provided such amendments do not adversely affect the interests of Limited Partners. All other amendments to the Agreement may be proposed by the General Partner, who shall submit to the Limited Partners, copies of any amendment to be approved by the Limited Partners. Unless Delaware law shall otherwise require, the proposed amendments, shall become effective when the General Partner and Limited Partners holding a majority in interest of the Partnership Units shall have given written approval of the proposed amendment. A Limited Partner will be deemed to have given his approval if he has not given written notice to his opposition to the amendment within 45 days after the proposed amendment has been sent to the Limited Partner.

Each investor has been informed that relevant books, records and documents of the Limited Partnership relating to the projects are available for inspection and copying at the Limited Partnership's main office.

This memorandum including the tax discussion was prepared by the law firm of Schupak, Rosenfeld, Fischbein, Bernstein & Tannenhauser based upon information supplied by the General Partner and Lescarden Ltd., which information has not been independently verified by the law firm.

The following exhibits are attached to this Memoranda:

A. Agreement and Certificate of Limited Partnership

B. Subscription Agreement

C. Research Agreement

D. License Agreement

E. Opinion of Tax Counsel

[105, 5]

Confidential Memorandum

CRS RESEARCH ASSOCIATES, LTD.

A New Jersey Limited Partnership to be Formed

$4,200,000

140 Limited Partnership Interests at $30,000 Each

Minimum Investment: $60,000 (2 Interests)

CRS Research Associates, Ltd. (the "Partnership") is to be formed as a New Jersey limited partnership during 1981, to engage in the business of developing and commercially exploiting certain proprietary multi-purpose auxiliary image processing systems for medical, biological and industrial applications (the "MPIAP Systems").

The proceeds of this offering will be primarily applied towards research and development activities, and preparation for commercial production of the Products.

The Partnership is seeking up to $4,200,000 through the sale of one hundred twenty (120) Limited Partnership Interests. Interests may be paid for (i) in cash payable in full upon subscription,.or (ii) with the consent of the General Partner, by payment of 50% in cash upon subscription, and payment of the balance not later than February 28, 1982, as evidenced by a promissory note; or (iii) by payment of approximately 25% in cash upon subscription and the execution of a limited bank guarantee and opening of a Letter of Credit for the balance. The minimum investment is two (2) Interests at $60,000. Investors may acquire additional Limited Partnership Interests at $30,000 per Interest. The General Partner reserves the right to vary these requirements, in its discretion. If a minimum of $2,100,000 has not been raised on or before the Closing Date (November 30, 1981, unless extended to December 20, 1981), the offering will terminate and all monies will be returned in full to investors, without interest.

This offering is pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, and also in accordance with the provisions of Rule 146 adopted under that Act.

INVESTMENT IN THIS PARTNERSHIP INVOLVES A HIGH DEGREE OF RISK. (See "RISK FACTORS" herein.) THE PURCHASE OF LIMITED PARTNER INTERESTS SHOULD ONLY BE CONSIDERED BY PERSONS WHO HAVE SUBSTANTIAL NET WORTH, WHO CAN AFFORD A COMPLETE LOSS OF THIS INVESTMENT AND WHO ARE IN HIGH INCOME TAX BRACKETS. (See "INVESTOR SUITABILITY STANDARDS" herein.)

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III: Agreement of Limited Partnership

IV: License Agreement

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A: Predistribution Offeree Questionnaire

B: Investor Questionnaire

C:I - Offeree Representative Disclosure and Questionnaire

C:II - Rule 146 Offeree Representative Disclosure and Acknowledgement

D: Subscription Agreement

E: Deferred Promissory Note

F: Guarantee Promissory Note

G: Irrevocable Letter of Credit

OPINION

1. Tax Opinion to be Delivered at Closing (Draft).

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B. Financial Information

C. Tables

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2. Characteristics of Various Imaging Systems
3. General Applications of Imaging Modalities
4. Market for Medical Imaging Equipment (World)
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6. Imaging Procedures: Past and Projected Growth
7. Imaging Instruments Growth Trends Worldwide
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D. Biographies of Key Individuals/Panel of Experts

E. General Articles

F. Technical Articles

G. Description of Capintec, Inc.

1. Product Brochures/Summary
2. Company History
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IMPORTANT PRELIMINARY INFORMATION

THIS CONFIDENTIAL MEMORANDUM IS FURNISHED BY CAPINTEC IMAGING SYSTEMS, INC. (THE "GENERAL PARTNER") TO THE PERSON NAMED ON THE FRONT COVER IN ORDER TO PROVIDE INFORMATION WITH RESPECT TO INVESTMENT IN THE PARTNERSHIP. THE GENERAL PARTNER RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ACCEPT OR REJECT ANY SUBSCRIPTION FOR LIMITED PARTNERSHIP INTERESTS.

BY ACCEPTANCE OF THIS MEMORANDUM, THE PERSON NAMED ON THE FRONT COVER AGREES NOT TO REPRODUCE, DISTRIBUTE OR USE THIS MEMORANDUM FOR ANY OTHER PURPOSE, NOR TO DIVULGE THE INFORMATION CONTAINED HEREIN TO ANY OTHER PERSON EXCEPT FOR PROFESSIONAL ADVISORS IN CONNECTION WITH THIS OFFERING. HE FURTHER AGREES TO PROMPTLY RETURN THIS MEMORANDUM TO THE GENERAL PARTNER IF HE ELECTS NOT TO INVEST IN THE OFFERING. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO ANY PERSON OTHER THAN THE PERSON NAMED ON THE FRONT COVER.

INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY COMMUNICATION, WHETHER WRITTEN OR ORAL, FROM THE PARTNERSHIP OR ITS GENERAL PARTNER OR AGENTS, AS LEGAL, TAX, ACCOUNTING OR OTHER EXPERT ADVICE. EACH INVESTOR SHOULD CONSULT HIS OWN TAX, LEGAL, ACCOUNTING AND OTHER PROFESSIONAL ADVISORS BEFORE MAKING A DECISION WHETHER TO INVEST IN THE PARTNERSHIP.

RESTRICTIONS ARE IMPOSED ON THE TRANSFERABILITY OF THE LIMITED PARTNERSHIP INTERESTS. NO PUBLIC MARKET IN THE INTERESTS WILL DEVELOP. ACCORDINGLY, THE INTERESTS WILL NOT BE A LIQUID ASSET AND INVESTMENT IN THE PARTNERSHIP IS SUITABLE ONLY FOR LONG TERM INVESTORS.

PROSPECTIVE INVESTORS WHO HAVE ANY QUESTIONS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING OR WHO DESIRE ADDITIONAL INFORMATION OR DOCUMENTATION TO VERIFY THE INFORMATION CONTAINED HEREIN SHOULD CONTACT THE GENERAL PARTNER.

THE INTERESTS OFFERED HEREBY HAVE NEITHER BEEN REGISTERED WITH, NOR APPROVED NOR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, AND NO SUCH

COMMISSION OR AUTHORITY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL MEMORANDUM, NOR IS IT INTENDED THAT IT WILL. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION CONTRARY TO THE FOREGOING IS A CRIMINAL OFFENSE.

[105, 7] THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE GENERAL PARTNER RESERVES THE RIGHT TO WITHDRAW OR MODIFY THIS OFFERING AND TO REJECT ANY SUBSCRIPTION FOR INTERESTS IN WHOLE OR IN PART.

ANY REPRODUCTION OR DISTRIBUTION OF THIS CONFIDENTIAL MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER, IS PROHIBITED. IF THE OFFEREE DECLINES TO SUBSCRIBE HERETO OR IF A PROPOSED SUBSCRIPTION IS REJECTED BY THE GENERAL PARTNER, THE OFFEREE AGREES TO RETURN THIS CONFIDENTIAL MEMORANDUM AND ACCOMPANYING DOCUMENTS TO THE GENERAL PARTNER.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION NOT CONTAINED IN THIS CONFIDENTIAL MEMORANDUM OR IN ANY AGREEMENT CONTEMPLATED HEREBY, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN OR IN SUCH AGREEMENT MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE GENERAL PARTNER.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE DELIVERY OF THIS MEMORANDUM DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THIS MEMORANDUM CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE DOCUMENTS RELATING TO THIS INVESTMENT, INCLUDING THE LIMITED PARTNERSHIP AGREEMENT, AS WELL AS THE SUMMARIES OF VARIOUS PROVISIONS OF RELEVANT STATUTES AND THE APPLICABLE REGULATIONS THEREUNDER. WHILE THE GENERAL PARTNER BELIEVES THESE SUMMARIES CONTAIN FAIR STATEMENTS OF SUCH DOCUMENTS, STATUTES AND REGULATIONS, SAID SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE TEXTS OF THE ORIGINAL DOCUMENTS, STATUTES AND REGULATIONS. A COPY OF THE PROPOSED LIMITED PARTNERSHIP AGREEMENT IS ATTACHED HERETO AS EXHIBIT III.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR

THE GENERAL PARTNER, OR AFFILIATES THEREOF, MAY ALSO BE ACTING AS THE GENERAL PARTNER OF OTHER PARTNERSHIPS AND WILL OTHERWISE ENGAGE IN OTHER BUSINESS ACTIVITIES. SUBSTANTIAL CONFLICTS OF INTEREST MAY ARISE FROM SUCH ACTIVITIES WHICH MAY ADVERSELY AFFECT THE INTERESTS OF THE LIMITED PARTNERS. (SEE "CONFLICTS OF INTEREST".)

IT IS ANTICIPATED THAT THE PARTNERSHIP MAY BORROW FUNDS SUPPORTED BY LETTERS OF CREDIT PROVIDED BY THE LIMITED PARTNERS, WHICH MAY INCREASE THE FINANCIAL RISK TO THE LIMITED PARTNERS. (SEE "RISK FACTORS" AND "TERMS OF OFFERING".)

NO ASSURANCE IS GIVEN THAT ANY OF THE POTENTIAL BENEFITS DESCRIBED IN THIS MEMORANDUM WILL PROVE TO BE AVAILABLE NOR AS TO THE ACTUAL AMOUNT OF ANY RETURN WHICH MAY RESULT FROM AN INVESTMENT, WHICH MAY VARY AND WILL BE AFFECTED BY EACH INVESTOR'S PERSONAL TAX AND FINANCIAL POSITIONS.

[105, 8] THE ESTIMATES AND PROJECTIONS CONTAINED IN OR ACCOMPANYING THIS MEMORANDUM HAVE BEEN PREPARED ON THE BASIS OF ASSUMPTIONS AND HYPOTHESES WHICH ARE BELIEVED TO BE REASONABLE BUT WHICH ARE SUBJECT TO SUBSTANTIAL RISKS AND CONTINGENCIES COVERING AN EXTENDED PERIOD OF TIME. NO ASSURANCE IS GIVEN THAT ANY OF THE POTENTIAL BENEFITS DESCRIBED IN THIS MEMORANDUM WILL PROVE TO BE AVAILABLE NOR AS TO THE ACTUAL AMOUNT OF ANY RETURN WHICH MAY RESULT FROM AN INVESTMENT, WHICH MAY VARY FROM THE ESTIMATES AND WILL BE AFFECTED BY EACH INVESTOR'S PERSONAL TAX AND FINANCIAL POSITIONS.

[105, 9]

SUMMARY

The information contained in this section is a summary of certain provisions of this Confidential Memorandum and the exhibits and attachments (the "Exhibits") hereto. This summary is intended only for quick reference and is neither complete nor exact. The balance of this Confidential Memorandum and the Exhibits describe in detail numerous aspects of the transaction which are material to prospective investors, including aspects summarized here, and the Confidential Memorandum and Exhibits must be read and understood in their entirety by prospective investors. The following summary is, therefore, qualified in its entirety by reference to the full text of this Confidential Memorandum and its Exhibits.

General

This Confidential Memorandum relates to an Offering of Limited Partnership Interests in CRS Research Associates, Ltd. ("CRS" or the "Partnership"), a New Jersey limited partnership to be formed.

Business and Products

The primary purpose of the partnership is to develop a cost-effective multi-purpose auxiliary image processing systems ("MPAIP System") together with a large body of associated general and special purpose software packages for medical diagnostic imaging, biological sciences, and industrial applications.

The first product will be "DIXIS I", an off-line multimodality/modality comparison system for diagnostic medical use in conjunction with X-ray, CT, ultrasound, nuclear medicine, digitized radiography and other mainframe imaging modalities. DIXIS I will be capable of image enhancement and selective display, as well as manipulation of images, in this off-line mode. It will be convenient for quick display, and will provide the user with a substantially improved capability to make meaningful analyses.

Offering of Limited Partnership Interests in CRS Research

Subsequent MPAIP Systems will be designed to permit real-time and on-line use and will be supplemented with a comprehensive series of special application software packages. The product line will be designed to permit the initial purchaser to expand its systems steadily from use with a basic software package to a complete software system without obsoleting its already purchased hardware.

The Partnership will also develop proprietary 3 Dimensional display/viewing peripherals for use with the MPAIP Systems.

[105, 10]

The Partnership

Capintec Imaging Systems, Inc. ("Capintec Imaging") will serve as the General Partner of the Partnership.

Capintec Imaging is a subsidiary of Capintec, Inc. ("Capintec"), an established and successful manufacturer of radiation detection instruments, instrumentation, and computer systems including radioisotope calibrators, radiation dosimeters, computer-directed radiation treatment planning systems, as well as opto-electrical temperature measurement devices and systems having medical, laboratory and industrial applications. Capintec is located at 136 Summit Avenue, Montvale, New Jersey 07645.

Capintec Imaging has been organized for purposes of this project. It will, with the support of Capintec, engage in the commercial development of computer-directed medical and industrial imaging systems, including advanced versions of Capintec's Radiation Treatment Planning Systems.

The Limited Partners will be investors who acquire Limited Partnership Interests in accordance with the terms summarized below.

The Offering

The Partnership is seeking up to $4,200,000 through the sale of Limited Partner Interests. The minimum investment is two Interests, or $60,000 unless otherwise determined by the General Partner. In addition, Investors may purchase additional Interests at $30,000 per additional Interest. If a minimum of $2,100,000 has not been raised on

or before the Closing Date (initially November 30, 1981, but the General Partner may extend it through December 20, 1981, or if the Offering is fully subscribed, set an earlier Closing Date), the Offering will terminate and all monies will be returned in full to investors without interest.

[105, 11]

Investment Leverage Option

Limited Partner Interests may be purchased either (i) for cash or, (ii) with the consent of the General Partner, by payment of 50% in cash upon subscription, and the payment of the balance not later than February 28, 1982, as evidenced by a promissory note, or (iii) with the concurrence of a lending bank to be selected by the General Partner by a combination of cash investment (minimum 25%) and endorsement (i.e., guarantee) of his limited portion of a bank loan to the Partnership. Investment by means of bank guarantee must be adequately secured by a letter of credit. The General Partner reserves the right to vary these requirements, in its discretion. If the Partnership is successful, the loan will be repaid by the Partnership to the extent of a portion of income allocated to the Limited Partners who have guaranteed the loan. If the Partnership is not successful, however, the guarantors will be required to repay the loan.

If the Partnership is unable to generate sufficient revenues to discharge the principal and/or interest owing upon its borrowing, or if the General Partner determines that revenues should be utilized for other Partnership purposes, the Limited Partner will be required to pay principal and/or interest upon the portion of the loan which he has guaranteed.

It is the present estimate of the General Partner that the Limited Partners will be required to bear such interest for the periods through December 31, 1985.

Such interest payments will be invoiced to the Limited Partners on a quarterly basis. Such interest will be at a rate of approximately prime plus 2%, and will be specifically advised to prospective investors in connection with their execution of the subscription agreement and related documents.

The loan to the Partnership will be subject to review by the lending bank on an annual basis, and it is possible that the lending bank may decline to extend the loan. In such event, the Partnership will seek to obtain substitute bank financing and if substitute financing were not available would require payment by the Limited Partners under their endorsements and letters of credit.

If the General Partner elects to acquire the Interests of the Limited Partners prior to the amortization of principal and interest on the loan, the Limited Partners may be required to pay their respective guaranteed portions of the loan balance.

Anticipated Net Proceeds

The following tables set forth the proceeds which the Partnership anticipates that it will realize for each Interest as well as the total net proceeds anticipated.

(continued on next page)

[105, 12]

Estimated Proceeds Per Interest

	Price to Investors (1)	Selling Agent's Commission (2)	Net Proceeds to Partnership
Per Interest in Partnership	$30,000	$3,000	$27,000

Estimated Net Proceeds

	Minimum	Maximum
Gross Offering Proceeds	$2,100,000	$4,200,000
Capital Contribution by General Partner	+ 100,000	+ 100,000
Total Proceeds	$2,200,000	$4,300,000
Organizational Expenses	- 60,000	- 60,000
Selling Agent Commissions (2)	- 210,000	- 420,000
Total Offering Expenses	($ 270,000)	($ 480,000)
Net Proceeds to the Partnership	$1,930,000	$3,820,000

(1) Payable in cash or by guaranteed note.

(2) Selling agents to be used in discretion of General Partner, and may be compensated up to 10% of investments obtained by them.

(3) Consisting principally of legal, accounting, filing fee and reproduction charges.

[105, 13]

The General Partner may, in its discretion, subscribe for Limited Partnership Interests, and, in such event, shall be treated as a Limited Partner in respect of such investment.

Use of Proceeds

The net proceeds of this Offering will be applied principally to complete the testing, research and development necessary to enable the commercial sale or licensing of the Products to begin in 1982 or 1983.

It is estimated that the net proceeds of this offering will be applied 100% to medical applications of the MPAIP System if the minimum subscription is raised. If more than the minimum subscription is raised the General Partner will have the discretion to determine whether or not and in what proportion any net proceeds will be allocated to the additional MPAIP Products. The General Partner reserves the right to vary such allocations.

License to Partnership

Capintec and Capintec Imaging have been actively engaged in preliminary R&D activities specifically related to DIXIS for approximately 12 months and have expended approximately $270,000 on activities to date. Capintec Imaging estimates that it will continue to support these activities in the amount of approximately $40,000 per month until commencement of the Partnership. Such initial activities have included research on the multiapplication imaging software to be included in the initial system.

To facilitate the activities of the Partnership, Capintec Imaging will grant a license to the Partnership pursuant to which the Partnership will have the right to utilize all existing and future discoveries or techniques to the extent applicable to auxiliary image processing, in order that the Partnership may develop commercially saleable Products utilizing the MPAIP Systems.

Research and Development Program

The Partnership will engage Capintec Imaging to conduct the requisite testing, evaluation, research, developmental and other activities necessary to carry out the research and developmental phase of the business of the Partnership. (See "BUSINESS OF THE PARTNERSHIP - Research

and Development Program".) This contract will be entered into as soon as the Partnership is formed and will require that the Partnership pay to Capintec Imaging, in advance, the entire amount to be used to conduct the research and development. The research and development contract requires Capintec Imaging to seek diligently to complete research and development of the Products, but does not guarantee that the research and development activities will be successful.

[105, 14]

Capintec Imaging may and intends that it shall subcontract a portion of its research and development activities to its corporate affiliates, and to various university-affiliated research institutes with which Capintec has worked.

The General Partner estimates that the minimum net proceeds of this Offering will provide sufficient funds for the completion of the research and development program.

The availability of maximum net proceeds will also permit a fuller and expedited investigation and development of additional applications of the Products.

Marketing and Royalties

If the research and development activities are completed successfully to the satisfaction of Capintec Imaging, the Partnership will sell all its rights to the Products to Capintec Imaging, which will conduct the manufacture and marketing of the commercial Products and pay royalties to the Partnership based upon the proceeds realized from sale of the Products.

Royalties will be payable at the rate of five percent (5%) of the proceeds realized from the sale of the Products. In addition, a royalty of twenty-five percent (25%) will be payable in respect of amounts received as the proceeds of Product manufacturing licenses granted by Capintec Imaging.

In lieu of acquiring rights to the Products and underlying Technology upon completion of the research and developmental activities, Capintec Imaging may defer the

purchase for a period of up to 24 months, and may, during such period, obtain a non-exclusive license to market the Products and/or utilize the underlying Technology in consideration of payment of a royalty of 150% x. the royalty which would otherwise have been payable.

[105, 15]

Capitalization; Transfer of Know-how

The Partnership will initially have as its capitalization the amounts contributed by the General Partner and by the Limited Partners. It is contemplated that Limited Partners will contribute cash aggregating a minimum of $2,100,000 and a maximum of $4,200,000 and that the General Partner will contribute $100,000. Such contributions will be the total cash capitalization of the Partnership.

In addition, the General Partner will assign and license to the Partnership certain proprietary know-how relating to the MPAIP Systems. See Exhibit "IV", License Agreement.

Description of Interests; Managment

Each investor acquiring a Limited Partner Interest will become a Limited Partner entitled to share in the profits and losses of the Partnership allocated to the Limited Partners in the proportion which his contribution bears to the total dollar amount of cash contributed by all Limited Partners. The Partnership will be managed exclusively by the General Partner, but the Limited Partners will have voting rights in certain instances. (See "SUMMARY OF PARTNERSHIP AGREEMENT" and Exhibit "III", the Limited Partnership Agreement.)

Royalties and Allocations of Partnership Income, Gains, Losses, Deductions and Credits

Royalties will be payable in respect of all proceeds realized by Capintec Imaging from the sale or license of the Products.

Royalties will be allocated as follows: (i) Royalties will be allocated 99% to the Limited Partners and 1% to the General Partner until the Limited Partners have been allocated aggregate amounts equal to their investment in the Partnership; (ii) Thereafter, royalties will be allocated 75% to the Limited Partners and 25% to the General Partner until the Limited Partners have been allocated aggregate amounts (inclusive of payments under (i) above) equal to three times their investment in the Partnership. (iii) Thereafter, royalties will be allocated 50% to the Limited Partners and 50% to the General Partner. For purposes of royalty allocations, the investments of the Limited Partners will include amounts which they have guaranteed.

[106, 1] Limited Partnership losses, deductions and credits will be allocated and charged to the Limited Partners and to the General Partner as set forth above.

Once the Limited Partners have been allocated and charged with losses, deductions and credits in an amount which reduces their capital account, for tax purposes, to zero, Partnership losses, deductions and credits will then be allocated and charged solely to the General Partners until the General Partner's capital account is reduced to zero, for tax purposes. Thereafter, losses, deductions and credits will be allocated and charged in the same proportion as income and gains.

The General Partner anticipates that under present Federal income tax laws and regulations, Limited Partners purchasing Interests will be permitted to deduct approximately 85% of their investment in 1981. See "FEDERAL INCOME TAX CONSEQUENCES".

Duration of Limited Partnership

The Partnership will continue in business until its expiration on December 31, 2001, unless sooner dissolved and terminated in accordance with the terms of the Limited Partnership Agreement, a copy of which is attached hereto as Exhibit III. See "SUMMARY OF THE LIMITED PARTNERSHIP AGREEMENT - Dissolution and Liquidation".

Option of General Partner to Acquire Interests of Limited Partners

Commencing in 1986, or after investors have been allocated at least 3X their investment (whichever is sooner), Capintec Imaging may acquire the Interests of all Limited Partners if a purchase offer by Capintec Imaging is approved by at least 60% of the Investors.

Such purchase offer may consist of securities of Capintec Imaging or Capintec, Inc., and/or of cash.

It is the present intention of Capintec Imaging to utilize marketable shares if it, or Capintec, Inc., is then publicly held.

Any proposal accepted by the specified minimum percentage of Limited Partners shall be deemed binding upon all Limited Partners. Any exercise of the option to purchase the Interests of the Limited Partners shall be exercised as to all, but not less than all, of the Interests of the Limited Partners, and shall be binding upon the Limited Partners.

[106, 2]

Expenses

The expenses of the offering and of organizing the Partnership, primarily legal and tax advice fees, are expected to amount to approximately $60,000. In addition, commissions may be payable if sales agents are employed.

Sales Agents and Commissions

The Partnership intends to employ sales agents to sell Limited Partner Interests on a commission basis. In such event, a commission of up to 10% of the amounts received as a result of the efforts of such agents will be paid. To the extent, if any, that the Partnership seeks to sell Limited Partner Interests through personal contact on the part of the General Partner, no commissions will be paid to the General Partner; however, its expenses will be reimbursed.

Tax Consequences of Investment

The Partnership is being organized for non-tax reasons. Nonetheless, it may be entitled to substantial tax benefits. It is anticipated that (i) approximately 85% of

the investment of each limited partner will be deductible in 1981; (ii) the deductible amount will include the portion of the subscription as to which the Limited Partner is liable under recourse borrowings by CRS; (iii) royalties may be eligible for capital gains treatment if the holding period for non-patented technologies is at least one year and other technical requirements are met; (iv) if the Limited Partners accept an offer to purchase their interests, such payments will be eligible for capital gains treatment; and (v) the Partnership will be treated for Federal income tax purposes as a "partnership" and not as an "association taxable as a corporation". The above anticipated tax results reflect the opinion of the Partnership's tax advisor. No ruling will be sought from the Internal Revenue Service, and the Service may disagree with these opinions and may upon audit disallow proposed deductions. See "FEDERAL INCOME TAX CONSEQUENCES".

[106, 3]

Risk Factors

Investment in this Partnership involves a high degree of risk (see "RISK FACTORS"). The purchase of Limited Partner Interests should only be considered by persons who have substantial net worth, who can afford a complete loss of their investment and who are in high income tax brackets (see "INVESTOR SUITABILITY STANDARDS").

Subscriptions

Subscription for a Limited Partner Interest may only be made by means of the Subscription Agreement attached hereto as Attachment D. In order to subscribe, an Investor's executed Subscription Agreement, together with the full required cash contribution, note endorsement and letter of credit must be received and accepted by the General Partner on or before the Closing Date. (See "HOW TO SUBSCRIBE".)

[106, 4]

RISK FACTORS

INVESTMENT IN LIMITED PARTNERSHIP INTERESTS IS VERY SPECULATIVE AND SUBJECT TO A HIGH DEGREE OF RISK. In addition to the factors described elsewhere in this Confidential Memorandum, prospective investors should consider the following:

1. Techniques Not Proven

The Products which the Partnership proposes to develop, and the MPAIP Systems technology upon which they are based, incorporate a variety of innovative hardware and software components, the successful development of which cannot be assured. While the successful development of such components is, in the opinion of the General Partner, sufficiently promising to merit the research and development program contemplated by this memorandum, there is no assurance that, even if successfully developed, such components and the resulting MPAIP Systems will have any advantages over existing imaging technology and systems.

2. Alternative Techniques

The proposed business of the Partnership will be conducted in competition with various alternative mainframe and auxiliary imaging techniques. Even if the research and development program is successfully completed, no assurance can be given that the Partnership's methods would be accepted by the medical profession or industrial users or that others -- including larger and established companies not presently interested or active in this area -- will not decide to compete with the Products.

3. Rapid Technological Change

The business in which the Partnership will engage in one characterized by rapid change, and by the availability of alternative imaging technologies. Although the General Partner is of the opinion that the Partnership's MPAIP Systems Technology and Products offer advantages over existing and contemplated alternative imaging technologies, no assurance can be given that advances in technology by others will not result in the offering of devices and systems deemed superior to the contemplated Product.

4. Competition

The activities of the Partnership will be conducted in competition with (i) mainframe imaging manufacturers which expand their activities to include auxiliary image processing; (ii) computer hardware manufacturers which expand their activities to include the manufacture of auxiliary imaging equipment and the development of related software; and (iii) companies presently or hereafter active in the specific development of auxiliary imaging equipment and of related software. In addition, companies presenly active in the graphics area may expand their operations into the imaging area. It is not possible to anticipate the appearance in the marketplace of potentially competitive products, as such information is held in the strictest confidence by the developers. If such competitive products are developed by others it may substantially diminish the saleability of any product developed by the Partnership.

[106, 5]

5. Governmental Regulation

The activities of the Partnership will be subject to regulation by various government agencies, including the FDA. The Partnership may also be subject to regulation by various foreign government agencies similar to the FDA. The rules and regulations of these agencies may have an unpredictable effect upon the future operations of the Partnership.

6. Absence of Patent Protection

The research and development program is not likely to result in any inventions which are eligible for protection under the patent laws of the United States.

7. Dependence on Capintec Imaging Systems

The success of the Partnership's venture is heavily dependent on Capintec Imaging, the General Partner. Capintec Imaging has limited funds, and does not realize any substantial income. There is the risk that Capintec Imaging may suffer serious financial problems resulting in its inability to perform its duties under the Agreement for Research and Development, or to effect commercial sale and/or licensing of the Products under the Agreement for Sale of Technology.

8. Unknown Market

No assurance can be given that Capintec Imaging will exercise its right to purchase any products which may be developed by the Partnership. It is uncertain if other purchasers will be interested in the product if it is not acquired by Capintec Imaging. Independent market studies on the specific products to be developed by the Partnership have not been conducted, and there can be no assurance that the products, if successfully developed, will be accepted by the marketplace. It is, therefore, impossible now to foresee or anticipate when or if the Partnership will ever receive any income or return as a result of its expenditure for the research and development it plans to undertake, and it is not possible to predict the extent of any such income or return of the Partnership, if any is ever realized.

[106, 6]

9. Development Stage

The Partnership will be in the development stage and will be subject to all of the risks incidental to the creation of a new business and the development of new products, including the absence of a history of operations.

10. Potential Needs for Additional Financing

Although the General Partner believes that the proceeds from this offering will be sufficient to complete the research and development program outlined in this Confidential Memorandum, there can be no assurance that additional funds will not be required due to unforeseen circumstances. Research and development work is inherently risky and unpredictable, and unanticipated difficulties are frequently encountered. If additional funding is required in order to complete the research and development program, there can be no assurance that such funds can be obtained inasmuch as neither the Partnership nor the General Partner have commitments from any sources for any such additional funds. If additional funds are required and neither the Partnership nor the General Partner are able to obtain them, the entire investment by Limited Partners might become valueless. Even if the Partnership is able to obtain additional funds, there can be no assurance that the Interests of the Limited Partners subscribing to this offering will not be substantially diluted thereby. Furthermore, Capintec Imaging will require funds substantially in excess of the funds to be raised in this offering in order to provide the capital necessary to commence manufacturing on a significant scale. Capintec Imaging does not have any commitments for such funds and may not be able to raise the necessary funds. If Capintec Imaging is unable

to raise the necessary funds, the investment by the Limited Partners might become valueless even if the research and development is successful. However, it might also be possible for the Partnership to sell or license the Systems technology to another company or otherwise to commercially exploit the Products in which case there might be some return on the investment of the Limited Partners.

11. No Assurance of Return of Investment

Investors are not assured of a return of their investment and must look solely to cash distributions and tax advantages, if any, from the Partnership for a return on their investment.

12. No Assurance of Repaying Letter of Credit Borrowings

There is no assurance that the Partnership will generate sufficient income to repay the funds borrowed against Letters of Credit and Note Endorsements, or any additional borrowing which the Partnership may undertake.

[106, 7] The loan to the Partnership will be subject to review by the lending bank on an annual basis, and it is possible that the lending bank may decline to extend the loan. In such event, the Partnership would seek to obtain substitute bank financing and if substitute financing were not available would require payment by the Limited Partners under their endorsements and letters of credit.

13. Borrowings Secured by Letters of Credit

The Partnership intends to utilize the Letters of Credit and Note Endorsements as collateral for a loan from a commercial bank. If the bank issuing a Letter of Credit refuses to pay a Limited Partner's proportionate share of the Letter of Credit borrowings, the Lending Bank may demand payment directly from the Limited Partners. The General Partner may directly invoice for interest and reserve a stipulated amount of each Letter of Credit to cover interest due on Partnership Letter of Credit Borrowing. In the event the amount reserved is inadequate to cover interest payments, the Limited Partners will be required to make the additional interest payments. (See "Assessments.")

It is the present estimate of the General Partner that the Limited Partners will be required to bear such interest for the periods through December 15, 1985.

Such interest payments will be invoiced to the Limited Partners on a quarterly basis. Such interest will be at a rate of approximately prime plus 2%, and will be specifically advised to prospective investors in connection with their execution of the subscription agreement and related documents.

14. Retention of Operating Income

The General Partner may retain operating income at its discretion for any Partnership purpose. In the event operating revenues are retained, Partners may realize taxable income with respect to all or a portion of the retained income.

15. No Assurance of Adequate Cash Distributions

Partnership income, less operating expenses paid by the Partnership, will be allocated among each of the Limited Partners in proportion to their share of total Limited Partner contributions to the Partnership. Each Limited Partner will be required to report his allocable share of Partnership income each year (based on the taxable income reported on the Partnership's annual information income tax return) whether or not any of such income is distributed to the Limited Partner is cash. However, the General Partner intends that such income will be distributed to the Limited Partners promptly, except as needed for debt service and cash reserves.

[106, 8]

16. Investment Not Liquid

The Limited Partnership Interests will not be freely transferable. There is no public market for the Interests and none will develop. There are substantial restrictions upon the transferability of the Interests, including, without limitation, (i) the requirement that the General Partner consent to any transferee becoming a substituted Limited Partner, and (ii) the requirement that any transfer fully comply with all applicable securities laws. Consequently, a Limited Partner may not be able to liquidate his investment in the Partnership in the event of an emergency, nor is it likely that his investment will be readily accepted as collateral for a loan. (See "RESTRICTIONS ON TRANSFER OF INTERESTS".)

income tax return) whether or not any of such income is

17. Exculpatory Provisions

The General Partner will not be liable to purchasers of Interests for acting imprudently or based upon errors in judgment, negligence or other fault of the General Partner, so long as the General Partner acts in good faith.

18. Enforcement of Fiduciary Obligations

The General Partner will be in a fiduciary relationship to the Limited Partners and thus will be required to exercise integrity and good faith in dealings with respect to Partnership affairs. While the General Partner has every intention of fulfilling its fiduciary obligations, there can be no assurance that adequate remedies will be available to Limited Partners if the General Partner fails to perform its obligation as fiduciary.

19. Taxation as a Partnership; No Ruling Sought

No tax ruling has been sought from the Internal Revenue Service as to classification of the Partnership as a partnership for federal income tax purposes. It is the opinion of the Partnership's tax advisor that the Partnership will be treated as a partnership for tax purposes. This opinion is based upon current statutory provisions, Income Tax Regulations and judicial decisions, all of which are subject to change. Federal income tax treatment of the Partnership as an "association taxable as a corporation" rather than as a partnership would have an adverse effect on investment in the Partnership. Unlike a tax ruling, an opinion of a tax advisor represents only such advisor's best judgment and has no binding effect on the Internal Revenue Service or any court having jurisdiction. (See "FEDERAL INCOME TAX CONSEQUENCES".)

Were the Partnership to be classified as an "association taxable as a corporation" under Section 7701(a)(3) of the Internal Revenue Code of 1954, as amended (the "Code"), the Limited Partners would be treated as shareholders of a corporation, with the result, among other things, that (i) items of income, deduction, loss and credit would not flow through to the Limited Partners to be accounted for on their individual Federal income tax returns; (ii) distributions would be treated as corporate

distributions to the Limited Partners; and (iii) the taxable income of the Partnership would be subject to the Federal income tax imposed on corporations.

[106, 9]

20. Deductibility of R&D Expenses in 1981

Under the research and development contract with the General Partner, the Partnership is obligated to prepay the entire contract price during 1981. The Partnership intends to deduct such amounts in full in 1981 and to allocate such deductions to the Limited Partners. In the opinion of the Partnership's tax advisor, each Limited Partner will be entitled to deduct his allocated share of such amounts on his individual tax return for his fiscal year which includes the end of the Partnership's fiscal year on December 31, 1981. There can be no assurance that such deductions may not be contested or disallowed by the Internal Revenue Service or that the IRS will not prevail in any such disallowance or challenge. Any such disallowance or challenge could be raised in connection with the personal income tax return filed by the individual Limited Partner. (See "FEDERAL INCOME TAX CONSEQUENCES".)

21. Taxation of Royalties

Although the Partnership hopes that substantial portions of its royalty income may be taxable as capital gain for federal income tax purposes in the event that long term capital holding periods are met or a patentable invention results from the research and development program, no assurance can be given that the applicable requirements under Sections 1231 (b) or 1235 of the Internal Revenue Code will be met. Accordingly, there is a substantial possibility that the Partnership's royalty income from the sale of Systems technology and/or Products will be treated as ordinary income. The Partnership intends to treat as much income as capital gain income as it believes the facts and circumstances warrant. No assurance can be given that the Internal Revenue Service will not challenge or contest such position if it is taken by the Partnership. (See "FEDERAL INCOME TAX CONSEQUENCES".)

22. Changes in the Tax Laws

The provisions of the federal income tax laws are constantly subject to change by reason of new legislation, judicial decisions, promulgation of new or amended Income

Tax Regulations and changes in administrative interpretations and rulings. Changes in the tax law can and frequently are made with retroactive effect. Accordingly, there can be no assurance that any tax benefit of an investment in the Partnership may not be substantially reduced or eliminated by changes in the tax laws. (See "FEDERAL INCOME TAX CONSEQUENCES".)

[106, 10]

23. Consultation With Advisors

The decision to invest in the Partnership cannot be properly evaluated without careful analysis of a prospective investor's investment objectives, financial situation and particular tax situation as it relates to the Partnership. The tax consequences of investment in the Partnership may differ materially from investor to investor, depending upon aspects of each investor's situation unrelated to the Partnership. Accordingly, it is essential that each prospective investor discuss investment in the Partnership with such investor's own tax and other professional advisors.

24. Possibility of Tax Audit

Limited Partners will report their allocated share of Partnership income, loss, deductions, etc., on their individual tax return. Any challenge by the IRS to the positions taken by the Partnership in filing its information income tax return may result in close scrutiny or audit of the returns filed by the individual Limited Partners, which could result in adjustments of Partnership and non-Partnership income or loss on such individual returns of the Limited Partners. The General Partner is organizing the Partnership to engage in the active conduct of a business which offers substantial profit potential. Nonetheless, the Partnership will derive benefit from certain provisions of the tax laws, and may to that extent be regarded as a "tax shelter". The Internal Revenue Service has intensified its audit program of "tax shelter" partnerships, thereby increasing the likelihood of audit, both at the partnership and individual level. Investors should recognize that they might be forced to incur substantial legal and accounting costs in resisting a challenge by the IRS. In order to protect Limited Partners against these risks, the General Partner intends to cause the Partnership to assist in the defense of an audit, insofar as it relates to Partnership

transactions, if requested to do so and if such assistance will in its judgment be in the best interests of all of the Limited Partners.

25. Conflicts of Interest

Because the General Partner and its affiliates may be involved in the development, manufacture and sale of diverse products, there may be a conflict of interest in terms of the allocation of effort to the Products in competition with other devices.

In addition, the General Partner will be able to retain and apply to other activities any equipment or know-how acquired or arising from the investments of the Limited Partners, and will not be required to pay additional consideration or royalties in respect thereof.

In addition, the General Partner will provide certain services for which it will be entitled to compensation under the Limited Partnership Agreement (in respect of certain administrative services) and under the Research and Development Agreement (in respect of the conduct of the research and development program). Although the General Partner believes that the compensation which it shall receive is fair (including a profit element), it also serves as the manager of the business of the Partnership and will not be subject to independent review of its determinations of cost.

[106, 11] The dollar value of the research and development work and the royalties percentage and purchase price for Partnership technology described in Exhibits I and II, respectively, were all determined by the General Partner. Although these reflect a good faith estimate as to the projected cost of the research and development work, these arrangements cannot be considered contractual arrangements determined as a result of arms length bargaining by independent parties.

Legal counsel for the Partnership in connection with this offering is also counsel to the General Partner. If any controversy arises following the termination of this offering in which the interests of the Partnership appear to be in conflict with those of the General Partner, other counsel would have to be retained by the Limited Partners at their expense.

The independent accounting from for the Partnership may also serve as the accouting firm for the General Partner.

The General Partner will prepare, on a semi-annual basis, both financial statements (on an unaudited basis) and narrative reports on the progress of the Research and Development Program. Annual financial statements of the Partnership will be prepared by the General Partner and examined by the General Partner's' independent certified public accountant. See "SUMMARY OF LIMITED PARTNERSHIP AGREEMENT - Reports and Meetings".

26. Liability of Limited Partners

The existence of certain rights specified in the Partnership Agreement and the actual exercise of these rights by Limited Partners may, under certain circumstances, constitute taking part in the management and control of the Partneship. A judicial determination that a Limited Partner is participating in the management or control of a partnership could subject the limited partner to the unlimited liability of a general partner. However, it is believed that the risk of the assertion of general partners' unlimited liability or of the existence of substantial liabilities to third parties is not substantial.

[106, 12]

TERMS OF THE OFFERING

Interests Offered. The offering described in this Memorandum relates to an offer to suitable investors by the Partnership to subscribe to Limited Partner Interests in the Partnership. Interests may be purchased either by cash contribution to the capital of the Partnership or by a combination of cash contribution and endorsement (i.e., guarantee) of an agreed amount of a bank loan to the Partnership and opening of a letter of credit. Subscriptions may only be made by means of the Subscription Agreement attached hereto as "Attachment D". See "HOW TO SUBSCRIBE".) The General Partner reserves the right to accept or reject subscriptions for any reason and to waive, in certain cases, the minimum investment and/or loan guarantee collateral requirements stated below.

Description of Interests. Each investor acquiring a Limited Partner Interest will become a Limited Partner entitled to share in the profits and losses of the Partnership allocated to the Limited Partners in the proportion which the total dollar amount of cash contributed and loan principal guaranteed by him bears to the total cash contributed and loan principal guaranteed by all Limited Partners. The Partnership will be managed exclusively by the General Partner, but the Limited Partners will have voting rights in certain instances. (See "SUMMARY OF LIMITED PARTNERSHIP AGREEMENT" and Exhibit III, the Limited Partnership Agreement.)

Deferred Payment Option. With the consent of the General Partner, an investor may defer payment of up to 50% of his subscription until not later than February 28, 1982. The deferred portion shall be evidenced by a promissory note which bears interest at the rate of 15% per annum, computed on a daily basis. See form of Deferred Promissory Note, Attachment E.

Loan Guarantee Investment Option. Subject to concurrence by a lending bank to be selected by the General Partner, a subscriber has the option to invest in the Partnership by means of endorsement of an agreed amount of a bank loan to the Partnership which will be arranged, provided that at least 25% of the total investment is contributed to the Partnership in cash. The bank will require security for such guarantee in the form of a standby

letter of credit from the investor's bank. The bank loan to the Partnership which may be guaranteed by subscribers is described under "Initial Bank Financing". If the Partnership is successful, the loan will be repaid by the Partnership from income allocated to the Limited Partners who have guaranteed the loans. The Partnership presently intends to distribute to such Limited Partners cash equal to approximately 50% of the taxable income allocated to them in respect of their loan guarantees in order to provide funds to help them meet their income tax obligations arising from their interests in the Partnership. The remaining 50% of such taxable income will be used to repay the principal balance of the bank loan.

Effect of Investment by Loan Guarantee. An investor making a portion of his investment by means of endorsing a portion of the bank loan to the Partnership may, to that extent, be relieved of the need to arrange his own financing or to liquidate other investments in order to fund his subscription to the Partnership. If the business goals of the Partnership are achieved, the investor will never have to contribute cash to the Partnership in the amount of his loan guarantee, inasmuch as the primary obligor on the loan is the Partnership and the loan will be repaid from the revenues received by the Partnership, though charged against the Limited Partners' profits interest (see "SUMMARY OF LIMITED PARTNERSHIP AGREEMENT").

[106, 13] If the Partnership is unable to generate sufficient revenues to discharge the principal and/or interest owing upon its Borrowing, or if the General Partner determines that revenues should be utilized for other Partnership purposes, the Limited Partner will be required to pay principal and/or interest upon the portion of the loan which he has guaranteed.

IT IS THE PRESENT ESTIMATE OF THE GENERAL PARTNER THAT THE LIMITED PARTNERS WILL BE REQUIRED TO BEAR SUCH INTEREST FOR THE PERIOD THROUGH DECEMBER 31, 1985.

Such interest payments will be invoiced to the Limited Partners on a quarterly basis commencing on or about December 31, 1981. Such interest will be at a rate of approximately prime plus 2%, and will be specifically advised to prospective investors in connection with their execution of the subscription agreement and related documents.

The loan to the Partnership will be subject to review by the lending bank on an annual basis, and it is possible that the lending bank may decline to extend the loan. In such event, the Partnership would seek to obtain

substitute bank financing and if substitute financing were not available would require payment by the Limited Partners under their endorsements and letters of credit.

If the General Partner elects to acquire the Interests of the Limited Partners prior to the amortization of principal and interest on the loan, the Limited Partners may be required to pay their respective guaranteed portions of the loan balance.

If the Partnership is not successful, however, the Limited Partner will be called upon to make good his guarantee and, in such event, he will in effect be required to contribute his entire commitment in cash, with interest on the guaranteed portion. Inasmuch as there can be no assurance that the Partnership will be successful, subscribers investing in part by means of an endorsement on the Partnership' bank loan should be prepared to satisfy their loan guarantee obligations in full at some date in the future. ACCORDINGLY, AN INVESTOR SHOULD ONLY GUARANTEE A PORTION OF THE BANK LOAN TO THE EXTENT THAT HE WOULD BE WILLING TO MAKE A CASH INVESTMENT IN THE SAME AMOUNT.

Minimum Investment. Each investor acquiring a Limited Partner Interest will be required to make a minimum investment of at least $60,000. Investors may subscribe to additional Interests at $30,000 each. The General Partner reserves the right to accept or reject any proposed subscription, and to accept a lower minimum investment.

No Maximum Investment. There is no limit on the number of Interests which any one Investor may purchase.

Closing Date. The Offering described herein will terminate on the Closing Date, which is initially designated as November 30, 1981. The General Partner reserves the right, in its discretion, to extend the Closing Date to December 20, 1981 and, if the offering is fully subscribed, to set an earlier Closing Date.

Minimum Subscriptions Required. Unless subscriptions for a total of at least $2,100,000 of Limited Partner Interests are received and accepted by the General Partner on or before the Closing Date, all monies received from prospective investors will be refunded without interest and their Subscription Agreements and Promissory Note Endorsements will be returned to them. The Partnership will not be formed unless the minimum required subscriptions ($2,100,000) are received and accepted on or before the Closing Date.

Limited Partner Interest will be required to make a minimum

[106, 14] Initial Bank Financing. In order to facilitate the funds sought by the Partnership pursuant to this offering, the Partnership is seeking to arrange for a loan of up to $3,200,000 to be made by a commerical bank at the time of formation of the Partnership. This loan will be extended to the Partnership to the extent that portions thereof are endorsed by subscribers to Limited Partner Interests as a portion of their commitment to the capital of the Partnership. This loan will be drawn down to the full extent of acceptable endorsements at the time of formation of the Partnership.

As soon as the interest rate of the loan to the Partnership from the bank is determined, prospective investors will receive notice thereof. It is estimated that the rate of interest will be approximately prime plus 2%.

The loan to the Partnership will be subject to review by the lending bank on an annual basis, and it is possible that the lending bank may decline to extend the loan. In such event, the Partnership would seek to obtain substitute bank financing and if substitute financing were not available would require payment by the Limited Partners under their endorsements and letters of credit.

Although the loan may be extended for up to five years, the Partnership intends to pay the loan, including accrued interest, as soon as possible from income allocated to the Limited Partners who have guaranteed the loan. Such payments will reduce the cash available for distribution to such Limited Partners. The General Partner may allocate such portion of Partnership income as it wishes to payment of principal an/or interest on the loan. The General Partner presently intends to apply about 50% of the net taxable income allocated to Limited Partners in respect of their loan guarantees toward payment of principal and to distribute the remaining 50% in cash to such Limited Partners to help them meet their income tax obligations with respect to Partnership income. Payments in respect of the Partnership's initial bank loan will not have any effect on the allocation or distribution of income to Limited Partners with respect to their cash investment.

The loan will be evidenced by a series of endorsement promissory notes, all of which shall be substantially identical except for the principal amount thereof (see the form of Guarantee Promissory Note, Attachment F hereto). There shall be one note for each Limited Partner guaranteeing a portion of the total loan, and each such note shall be fully endorsed by the particular Limited Partner. Each endorsement

will have to be secured by a standby letter of credit from the investor's bank. (See "HOW TO SUBSCRIBE".) It is anticipated that the endorsement note shall be for a period of eleven (11) months, but the Partnership's bank will commit to extend the principal under each note, 11 months at a time, for up to five times, and to allow such principal to be carried over to, and included in the principal of, the succeeding note; provided that the endorsement of the particular Limited Partner is again adequately secured by a standly letter of credit. In the event that a particular Limited Partner fails to secure his endorsement of any proposed renewal of the note, the bank will proceed immediately against the standby letter of credit provided by such Limited Partner.

[106, 15] Standby letters of credit are normally issued for periods of up to one year, and may cost approximately $50 plus 1% of the amount thereof per year. Before issuing such a standby letter of credit, the investor's bank will normally require submission of financial statements and may also require deposit of assets for security. Such arrangements take time to effect, and, accordingly, potential subscribers anticipating making an investment by means of a loan guarantee are advised to contact their bank at the earliest possible date. The bank loan to the Partnership will be renewed at eleven-month intervals at the option of the Partnership for up to five times, and hence the investor should be prepared to renew the standby letter of credit a year at a time for up to five times. If the investor fails to renew the standby letter of credit, the bank will demand payment under the letter of credit, which will have the effect of converting that portion of the Limited Partner's investment from a loan guarantee into a cash investment. (See "HOW TO SUBSCRIBE".) A form of standby letter of credit is attached hereto as Attachment G.

A Limited Partner guaranteeing a portion of the loan to the Partnership who is required to and does pay a portion of the principal and/or interest on such loan on account of his guarantee may be "subrogated", as a matter of law, to the rights of the bank against the Partnership, in which event such Limited Partner whould be entitled to reimbursement from the Partnership to the extent of such Limited Partner's payment on the loan. Each Limited Partner will, by executing the Subscription Agreement, waive any such subrogation rights he may have against the Partnership and/or the General Partner.