuant to Item III.A. of this Guide. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions.

Instructions.

- (1) If a material amount of the loan concentrations disclosed herein or pursuant to Item III.3.A. is included the amounts disclosed pursuant to Item III.C.1. or 2., that fact should be discussed.
 - (2) The disclosure threshold in this Item is for disclosure guidance and is not intended as an indicator of a prudent level of lending.
- D. *Other Interest Bearing Assets.* As of the end of the most recent reported period, disclose the nature and amounts of any other interest bearing assets that would be required to be disclosed under Item III.C.1. or 2. if such assets were loans.

IV. Summary of Loan Loss Experience

- A. An analysis of loss experience shall be furnished in the following format for each reported period.

Analysis of the Allowance for Loan Losses

	Reported Period
<i>Balance at the beginning of period</i>	<u>\$ X</u>
<i>Charge-offs:</i>	
Domestic:	
Commercial, financial and agricultural	x
Real estate—construction	x
Real estate—mortgage	x
Installment loans to individuals	x
Lease financing	x
Foreign	<u>x</u>
	<u>x</u>
<i>Recoveries:</i>	
Domestic:	
Commercial, financial and agricultural	x
Real estate—construction	x
Real estate—mortgage	x
Installment loans to individuals	x
Lease financing	x
Foreign	<u>x</u>
	<u>x</u>
<i>Net charge-offs</i>	<u>x</u>
<i>Additions charge to operations</i>	<u>x</u>
<i>Balance at end of period</i>	<u>x</u>
<i>Ratio of net charge-offs during the period to average loans outstanding during the period</i>	<u>x</u>

Instructions.

- (1) The above table is not intended to mandate a specific format for disclosure of this information. Registrants are encouraged to experiment with various disclosure formats in the interest of effective communication of this data, however, all the required information must be given.
- (2) For each period presented, describe briefly the factors which influenced management's judgment in determining the amount of the additions to the allowance charged to operating expense. A statement that the amount is based on management judgment will not be sufficient.
- (3) If, in accordance with the instructions to paragraph III-A, information concerning loans has been presented in categories other than those specified in that paragraph, those other categories should be used to present the disclosures called for under this paragraph.
- (4) If the registrant is required to present separate data as to its foreign activities pursuant to General Instruction 7 to this Guide, disclosure must be provided as to the changes in the allowance for loan losses applicable to loans related to foreign activities, including the balances at the beginning and end of the periods, charge-offs, recoveries, and additions charged to operations.

B. At the end of each reported period, furnish a breakdown of the allowance for loan losses in the following format:

<i>Allocation of the Allowance for Loan Losses</i>		
	<u>Reported Period</u>	
<i>Balance at End of Period</i>		<i>Percent of loans</i>
<i>Applicable to:</i>	<i>Amount</i>	<i>in each category</i>
		<i>to total loans</i>
Domestic	\$X	X%
Commercial, financial and agricultural	X	X%
Real estate—construction	X	X%
Real estate—mortgage	X	X%
Installment loans to individuals	X	X%
Lease financing	X	X%
Foreign	X	X%
Unallocated	X	N/A
		100%

Instructions.

- (1) See instructions (1) and (3) to paragraph A above.
- (2) In lieu of the breakdown of the allowance for loan losses by loan category called for above, the registrant may furnish a narrative discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of the allowance for loan losses. The discussion may be extended to risk elements associated with particular loan categories or subcategories. Information should also be furnished as to the approximate anticipated amount of charge-offs by category during the next full year of operation.

V. *Deposits*

- A. For each reported period, present separately the average amount of and the average rate paid on each of the following deposit categories which are in excess of 10 percent of average total deposits:

Deposits in domestic bank offices;

- (1) Noninterest bearing demand deposits.
- (2) Interest bearing demand deposits.
- (3) Savings deposits.

(4) Time Deposits.

Deposits in foreign banking offices:

- (5) Banks located in foreign countries (including foreign branches of other U.S. banks).
 - (6) Foreign governments and official institutions.
 - (7) Other foreign demand deposits.
 - (8) Other foreign time and savings deposits.
- B. Categories other than those specified for deposits in domestic bank offices above may be used to present the types of domestic deposits if they more appropriately describe the nature of the deposits.
- C. If material, the registrant should disclose separately the aggregate amount of deposits by foreign depositors in domestic offices. Identification of the nationality of the depositors is not required.
- D. As of the end of the latest reported period, state the amount outstanding of 1) time certificates of deposit in amounts of \$100,000 or more and 2) other time deposits of \$100,000 or more issued by domestic offices by time remaining until maturity of 3 months or less; over 3 through 6 months; over 6 through 12 months; and over 12 months.
- E. As of the end of the latest reported period, state the amount outstanding of time certificates of deposits and other time deposits in amounts of \$100,000 or more issued by foreign offices. If the aggregate of such certificates of deposit and time deposits in amounts exceeding \$100,000 represents a majority of total foreign deposit liabilities, the disclosure need not be given provided that there is a statement that a majority of deposits were in amounts in excess of \$100,000.

VI. *Return on Equity and Assets*

For each reported period, present the following:

- (1) Return on assets (net income divided by average total assets).
- (2) Return on equity (net income divided by average equity).
- (3) Divided payout ratio (dividends declared per share divided by net income per share).
- (4) Equity to assets ratio (average equity divided by average total assets).

Instructions.

- (1) If mandatorily redeemable preferred stock is outstanding, furnish the ratios required under (2) and (4) above in a dual presentation including and excluding such stock in the calculations.
- (2) Registrants should supply any other ratios which they deem necessary to explain their operations.

VII. *Short-Term Borrowings*

For each reported period, present the following information for each category of short-term borrowings reported in the financial statements pursuant to §210.0-04.11:

- (1) The amounts outstanding at the end of the reported period, the weighted average interest rate thereon, and the general terms thereof;
- (2) The maximum amount of borrowings in each category outstanding at any month-end during each reported period;
- (3) The approximate average amounts outstanding during each reported period and the approximate weighted average interest rate thereon.

Instruction. This information is not required to be given for any category of short-term borrowings for which the average balance outstanding during the period was less than 30 percent of stockholders' equity at the end of the period.

Prospectus Relating to interests in Oil and Gas Programs

Guide 4.

The following disclosures should be included under appropriate captions:

1. *Summary of Program.* There should be set forth briefly on the cover page of the prospectus a summary which should include the following:
 - (1) *Terms of Offering:* State the title and general nature of the securities being offered; the maximum aggregate amount of the offering; the minimum aggregate amount necessary to initiate the program; the disposition of the funds raised if they are not sufficient for that purpose; the minimum subscription price; the period of the offering; any provisions for additional assessments; and a brief description of the proposed method of distribution, including the amount of any commission to be paid. If funds received from investors are not to be held in trust or in special account pending expenditure in the program, appropriate disclosures should be set forth including when appropriate reference to exposure to claims of creditors of the custodian of the funds. The tabular presentation specified in Item 501(c)(7) of Regulation S-K (§229.501(c)(7)) may be omitted;
 - (2) *Compensation:* Describe generally all cash or property interests that will be paid as compensation in connection with the program, including underwriting commission;
 - (3) *Participation in Costs and Revenues:* Show the percentages of expenditures to be borne, respectively, by the investors and by other parties, who should be briefly identified, and the percentages of revenues to be payable, respectively, to investors and to other parties, who should be briefly identified; and
 - (4) *Application of Proceeds:* Indicate the minimum dollar amount of net proceeds (excluding additional assessments) that will be available to finance the program and the proposed estimated percentages thereof to be used for financing the principal activities of the program, such as acreage acquisition, drilling of exploratory wells, drilling of development wells and purchase of producing properties.
2. *The Risk Factors.* The investor should be advised in a carefully organized series of short, concise paragraphs, under subcaptions where appropriate, of the risks he should consider before making an investment in the program and should include cross-reference to where in the prospectus further information may be found.
3. *Definitions.* Include an appropriate glossary of terms used in the prospectus which should not be inconsistent with their customary usage in the oil and gas industry.
4. *Terms of the Offering.* Describe the interests and the amount and terms of offering.
5. *Additional Assessments.* Describe those assessments which may be later required from investors either for completion of wells or for the drilling of additional wells and where available, historical information relating to past programs, of the registrant or its associates, should be shown, in tabular form, indicating for each program, the aggregate amount (excluding assessments) paid by investors, the aggregate amount of additional assessments separately required for (a) the completion of wells and (b) the drilling of additional wells.
6. *Plan of Distribution.* Describe how the interests being offered are to be sold, as well as arrangements for compensation.
7. *Proposed Activities.* Describe the proposed activities of the program in which the interests are being offered.
8. *Application of Proceeds.* Include an appropriate percentage estimate of the proceeds to be applied to the different purposes within each of the principal activities of the program, such as acreage acquisition, drilling of exploratory wells, drilling of development wells and the purchase of producing properties. Where possible, the information should be set forth in tabular form.
9. *Participation in Costs and Revenues.* Describe the arrangements and understandings with respect to the provision of funds for expenditures in connection with the program and with respect to participation in revenues from any production of minerals which may be realized. Where possible, the information should be set forth in tabular form.
10. *Compensation.* Describe, whether in the form of cash or property interests, the compensation for underwriting, managerial, and operational services to be rendered in connection with the program, as well as the sources from which such compensation will be

paid. Where possible, the information should be set forth in tabular form.

11. *Management*. Furnish the information required by Items 401 through 403 of Regulation S-K (§§229.401 through 403) as to the management and operating companies.
12. *Conflict of Interest*. Describe all conflicts of interest which may arise in the operations of the program involving parties engaged in the management and operation of the program.
13. *Prior Activities*. Describe in tabular form the results of programs during at least the past ten years of the registrant or its associates, indicating in appropriate detail for each of the programs (1) the drilling results thereof, and (2) for, respectively, (a) the public investors and (b) others, the total investment in each of such programs and the recovery on investment to date and for the last three months of the period covered, together with any other information as may be appropriate.
14. *Tax Aspects*. Discuss the tax consequences of oil and gas exploration, drilling and production, as well as Federal tax legislation which has been proposed. This may include, in tabular form, only historical information relating to past programs of the registrant or its associates, showing expenses deductible and income taxable.
15. Other captions should then follow, such as *Competition*, *Limited Partnership Agreement*, *Agent Agreement*, *Exploration Agreement*, and *Operating Agreement*, under which other required information is set forth.

Preparation of Registration Statements Relating to Interests in Real Estate Limited Partnerships

Guide 5.

References to the General Partner and its affiliates, also referred to as sponsors, are intended to include references to the General Partner(s), promoters of the partnership, and all persons that, directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, such General Partner(s) or promoters.

It is suggested that where appropriate, the information in the prospectus be presented in the same order as the following comments. Where the registrant believes that specific comments are not relevant or are otherwise inappropriate, the registrant should bring this to the staff's attention in a letter indicating the reasons therefor.

I. COVER PAGE

- A. The disclosure on the cover page should be as succinct and brief as possible.
- B. The cover page should set forth, in addition to basic information about the offering, the termination date of the offering, any minimum required purchase and any arrangements to place the funds received in an escrow trust or similar arrangement.
- C. The cover page should contain a tabular presentation of the total maximum and minimum interest to be offered:

	Price to Public	Selling Commissions	Proceeds to the Partnerships
Per Limited Partnership Interest			
Total Minimum			
Total Maximum			

- D. The cover page also should contain brief identification of the material risks involved in the purchase of the securities with cross-reference to further discussion in the prospectus. The most significant risk factors should be identified where applicable, for example:
 - i) Tax Aspects
For example:
There are material income tax risks associated with the offering.
 - ii) Use of Proceeds
For example:
The proceeds of the offering are insufficient to meet the requirements for funds as set forth in the partnership's

investment objectives.

iii) Conflicts of Interest

For example:

The operation of the partnership involves transactions between the partnership and the General Partner or its affiliates which may involve conflicts of interest.

2. SUITABILITY STANDARDS

Standards, if any, to be utilized by the registrant ("suitability standards") in determining the acceptance of subscription agreements should be described immediately following the cover page. Suitability standards should include those established by the registrant, if any, or by any self-regulatory organization or state agency having jurisdiction over the offering of the securities. Registrant should disclose the method(s) it intends to employ to assure adherence to the suitability standards by persons selling the interests and should briefly discuss the factors pertaining to the needs for such standards such as lack of liquidity (resale or assignment of securities), importance of the investor's Federal income tax bracket in terms of the tax-benefits to be derived, the long term nature of the investment and possible adverse tax consequences of premature sale of the interests. If suitability standards apply to resale of the interests, this should be discussed.

3. SUMMARY OF THE PARTNERSHIP AND USE OF PROCEEDS

A two-part, concise outline summary relating to the partnership and a tabular summary of use of proceeds should follow the Suitability section of the prospectus. These summaries may replace the Introductory Statement and Use of Proceeds Sections required by the relevant Form if such sections would merely repeat the information in the summaries.

- A. *Summary of the Partnership.* The following information should be disclosed in outline form with appropriate cross-references, where applicable:
- i) Name, address and telephone number of the General Partner and names of persons making investment decisions for the partnership;
 - ii) The intended termination date of the partnership;
 - iii) State, if true, that the General Partner and its affiliates will receive substantial fees and profits in connection with the offering;
 - iv) If current distributions are an investment objective, state the estimated maximum time from the closing date that the investor might have to wait to receive such distributions;
 - v) Describe briefly the properties to be purchased. If a material portion of the minimum net proceeds of the offering (allowing for reserves) is not committed to specific properties, so indicate;
 - vi) Describe the depreciation method to be used;
 - vii) State the maximum leverage expected to be used by the partnership as a whole and on individual properties, where it may differ;
 - viii) Include a cross-reference to the Glossary.
- B. *Use of Proceeds.* The use of proceeds tabular summary will vary according to the partnership but should include, where appropriate, estimates of the public offering expenses (both organizational and sales), the amount available for investment, non-recurring initial investment fees, prepaid items and financing fees, cash down payments, reserves, and acquisition fees including those paid by the seller. Estimated amounts to be paid to the General Partner and its affiliates should be identified. The summary should include both dollar amounts and percentages of the maximum and minimum proceeds of the offering. Inclusion of percentages of the estimated maximum and minimum total assets is optional. An example of a summary of Use of Proceeds is attached as Appendix I, but the summary will vary according to the circumstances.

4. COMPENSATION AND FEES TO THE GENERAL PARTNERS AND AFFILIATES

- A. This section should include a summary tabular presentation, itemizing by category and specifying dollar amounts where possible, of all compensation, fees, profits, and other benefits (including reimbursement of out-of-pocket expenses) which the General Partner and its affiliates may earn or receive in connection with the offering or operation of the partnership. If more detailed information is required it should be located in the Summary of Partnership Agreement section with cross-reference to that Summary. The presentation should identify the person, including affiliations with the General Partner, who will receive such compensation, fees, profits or

benefits and the services to be performed by such person.

The summary should be organized so as to indicate clearly whether the compensation relates to the offering and organizational stage, the developmental or acquisition stage, the operational stage or the termination and liquidation stage of the partnership. Separate subcaptions are recommended.

The type of compensation, fees, profits or other benefits that should be disclosed includes, but is not limited to, the following: disbursements incident to the purchase and sale of the limited partnership interests, including sales commissions, reimbursements for expenses, and real estate commissions; finder's fees; fees for property acquisitions, marketing or leasing up of properties, financing or refinancing, management of properties, insurance and miscellaneous services; commissions and other fees to be paid upon sale of the partnership's properties; participation by the General Partner in cash flow or profits and losses or capital gains and losses arising out of the operation, refinancing or sale of properties; fees or builder's profits; overhead absorption and/or land write-ups; and all profits on the purchase of investments for the partnership from the General Partner or its affiliates. If the partnership agreement limits the losses the General Partner and its affiliates can sustain, this should be discussed.

- B. Maximum aggregate dollar front-end fees to be paid during the first fiscal year of operations should be disclosed based upon the assumption that the partnerships maximum leverage is utilized.
- C. Where compensation arrangements are based upon a formula or percentage, the terms of such arrangements should be disclosed and illustrated. The assumptions underlying the dollar figures should be disclosed and the calculations underlying the figures should be submitted to the staff supplementally with the initial filing. Compensation based upon a given return (percentage of contributed investor capital) to investors should disclose whether such return is cumulative or non-cumulative.
- D. Where the General Partner or an affiliate receives a disproportionate interest in the partnership in relation to its own contribution, registrants attention is directed to Item 506 of Regulation S-K. A bar chart comparison of the various interests and contributors should be provided.

5. CONFLICTS OF INTEREST

- A. This section should include a summary of each type of transaction which may result in a conflict between the interests of the public investors and those of the General Partner and its affiliates, and of the proposed method of dealing with such conflict. The types of conflicts of interest which should be disclosed and discussed, if appropriate, include, but are not limited to:
 - i) The General Partner is a general partner or an affiliate of the general partner in other investment entities (public and/or private) engaged in making similar investments or otherwise makes or arranges for similar investments.
 - ii) The General Partner has the authority to invest the partnership's funds in other partnerships in which the General Partner or an affiliate is the general partner or has an interest.
 - iii) Properties in which the General Partner or its affiliates have an interest are bought from or partnership properties are sold to the General Partner or its affiliates or entities in which they have an interest. Where appraisals are used in connection with any such transaction, it would be made clear that appraisals are only estimates of value and should not be relied on as measures of realized value. If the appraiser is named as an expert, a consent to the use of his name should be furnished. If specific appraised values are included in the registration statement, the appraiser should be named as an expert, his consent furnished and the appraisals filed as exhibits to the registration statement. If a statement that the purchase price of the property does not exceed its appraised value is included and the appraiser is not named and specific values are not cited, there need not be furnished a consent to use the appraiser's name. In that event, a copy of the appraisal should be submitted supplementally with the registration statement. If any relationship exists between the appraiser and the General Partner or its affiliates this should be stated. If the General Partner intends to buy any properties in which the general partner or any of its affiliates have a material interest, such properties should be appropriately described in the prospectus along with the investment objectives of the partnership (see paragraph 10, Investment Objectives and Policies). If it is disclosed in the prospectus that the Partnership may purchase properties in which the General Partner or its affiliates have a material interest, but no properties are described, and such properties are thereafter purchased for the partnership, the General Partner will have the heavy burden of demonstrating that it did not intend to purchase such property at the time the registration statement became effective.
 - iv) The General Partner or its affiliates own or have an interest in properties adjacent to those to be purchased and developed by the partnership.
 - v) Affiliates of the General Partner who act as underwriters, real estate brokers or managers for the partnership, act in such capacities for other partnerships or entities.

- vi) An affiliate of the General Partner places mortgages for the partnership or otherwise acts as a finance broker or as insurance agent or broker receiving commissions for such services.
 - vii) An affiliate of the General Partner acts (a) as an underwriter for the offering, or (b) as a principal underwriter for the offering thereby creating conflicts in performance of the underwriter's due diligence inquiries under the Securities Act.
 - viii) The compensation plan for the General Partner may create a conflict between the interests of the General Partner and those of the partnership.
- B. An organization chart should be included in this section showing the relationship between the various organizations managed or controlled by the General Partner or its affiliates that will do business with the partnership where the relationships are so complex that a graphic display would assist investors in understanding such relationships.

6. FIDUCIARY RESPONSIBILITY OF THE GENERAL PARTNER

- A. A discussion of the fiduciary obligation owned by the General Partner to the Limited Partners should be set forth. The following disclosure is suggested with appropriate modification for the laws of the state of organization:

A General Partner is accountable to a limited partnership as a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs. This is a rapidly developing and changing area of the law and Limited Partners who have questions concerning the duties of the General Partner should consult with their counsel.

- B. Where the limited partnership agreement contains an exculpatory provision and/or the right to indemnification, the following disclosure is suggested, as modified to reflect the substance of such provisions:

Exculpation

- i) The General Partner may not be liable to the Partnership or Limited Partners for errors in judgment or other acts or omissions not amounting to willful misconduct or gross negligence, since provision has been made in the Agreement of Limited Partnership for exculpation of the General Partner. Therefore, purchasers of the interest have a more limited right of action than they would have absent the limitation in the Partnership Agreement.

Indemnification

- ii) The Partnership Agreement provides for indemnification of the General Partner by the Partnership for liabilities he incurs in dealings with third parties on behalf of the partnership. To the extent that the indemnification provisions purport to include indemnification for liabilities arising under the Securities Act of 1933, in the opinion of the Securities and Exchange Commission, such indemnification is contrary to the public policy and therefore unenforceable.

Registrant's attention is also directed to Items 510 and 512(i) of Regulation S-K relating to disclosure of indemnification agreements.

7. RISK FACTORS

- A. This section should include a carefully organized series of short, concise subcaptioned paragraphs, with cross-references to fuller discussion where appropriate, summarizing the principal risk factors applicable to the offering and to the partnership's particular plan of operations. The risk factors section should be brief.
- B. This subsection should summarize each material risk of adverse tax consequences with appropriate cross-references to fuller discussions in the Federal tax section. For example:
- i) Where no Internal Revenue Service (IRS) ruling as to partnership tax status has been applied for or obtained, the risk that the IRS may on audit determine that for tax purposes the partnership is an association taxable as a corporation, in which case, investors would be deprived of the tax benefits associated with the offering. As part of this disclosure, it should be stated that a

material risk of IRS classification as a corporate association may exist even though registrant relies on an opinion of counsel as to partnership tax status as such opinion is not binding on the IRS. It may also be stated that IRS classification of the partnership as a corporate association would deprive investors of the tax benefits of the offering only if the IRS determination is upheld in court or otherwise becomes final. Any such additional disclosure should explain that contesting an IRS determination may impose representation expenses on investors. (See Federal tax section, p. 12.)

- ii) Where the IRS has advised registrant that it proposes not to rule, or to rule adversely, on any tax issue as to which a ruling was applied for, the risk that investors may lose some or all tax benefits associated with the offering. (See Federal tax section, p. 12.)
- iii) The risk that after some years of partnership operations an investor's tax liabilities may exceed his cash distributions in corresponding years and that to the extent of such excess the payment of such taxes will be out-of-pocket expenses.
- iv) Upon a sale or other disposition (e.g., by gift) of a partnership interest or, upon a sale (including a foreclosure sale) or other disposition of partnership property, the risk that an investor's tax liabilities may exceed the cash he receives and that to the extent of such excess the payment of such taxes will be out-of-pocket expenses. The disclosure should indicate to what extent the gain may be taxed as ordinary income, to what extent as capital gain. (See Federal tax section, p. 19.)
- v) The risk that an audit of the partnership's information return may result in an audit of an investor's own tax return. (See Federal tax section, p. 20.)

C. Risk factors relating to the specific partnership might include, where applicable:

- i) Management's lack of relevant experience, or management's lack of success with similar partnerships or other real estate investments;
- ii) Where the proceeds of the offering will be insufficient to meet the requirements of the partnership's investment objectives, a discussion of the additional sources of capital for the partnership and of the risk of not being able to satisfy the partnership's objectives as a result of not obtaining additional necessary funds;
- iii) Where the partnership has high risk investment objectives, including high leveraging, these should be explained;
- iv) The risk that no public market for interests is likely to develop and that holders of interests may not be able to liquidate their investment quickly;
- v) Risks associated with contemplated rent stabilization programs, fuel or energy requirements or regulations, and construction in areas that are subject to environmental or other federal, state or local regulations, actual or pending;
- vi) Where a material portion of the minimum net proceeds of the offering is not committed to specific properties, disclosure of the particular risk associated with an investment in such an offering. Such disclosure should include the increased uncertainty and risk to investors since they are unable to evaluate the manner in which the proceeds are to be invested and the economic merit of the particular real estate projects prior to investment. Also it should be disclosed that there may be a substantial period of time before the proceeds of the offering are invested and therefore a delay to investors in receiving a return on their investment.

D. Risk factors relating to real estate limited partnership offerings in general should be briefly discussed after those relating to the specific partnership. Such risks might include, where applicable: the risks associated with the ownership of real estate, including uncertainty of cash flow to meet fixed and maturing obligations, adverse local market conditions, risks of "leveraging," and uninsured losses.

8. PRIOR PERFORMANCE OF THE GENERAL PARTNER AND AFFILIATES

A narrative summary of the "track record" or prior performance of programs sponsored by the General Partner and its affiliates ("sponsors") containing the information set forth below should be included in the text of the prospectus. Tables following the format of those in Appendix II, relating to historical use of proceeds of prior programs, compensation to the sponsors, operations of prior programs, and acquisitions and sales of properties by prior programs, should be included at the back of the prospectus or in Part II of the registration statement as specified in paragraph B "Prior Performance Tables" hereunder.

Sponsors are urged not to include in the prospectus information about prior performance beyond that required by this Guide except for such further material information as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

Terms used in the Guide. “Public” programs include all offerings registered under the Securities Act of 1933, all programs required to report under Section 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”), all programs with a class of equity securities registered pursuant to Section 12(g) of the Exchange Act, and all other programs with at least 300 security holders of record that initially raised at least \$1 million.

Programs with “similar investment objectives” are those with similar objectives as set forth in the prospectus. Generally, the sponsor has the responsibility to determine which previous programs had “similar investment objectives,” taking into consideration the materiality of information about the prior programs in analyzing the registrant’s proposed activities.

A sponsor would be considered to have a “public track record” if it has sponsored at least three programs with investment objectives similar to those of the registrant that filed reports under Section 13(a) or Section 15(d) of the Exchange Act and at least two public programs with investment objectives similar to those of the registrant that had three years of operations after investments of 90% of the amount available for investment. In addition, at least two of the public offerings for programs with investment objectives to those of the registrant must have closed in the previous three years.

A. *Narrative Summary.*

1. The narrative summary in the text of the prospectus should include a description of the sponsor’s experience in the last ten years with all other programs, both public and nonpublic, that have invested primarily in real estate, regardless of the investment objectives of the programs. This summary should include at least (a) the number of programs sponsored, (b) the total amount of money raised from investors, (c) the total number of investors, (d) the number of properties purchased and location by region, (e) the aggregate dollar amount of property purchased, (f) the percentage (based on purchase prices rather than on number) of properties that are commercial (broken out by shopping centers, office buildings and others) and residential, (g) the percentage (based on purchase prices) of new, used or construction properties, and (h) the number of properties sold. Aggregate figures should be presented separately for public and nonpublic programs. In addition, the narrative should indicate the approximate percentage of the overall data that represents activities of programs with investment objectives similar to those of the registrant. The summary also should cross-reference the prior performance tables.
2. The narrative summary should include a discussion of those major adverse business developments or conditions experienced by any prior program, either public or nonpublic, that would be material to investors in this program. The narrative summary also should include a cross-reference to further information that may be found in Appendix II as part of Table III.
3. The narrative summary should include a list of all prior public programs sponsored by the General Partner and its affiliates and an undertaking to provide upon request, for no fee, the most recent Form 10-K Annual Report filed with the Commission by any prior public program that has reported to the Commission within the last twenty-four months and to provide, for a reasonable fee, the exhibits to each such Form 10-K.
4. The narrative summary should include a summary of acquisitions of properties by programs in the most recent three years as set forth in Table VI of Appendix II. The summary should include the number of properties purchased, the type, location and method of financing. Reference should be made to the more detailed description of these acquisitions in Part II of the registration statement, and the registrant should undertake to provide the more detailed description from Part II without fee upon request.

- B. *Prior Performance Tables.* The information required by the tables set forth in Appendix II should be included in the format shown. Tables should appear at the back of the prospectus except for Table VI, which should appear only in Part II of the registration statement. The instructions to the tables specify the programs and time periods about which information is required.

9. MANAGEMENT

- A. If a material portion of the maximum net proceeds (allowing for reserves) is not committed to specific properties, disclosure should be made of the identity of the individuals who will make the investment decisions with appropriate background information including that required by Item 401(f) of Regulation S-K.
- B. Any substantial reliance on a nonaffiliate in running the operations of the partnership should be disclosed and any relevant prior experience should be discussed. If material amounts of compensation or fees are to be paid to nonaffiliates, a separate heading should be provided entitled, “Fees and Compensation Arrangements with Nonaffiliates” and a tabular presentation describing such fees should be provided.
- C. If there is provision in the partnership agreement or otherwise for a change in the management of the partnership, a description of how such change could be accomplished should be included.
- D. The amount of, and reason for, any contingent liabilities of the General Partner and its affiliates with regard to prior programs now

in existence should be disclosed. If this information appears in the financial statements it may be incorporated hereunder by reference.

10. INVESTMENT OBJECTIVES AND POLICIES

- A. Disclosure should be made of the nature of the property intended to be purchased (e.g., commercial, residential) and the criteria (e.g., method of depreciation, location) to be utilized in evaluating proposed investments.
- B. If there is provision in the partnership agreement or otherwise for change in the investment objectives of the partnership, a description of how such change could be made should be included.
- C. Generally, where the net proceeds of the offering will be invested in non-specified properties or in properties that do not have any significant operating histories, it is not appropriate to make any statement setting forth a rate of return on the investment.

11. DESCRIPTION OF REAL ESTATE INVESTMENTS

- A. Risks associated with specified properties, such as competitive factors, environmental regulation, rent control regulation, fuel or energy requirements and regulation should be noted.
- B. If a material portion of the minimum net proceeds (allowing for reasonable reserves) is not committed to specific properties, the issuer should clearly so indicate in the prospectus.

Where a reasonable probability exists that a property will be acquired and the funds to be expended represent a material portion of the net proceeds of the minimum offering, the issuer should describe such property in the registration statement at the time of filing. Where after the registration statement has been filed but prior to its effectiveness a reasonable probability arises that a property will be acquired, a description of such property should be included in a pre-effective amendment to the registration statement. Where a reasonable probability that a property will be acquired arises after the effectiveness of the registration statement and during the distribution period, a 424(c) supplement or post-effective amendment, as appropriate, should be promptly filed. (See Undertaking D.)^{*} Whether adequate disclosure of properties to be acquired has been timely made can only be determined by an examination of the facts in each case. This may vary due to different business practices particular to each issuer. Thus, as in other situations, the burden of making adequate and timely disclosure rests solely with the issuer.

It has come to the staff's attention that on a number of occasions issuers have identified properties to be purchased and have delayed proceeding with the purchase in order to avoid the necessary disclosure. In the staff's opinion, such practice is not consistent with the obligation of the issuer to disclose material facts relating to the offering.

12. FEDERAL TAXES

- A. *General Instructions.* This section should summarize under a series of appropriate headings all material Federal income tax aspects of the offering. State tax aspects need usually be summarized only to the extent required by Subsection L, below. Proper citations should be used whenever reference is made to sections of the Internal Revenue Code (the "Code"), the Treasury regulations, decided cases or other sources. An opinion of counsel as to all material tax aspects of the offering should be filed as an exhibit. Such opinion should cite relevant authority for any conclusions expressed. The tax sections of the prospectus should summarize or restate the tax information contained in the opinion.

The function of the tax opinion is to inform investors of the tax consequences they can reasonably expect from an investment in the partnership. If, with respect to an intended tax benefit, counsel are unable to express an opinion that such benefit will be available because of uncertainty in the law or for other reasons, the opinion should so state and also disclose that there is or may be a material tax risk the particular benefit will be disallowed on audit. The tax effect of such disallowance should be explained. Each material risk of disallowance of an intended tax benefit should be disclosed in the tax opinion and under the appropriate heading in the prospectus. Tax counsel should be aware that their opinion speaks as of the effective date of the registration statement. Such opinion should be updated for any material changes or events occurring subsequent to filing and prior to the effective date. Ruling requests (including amendments) and rulings should also be filed as exhibits with the original filing, or by amendment as soon thereafter as available.

- B. *Partnership Status.* This subsection should state whether an IRS ruling has been requested as to the entity's classification as a partnership for Federal income tax purposes. The contents of any ruling, including any conditions therein, should be summarized. Where a

ruling or opinion of counsel as to partnership status is conditioned on the maintenance of certain net worth or other standards, there should be disclosure as to how these standards will be maintained in the future. If no IRS ruling as to partnership tax status has been requested or obtained, counsel's opinion as to partnership tax status should be summarized and the risk of IRS classification of the entity as a corporate association, referred to in the Risk Factors section, should be discussed.

- C. *Taxation of Limited Partners.* Insofar as necessary to an understanding of the intended tax benefits and any material risks of their disallowance, this subsection should summarize basic rules of partnership taxation, e.g., that a partnership is not a taxable entity, that a partner will be required to report on his Federal tax return his distributive share of partnership income, gain, loss, deductions or credits, whether or not any actual distribution is made to such partner during his taxable year. The tax treatment of cash distributions to partners should also be explained.

If the partnership agreement provides special allocations among partners of distributive shares of income, gain, loss, deductions or credits, this subsection should set forth an opinion of counsel to the effect that the principal purpose of the allocations is not tax avoidance or evasion under Code Sec. 704(b)(2), and/or a risk disclosure to the effect that the IRS may on audit disallow any special allocation which it determines to have tax avoidance or evasion as its principal purpose. The tax consequences to partners of disallowance of a special allocation should be explained. Where applicable, the tax consequences of retroactive allocations to new partners should be discussed.

- D. *Basis.* This subsection should explain that a partner may deduct his share of partnership losses only to the extent of the adjusted basis of his interest in the partnership. Inclusion of a partner's share of the partnership's nonrecourse debt in the adjusted basis of his partnership interest should be explained. If there is a question as to whether the partnership's nonrecourse debt will enter into bases of the limited partners' interest, that should be disclosed.

Where appropriate, there should be an explanation of the consequences to a limited partner of a reduction in his share of the partnership's nonrecourse debt as may result, for example, from a change in his profit sharing ratio.

- E. *Depreciation and Recapture.* This subsection should explain the method or methods of depreciation to be used by the partnership on its depreciable property as well as the basis for determining useful lives of such property. Any material risks that the IRS may challenge useful lives chosen by the partnership should be disclosed together with an explanation of the possible tax consequences of applying longer useful lives to partnership property. If methods of depreciation available only to a "first-user" are to be utilized, the basis of such "first-user" status should be explained. Depreciation recapture may be explained here with appropriate cross-reference to subsections on Sale or Other Disposition of Partnership Property and Sale or Other Disposition of a Partnership Interest.

- F. *Deductibility of Prepaid and Other Expenses.* As to prepaid interest, possible nondeductibility in the year of payment should be discussed. It should be explained that if a partnership takes a large deduction for prepaid interest in its first year of operation, having little or no income in such year, the IRS may determine that the prepayment created a material distortion of income at the partnership level and require that it be allocated over the term of the loan.

As to other material partnership expenses (e.g., interim commitment fees, management fees, permanent mortgage fees, etc.) it should be stated which are deductible, which are nondeductible and as to which deductibility is uncertain. Where applicable, the possible nondeductibility of guaranteed payments under Code Sec. 707(c) should be discussed.

- G. *Tax Liabilities in Later Years.* This subsection should discuss the Risk Factors disclosure that after some years of partnership operations an investor's tax liabilities may exceed cash distributions in corresponding years. The tax problems that will arise after partnership property reaches the point where the partnership's nondeductible mortgage amortization payments exceed its depreciation deductions (the crossover point) should be explained.

It should also be explained that where partnership losses offset an investor's earned income at a 50 percent rate, partnership income in later years may be taxed to the investor at a higher rate.

- H. *Sale or Other Disposition of a Partnership Interest.* This subsection should begin with a restatement of the Risk Factors disclosure that an investor may be unable to sell his partnership interest as there may be no market for it. The subsection should then discuss the Risk Factors disclosure that taxes payable on a sale of a partnership interest may exceed cash received. The discussion should explain the tax effect on a partner of being relieved from his share of the partnership's nonrecourse liabilities. The discussion should also state to what extent the gain recognized will be taxed as ordinary income, to what extent as capital gain.

Whether or not the partnership plans to make the Sec. 754 election should be disclosed together with an explanation of the possible tax consequences on a transferee Limited Partner should the election not be made.

This subsection should also explain that a gift of an interest in a partnership holding leveraged property may result in Federal income tax (as well as Federal gift tax) liability to the donor. It should be explained that the IRS is likely to consider that a partner who gives away his partnership interest is relieved of his share of the partnership's nonrecourse liabilities and that he may realize a taxable gain on the gift to the extent that his share of such liabilities exceeds his adjusted basis in his partnership interest. It should

be stated to what extent the gain will be taxed as ordinary income, to what extent as capital gain.

- I. *Sale or Other Disposition of Partnership Property.* This subsection may use cross-reference to, or be combined with, subsection H in order to avoid repetition.

The subsection should discuss the Risk Factors disclosure that upon a sale (including a foreclosure sale) or other disposition of partnership property an investor's tax liability may exceed cash he would receive. The discussion should explain that the amount received by the partnership on sale (including a foreclosure sale) or other disposition of property will include any nonrecourse indebtedness to which the property was subject. It should be stated to what extent the gain will be taxed as ordinary income, to what extent as capital gain.

If appropriate, the tax treatment of dealer property should be explained. Should the sale of condominium units by the partnership be contemplated, it should be pointed out such units may be treated as dealer property.

- J. *Section 183.* The possible impact of this Code section on investors lacking a profit objective in investing in any tax shelter program which is expected to generate annual net losses for tax purposes for a period of years should be discussed. The discussion should note that the section may apply to the Limited Partners of a partnership notwithstanding any profit objective the partnership itself may be deemed to have.
- K. *Liquidation or Termination of the Partnership.* The tax consequences to a Limited Partner of partnership liquidation or termination should be explained.
- L. *State, Local and Foreign Taxes.* It should be disclosed whether partners will be required to file tax returns and/or be subject to tax in any state or states other than their state of residence, or in any foreign countries. Where applicable, state and foreign tax rates should be noted.
- M. *Tax Returns and Tax Information.* It should be disclosed what kind of tax information will be supplied to Limited Partners and when, and whether the same kind of information will also be supplied to assignees who are not substitute limited partners.

It should be explained that the information return filed by the partnership may be audited and that such audit may result in adjustments or proposed adjustments. Any adjustment of the partnership information return would normally result in adjustments or proposed adjustments of a partner's own return. Any audit of a partner's return could result in adjustments of nonpartnership as well as partnership income and losses.

- N. *Other Headings.* Where applicable the tax section should also discuss the limitation on deductions of investment interest, the minimum tax on tax preference income, the impact of tax preference items on the maximum tax on earned income, and any other tax information deemed material in the particular offering.

13. GLOSSARY

If terms are used in the prospectus that are technical in nature or are susceptible to varying methods of computation, e.g., acquisition fees, book value, capital contribution, cash flow, cash available for distribution, construction fees, cost of property, development fee, net worth, organization and offering expenses, profit, partnership management fee and property management fee, definitions should be provided. For purposes of uniformity, it is suggested that these definitions conform to those that appear in the Statement of Policy Regarding Real Estate Programs of the North American Securities Administrators Association, or that any variations, and the economic effect thereof, be disclosed.

14. SUMMARY OF PARTNERSHIP AGREEMENT

A brief summary of the material provisions of the Limited Partnership Agreement should be included.

15. REPORTS TO LIMITED PARTNERS

The registrant should identify all reports and other documents that will be furnished to Limited Partners as required by the partnership's Limited Partnership Agreement and the undertakings to the registration statement. In particular, registrant should disclose: (1) whether the financial information contained in such reports will be prepared on an accrual basis in accordance with generally accepted accounting principles, with a reconciliation with respect to information furnished to limited partners for income tax purposes; (2) whether independent certified public accountants will audit the financial statements to be included in the annual report; (3) whether the annual report will be provided to limited partners within 90 days following the close of the partnership's fiscal year; (4) that a detailed statement of any transactions with the General Partner or its affiliates, and of fees, commissions, compensation and other benefits paid, or accrued to the General Partner or its affiliates for

the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed, will be furnished to each limited partner at least on an annual basis pursuant to the registrant's undertaking; (5) that the information specified by Form 10-Q (if such report is required to be filed with the Commission) will be furnished to limited partners within 45 days after the close of each quarterly fiscal period pursuant to the registrant's undertaking; and (6) if the registrant has applied for, but not received an IRS ruling as to the tax status at the time of effectiveness of the registration statement, that the registrant will promptly notify each limited partner, in writing, pursuant to its undertaking of the receipt of the ruling or of an adverse ruling or refusal to rule by the IRS.

16. THE OFFERING-DESCRIPTION OF THE UNITS

In addition to the disclosure required by the relevant items of Form S-1 or S-11, disclosure should be made of all restrictions on transfer of the interests, including those in the Partnership Agreement, those imposed by state suitability standards or blue sky laws, and those resulting from the tax laws.

17. REDEMPTION, REPURCHASE AND RIGHT OF PRESENTMENT AGREEMENTS

There should be a discussion of any provisions in the partnership agreement that allow the General Partner or its affiliates to redeem or repurchase the offered security or that allow the investor to seek redemption or repurchase. The conditions or formulae used, e.g., purchase price less capital returns, should also be disclosed. Registrant should be careful to appropriately describe the investor's right — whether it be redemption, repurchase, or merely a right of presentment. The discussion should include the following factors:

- (1) The appraisals are simply estimates of value and may not necessarily correspond to realizable value;
- (2) The order in which redemption requests will be honored (post mark or other objective standard);
- (3) Whether the General Partner and its affiliates will defer their redemption requests until requests for redemption by the Limited Partner public investors have been met;
- (4) The source and amount of funds (together with any legal or practical limitations) available for this purpose;
- (5) The circumstances under which a later request will be honored, while an earlier request is still pending;
- (6) Tax consequences related to redemption;
- (7) The period of time during which a redemption request may be pending prior to its being granted or rejected;
- (8) Whether there is to be allocation of funds among partners requesting redemption in circumstances where redemption requests exceed funds available for this purpose. If so, state and briefly describe the allocation process;
- (9) Whether Limited Partners must hold an interest in the partnership for a specified period prior to making a redemption request; and
- (10) A detailed statement of the procedure that must be followed in order to redeem or seek repurchase of the interest, including the forms that must be presented, and whether signature guarantees will be required.

18. PLAN OF DISTRIBUTION

- A. If there is an understanding or arrangement, whether written or oral, between the registrant and any broker or dealer, relating to the distribution of the interests, which is intended to be finalized after effectiveness of the registration statement, such understanding or arrangement should be disclosed.
- B. If, after the registration statement becomes effective, the registrant enters into any selling arrangement which calls for the payment of more than the usual and customary compensation, a sticker supplement (Rule 424(c)) describing such arrangement should be filed.
- C. If the registrant intends to pay referral or similar fees to any professional or other persons in connection with the distribution of the interests, this fact should be disclosed.
- D. If the General Partner or its affiliates intend to purchase interests, and such interests will be included in satisfying the minimum offering requirements, it should be disclosed whether such interests are intended to be resold, and if so, the period of time these interests will be held prior to being resold. Depending on the circumstances, such interests may be considered to be unsold allotments under

19. SUMMARY OF PROMOTIONAL AND SALES MATERIAL

- A. The sales material should present a balanced discussion of both risk and reward. The contents of the sales material or sales meetings or seminars should be consistent with the representations in the prospectus.
- B. A section which identifies all written sales material proposed to be transmitted to prospective investors orally or in writing should be included. The sales material should be appropriately identified by title and character and should be separately categorized either as the registrant's material or that of another person. If material provided by the latter is to be used, state the name of the author and publication and the date of prior publication, if any, identify any persons who are quoted without being identified, and, except in the case of a public official document or statement, state whether or not the consent of the author and publication have been obtained for the use of the material as sales material. Sales materials include memoranda, summary descriptions, graphics, supplemental exhibits, media advertising, charts and pictures relating to the offering of the security and proposed to be transmitted to prospective investors.
- C. If any other material is to be used subsequent to the effective date, a "sticker" supplement (424(c) prospectus) should be filed to describe any such sales material.
- D. Any sales material that is intended to be furnished to investors orally or in writing, other than that which is used for internal purposes of the registrant, and including all material described in paragraph B above, should be submitted to the staff supplementally, prior to its use. For purposes of this paragraph only, sales material includes all marketing memoranda that are sent by the General Partner or its affiliates to broker/dealers or other sales personnel and may include material labeled "for broker/dealer use only." Staff comments, if any, will be promptly communicated to the registrant. Registrant should check with the staff before using sale material that has been submitted to the staff.
- E. Wherever public sales meetings or seminars are to be employed to discuss the offering, individually or in conjunction with other tax sheltered offerings, the staff should be provided, as supplemental information, copies of any written scripts or outlines which are prepared for use in such meetings a reasonable time prior to their use.
- F. Reference in sales material or at such sales meetings or seminars to Federal income tax treatment of the partnership and its investors should refer to either a ruling of the IRS or an opinion of counsel. Counsel should be named, his acknowledgement furnished supplementally with respect to such use, and any qualification contained in counsel's opinion should be referred to in such material by cross-referencing to the prospectus. Where the program has not sought a ruling as to the tax status (partnership) from the IRS and is relying on an opinion of counsel, it should be indicated that an opinion of counsel is not binding on the IRS.

20. UNDERTAKINGS

- A. The following undertaking should be included in the registration statement if the securities to be registered are to be offered in a continuous offering over an extended period of time:

The registrant undertakes (a) to file any prospectuses required by Section 10(a)(3) as post-effective amendments to the registration statement, (b) that for the purpose of determining any liability under the Act each such post-effective amendment may be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time may be deemed to be the initial bona fide offering thereof, (c) that all post-effective amendments will comply with the applicable forms, rules and regulations of the Commission in effect at the time such post-effective amendments are filed, and (d) to remove from registration by means of a post-effective amendment any of the securities being registered which remain at the termination of the offering.

- B. The following undertaking should be included in every registration statement:

The registrant undertakes to send to each limited partner at least on an annual basis a detailed statement of any transactions with the General Partner or its affiliates, and of fees, commissions, compensation and other benefits paid, or accrued to the General Partner or its affiliates for the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed.

- C. The following undertaking should be included in every registration statement:

The registrant undertakes to provide to the limited partners the financial statements required by Form 10-K for the first full fiscal year of operations of the partnership.

- D. The following undertakings relating to investment of the proceeds of an offering in which a material portion of the maximum net proceeds (allowing for reasonable reserves) is not committed (i.e., subject to a binding purchase agreement) to specific properties should be included in the registration statement:

The registrant undertakes to file a sticker supplement pursuant to Rule 424(c) under the Act during the distribution period describing each property not identified in the prospectus at such time as there arises a reasonable probability that such property will be acquired and to consolidate all such stickers into a post-effective amendment filed at least once every three months, with the information contained in such amendment provided simultaneously to the existing Limited Partners. Each sticker supplement should disclose all compensation and fees received by the General Partner(s) and its affiliates in connection with any such acquisition. The post-effective amendment shall include audited financial statements meeting the requirements of Rule 3-14 of Regulation S-X only for properties acquired during the distribution period.

The registrant also undertakes to file, after the end of the distribution period, a current report on Form 8-K containing the financial statements and any additional information required by Rule 3-14 of Regulation S-X, to reflect each commitment (i.e., the signing of a binding purchase agreement) made after the end of the distribution period involving the use of 10% or more (on a cumulative basis) of the net proceeds of the offering and to provide the information contained in such report to the Limited Partners at least once each quarter after the distribution period of the offering has ended.

Note - Offers and sales of the interests may continue after the filing of a post-effective amendment containing information previously disclosed in sticker supplements to the prospectus, as long as the information disclosed in a current sticker supplement accompanying the prospectus is as complete as the information contained in the most recently filed post-effective amendment.

- E. If the registrant has applied for a ruling from the IRS as to tax status, and has not received it at the time of effectiveness:

The registrant undertakes to promptly notify each limited partner, in writing, of the receipt of the ruling or of an adverse ruling or refusal to rule by the IRS, and undertakes to file with the Commission a Form 8-k describing such event.

APPENDIX I **EXAMPLE OF SUMMARY OF THE USE OF PROCEEDS SECTION** **Estimated Application of Proceeds of This Offering**

	<i>Minimum Dollar Amount</i>	<i>Per Cent</i>	<i>Maximum Dollar Amount</i>	<i>Per Cent</i>
Gross Offering Proceeds	\$	100.00%	\$	100.00%
Public Offering Expenses:				
Underwriting Discount and				
Commissions Paid to Affiliate				
Organizational Expenses ¹				
Amount Available for Investment	\$	%	\$	%

Prepaid Terms and Fees Related to

Purchase of Property ²				
Cash Down Payment (Equity)				
Acquisition Fees (Real Estate Commissions) ³				
Working Capital Reserve				
Proceeds Invested.....				
Public Offering Expenses.....				
Total Application of Proceeds	\$	%	\$	%

The Corporate General Partner and its affiliates may receive a maximum of \$ (%) if the minimum dollar amount is sold and \$ (%) if the maximum dollar amount is sold from the sellers of the properties as Real Estate Commissions on purchases of properties. Real estate commissions are normally paid by the seller of a property rather than the buyer. However, the price of a property will generally be adjusted upward to take into account this obligation of the seller so that in effect the Partnership, as purchaser, will bear all or a portion of the commission in the purchase price of the property. The partnership also expects to pay commissions in connection with the sale of properties which will reduce the net proceeds to the Partnership of any such sales.

APPENDIX II

PRIOR PERFORMANCE TABLES

Instructions to Appendix II

1. The prior performance tables should be preceded by a narrative introduction that cross-references the narrative summary in the text, explains the significance of the track record and the tables, explains where additional information (Part II of the registration statement or Form 10-K Annual Reports for prior programs) can be obtained on request and includes a glossary of terms used in the tables.

This introduction also should include a discussion of the factors the sponsor considered in determining which previous programs had “similar investment objectives” to those of the registrant.

2. Each of the tables should be introduced by a brief narrative explaining the objective of the table and what it covers so that the investor will be able to understand the significance of the information presented. There also should be set forth with or in each table any further material information that may be necessary to make the required tabular data, in light of the circumstances under which it is presented, not misleading.

¹ Includes a \$ non-recurring organization fee to be received by the Corporate General Partner and legal, accounting, printing and other expenses of this offering. To the extent, if any, that expenses of the offering exceed \$ per interest, the excess will be paid by.

² Includes prepaid interest, points, loan commitment fees and legal and other costs of acquisition. The percentage of such items to be capitalized is...%

³ “Real Estate Commission” is defined as the total of all fees and commissions paid by any person to any person, including the Corporate General Partner or affiliates in connection with the selection, purchase, construction or development of any property by the Partnership, whether designated as real estate commission, acquisition fees, finders fees, selection fees, development fees, construction fees, non-recurring management fees, consulting fees or any other similar fees or commissions howsoever designated and howsoever treated for tax or accounting purposes. (See “Compensation to Management.” Page .)

Table I. *Experience in Raising and Investing Funds (on a percentage basis)*

Instructions:

1. Include information only for programs the offering of which closed in the most recent three years.
2. Sponsors with a “public track record” should include information relating only to public programs with investment objectives similar to those of the registrant.
3. If the sponsor does not have a “public track record,” information must be given for each prior program, public or nonpublic, with investment objectives similar to those of the registrant. If the sponsor has not sponsored at least five such programs, then information must be given for each prior program, public or nonpublic, even if the investment objectives for those programs are not similar to those of the registrant. In that case, nonpublic programs with investment objectives that are not similar to those of the registrant should be grouped together according to investment objective and information about those programs presented on an aggregate basis by year. If so presented, the number of programs that have been aggregated should be disclosed. The sponsor also should indicate by note if the investment objectives of any program are not similar to those of the registrant and should briefly describe those investment objectives.

Program X Program Y

Dollar amount offered
Dollar amount raised (100%)
Less offering expenses:
 Selling commissions and discounts retained by affiliates
 Organizational expenses
 Other (explain)
Reserves
 Percent available for investment
Acquisition costs:
 Prepaid items and fees related to purchase of property
 Cash down payment
 Acquisition fees
 Other (explain)
Total acquisition cost
Percent leverage (mortgage financing divided by total acquisition cost)
Date offering began
Length of offering (in months)
Months to invest 90% of amount available for investment
 (measured from beginning of offering)

Table II. *Compensation to Sponsor*

Instructions:

1. Include in a separate column for each program aggregated payments made to the sponsor only by real estate programs the offering of which closed in the most recent three years. Include in another separate column aggregate payments to the sponsor in the most recent three years from all other programs and indicate the number of programs involved.
2. Sponsors with a “public track record” should include information relating only to public programs with investment objectives similar to those of the registrant.
3. If the sponsor does not have a “public track record,” information must be given for each prior program, public or nonpublic, with investment objectives similar to those of the registrant. If the sponsor has not sponsored at least five such programs, then information must be given for each prior program, public or nonpublic, even if the investment objectives for those programs are not similar to those of the registrant. In that case, nonpublic programs with investment objectives that are not similar to those of the registrant should be grouped together according to investment objective and information about those programs presented on an aggregate basis by year. If so presented, the number of programs that have been aggregated should be disclosed. The sponsor also should indicate by note if the investment objectives of any program are not similar to those of the registrant and should briefly describe those investment objectives.

4. The cable should include any real estate commissions and other fees paid to the sponsor in connection with the acquisition or disposition of any properties by the program by entities other than the program itself.

<i>Type of Compensation</i>	<i><u>Program X</u></i>	<i><u>Program Y</u></i>	<i><u>Other Programs</u></i>
Date offering commenced			
Dollar amount raised			
Amount paid to sponsor from proceeds of offering:			
Underwriting fees			
Acquisition fees			
— real estate commissions			
— advisory fees			
— other (identify and quantify)			
Other			
Dollar amount of cash generated from operations before deducting payments to sponsor			
Amount paid to sponsor from operations:			
Property management fees			
Partnership management fees			
Reimbursements			
Leasing commissions			
Other (identify and quantify)			
Dollar amount of property sales and refinancing before deducting payments to sponsor			
— cash			
— notes			
Amount paid to sponsor from property sales and refinancing:			
Real estate commissions			
Incentive fees ¹			
Other (identify and quantify)			

Table III. Operating Results of Prior Programs

Instructions:

1. Include information only for programs the offerings of which closed in the most recent five years. Financial data for each program should be presented separately for each year.
2. Sponsors with a “public track record” should include information relating only to public programs with investment objectives similar to those of the registrant.
3. If the sponsor does not have a “public track record,” information must be given for each program, public or nonpublic, with investment objectives similar to those of the registrant. If the sponsor has not sponsored at least five such programs, then information must be given for each prior program, public or nonpublic, even if the investment objectives for those programs are not similar to those of the registrant. In that case, nonpublic programs with investment objectives that are not similar to those of the registrant should be grouped together according to investment objective and information about those programs presented on an aggregate basis by year. If so presented, the number of programs that have been aggregated should be disclosed. The sponsor also should indicate by note if the investment objectives of any program are not similar to those of the registrant and should briefly describe those investment objectives.

¹ Explain subordinated commissions in a note.

4. Information should be presented on the basis of generally accepted accounting principles (“GAAP”) where indicated. However, where information about nonpublic programs is required to be included, such information may be presented on a tax basis if the program’s books have not been kept on a GAAP basis. If there are any significant differences in operating results between accounting on a tax and GAAP basis, they should be explained. This explanation should provide the reader with any additional information about the particular programs presented that may be necessary to make the information contained in the Table not materially misleading in light of the circumstances under which the information is given.

<i>Program X</i> —		
year	year	year
1	2	3

Gross Revenues
Profit on sale of properties
Less: Operating expenses
Interest expense
Depreciation
Net Income — GAAP Basis
Taxable Income
— from operations
— from gain on sale
Cash generated from operations ¹
Cash generated from sales
Cash generated from refinancing
Cash generated from operations, sales and refinancing
Less: Cash distributions to investors
— from operating cash flow
— from sales and refinancing
— from other
Cash generated (deficiency) after cash distributions
Less: Special items (not including sales and refinancing) (identify and quantify)
Cash generated (deficiency) after cash distributions and special items
Tax and Distribution Data Per \$1000 Invested
Federal Income Tax Results:
Ordinary income (loss)
— from operations
— from recapture
Capital gain (loss)
Cash Distributions to Investors Source (on GAAP basis)
— Investment income
— Return of capital
Source (on cash basis)
— Sales
— Refinancing
— Operations
— other
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the Table (original total acquisition cost of properties retained divided by original total acquisition cost of all properties in program).

¹ Indicate in a note what amount is from source other than operations, such as guaranteed rents or interest.

Table IV. Results of Completed Programs

Instructions.

1. Include programs that have completed operations (no longer hold properties) in the most recent five years, even if they still hold notes.
2. Sponsors with a “public track record” should include information relating only to public programs with investment objectives similar to those of the registrant.
3. If the sponsor does not have a “public track record,” information must be given for each prior program, public or nonpublic, with investment objectives similar to those of the registrant. If the sponsor has not sponsored at least five such programs, then information must be given for each prior program, public or nonpublic, even if the investment objectives for those program are not similar to those of the registrant. In that case, nonpublic programs with investment objectives that are not similar to those of the registrant should be grouped together according to investment objective and information about those programs presented on an aggregate basis by year. If so presented, the number of programs that have been aggregated should be disclosed. The sponsor also should indicate by note if the investment objectives of any program are not similar to those of the registrant and should briefly describe those investment objectives.

Program Name

Dollar Amount Raised
 Number of Properties Purchased
 Date of Closing of Offering
 Date of First Sale of Property
 Date of Final Sale of Property

Tax and Distribution Data Per \$1000 Investment Through...

Federal Income Tax Results:

Ordinary income (loss)
 — from operations
 — from recapture
 Capital Gain (loss) ¹
 Deferred Gain ²
 Capital
 Ordinary

Cash Distributions to Investors

Source (on GAAP basis)
 — Investment income
 — Return of capital
 Source (on cash basis)
 — Sales
 — Refinancing
 — Operations
 — Other

Receivable on Net Purchase Money Financing ³

Table V. Sales or Disposals of Properties

Instructions:

1. Include all sales or disposals of property by programs with similar investment objectives within the most recent three years.
2. Sponsors with a “public track record” should only include information relating to public programs. If the sponsor does not have a “public track record,” then information should be given about sales or disposals of properties by public and nonpublic programs. Where properties held by nonpublic programs are included, information should be on a GAAP basis where feasible without undue effort or expense.

¹ Note 60% capital gain exclusion.

² Explain in a note deferred capital gain.

³ Explain in a note the terms of notes taken back and annual payments, and the fact that the amounts are face amounts and do not represent discounted current value.

									Excess	
									(Deficiency)	
									of Property	
									Operating Cash	
									Receipts Over	
Property	Date Acquired	Date of Sale ¹	Selling Price, Net of			Cost of Properties		Cash Expenditures ⁶		
			Closing Costs and GAAP Adjustments			Including Closing and Soft Costs				
			Cash received net of closing costs	Mortgage balance at time of sale	Purchase money mortgage taken back by program ²	Adjustments resulting from application of GAAP ³	Total ⁴	Original mortgage financing	Total acquisition cost, capital improvement closing and soft costs ⁵	Total

Table VI. Acquisitions of Properties by Programs

Instructions:

1. Include the following table only in Part II of the registration statement.
2. Include all properties acquired by any prior programs with similar investment objectives in the most recent three years.
3. Sponsors with a “public track record” should only include information relating to public programs. If the sponsor does not have a “public track record,” then information should be given about properties acquired by public and nonpublic programs.

Program X

Name, location, type of property
Gross leasable space (sq. ft.) or number of units and total square feet of units
Date of purchase Mortgage financing at date of purchase
Cash down payment Contract purchase price plus acquisition fee
Other cash expenditures expensed
Other case expenditures capitalized
Total acquisition cost

¹ Note if sales of properties are to related parties.

² Indicate in a note that the amounts shown are face amounts and do not represent discounted current value. In addition, describe the terms of purchase money mortgages taken by the partnership, including the interest rate, any balloon payment requirements and other special provisions. Also, describe those sales made with a leaseback or any other guarantees which require continued seller involvement.

³ Include an explanation of any GAAP adjustments.

⁴ Note the allocation of the taxable gain between ordinary and capital, and identify those sales that are being reported for tax purposes on the installment basis.

⁵ Identify real estate commissions carried but not taken. Indicate that the amounts shown do not include a pro rata shares of original offering costs.

⁶ Do not include amounts otherwise included under “Selling Price, Net of Closing Costs and GAAP Adjustments” or “Cost of Properties including Closing and Soft Costs.” Costs incurred in the Administration of the partnership not related to the operation of properties need not be included if so indicated in a note to the Table.

Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property Casualty Insurance Underwriters

1. General Instructions

Guide 6.

The Guide applies to the description of business portions of registration statements of companies with property-casualty (“P/C”) insurance reserves for which financial statements are required.

The information should be furnished if reserves for unpaid P/C claims and claim adjustment expenses of the registrant and its consolidated subsidiaries, its unconsolidated subsidiaries and its 50%-or-less-owned equity basis investees, taken in the aggregate after intercompany eliminations, exceed one-half of the common stockholder’s equity of the registrant and its consolidated subsidiaries as of the beginning of the latest fiscal year. For purposes of this test, only the proportionate share of the registrant and its other subsidiaries in the unpaid claims and claim adjustment expenses of 50%-or-less-owned equity basis investees shall be taken into account.

Information should be presented separately for (a) the registrant and its consolidated subsidiaries, (b) unconsolidated subsidiaries and (c) 50%-or-less-owned equity investees. If ending reserves in category (a), (b), or the proportionate share of the registrant and its other subsidiaries in (c) above are less than 5% of the total ending reserves in (a), (b), and the proportionate share in (c), the information called for by Instruction 2B with respect to that category may be omitted.

Information furnished in accordance with this Guide should generally be presented in the form appearing below. However, an alternative presentation, such as inclusion of the information in Management’s Discussion and Analysis, may be used if in management’s opinion such presentation would be more meaningful to investors.

Except where noted, the information furnished pursuant to this Guide shall be for the latest annual period for which financial statements are required. However, information for any additional interim periods should be provided to the extent necessary to keep the annual information from being misleading, such as where a material change in the information presented or the trend evidenced thereby has occurred.

2. Description of the Business

A. Discussion Topics

The following should be among the matters discussed in the description of business.

- (1) The nature of current year adjustments to loss reserves recorded in prior years.
- (2) Reinsurance transactions (including “swaps” of reserves, portfolio loss transfers, etc.) which have a material effect on earnings or reserves.
- (3) Significant reserving assumptions and recent changes therein.
- (4) The nature of recent changes in the terms under which reinsurance is ceded to other insurers.
- (5) Changes in the mix of business, including but not limited to changes in the location of business, geographic mix, and types of risks assumed.
- (6) Changes in payment patterns due to portfolio loss transfers, structured settlements and other transactions and circumstances.
- (7) Unusually large losses or gains.
- (8) The effect of currency fluctuations.

B. Disclosures

The following (all presented in accordance with generally accepted accounting principles) should be among the items included in the description of business.

- (1) *Reconciliation of claims reserves.* An analysis of changes in aggregate reserves for property casualty insurance claims and

claim adjustment expenses for each of the latest three one-year periods in the following tabular format:

- (a) Amount of reserves for unpaid claims and claim adjustment expenses at the beginning of each year.
- (b) Incurred claims and claim adjustment expenses:
 - (i) Provision for insured events of the current year
 - (ii) Increases (decrease) in provision for insured events of prior yearsTotal incurred claims and claim adjustment expenses
- (c) Payments
 - (i) Claims and claim adjustment expenses attributable to insured events of the current year
 - (ii) Claims and claim adjustment expenses attributable to insured events of prior years
- (d) Other (provide an explanation of each material item)
- (e) Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year.

(2) *Loss reserve development.* A table that presents

- (a) Amounts of reserves for unpaid claims and claim adjustment expenses as of the end of each of the ten years prior to the latest fiscal year.
- (b) The cumulative amount paid as of the end of each succeeding year with respect to each of the reserve amounts presented in response to (a) above.
- (c) The retroactively reestimated liability for unpaid claims and claim adjustment expenses as of the end of each succeeding year with respect to each of the reserve amounts presented in response to (a) above.
- (d) The difference between the latest reestimated liability presented in response to (c) with respect to each of the year-ends reflected in (a) above and the liabilities set forth in (a).

The amounts presented in (b), (c), and (d) above may be in dollars or expressed as a percentage of the amounts in (a).

The registrant should include an explanation of the data which will disclose the effects of unusual circumstances, for example changes in reinsurance agreements, which might distort the data.

- (3) If the registrant makes explicit provision for the effects of inflation or for the combined effects of a number of factors (including inflation) that are expected to cause future changes in claims severities, describe briefly registrant's method of estimating the amount of that provision. An explicit provision is one in which the reserving system requires the estimation of a separate provision for inflation. The rates may be generated by the system or obtained from other appropriate sources. If the registrant makes implicit provision for the effects of inflation or for the combined effects of a number of factors (including inflation) that are expected to cause future changes in claims severities describe the circumstances on which management relies in concluding that the implicit provision is adequate. Provisions for inflation for this purpose may be taken to mean provision for any change in average claim severities if this permits more meaningful disclosure.
- (4) State the amount of the difference, if any, between GAAP basis P/C reserves for claims and claim adjustment expenses for each of the groups mentioned in the next to last paragraph of Item I of this Guide and statutory P/C reserves for claims and claim adjustment expenses in total for each of those groups. Explain briefly the nature and amount of principal differences.
- (5) State the amount (estimated if necessary) by which GAAP basis claim reserves have been discounted. State also the effect (estimated if necessary) on pre-tax income (loss) of discounts accrued and the effect of discounts amortized. Describe briefly the principal types of business for which reserves are discounted.

Description of Property by Issuers Engaged or to Be Engaged in Significant Mining Operations

Guide 7.

- (a) *Definitions.* The following definitions apply to registrants engaged or to be engaged in significant mining operations:
 - (1) Reserve. That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Note: Reserves are customarily stated in terms of “ore” when dealing with metalliferous minerals; when other materials such as coal, oil, shale, tar, sands, limestone, etc. are involved, an appropriate term such as “recoverable coal” may be substituted.

- (2) *Proven (Measured) Reserves.* Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- (3) *Probable (Indicated) Reserves.* Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.
- (4) (i) *Exploration State* — includes all issuers engaged in the search for mineral deposits (reserves) which are not in either the development or production stage.

(ii) *Development Stage* — includes all issuers engaged in the preparation of an established commercially minable deposit (reserves) for its extraction which are not in the production stage.

(iii) *Production Stage* — includes all issuers engaged in the exploitation of a mineral deposit (reserve).

Instruction to paragraph (a)

Mining companies in the exploration stage should not refer to themselves as development stage companies in the financial statements, even though such companies should comply with FASB Statement No. 7, if applicable.

- (b) *Mining Operation Disclosure.* Furnish the following information as to each of the mines, plants and other significant properties owned or operated, or presently intended to be owned or operated, by the registrant:
 - (1) The location and means of access to the property.
 - (2) A brief description of the title, claim, lease or option under which the registrant and its subsidiaries have or will have the right to hold or operate the property, indicating any conditions which the registrant must meet in order to obtain or retain the property. If held by leases or options, the expiration dates of such leases or options should be stated. Appropriate maps may be used to portray the locations of significant properties;
 - (3) A brief history of previous operations, including the names of previous operators, insofar as known;
 - (4) (i) A brief description of the present condition of the property, the work completed by the registrant on the property, the registrant's proposed program of exploration and development, and the current state of exploration and/or development of the property. Mines should be identified as either open-pit or underground. If the property is without known reserves and the proposed program is exploratory in nature, a statement to that effect shall be made;

(ii) The age, details as to modernization and physical condition of the plant and equipment, including subsurface improvements and equipment. Further, the total cost for each property and its associated plant and equipment should be stated. The source of power utilized with respect to each property should also be disclosed.
 - (5) A brief description of the rock formations and mineralization of existing or potential economic significance on the property, including the identity of the principal metallic or other constituents insofar as known. If proven (measured) or probable (indicated) reserves have been established, state (i) the estimated tonnages and grades (or quality, where appropriate) of such classes of reserves, and (ii) the name of the person making the estimates and the nature of his relationship to the registrant.

Instructions to paragraph (b)(5):

1. It should be stated whether the reserve estimate is of in-place material or of recoverable material. Any in-place estimate should be qualified to show the anticipated losses resulting from mining methods and beneficiation or preparation.
2. The summation of proven (measured) and probable (indicated) ore reserves is acceptable if the difference in degree of assurance between the two classes of reserves cannot be readily defined.
3. Estimates other than proved (measured) or probable (indicated) reserves, and any estimated values of such reserves shall

not be disclosed unless such information is required to be disclosed by foreign or state law; provided, however, that where such estimates previously have been provided to a person (or any of its affiliates) that is offering to acquire, merge, or consolidate with, the registrant or otherwise to acquire the registrant's securities, such estimates may be included.

- (6) If technical terms relating to geology, mining or related matters whose definition cannot readily be found in conventional dictionaries (as opposed to technical dictionaries or glossaries) are used, an appropriate glossary should be included in this report.
- (7) Detailed geographic maps and reports, feasibility studies and other highly technical data should not be included in the report but should be, to the degree appropriate and necessary for the Commission's understanding of the registrant's presentation of business and property matters, furnished as supplemental information.

(c) *Supplemental Information.*

- (1) If an estimate of proven (measured) or probable (indicated) reserves is set forth in the report, furnish:
 - (i) maps drawn to scale showing any mine workings and the outlines of the reserve blocks involved together with the pertinent sample-assay thereon.
 - (ii) all pertinent drill data and related maps.
 - (iii) the calculations whereby the basic sample-assay or drill data were translated into the estimates made the grade and tonnage of reserves in each block and in the complete reserve estimate.

Instructions to paragraph (c)(1):

Maps and drawings submitted to the staff should include:

- (a) A legend or explanation showing, by means of pattern or symbol, every pattern or symbol used on the map or drawing; the use of the symbols used by the U.S. Geological Survey is encouraged;
 - (b) A graphical bar scale should be included; additional representations of scale such as "one inch equals one mile" may be utilized provided the original scale of the map has not been altered;
 - (c) A north arrow on the maps;
 - (d) An index map showing where the property is situated in relationship to the state or province, etc., in which it was located;
 - (e) A title of the map or drawing and the date on which it was drawn;
 - (f) In the even interpretive data is submitted in conjunction with any map, the identity of the geologist or engineer that prepared such data; and
 - (g) Any drawing should be simple enough or of sufficiently large scale to clearly show all features on the drawing.
- (2) Furnish a complete copy of every material engineering, geological or metallurgical report concerning the registrant's property, including governmental reports, which are known and available to the registrant. Every such report should include the name of its author and the date of its preparation, if known to the registrant.

Instruction to paragraph (c)(2)

Any of the above-required reports as to which the staff has access need not be submitted. In this regard, issuers should consult with the staff prior to filing the report. Any reports not submitted should be identified in a list furnished to the staff. This list should also identify any known governmental reports concerning the registrant's property.

- (3) Furnish copies of all documents such as title documents, operating permits and easements needed to support representations made in the report.

EXCHANGE ACT INDUSTRY GUIDES

Guide 1. [Removed and Reserved]

Guide 2. [Removed and Reserved]

Statistical Disclosure by Bank Holding Companies

Guide 3.

This Guide applies to the description of business portion of bank holding company registration statements filed on Form 10 (Item 1) [17 CFR 249.210], in proxy and information statements relating to mergers, consolidations, acquisitions and similar matters (Item 14 of Schedule 14A and Item 1 of Schedule 14C) [17 CFR 240.14a-101 and 240.14c-101], and in reports filed on Form 10-K (Item 1) [17 CFR 249.310].

[The balance of Guide 3 is identical to Securities Act Industry Guide 3.]

Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property Casualty Underwriters

Guide 4.

The Guide applies to the description of business portion of registration statements filed on Form 10 (Item 1) [17 CFR 249.210], in proxy and information statements relating to mergers, consolidations, acquisitions, and similar matters (Item 14 of Schedule 14A and Item 1 of Schedule 14C) [17 CFR 240.14a-101 and 240.14c-101], and in reports filed on Form 10-K (Item 1) [17 CFR 249.310].

[The balance of the Guide is identical to Securities Act Industry Guide 6.]

Description of Property by Issuers Engaged or to Be Engaged in Significant Mining Operations

Guide 7. [The text of this Guide is the same as Securities Act Industry Guide 7.]