UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998 Commission file number 0-14510

CEDAR INCOME FUND, LTD.
(Exact name of registrant as specified in its charter)

<TABLE>
<CAPTION>

Maryland	42-1241468
<S>	<C>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

</TABLE>

44 South Bayles Avenue, #304, Port Washington, NY	11050
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (516) 767-6492

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	The NASDAQ Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Based on the closing sales price on March 11, 1999 of $5.125 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was $1,804,891.

The number of shares outstanding of the registrant's common stock $.01 par value was 542,111 on March 11, 1999.

DOCUMENTS INCORPORATED BY REFERENCE: NONE.

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Part I.

Item 1. Business

Cedar Income Fund, Ltd. ("Old Cedar") was incorporated in Iowa on December 10, 1984. Old Cedar's public offerings of common stock completed in 1986 and 1988 raised nearly $19 million. Old Cedar invested the proceeds from these offerings in four real estate properties and a mortgage loan participation, utilizing only a minimum amount of indebtedness against the properties. The mortgage loan participation has since been liquidated.

On April 2, 1998, Cedar Bay Company, a New York general partnership ("CBC"), pursuant to a tender offer to purchase all of the outstanding shares of common stock of Old Cedar for $7.00 per share in cash (the "Offer"), acquired 1,893,038.335 shares of Old Cedar's outstanding Common Stock, $1.00 par value per share ("Old Common Stock"), representing approximately 85% of the outstanding shares.

On June 26, 1998, Old Cedar merged with and into Cedar Income Fund, Ltd., a Maryland corporation (the "Company) newly formed as a wholly-owned subsidiary of Old Cedar. Immediately thereafter, the Company assigned substantially all of its assets and liabilities to a newly-formed Delaware limited partnership, Cedar Income Fund Partnership, L.P. (the "Operating Partnership"), in exchange for an aggregate of 2,245,411 units of the Operating Partnership ("Units"), which constituted the sole general partnership interest and all of the limited partnership interests in the Operating Partnership. After such assignment, CBC exchanged 1,703,300 shares of the Company's Common Stock, $.01 par value per share ("New Common Stock"), for 1,703,300 limited partnership Units in the Operating Partnership owned by the Company. The shares of New Common Stock were cancelled by the Company upon their exchange by CBC. Following these transactions, CBC owned 189,737 shares of New Common Stock, aggregating approximately 35% of the issued and outstanding shares of New Common Stock. There were 542,111 shares of New Common Stock outstanding as of December 31, 1998. The Company's shares are traded on the NASDAQ Small Cap Market under the symbol "CEDR".

Currently, a Unit in the Operating Partnership and a share of Common Stock of the Company have essentially the same economic characteristics, as they effectively share equally in net income or loss and distributions of the Operating Partnership.

The Company operates as a real estate investment trust ("REIT"). To qualify as a REIT under applicable provisions of the Internal Revenue Code of 1986, as amended, and Regulations thereto, the Company must have a significant percentage of its assets invested in, and income derived from, real estate and related sources. The Company's objectives are to provide its shareholders with a professionally managed, diversified portfolio of commercial real estate investments which will provide the best available cash flow and present an opportunity for capital appreciation.

Item 1. Business (continued)

The Company, through its Operating Partnership, owns and operates three office properties aggregating approximately 224,000 square feet, located in Jacksonville, Florida, Salt Lake City, Utah and Bloomington, Illinois and a 50% undivided interest in a 74,000 square foot retail property located in Louisville, Kentucky.

Cedar Bay Realty Advisors, Inc. serves as investment advisor to the Company pursuant to an Administrative and Advisory Agreement with the Company substantially similar to the terms of that agreement previously in effect between Old Cedar and AEGON USA Realty Advisors, Inc. of Cedar Rapids, Iowa ("AEGON"), which served as investment advisor to the Company from formation until April 3, 1998. Brentway Management LLC, a New York limited liability company provides property management services for the Company's properties pursuant to a management agreement with the Company on substantially the same terms as the agreement previously in effect with AEGON. Brentway Management LLC and Cedar Bay Realty Advisors, Inc. are both affiliates of Cedar Bay Company, SKR Management Corp. and Leo S. Ullman. Leo S. Ullman is Chairman of the Board of Directors and President of the Company.

On June 1, 1998, the Company entered into a Financial Advisory Agreement (the "HVB Agreement") with BV Capital Markets, Inc., since renamed HVB Capital Markets, Inc. ("HVB"), a wholly-owned subsidiary of the Hypo Vereinsbank of Germany, of which Jean-Bernard Wurm, a director of the Company, serves as

director. Pursuant to the HVB Agreement, HVB has agreed to perform the following services as financial advisor to the Company: (a) advise on acquisition financing and/or lines of credit for future acquisitions; (b) advise on acquisitions of United States real property interests and the consideration to be paid therefor; (c) advise on private placements of the shares of the Company; (d) assist the Board of Directors in developing suitable investment parameters for the Company; (e) develop and maintain contacts on behalf of the Company with institutions with substantial interests in real estate and capital markets; (f) advise the Board with respect to additional private or public offerings of equity securities of the Company; (g) review certain financial policy matters with consultants, accountants, lenders, attorneys and other agents of the Company; and (h) prepare periodic reports of its performance of the foregoing services. As compensation for the foregoing services, the Company is required to pay to HVB (i) .25% of the Company's net asset value, less any indebtedness affecting such net value, but in any event, not less than $100,000 per year; (ii) a one-time payment of 1.5% of 90% of the agreed value of properties contributed to the Company or its affiliates by persons introduced to the Company by HVB; and (iii) upon the Company becoming self-administered, a one-time payment equal to five times the annual fee income attributable to fee receipts from clients or contacts of HVB that have contributed property to the Company. The term of the HVB Agreement is for a period of one (1) year and is automatically renewed annually for an additional year subject to the right of either party to cancel at the end of any year upon 60 days' written notice.

The Company's real estate investments are not expected to be substantially affected by current federal, state or local laws and regulations establishing ecological or environmental restrictions on the development and operations of such property. However, the enactment of new provisions or laws may reduce the Company's ability to fulfill its investment objectives.

Item 2. Properties

Retail Property

Germantown Square Shopping Center
Louisville, Kentucky

On September 28, 1988, the Company purchased a 50% undivided interest in a neighborhood shopping center known as Germantown Square Shopping Center in Louisville, Kentucky ("Germantown"). The remaining 50% undivided interest was purchased by Life Investors Insurance Company of America ("Life Investors") an affiliate of the Company's former management company and advisor. Germantown consists of two single-story buildings totaling 74,267 square feet on a 9.0 acre site which includes parking for 428 vehicles. The total acquisition cost of the Company's 50% interest in Germantown was $2,963,674. Subsequent improvements have increased the Company's recorded cost to $3,740,376.

Germantown represented 20% of the Company's total assets as of December 31, 1998, and provided 16% of total revenue. At December 31, 1998, Germantown was 98% leased to ten tenants under leases having a minimum term of five years (not including renewal options). Annual base rents range from $7.94 to $16.94 per square foot. The anchor tenant, Winn Dixie (a grocery store), pays a fixed base rent plus 1% of gross sales in excess of a specified base. Winn Dixie occupies 59% of Germantown under a lease term expiring in September 2008, with five five-year options to renew at the same rent. Winn Dixie provided 14% of the Company's 1998 revenue.

Rental income is expected to decline by approximately 4% in 1999 due to the lease renewal and downsizing of one tenant. Approximately $13,000 in tenant improvement costs are expected as a result of the aforementioned downsizing and lease renewal.

Germantown experiences competition in attracting tenants in its primary trade area from a number of shopping centers ranging in size from 35,000 square feet to 600,000 square feet. The effect of this competition is mitigated by high occupancy rates experienced in the area, as well as the location attributes of the Germantown site. Germantown's primary market area is mostly developed, thereby limiting the possibility of additional retail development.

Office Properties

Corporate Center East
Bloomington, Illinois

On March 24, 1988, the Company acquired Corporate Center East, a 25,200 square foot office building in Bloomington, Illinois for $2,221,783 in cash. Capital improvements have increased the property's recorded cost to $2,559,393.

Item 2. Properties (continued)

In 1997, the Company incurred tenant improvement, lease commission and other costs of approximately $194,000 in securing one of the tenants, Goshen Fidelity, Inc., for 12,666 square feet. Included in this cost is the development of additional parking as required by Goshen Fidelity, Inc., Goshen Fidelity also had an option to purchase Corporate Center East during the first year of its lease term at an agreed upon value. This option expired unexercised in February 1998.

Corporate Center East represented 14% of the Company's total assets at December 31, 1998, and provided 13% of 1998 revenue. At December 31, 1998, Corporate Center East was 100% leased to four tenants under leases having a minimum remaining term of four months (not including renewal options). Annual base rents range from $11.00 to $13.15 per square foot. One lease, representing 10% of the square footage at Corporate Center East, expires in April 1999. The Company is negotiating a five year lease renewal at market rent. Tenant improvement costs are estimated to be $15,000. The corresponding leasing commission expense is estimated to be $3,300. Goshen Fidelity, Corporate Center East's largest tenant, occupies 12,666 square feet under a lease which expires in February 2000. Rental receipts from Goshen Fidelity's lease provided 6% of the Company's 1998 revenue. The property is subject to competition from several office properties in the same geographic area.

Broadbent Business Center
Salt Lake City, Utah

Broadbent Business Center in Salt Lake City, Utah ("Broadbent") was acquired on March 31, 1987, for $4,057,950, subject to mortgage loan indebtedness of $1,966,110. Approximately $300,000 was expended to upgrade the property immediately after acquisition and subsequent improvements have increased the property's recorded cost to $4,584,927. The original mortgage indebtedness was scheduled to mature in September 2008. However, this loan was called by the lender pursuant to the terms of the note. New financing was obtained in October 1992 in the amount of $1,500,000 to retire the original mortgage which had a balance of $1,300,472 at the date of retirement.

Broadbent consists of eight single-story buildings totaling 119,500 square feet, approximately half of which is office use and the other half of which is service/warehouse, on a 12.5 acre site which includes parking for approximately 320 vehicles. Broadbent represented 22% of the Company's total assets at December 31, 1998, and provided 31% of 1998 revenue. At December 31, 1998, Broadbent was 90% occupied by 51 tenants under leases having a minimum term of one month (not including renewal options) with annual base rents ranging from $3.50 to $9.00 per square foot. Leases representing 31% of the square footage of Broadbent expire during 1999.

Item 2. Properties (continued)

Cyclopss Corporation ("Cyclopss"), Broadbent's largest tenant representing 3% of the Company's 1998 revenue, occupied 13,250 square feet under a lease which expired in December 1998. Due to financial constraints, Cyclopss has reduced its leased space to 9,150 square feet effective January 1, 1999. A three-year extension has been signed by the tenant, the terms of which are $5.50 per square foot for two years with a 5% increase in year three. In the event the tenant's financial uncertainties are not satisfactorily resolved, the revenues at this property will in all likelihood be adversely affected, as Cyclopss represents 6% of projected 1999 revenue for Broadbent. Further, the Company would have to incur tenant improvement and leasing commission costs in order to secure a replacement tenant. Broadbent's second largest tenant, Purser Associates' lease, was renegotiated to include a three year term and an expansion of 4,886 square feet to 7,500 square feet.

Other national tenants in Broadbent include: IBM, Pitney Bowes, USA Today (Gannet), Nalley's Fine Foods, Mosler Alarm Systems, DFC Transportation and Midwest Industrial Tools.

Throughout 1998 new leases and lease renewals have taken longer to conclude than expected. The market in Broadbent's category has softened; general market stability during the last half of 1998 and going into 1999 was not as strong as the previous two years. This was evidenced by the increase in existing tenants unwilling to commit to long-term leases or opting to vacate, and new tenants looking for short-term leases ranging from one to two years rather than more standard three to five year terms.

There is some increased direct competition in Broadbent's immediate geographic area and there is significant competition from newer projects within its market, most notably the Salt Lake International Center, a 900 acre business park adjoining the Salt Lake City International Airport.

Tenants with leases representing approximately 13% of the square footage of Broadbent will vacate at the expiration of their respective lease terms in 1999 or pursuant to the 30 day notice provisions of the month-to-month tenancies. The Company is actively pursuing leasing of such potentially vacant spaces. However, if no additional leases are concluded in 1999, Broadbent could have a vacancy of as much as 25% by the second quarter 1999.

Southpoint Parkway Center
Jacksonville, Florida

Southpoint Parkway Center in Jacksonville, Florida ("Southpoint") was acquired on May 6, 1986 for $6,505,495 in cash. Capital expenditures made since the purchase date have increased the property's recorded cost to $8,019,071. Southpoint is a single-story office service center consisting of 79,010 square feet of net leaseable area on approximately 10.8 acres which includes 467 parking spaces. Southpoint represented 40% of the Company's total assets at

December 31, 1998, and provided 38% of its revenue.

Item 2. Properties (continued)

At December 31, 1998, the property was 100% leased to eight tenants with remaining terms ranging from one to seven years (not including renewal options) and annual base rents ranging from $9.50 to $13.37 per square foot.

The General Services Administration ("GSA"), a United States government agency, occupies 40,447 square feet in Southpoint under a ten-year lease which expires in December 2001, with an option to terminate at any time after 90 days' prior written notice. The Company is aware that the same government agency that occupies Southpoint has solicited requests for proposals for 100,000 square feet of space in the downtown market area. After due inquiry, the Company has been advised that the Southpoint location will not be affected. However, there can be no assurances with respect thereto. The GSA lease was negotiated in 1991 and, in connection therewith, the Company purchased 2.9 acres of adjacent land, constructed a parking lot and made interior building improvements at a total cost of $988,832 (included in the above $8,019,071). Rental receipts from the GSA provided 21% of the Company's 1998 revenue.

In 1997, the Company leased an additional 17,116 square feet to an existing tenant, Intuition, Inc., expanding its total leased premises to 20,827 square feet at Southpoint. The Company incurred leasing commission and tenant improvement costs of approximately $179,500 for the Intuition, Inc. expansion. Intuition, Inc.'s lease term on 20,072 square feet of its 20,827 premises is through January 31, 2002. The remaining 755 square feet of their space expires as of October 31, 1999. The Company has been advised that the lease on this space will not be renewed.

Southpoint competes with other office buildings in the suburban Jacksonville office market. During the early 1990's, Jacksonville experienced an oversupply of office space due to new office construction and consolidations by two major financial services firms, both of which occurred in the late 1980's. Net new absorption of office space in recent years had resulted in improved office occupancies and stabilized rents in the Southpoint market area during 1997 and the first two quarters of 1998. However, during the latter part of 1998, Southpoint had experienced a further softening of the rental market. Late in the third quarter of 1998, a major healthcare firm relocated from the Southpoint market area to the downtown area, resulting in approximately 200,000 vacant square feet. In addition, new construction, resulting in approximately 500,000 square feet of new office space, will be available late in the third quarter of 1999.

Item 2. Properties (continued)

The Company's properties are summarized in the table below.

<TABLE>
<CAPTION>

Name and Location	Size (Sq. Ft.)	Occupancy at December 31, 1998	Lease Expiration	1998 Revenue Amount	1998 Revenue Percent
<S>	<C>	<C>	<C>	<C>	<C>
Germantown Square Louisville, Kentucky	74,267	98%	1999-2008	$416,837	16%
Corporate Center East Bloomington, Illinois	25,200	100	1999-2002	323,427	13
Broadbent Business Center Salt Lake City, Utah	119,500	90	1999-2003	785,693	31
Southpoint Parkway Center Jacksonville, Florida	79,010	100	1999-2006	979,415	38
	297,977			2,505,372	98
Financial and other				59,653	2
				$2,565,025	100%

</TABLE>

Item 3. Legal Proceedings

Legal Proceedings

The Company is not a party to any pending legal proceedings which, in the opinion of management, are material to the Company's financial position.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Part II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Dividend Information

The Company is required to distribute at least 95% of its taxable income to continue qualification as a real estate investment trust. In 1998, the Company paid dividends of $0.10 per share in February, May, August and November, totaling $0.40 per share. While the Company expects to continue to pay dividends to shareholders, there can be no assurance of future dividends, as they are dependent upon earnings, cash flow, the financial condition of the Company and other factors. It should be noted that 1998 dividend payments were substantially greater than both the Company's net income and the amounts required to be distributed to continue qualification as a real estate investment trust.

A Form 1099 is mailed to shareholders at the end of each year reflecting the dividends paid by the Company in that year. The percentages indicated below, multiplied by the amount of dividends paid for that year, result in the amount to be reported for income tax purposes.

Dividend Character	1998	1997	1996
Ordinary income	57.34%	66.23%	71.24%
Nontaxable return of capital	42.66%	33.77%	28.76%
Total	100.00%	100.00%	100.00%
Dividends paid, per share	$.40	$.40	$.40

Market Information

As of June 26, 1998, CBC, which had owned from April 2, 1998, 1,893,038 of the 2,245,411 shares of common stock, exchanged 1,703,300 of such shares for Operating Partnership units of equal number. The shares were cancelled, and, accordingly, there are 542,111 shares outstanding to 522 shareholders of record at December 31, 1998. The Company's shares began trading on the NASDAQ Stock Market under the symbol CEDR on December 17, 1986. At March 11, 1999, the Company's per share high and low sales were 5-1/8 high and 5-1/8 low, as obtained by Wedbush/Morgan Securities, Inc., Newport Beach, California and Herzog, Heine, Geduld, Inc., New York, New York, the principal market makers for shares of the Company. These prices reflect quotations between dealers without adjustment for retail mark-up, mark-down or commission and do not necessarily represent actual transactions.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters (continued)

Market Price Range

Quarter Ended	Over-the-Counter Sales Prices High	Low	Close
1998			
March 31	$7	$6-9/16	$6-13/16
June 30	7-3/8	2-1/2	5-1/8
September 30	5-3/4	4-3/4	4-3/4
December 31	7-1/16	4-3/4	6
1997			
March 31	4-3/4	3-7/8	4-5/8
June 30	6	4-1/8	5-5/8
September 30	6-3/8	5-3/8	5-7/8
December 31	7-1/4	5-7/8	6-1/2

Item 6. Selected Financial Data

<TABLE>
<CAPTION>

	Years ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Operating Data					
REVENUE					
Rents	$2,505,372	$ 2,386,549	$2,121,866	$ 2,400,273	$ 2,316,229
Interest	59,653	81,309	95,160	86,884	67,660
Total revenue	2,565,025	2,467,858	2,217,026	2,487,157	2,383,889
EXPENSES					
Property expenses:					
Real estate taxes	262,761	233,160	239,324	228,006	226,426
Repairs and maintenance	252,320	385,806	255,621	318,633	315,393
Utilities	163,279	159,762	146,772	134,362	130,667
Management fee	126,520	130,084	128,053	139,924	159,040
Insurance	18,336	19,270	18,817	16,521	15,699
Other	73,737	92,396	95,517	94,985	92,898
Property expenses, excluding depreciation	896,953	1,020,388	884,104	932,431	940,123
Depreciation	480,410	462,687	436,739	436,276	436,562
Total property expenses	1,377,363	1,483,075	1,320,843	1,368,707	1,376,685
Interest	130,197	136,137	138,209	140,096	141,814
Administrative fees	99,180	101,192	100,363	99,359	98,797
Directors' fees and expenses	56,188	49,417	42,382	44,228	49,994
Other administrative	632,199	197,851	53,613	65,146	57,046
Total expenses	2,295,127	1,967,672	1,655,410	1,717,536	1,724,336
Net income before limited partner's interest in Operating Partnership	269,898	500,186	561,616	769,621	659,553
Limited partner's share of income in Operating Partnership	(89,950)	-	-	-	-
Net income	$ 179,948	$ 500,186	$ 561,616	$ 769,621	$ 659,553
Net income per share	$ 0.13	$ 0.22	$ 0.25	$ 0.34	$ 0.29
Dividends to shareholders	$ 557,504	$ 898,164	$ 898,164	$ 898,164	$ 898,164
Dividends to shareholders per share	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 0.40
Average number of shares outstanding	1,393,761	2,245,411	2,245,411	2,245,411	2,245,411
Balance Sheet Data					
Real estate before accumulated depreciation	$18,903,767	$18,762,887	$18,462,902	$18,326,583	$18,326,583
Real estate after accumulated depreciation	$14,205,658	$14,545,188	$14,707,890	$15,008,310	$15,444,586
Total assets	$15,323,315	$15,941,683	$16,270,149	$16,610,105	$16,786,232
Mortgage loan payable	$ 1,374,751	$ 1,400,259	$ 1,423,492	$ 1,444,654	$ 1,463,929
Limited partner's interest in Operating Partnership	$10,309,316	$ -	$ -	$ -	$ -
Shareholders' equity	$ 3,289,520	$14,227,102	$14,625,080	$14,961,628	$15,090,171
Other Data					
Funds from operations (1)	$ 750,308	$ 962,873	$ 998,355	$ 1,205,897	$ 1,096,115
Total properties square feet	297,977	297,977	297,977	297,977	297,977
Total properties percent leased	95%	98%	89%	91%	98%

</TABLE>

(1) See "Management Discussion and Analysis" for discussion of funds from operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the historical financial statements of Cedar Income Fund, Ltd. (the "Company") and related notes.

Results of Operations

The Company owns office, office/warehouse, and retail properties in four U.S. cities. The Company's properties continue to compete with centers and office buildings of similar size, tenant mix and location. As of December 31, 1998, the combined lease occupancy of the Company's four properties was 95%. Operating results in the forthcoming year will be influenced by the ability of current tenants to continue paying rent, and the Company's ability to renew expiring tenant leases and obtain new leases at competitive rental rates.

1998 Compared to 1997

The Company's net income for the year ended December 31, 1998 was $179,948 ($.13 per share) compared to $500,186 ($.22 per share) for the year ended December 31, 1997. (All per share amounts are on a basic and diluted basis). The decrease in net income from 1997 to 1998 was primarily due to legal and consulting expenses incurred in connection with the tender offer which was completed in March 1998, the Company's reorganization in June 1998, the payment of financial advisory fees and other professional expenses, including those incurred in connection with due diligence reviews for the proposed purchase of additional properties, none of which have been concluded to date. In addition, the decline in net income also reflects the accounting treatment of the limited partner's interest not applicable in prior years.

Rental income was $2,505,372 in 1998 compared to $2,386,549 in 1997, an increase of $118,833 or 5%. Rental income at Corporate Center East in Bloomington, Illinois increased by approximately $75,000 due to the full year impact of revenue (i.e. no vacancy and no rent concessions) from certain space vacant since 1995. Corporate Center East is currently 100% occupied. Rental income increased at Southpoint Parkway Center in Jacksonville, Florida by $44,000 (8%) due to an increase in tenant expense recoveries and increased base rent from a large tenant. Rental income at Broadbent Business Center in Salt Lake City, Utah was relatively unchanged from the prior year. Germantown Square in Louisville, Kentucky experienced a decrease in rental income due to decreased expense recoveries.

Interest income decreased by approximately $22,000 due to the liquidation in March 1998 of the mortgage receivable formerly with Life Investors. Interest was earned for one quarter in 1998 as compared to the full year in 1997.

Property expenses, excluding depreciation, decreased from $1,020,388 in 1997 to $896,953 in 1998, a decrease of 12%. The decrease in property expenses is primarily due to substantial repair and maintenance costs resulting from tenant remodeling and parking lot repair incurred in 1997, but were not required in 1998.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Directors' fees and expenses increased by approximately $7,000 primarily due to directors' liability runoff coverage, travel and meetings associated with the change of directors and the Company reorganization. Other administrative expenses increased by approximately $434,000 due to legal and consulting expenses incurred in connection with the tender offer, the Company's reorganization to the "umbrella partnership REIT", and the proposed purchase of new properties. Total administrative costs of $632,199 consisted of approximately $300,000 in legal, $130,000 in accounting, $60,000 in financial advisory fees, $45,000 in director's insurance, $40,000 in printing and mailing of shareholder related materials, and other administrative items such as office expenses, state taxes and other corporate expenses.

1997 Compared to 1996
The Company's net income for the year ended December 31, 1997 was $500,186 ($.22 per share) compared to $561,616 ($.25 per share) for the year ended December 31, 1996. (All per share amounts are on a basic and diluted basis.) The decrease in net income from 1996 to 1997 was primarily due to legal and consulting expenses incurred in connection with the tender offer for all shares of the Company which was completed in March 1998.

Rental income was $2,386,549 in 1997 compared to $2,121,866 in 1996, an increase of $264,683 or 12%. Rental income at Corporate Center East in Bloomington, Illinois increased by $175,000 due to the Company's success in locating replacement tenants for the 20,000 square feet of space that had been vacant since the end of 1995. Rental income increased by $51,000 at Broadbent Business Center in Salt Lake City, Utah due to higher base rents. Rents also increased at Germantown Square in Louisville, Kentucky and at Southpoint Parkway Center in Jacksonville, Florida due to an increase in tenant expense recoveries.

Interest income decreased by $14,000 due to a lower balance of funds available for investment throughout 1997.

Property expenses, excluding depreciation, increased from $884,104 in 1996 to $1,020,388 in 1997. The increase in property expenses is attributed to the following items. Wages and salaries decreased by 51% due to the reduction of property management personnel at Broadbent. Repairs and maintenance increased by $130,000 primarily due to tenant remodeling, parking lot improvements and other expenses incurred in 1997 that were not required in 1996. Management fees increased by $13,000 in 1997, an increase of 12%, corresponding to the 12% increase in rental income.

Directors' fees and expenses increased by $7,000 primarily due to an increase in directors and officers' insurance coverage and an increase in the annual insurance premium. Other administrative expenses increased by $144,000 primarily due to legal and consulting expenses incurred in connection with the tender offer.

Funds from Operations

Management believes that funds from operations ("FFO") is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income or loss, excluding gains or losses from debt restructurings and sales of properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. (See Selected Financial Data). In March 1995, NAREIT issued a "White Paper" analysis to address certain interpretive issues under its definition of FFO. The White Paper provides that amortization of deferred financing costs and depreciation of non-rental real estate assets are no longer to be added back to net income to arrive at FFO.

Since all companies and analysis do not calculate FFO in a similar fashion, the Company's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

The following table presents the Company's FFO calculation for the years ended December 31,

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Net earnings before limited partner's interest in Operating Partnership	$269,898	$500,186	$561,616
Less:			
Limited partner's interest in the Operating Partnership	89,950	-	-
Net income available to common shareholders	179,948	500,186	561,616
Adjustment for funds from operations			
Add:			
Limited partner's interest in the Operating Partnership	89,950	-	-
Depreciation	480,410	462,687	436,739
Basic and diluted funds from operations	$750,308	$962,873	$998,355
Weighted average shares/units outstanding (1)	2,245,411	2,245,411	2,245,411

</TABLE>

(1) Assumes conversion of limited partnership units of the Operating Partnership.

Liquidity and Capital Resources

The Company's capital resources consist of its current equity in real estate investments (carrying value less mortgage indebtedness). The Company maintains the real estate in good condition and provides adequate insurance coverage. The Company's rental revenues for 1998 were $2,505,372. The rental revenues for 1999 are expected to decrease by approximately $120,000 to $2,385,272 due mainly to expected vacancies absent any reletting in 1999. As a result, the vacant square footage is expected to increase from approximately 13,500 to 31,500. The leasing time-table between getting a lease signed, building-out the space and the tenant taking possession varies from 6 months to 18 months depending on the market in the geographical location of the property. Management estimates they will incur approximately $175,000 in tenant improvement costs to lease-up these vacancies during 1999. Despite the expected decrease in rental revenues and increase in tenant improvement costs, liquidity is considered sufficient to meet current obligations, which include capital expenditures, and is represented by cash and cash equivalents of $678,196 as of December 31, 1998.

Net cash provided by operating activities, as shown in the Statements of Cash Flows, was $771,095 for the year ended December 31, 1998. The major uses of cash in 1998 were dividends to shareholders and distributions to the limited partner of the Operating Partnership totaling $898,164, and capital expenditures of $140,880 ($ 28,550 at Broadbent, $18,981 at Southpoint and $93,349 in capitalized transfer tax for the transfer of Company assets to the Operating Partnership in June 1998). A fourth quarter dividend was declared on January 19,

1999 to shareholders of record on March 1, 1999, payable March 15, 1999. The Board of Directors continues to closely monitor occupancies, leasing activity, overall Company operations, and liquidity in determining quarterly dividends.

The Company's debt service commitments for the mortgage loan payable are described in Note 6 to the Financial Statements. There are no other material commitments at December 31, 1998.

Inflation

Low to moderate levels of inflation during the past few years have favorably impacted the Company's operations by stabilizing operating expenses. At the same time, low inflation has the indirect effect of reducing the Company's ability to increase tenant rents. The Company's properties have tenants whose leases include expense reimbursements and other provisions to minimize the effect of inflation. These factors, in the long run, are expected to result in more attractive returns from the Company's real estate portfolio as compared to short-term investment vehicles.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Year 2000 Issue

Although the Company does not employ any computer systems in its business, the Company could be adversely affected if the computer systems used by the Advisor (Cedar Bay Realty Advisors, Inc.), Property Manager (Brentway Management LLC), and other service providers do not properly process and calculate the date-related information from and after January 1, 2000. The Advisor and Property Manager have taken steps that they believe are reasonably designed to address this issue. These steps include an upgrade of their computer software to a version that will properly process and calculate the date related information from and after January 1, 2000. The upgrade was completed on January 15, 1999. The Advisor and Property Manager are satisfied that the properties have no year 2000 issues since there are no elevators or other date sensitive equipment that would have an adverse effect on the operation of the buildings. In addition, the Advisor and Property Manager will endeavor to obtain reasonable assurances that comparable steps are being taken by the Company's other major service providers. While the Advisor and Property Manager believe their efforts are adequate to address the Company's year 2000 concerns, there can be no assurances that the systems of the other companies on which the Company's operations rely will be converted on a timely basis and will not have a material effect on the Company.

Item 7(a). Quantitative and Qualitative Disclosures about Market Risk

The primary market risk facing the Company is interest rate risk on its mortgage loan payable. The Company does not hedge interest rate risk using financial instrument nor is the Company subject to foreign currency risk.

The following table sets for the Company's long term debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated fair market value ("FMV") at December 31, 1998:

<TABLE>
<CAPTION>

	For the Year ended December 31,					
	1999	2000	2001	2002	Total	FMV
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Long term debt:						
Fixed rate	$28,004	$30,742	$33,755	$1,282,250	$1,374,751	$1,466,113
Average interest rate	9.38%	9.38%	9.38%	9.38%	9.38%	

</TABLE>

The fair value of the Company's mortgage loan payable is estimated based on the discounting of future cash flows at interest rates that management believes reflects the risks associated with mortgage loan payable at similar risk and duration.

Item 8. Financial Statements and Schedules

Report of Independent Auditors

The Board of Directors and Shareholders
Cedar Income Fund, Ltd.

We have audited the accompanying consolidated balance sheets of Cedar Income Fund, Ltd. as of December 31, 1998 and 1997, and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cedar Income Fund, Ltd. at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young

New York, NY
February 24, 1999

Item 8. Financial Statements and Supplementary Data

Cedar Income Fund, Ltd.
Consolidated Balance Sheets

<TABLE>
<CAPTION>

	December 31, 1998	1997
<S>	<C>	<C>
Assets		
Real estate (Note 3)		
Land	$ 4,144,705	$ 4,126,044
Buildings and improvements	14,759,062	14,636,843
	18,903,767	18,762,887
Less accumulated depreciation	(4,698,109)	(4,217,699)
	14,205,658	14,545,188
Mortgage loan receivable (Note 4)	-	564,437
	14,205,658	15,109,625
Cash and cash equivalents (Note 2)	678,196	407,216
Rent and other receivables	108,196	130,615
Interest receivable	-	3,881
Prepaid expenses	107,283	109,624
Deferred leasing commissions (Note 1)	131,350	164,826
Due from co-tenancy partner (Note 8)	61,323	-
Deferred rental receivables (Note 1)	21,500	-

Taxes held in escrow	9,809	15,896
Total assets	$15,323,315	$15,941,683
Liabilities and Shareholders' Equity		
Liabilities		
Mortgage loan payable (Notes 2 and 6)	$ 1,374,751	$ 1,400,259
Accounts payable and accrued expenses	172,358	162,320
Due to co-tenancy partner (Note 8)	46,570	62,570
Security deposits	84,466	80,085
Advance rents	46,334	9,347
Total liabilities	1,724,479	1,714,581
Limited partner's interest in consolidated Operating Partnership (Note 1)	10,309,316	-
Shareholders' equity		
Common stock ($.01 and $1.00 par value, 50,000,000 and 5,020,000 shares authorized, 542,111 and 2,245,411 shares issued and outstanding, respectively)	5,421	2,245,411
Additional paid-in capital	3,284,099	11,981,691
Total shareholders' equity	3,289,520	14,227,102
Total liabilities and shareholders' equity	$15,323,315	$15,941,683

</TABLE>

See the accompanying notes to financial statements.

Cedar Income Fund, Ltd.
Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Revenue			
Rents	$2,505,372	$2,386,549	$2,121,866
Interest	59,653	81,309	95,160
	2,565,025	2,467,858	2,217,026
Expenses			
Property expenses			
Real estate taxes	262,761	233,160	239,324
Repairs and maintenance	252,320	385,806	255,621
Utilities	163,279	159,672	146,772
Management fees (Note 7)	126,520	130,084	128,053
Insurance	18,336	19,270	18,817
Other	73,737	92,396	95,517
Property expenses, excluding depreciation	896,953	1,020,388	884,104
Depreciation	480,410	462,687	436,739
Total property expenses	1,377,363	1,483,075	1,320,843
Interest	130,197	136,137	138,209
Administrative fees (Note 7)	99,180	101,192	100,363
Directors' fees and expenses	56,188	49,417	42,382
Other administrative	632,199	197,851	53,613
	2,295,127	1,967,672	1,655,410
Net income before limited partner's interest in Operating Partnership	269,898	500,186	561,616
Limited partner's interest	(89,950)	-	-
Net income	$ 179,948	$ 500,186	$ 561,616
Basic and diluted net income per share	$ .13	$ .22	$ .25
Dividends to shareholders	$ 557,504	$ 898,164	$ 898,164
Dividends to shareholders per share	$ .40	$ .40	$ .40
Average number of shares outstanding	1,393,761	2,245,411	2,245,411

</TABLE>

See the accompanying notes to financial statements.

Cedar Income Fund, Ltd.
Consolidated Statements of Shareholders' Equity
Years ended December 31, 1998, 1997 and 1996

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-In Capital	Undistributed Net Earnings	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>
Balance at January 1, 1996	$ 2,245,411	$ 12,716,217	$ -	$ 14,961,628
Net earnings	-	-	561,616	561,616
Dividends to shareholders	-	(336,548)	(561,616)	(898,164)
Balance at December 31, 1996	2,245,411	12,379,669	-	14,625,080
Net earnings	-	-	500,186	500,186
Dividends to shareholders	-	(397,978)	(500,186)	(898,164)
Balance at December 31, 1997	2,245,411	11,981,691	-	14,227,102
Net earnings	-	-	179,948	179,948
Dividends to shareholders	-	(377,556)	(179,948)	(557,504)
Change in par value (Note 1)	(536,690)	536,690	-	-
Canceled shares (Note 1)	(1,703,300)	1,703,300	-	-
Limited partner's interest in Operating Partnership (Note 1)	-	(10,560,026)	-	(10,560,026)
Balance at December 31, 1998	$ 5,421	$ 3,284,099	$ -	$ 3,289,520

</TABLE>

See the accompanying notes to financial statements.

Cedar Income Fund, Ltd.
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Operating Activities			
Net Income	$ 179,948	$ 500,186	$ 561,616
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Limited partner's interest in Operating Partnership	89,950	-	-
Depreciation and amortization	483,161	466,353	436,739
Increase in deferred rental receivable	(21,500)	-	-
Changes in operating assets and liabilities:			
(Decrease) increase in rent and other receivable	22,419	(35,202)	(15,200)
Decrease in interest receivable	3,881	65	61
Increase in prepaid expenses	(410)	(28,532)	(40,483)
Increase (decrease) in deferred lease commissions	33,477	(48,678)	(1,341)
Increase (decrease) in tax held in escrow	6,087	1,801	(14,117)
Increase in accounts payable	10,038	58,983	3,664
Decrease in amounts due from co-tenancy partner	(61,323)	-	-
(Increase) decrease in due to co-tenancy partner	(16,000)	26,032	7,776
Security deposits collected, net	4,381	13,430	(214)
Increase (decrease) in advance rents	36,986	(5,700)	6,528
Net cash provided by operating activities	771,095	948,738	945,029
Cash Flows from Investing Activities			
Capital expenditures	(140,880)	(299,985)	(136,319)
Sale and collection of mortgage loan receivable	564,437	9,554	8,778
Net cash provided by (used) in investing activities	423,557	(290,431)	(127,541)
Cash Flow from Financing Activities			
Principal portion of scheduled mortgage payments	(25,508)	(23,233)	(21,162)
Dividends paid	(557,504)	(898,164)	898,164
Distributions to limited partner	(340,660)	-	-
Net cash used in financing activities	(923,672)	(921,397)	(919,326)
Net increase (decrease) in cash and cash equivalents	270,980	(263,090)	(101,838)
Cash and cash equivalents at beginning of the period	407,216	670,306	772,144

Cash and cash equivalents at end of the period	$ 678,196	$ 407,216	$670,306
Supplemental Disclosure of Cash Activities			
Interest paid	$ 130,197	$ 136,137	$ 138,209
Supplemental Disclosure of Non-Cash Financing Activities			
Canceled shares	$ (1,703,300)	$ -	$ -
Decrease in par value from $1 to $.01	$ (506,690)	$ -	$ -
Recordation of initial limited partner's interest	$(10,560,026)	$ -	$ -

</TABLE>

See the accompanying notes to financial statements.

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements
December 31, 1998

1. Description of Business and Significant Accounting Policies

Background, Organization and Reorganization of the Company

Cedar Income Fund, Ltd. ("Old Cedar") was incorporated in Iowa on December 10, 1984. Old Cedar's public offerings of common stock completed in 1986 and 1988 raised nearly $19 million. Old Cedar invested the proceeds from these offerings in four real estate properties and a mortgage loan participation, utilizing only a minimum amount of indebtedness against the properties. The mortgage loan participation has since been liquidated (see Note 4).

On April 2, 1998, Cedar Bay Company, a New York general partnership ("CBC"), pursuant to a tender offer to purchase all of the outstanding shares of common stock of Old Cedar for $7.00 per share in cash (the "Offer"), acquired 1,893,038,335 shares of Old Cedar's outstanding Common Stock, $1.00 par value per share ("Old Common Stock") representing approximately 85% of the outstanding shares.

On June 26, 1998, Old Cedar merged with and into Cedar Income Fund, Ltd., a Maryland corporation (the "Company") newly formed as a wholly-owned subsidiary of Old Cedar. Immediately thereafter, the Company assigned substantially all of its assets and liabilities to a newly-formed Delaware limited partnership, Cedar Income Fund Partnership, L.P. (the "Operating Partnership"), in exchange for an aggregate of 2,245,411 units of the Operating Partnership ("Units"), which constituted the sole general partnership interest and all of the limited partnership interests in the Operating Partnership. After such assignment, CBC exchanged 1,703,300 shares of the Company's Common Stock, $.01 par value per share ("New Common Stock"), for 1,703,300 limited partnership Units in the Operating Partnership owned by the Company. The shares of New Common Stock were cancelled by the Company upon their exchange by CBC. Following these transactions, CBC owned 189,737 shares of New Common Stock, aggregating approximately 35% of the issued and outstanding shares of New Common Stock. There were 542,111 shares of New Common Stock outstanding as of December 31, 1998. The Company's shares are traded on the NASDAQ Small Cap Market under the symbol "CEDR".

Description of Business

The Company is engaged in ownership, management, operation and leasing of real estate properties, principally office and retail located in four U.S. states: Utah, Illinois, Florida and Kentucky.

The Company, through its Operating Partnership, owns and operates three office properties aggregating approximately 224,000 square feet located in Jacksonville, Florida, Salt Lake City, Utah and Bloomington, Illinois and a 50% co-tenancy interest in a 74,000 square foot retail property located in Louisville, Kentucky.

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

1. Description of Business and Significant Accounting Policies (continued)

Basis of Presentation and Summary of Significant Accounting Policies

Consolidation Policy and Related Matters

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership as of December 31, 1998. All significant intercompany balances and transactions have been eliminated in consolidation.

Since the Company owns the sole general partnership interest in the Operating Partnership, which provides the Company with effective control over all significant activities of the Operating Partnership, the Operating Partnership is consolidated with the Company in the accompanying financial statements as of December 31, 1998.

The limited partner's interest as of December 31, 1998 (currently owned entirely by CBC) represents approximately a 76% limited partnership interest in the equity of the Operating Partnership.

Currently, a Unit in the Operating Partnership and a share of Common Stock of the Company have essentially the same economic characteristics, as they effectively share equally in net income or loss and distributions of the Operating Partnership.

The accompanying financial statements include its 50% co-tenancy interest in the assets, liabilities and operations of the retail property.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Minimum rental income is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the accompanying balance sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. Certain lease agreements provide for reimbursement on real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis.

1. Description of Business and Significant Accounting Policies (continued)

Real Estate

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to forty years for buildings and improvements. Tenant improvements, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases.

Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Deferred Costs

Leasing fees and loan costs are capitalized and amortized over the life of the related lease or loan.

Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," (FAS No. 123) requires use of option valuation models that were not developed for use in valuing employee stock options. No stock options have been granted to date.

The Company established a stock option plan (the "Plan") for the purpose of attracting and retaining executive officers, directors and other key employees, 500,000 of the Company's authorized shares of Common Stock have been reserved for the issuance under the Plan. The Plan is administered by a committee of the Board of Directors, which committee will, among other things, select the number of shares subject to each grant, the vesting period for each grant and the exercise price (subject to applicable regulations with respect to incentive stock options) for the options. As of December 31, 1998, no options have been granted under the Plan.

Earnings Per Share

Statement of Financial Accounting Standard Board ("FASB") No. 128, Earnings per Share, was issued and adopted by the Company during 1997. Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

1. Description of Business and Significant Accounting Policies (continued)

basic and diluted earnings per share. Since the Company has no potentially dilutive securities outstanding, basic and diluted net income per share in accordance with Statement No. 128 are the same and do not differ from amounts previously reported as net income per share (primary earnings per share). Accordingly, basic and diluted net income per share are computed using the weighed average number of shares outstanding during the year.

Basic and diluted net income per share are based on the weighted average number of shares outstanding (1,393,761 in 1998 and 2,245,411 for the years 1997 and 1996). Dividends to shareholders per share are based on the actual number of shares outstanding on the respective dates.

Recent Pronouncements

In 1997, the FASB issued the following statements (i) Statement No. 130, "Reporting Comprehensive Income" ("SFAS 130") which is effective for fiscal years beginning after December 17, 1997. SFAS 130 established standards for reporting comprehensive income and its components in a full set of general-purpose financial statements. SFAS 130 requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The adoption of this standard had no impact on the Company's financial position or results of operations (ii) Statement No. 131 "Disclosures about segments of an Enterprise and Related Information" ("SFAS 131") which is effective for fiscal years beginning after December 15, 1997. SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of this standard had no impact on the Company's financial position or results of operations, but did affect the disclosure of segment information.

Income Taxes

The Company generally will not be subject to federal income taxes as long as it qualifies as a real estate investment trust "REIT" under Section 856-869 of the Internal Revenue Code of 1986, as amended (the "Code"). A REIT will generally not be subject to federal income taxation on that portion of income that qualifies as REIT taxable income and to the extent that it distributes such taxable income to its stockholders and complies with certain requirements of the code relating to income and assets. As a REIT, the Company is allowed to reduce taxable income by all or a portion of distributions to stockholders and must distribute at least 95% of its taxable income to qualify as a REIT. As distributions, for federal income tax purposes, have exceeded taxable income, no federal income tax provision has been reflected in the accompanying consolidated financial statements. State income taxes are not significant.

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

1. Description of Business and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company reviews its real estate assets if indicators of impairment are present to determine whether the carrying amount of the asset will be recovered. Recognition of impairment is required if the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying amount. Measurement is based upon the fair value of the asset. As of December 31, 1998, management determined that no impairment indicators exist.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents: The carrying amounts of cash and cash equivalents approximate their fair values.

Mortgage loan payable: The fair value of the mortgage loan payable is estimated utilizing discounted cash flow analysis, using interest rates reflective of current market conditions and the risk characteristics of the loans.

2. Fair Value of Financial Instruments (continued)

The following sets forth a comparison of the fair values and carrying values of the Company's financial instruments subject to the provisions of Statement of Financial Accounting Standard No. 107:

<TABLE>
<CAPTION>

	1998		1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<S>	<C>	<C>	<C>	<C>
Assets				
Mortgage loan receivable	$ -	$ -	$ 564,437	$ 581,013
Cash and cash equivalents	$ 678,196	$ 678,196	$ 407,216	$ 407,216
Liabilities				
Mortgage loan payable	$1,374,751	$1,466,113	$1,400,259	$1,526,689

</TABLE>

3. Real Estate and Accumulated Depreciation

The Company's properties are leased to various tenants, whereby the Company incurs normal real estate operating expenses associated with ownership. In 1998, the Company incurred capital expenditures of $140,880. Improvements for new and existing tenants totaled $47,531. Transfer taxes of $93,349 were paid in connection with the transfer of the Company's assets to the Operating Partnership. Such taxes have been capitalized and allocated 20/80 between land and building and the building portion is being amortized over forty years. In 1997 the Company incurred capital expenditures of $299,985. The improvements consisted of tenant build-outs and the development of additional parking. Information regarding the Company's investment in each property is presented in the Schedule of Real Estate and Accumulated Depreciation that follows.

3. Real Estate and Accumulated Depreciation (continued)

Information on Real Estate and Accumulated Depreciation

<TABLE>
<CAPTION>

Property Description Name and Location of Property	Amount of Encumbrance	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Subsequent Cost Capitalized	Gross Amount at Which Carried December 31, 1998: Land	Gross Amount at Which Carried December 31, 1998: Buildings & Improvements
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Germantown Square Louisville, Kentucky (Shopping Center)	$ --	$ 678,675	$ 2,284,999	$ 776,702	$ 683,365	$ 3,057,011
Corporate Center East Bloomington, Illinois (Office Building)	--	475,000	1,746,783	337,610	479,600	2,079,793
Broadbent Business Center Salt Lake City, Utah (Office/Service Facility)	1,374,751	595,000	3,462,950	526,977	599,681	3,985,246
Southpoint Parkway Center Jacksonville, Florida (Office/Service Facility)	--	2,005,495	4,500,000	1,513,576	2,382,059	5,637,012
	$1,374,571	$3,754,170	$11,994,732	$3,154,865	$4,144,705	$14,759,062

	Gross Amount at Which Carried December 31, 1998

Property Description Name and Location of Property	Total	Accumulated Depreciation	Date Built	Date Acquired	Life on Which Depreciation is Computed (in years)
Germantown Square Louisville, Kentucky (Shopping Center)	$ 3,740,376	$ 766,575	1988	9/88	10-40
Corporate Center East Bloomington, Illinois (Office Building)	2,559,393	524,453	1987	3/88	10-40
Broadbent Business Center Salt Lake City, Utah (Office/Service Facility)	4,584,927	1,266,451	1978	3/87	10-40
Southpoint Parkway Center Jacksonville, Florida (Office/Service Facility)	8,019,071	2,140,630	1984	5/86	10-40
	$18,903,767	$4,698,109			

</TABLE>

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

3. Real Estate and Accumulated Depreciation (continued)

The activity in real estate and related accumulated depreciation for the three-year period ended December 31, 1998 is summarized in the table below.

<TABLE>
<CAPTION>

	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Cost			
Beginning of year	$18,762,887	$18,462,902	$18,326,583
Additions during year improvements	140,880	299,985	136,319
End of year	$18,903,767	$18,762,887	$18,462,902
Accumulated Depreciation			
Beginning of year	$ 4,217,699	$ 3,755,012	$ 3,318,273
Additions during year depreciation expense	480,410	462,687	436,739
End of year	$ 4,698,109	$ 4,217,699	$ 3,755,012

</TABLE>

4. Mortgage Loan Receivable

On September 20, 1993, Old Cedar purchased a 30% participation in a promissory note from Life Investors, an affiliate of AEGON, the Company's former advisor. The participation was acquired for an investment of $600,000 with a yield of 8.25% to Old Cedar. The promissory note which was to mature in August 2000, and was secured by a deed of trust on the Woodbury Office Plaza in Woodbury, Minnesota, was repurchased by Life Investors, as permitted under the note, for cash in the amount of $561,920 on March 30, 1998.

Information on Mortgage Loan Receivable

<TABLE>
<CAPTION>

Property Description Name and Property Location	Date of Mortgage	Periodic Payment Terms: Stated Interest Rate	Periodic Payment Terms: Final Maturity Date	Periodic Payment Terms: Annual Principal and Interest	Periodic Payment Terms: Balloon Payment at March 1998	Face Amount of Mortgage Receivable at Acquisition	Carrying Amount of Mortgage December 31, 1998

</TABLE>

Woodbury Plaza Woodbury, Minnesota	8-1-93	8.25%	8-1-00	$56,577	$561,920	$600,000	--

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

4. Mortgage Loan Receivable (continued)

The activity for the mortgage loan receivable for the three-year period ended December 31, 1998, is summarized as follows:

Mortgage Loan Receivable	Years ended December 31, 1998	1997	1996
Principal			
Beginning of year	$ 564,437	$573,991	$582,769
Deductions during year scheduled payments	(2,517)	(9,554)	(8,778)
Purchase	(561,920)	-	-
End of year	$ -	$564,437	$573,991

5. Leased Assets

The Company's properties are leased to tenants under short-term, non-cancelable operating lease agreements. Future minimum lease rentals to be received under the terms of these lease agreements are approximately as follows:

Year	Amount
1999	$1,878,600
2000	1,264,300
2001	1,014,300
2002	678,700
2003	429,300
Thereafter	1,696,200
	$6,961,400

Contingent rentals (expense recoveries) provided by various leases were included in rental income for 1998, 1997 and 1996 of $281,874, $284,219 and $238,461 respectively.

The Company derived 10% or more of its revenue from two major tenants in 1998. Revenues from GSA, a tenant at Southpoint, was $534,648 in 1998. Revenues from Winn Dixie, a tenant at Germantown, was $349,466 in 1998.

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

6. Mortgage Loan Payable

On October 30, 1992 the Company borrowed $1,500,000 to finance an existing property. As of December 31, 1998, the mortgage outstanding principal balance is $1,374,751. This loan is collateralized by Broadbent Business Center, with a carrying amount of $3,318,485. The mortgage requires the repayment of principal based on a 30 year amortization schedule at an interest rate of 9.375% and matures November 1, 2002. At maturity there will be a balloon payment of $1,254,779. There is a prepayment provision which states from 10/97 to 10/98 5% will be charged which declines by 1% per year thereafter.

Principal payments on the outstanding balance due in the next four years are summarized as follows:

Year	Principal Payments
1999	$ 28,004
2000	30,742

2001	33,755
2002	1,282,250
	$1,374,751

7. Related Party Transactions

The Company has entered into an agreement with Cedar Bay Realty Advisors, Inc. ("Cedar Bay") to provide administrative and advisory services for a monthly base fee of 1/12 of 3/4 of 1% of the estimated current value of real estate plus 1/12 of 1/4 of 1% of the estimated current value of all assets of the Company other than real estate, and an annual subordinated incentive fee equal to 15% of the gain on property sold subject to certain limitation. This agreement is substantially the same as the previous agreement entered into with AEGON, which expired on April 3, 1998. Cedar Bay also provides real estate acquisition services for a fee equal to 5% of the gross purchase price of property acquired and disposition services for a fee equal to 3% of the gross sales price of property sold, subject to certain limitations. The administrative and advisory agreement is for a period of one year, automatically renewed annually and cancelable on 60 days' written notice by either party.

With the exception of Germantown Square Shopping Center in Louisville, Kentucky ("Germantown Square"), Brentway Management LLC (the "Property Manager") provides property management services to the Company's real property for a monthly fee equal to 5% of the gross income from properties managed. The Property Manager also provides leasing services to the Company for a fee of up to 6% of the rent to be paid during the term of the lease procured. The management agreement is for a period of one year, automatically renewed annually and cancelable on 60 days' written notice by either party. This agreement is essentially the same as

7. Related Party Transactions (continued)

the previous agreement with AEGON. Due to Life Investors' continuing ownership of the other 50% co-tenancy therein, AEGON continues to manage Germantown Square upon similar terms as described above.

The Company, has entered into a Financial Advisory Agreement with HVB Capital Markets Inc., as successor to B.V. Capital Markets, Inc. pursuant to which HVB has agreed to perform the following services as financial advisor to the Company: (a) advise on acquisition financing and/or lines of credit for future acquisitions; (b) advise on acquisitions of United States real property interests and the consideration to be paid therefor; (c) advise on private placements of the shares of the Company; (d) assist the Board of Directors in developing suitable investment parameters for the Company; (e) develop and maintain contacts on behalf of the Company with institutions with substantial interests in real estate and capital markets; (f) advise the Board with respect to additional private or public offerings of equity securities of the Company; (g) review certain financial policy matters with consultants, accountants, lenders, attorneys and other agents of the Company; and (h) prepare periodic reports of its performance of the foregoing services. As compensation for the foregoing services, the Company is required to pay HVB, (i) .25% of the Company's net asset value, less any indebtedness affecting such net value, but in any event, not less than $100,000 per year; (ii) a one-time payment of 1.5% of 90% of the agreed value of properties contributed to the Company or its affiliates by persons introduced to the Company by HVB; and (iii) upon the Company becoming self-administered, a one-time payment equal to five times the annual fee income attributable to fee receipts from clients or contacts of HVB that have contributed property to the Company. The term of the HVB Agreement is for a period of one (1) year and is automatically renewed for an additional year subject to the right of either party to cancel at the end of any year upon 60 days' written notice. One of the directors of the Company is an officer of HVB.

In September 1993, the Company purchased participations in promissory notes owned by various affiliates of AEGON. In March 1998, the affiliates of AEGON exercised their right to repurchase the entire mortgage receivable from the Company. The Company invested the proceeds in the Company's money market fund. The Company received interest income from the participations of $2,517, $46,933 and $47,691 for the first quarter of 1998, and the full years 1997 and 1996 respectively.

7. Related Party Transactions (continued)

The following schedule represents amounts paid to related parties:

Cedar Income Fund, Ltd.

Schedule of Management, Administrative and Advisory and Leasing Fees

<TABLE>
<CAPTION>

			Years ended December 31,	
	Jan 1 - Mar 31, 1998	Apr 1 - Dec 31, 1998	1997	1996
<S>	<C>	<C>	<C>	<C>
Management Fees				
AEGON	$31,952	$16,440	$119,328	$106,093
Brentway	-	44,587	-	-
Leasing Fees				
AEGON	23,561	-	44,906	36,901
Administrative and Advisory				
Cedar Bay	-	73,404	-	-
AEGON	25,770	-	101,192	100,363
HVB	-	58,808	-	-

</TABLE>

8. Co-tenancy Interest

On September 28, 1988, the Company purchased a 50% co-tenancy interest in Germantown Square Shopping Center in Louisville, Kentucky. The remaining 50% co-tenancy interest is owned by Life Investors an affiliate of AEGON. Germantown is managed solely by AEGON. The Company paid management fees of $16,440 for the period April 1, 1998 to December 31, 1998. As of December 31, 1998, due to co-tenancy partner, and due from co-tenancy partner was $46,570 and 61,323, respectively.

9. Segment Disclosures

The Company owns all of the interests in real estate properties through the Operating Partnership. The Company's portfolio consists of three commercial properties and one retail property, located respectively in Illinois, Utah, Florida and Kentucky. Each of the properties are evaluated on an individual basis by the President and Treasurer, who have been identified as the Chief Operating Decision Makers because of their final authority over resource allocation.

The following table sets forth the components of the Company's revenue and expenses and other related disclosures as required by FAS Statement No.131 for the year ended December 31, 1998:

9. Segment Disclosures (continued)

Cedar Income Fund, Ltd.
Combined Statement of Operations
Year ended December 31, 1998

<TABLE>
<CAPTION>

	Southpoint Parkway	Corporate Center East	Broadbent Business Center	Germantown Square	Financial and Other	Consolidated Totals
<S>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUES						
Rents	$ 967,978	$ 298,586	$ 619,127	$ 337,807	$ -	$ 2,223,498
Expense recoveries	11,437	24,841	166,566	79,030	-	281,874
Interest	-	-	-	-	59,653	59,653
Total revenues	979,415	323,427	785,693	416,837	59,653	2,565,025
EXPENSES						
Real estate tax	113,633	50,710	60,669	37,749		262,761
Repairs and maintenance	122,763	22,388	83,384	23,785		252,320
Utilities	92,043	35,696	27,404	8,136		163,279
Management fee	48,981	16,303	39,249	21,987		126,520

Insurance	7,271	1,385	6,787	2,893		
18,336						
Other	30,016	13,840	23,658	6,223		
73,737						
Depreciation	216,171	73,556	112,326	78,357		
480,410						
Interest	-	-	130,197	-		
130,197						
Directors' fees and expenses	-	-	-	-	56,188	
56,188						
Administrative fee	-	-	-	-	99,180	
99,180						
Other administrative expenses	-				632,199	
632,199						
Total expenses	630,878	213,878	483,674	179,130	787,567	
2,295,127						
Net income (loss) from operations before limited partner's interest	$ 348,537	$ 109,549	$ 302,019	$ 237,707	$(727,914)	$
269,898						
Total assets	$6,061,972	$2,119,423	$3,393,240	$3,102,363	$ 646,317	
$15,323,315						

CEDAR INCOME FUND, LTD.
Notes to Consolidated Financial Statements (continued)

10. Selected Quarterly Financial Data (Unaudited)

	Quarter Ended				Year Ended
Year	3/31	6/30	9/30	12/31	12/31
1998					
Revenue	$670,324	$644,278	$635,612	$614,811	$2,565,025
Net income (loss)	175,726	20,686	(8,581)	(7,883)	179,948
Basic and diluted net income per share	.08	.01	.00	.00	.10
1997					
Revenue	$560,915	$623,622	$626,237	$657,084	$2,467,858
Net income	124,207	182,421	181,052	12,506	500,186
Basic and diluted net income per share	.06	.08	.08	.00	.22
1996					
Revenue	$582,292	$544,903	$557,005	$532,826	$2,217,026
Net income	166,021	128,924	132,676	133,995	561,616
Basic and diluted net income per share	.07	.06	.06	.06	.25

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Part III.

Item 10. Directors and Executive Officers of the Registrant

LEO S. ULLMAN, age 59, is Chairman of the Board and President of the Company and has been President of SKR Management Corp. from 1994 through the current date; Chairman of Brentway Management LLC from 1994 through the current date; President of Cedar Bay Realty Advisors, Inc. since its formation in January 1998. Mr. Ullman has also been the President and sole director of Selbridge Corp. and Buttzville Corp. (the two partners of CBC) from 1994 through the current date. From 1992 through 1995, Mr. Ullman was President of API Management Services Corp. and API Asset Management, Inc. Mr. Ullman has been involved in real estate property and asset management for approximately twenty years. Mr. Ullman has been a member of the New York Bar since 1966. From 1993 until the end of 1998, Mr. Ullman served as "of counsel" to the New York office of the law firm Schnader Harrison Segal & Lewis, LLP. Mr. Ullman became Chairman of the Board of Directors of the Company in 1998.

J.A.M.H. DER KINDEREN, age 58, was the Director of Investments from 1984 through 1994 for Rabobank Pension Fund, and has been or is Chairman of the Board of the following entities: Noro America Real Estate B.V. (1995-present); Noro Amerika Vast Goed B.V. (1985-present); Mass Mutual Pierson (M.M.P.) (1988-present); and, from 1996 to the present, a director of Warner Building Corporation. Mr. der Kinderen became a Director of the Company in 1998.

EVERETT B. MILLER, III, age 51, is currently the Senior Vice President and Chief Executive Officer of Commonfund Realty, Inc. a regulated investment advisor. Prior to that, starting in March 1997, Mr. Miller was the Senior Vice President and Chief Executive Officer of two finite REITs, Endowment Realty Investors and Endowment Realty Investors II. From January 1995 through March 1997, Mr. Miller was the Principal Investment Officer for Real Estate and Alternative Investment at the Office of the Treasurer of the State of Connecticut. Prior to that, Mr. Miller was employed for twenty years at Travelers Realty Investment Co., at which his last position was Senior Vice President. Mr. Miller became a Director of the Company in 1998.

BRENDA J. WALKER, age 46, is Vice President and Treasurer of the Company and has been Vice President of SKR Management Corp. from 1994 through the current date; President of Brentway Management LLC from 1994 through the current date; Vice President of API Management Services Corp. and API Asset Management, Inc. from 1992 through 1995. Ms. Walker has been involved in real estate property and asset management for approximately twenty years. Ms. Walker became Vice President, Treasurer and Director of the Company in 1998.

Item 10. Directors and Executive Officers of the Registrant (continued)

JEAN-BERNARD WURM, age 49, has been a Director of HVB Capital Markets, Inc. and its predecessor, B.V. Capital Markets, Inc. since January 1, 1993. Mr. Wurm began his career with J.P. Morgan in Paris in the International Money Management Group in Frankfurt as a corporate lending officer before moving to the U.S. in 1979. In 1986, Mr. Wurm started advising European investors in the U.S. real estate market. From 1989 to 1992, Mr. Wurm was the President of U.S. Land which provided European lenders with expertise and support in the workout or disposition of their U.S. real estate assets. Mr. Wurm has been a member of the finance committee of the GMHC since 1986 and has also been Treasurer of the Sciences-Po Alumni Association for the last two years and a member of the Board since 1988. Mr. Wurm became a Director of the Company in 1998.

THEODORE FICHTENHOLZ, age 52, has been a private practicing attorney since 1993. His offices are located in central Connecticut. He was first admitted to the Bar in 1974 in New York. Mr. Fichtenholz's practice specializes in real estate and financing matters. From 1985 until 1993, Mr. Fichtenholz was Managing Attorney for Chase Enterprises, a privately held real estate company. From 1977 until 1985, Mr. Fichtenholz was a partner in a New York City law firm. Prior to 1977, Mr. Fichtenholz held various positions with the City of New York. Mr. Fichtenholz became a Director of the Company in 1998.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

The Company believes that during 1998 all of its officers, directors and holders of more than 10% of its Common Stock complied with all filing requirements under Section 16(a) of the Securities Exchange Act of 1934, except as follows: Messrs. der Kinderen, Miller and Wurm have not yet filed their Forms 3 reporting on their election as directors of the Company.

Item 11. Executive Compensation

The officers and directors of the Company who are also affiliated with CBC do not receive any remuneration for their services to the Company other than reimbursement of travel and other expenses incurred in connection with their duties. During 1998, directors not affiliated with CBC, Mr. Miller, Mr. Wurm and Mr. der Kinderen received a prorated annual fee of $3,750 plus $750 for each

board meeting attended. Mr. Fichtenholz received a prorated annual fee of $1,250 plus $750 for each board meeting attended.

The Company established a stock option plan (the "Plan") for the purpose of attracting and retaining executive officers, directors and other key employees. As of December 31, 1998, 500,000 of the Company's authorized shares of Common Stock have been reserved for issuance under the Plan. The Plan is administered by a committee of the Board of Directors, which committee will, among other things, select the number of shares subject to each grant, the vesting period for each grant and the exercise price (subject to applicable regulations with respect to incentive stock options) for the options. As of December 31, 1998, no options have been granted under the Plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Beneficial Owners

The following table sets forth information with respect to each person and group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known by the Company to be the beneficial owner of more than five percent (5%) of the outstanding Shares of the Company as of March 1, 1999. Each such owner has sole voting and investment powers with respect to the Shares owned by it.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Cedar Bay Company (1) c/o Brentway Management LLC 44 South Bayles Avenue, #304 Port Washington, New York 11050	1,893,037	84%

Security Ownership of Management

The following table sets forth the number of shares of the Company beneficially owned as of March 1, 1999 by each director, nominee, and officer and by all Directors, nominees and officers as a group (6 persons).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Leo S. Ullman (2)	1,893,037	84%
Brenda J. Walker	100	*
J.A.M. H. der Kinderen	100	*
Everett B. Miller, III	100	*
Jean-Bernard Wurm	0	
Theodore Fichtenholz	0	

*Such holdings represent less than one percent of the outstanding shares.

(1) Represent 189,737 shares of New Common Stock and 1,703,300 limited partnership units in the Operating Partnership.

(2) Mr. Ullman may be deemed to be the beneficial owner of 1,893,037 shares owned by CBC. Mr. Ullman disclaims beneficial ownership of such shares.

Item 13. Certain Relationships and Related Transactions

The Company has no employees and has contracted with Cedar Bay Realty Advisors, Inc., a New York corporation, ("Cedar Bay") to provide the Company with administrative, advisory, acquisition, divestiture, property management, leasing and stockholder services. A description of the agreements between Cedar Bay and certain of its affiliates and the Company follows. The description of the agreements is qualified in its entirety by reference to the terms and provisions of such agreements. CBC is a New York general partnership. The Point Associates, L.P. a Pennsylvania limited partnership, and Triangle Center Associates, L.P. a Pennsylvania limited partnership, are the sole partners of CBC. The general partner of The Point Associates, L.P. is Selbridge Corp., a Delaware corporation. The general partner of Triangle Center Associates is Buttzville Corp., a Delaware corporation. Leo S. Ullman is the sole limited partner in each of The Point Associates, L.P. and Triangle Center Associates, L.P. and is an executive officer and a Director of each of Selbridge Corp. and Buttzville Corp.

Cedar Bay is wholly-owned by Mr. Ullman. Mr. Ullman is President and a Director of, and Brenda J. Walker is Vice President of, Cedar Bay.

Brentway Management LLC, a New York limited liability company ("Brentway"), is owned by Mr. Ullman and Ms. Walker. Mr. Ullman is Chairman and Ms. Walker is President of Brentway.

Administrative and Advisory Services

Cedar Bay provides administrative, advisory, acquisition and divestiture services to the Company pursuant to an Administrative and Advisory Agreement (the "Advisory Agreement"). The term of the Advisory Agreement is for one (1) year and is automatically renewed annually for an additional year subject to the right of either party to cancel the Advisory Agreement upon 60 days' written notice.

Under the Advisory Agreement, Cedar Bay is obligated to: (a) provide office space and equipment, personnel and general office services necessary to conduct the day-to-day operations of the Company; (b) select and conduct relations with accountants, attorneys, brokers, banks and other lenders, and such other parties as may be considered necessary in connection with the Company's business and investment activities, including, but not limited to, obtaining services required in the acquisition, management and disposition of investments, collection and disbursement of funds, payment of debts and fulfillment of obligations of the Company, and prosecuting, handling and settling any claims of the Company; (c) provide property acquisition and disposition services, research, economic and statistical data, and investment and financial advice to the Company; and (d) maintain appropriate legal, financial, tax, accounting and general business records of activities of the Company and render appropriate periodic reports to the directors and stockholders of the Company and to regulatory agencies, including the Internal Revenue Service, the Securities and Exchange Commission, and similar state agencies.

Item 13. Certain Relationships and Related Transactions (continued)

Cedar Bay receives fees for its administrative and advisory services as follows: (a) a monthly administrative and advisory fee equal to 1/12 of 3/4 of 1% of the estimated current value of real estate assets of the Company, plus 1/12 of 1/4 of 1% of the estimated current value of all other assets of the Company; (b) an acquisition fee equal to 5% of the gross purchase price (before expenses and without deducting indebtedness assumed) of any real property acquired during the term of the Advisory Agreement; provided that the total of all such acquisition fees plus acquisition expenses in connection with the purchase of any real property shall be reasonable and shall not exceed 6% of the amount paid or allocated to the purchase, development, construction or improvement of a property, exclusive of acquisition fees and acquisition expenses; and (c) a disposition fee equal to 3% of the gross sales price (before expenses but without deducting any indebtedness against the property) of any real property disposed of during the term of the Advisory Agreement; provided that no disposition fee shall be paid unless and until the stockholders have received certain distributions from the Company. In addition, Cedar Bay may receive one-half of the brokerage commission on such a disposition but only up to 3% of the price actually paid for the property, subject to certain limitations. Furthermore, if the Advisory Agreement is terminated prior to the liquidation of the Company, Cedar Bay will be entitled to payment of disposition fees based on the ratio of the number of years the Advisory Agreement was operative to the number of years from the date the Advisory Agreement was entered into that such fee became payable. The Company paid its former advisor approximately $101,000 in administrative fees for 1997. The Company paid $99,180 to Cedar Bay in 1998. No incentive, acquisition or disposition fees were paid in 1997 or 1998.

Management Services

With the exception of Germantown Square, Brentway provides property management and leasing services to the Company's real property pursuant to the management agreement. The term of the agreement is for one (1) year and is automatically renewed annually for an additional year subject to the right of either party to cancel upon 60 days' written notice. Under the agreement, Brentway is obligated to provide property management services, which include leasing and collection of rent, maintenance of books and records, establishment of bank accounts and payment of expenses, maintenance and operation of property, reporting and accounting to the Company regarding property operations, and maintenance of insurance. All of the duties of Brentway are to be fulfilled at the Company's expense; provided, however, that the Company is not required to reimburse Brentway for personnel expenses other than for on-site personnel at the properties managed. Brentway receives fees for its property management services as follows: a monthly management fee equal to 5% of the gross income from properties managed and leasing fees up to 6% of the aggregate rent to be paid during the term of the lease procured. Due to Life Investors' ownership of the other 50% undivided interest therein, AEGON continues to manage the retail property, Germantown Square on terms similar to the above. As did the former manager in 1997, Brentway has subcontracted with various local management companies for site management and leasing services. Brentway was paid $44,587 in property management fees in 1998. (See Note 7).

Item 13. Certain Relationships and Related Transactions (continued)

Financial Advisory Agreement

The Company has entered into a Financial Advisory Agreement (the "HVB Agreement") with HVB Capital Markets Inc., as successor to B.V. Capital Markets, Inc. ("HVB") pursuant to which HVB has agreed to perform the following services as financial advisor to the Company: (a) advise on acquisition financing and/or lines of credit for future acquisitions; (b) advise on acquisitions of United

States real property interests and the consideration to be paid therefor; (c) advise on private placements of the shares of the Company; (d) assist the Board of Directors in developing suitable investment parameters for the Company; (e) develop and maintain contacts on behalf of the Company with institutions with substantial interests in real estate and capital markets; (f) advise the Board with respect to additional private or public offerings of equity securities of the Company; (g) review certain financial policy matters with consultants, accountants, lenders, attorneys and other agents of the Company; and (h) prepare periodic reports of its performance of the foregoing services. As compensation for the foregoing services, the Company is required to pay HVB, (i) .25% of the Company's net asset value, less any indebtedness affecting such net value, but in any event, not less than $100,000 per year; (ii) a one-time payment of 1.5% of 90% of the agreed value of properties contributed to the Company or its affiliates by persons introduced to the Company by HVB; and (iii) upon the Company becoming self-administered, a one-time payment equal to five times the annual fee income attributable to fee receipts from clients or contacts of HVB that have contributed property to the Company. The term of the HVB Agreement is for a period of one (1) year and is automatically renewed for an additional year subject to the right of either party to cancel at the end of any year upon 60 days' written notice. HVB was paid $58,808 for financial advisory services in 1998.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) List of Documents

1. Financial Statements.

The following financial statements are included in Item 8:

Consolidated Balance Sheets, December 31, 1998 and 1997.

Consolidated Statements of Operations, Years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity, Years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Cash Flows, Years ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

All other schedules have been omitted because they are not required, or because the required information, where material, is included in the financial statements or accompanying notes.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K (continued)

3. Exhibits

(3.1) Articles of Incorporation.

(3.2) By-laws.

(3.3) Agreement of Limited Partnership for the Operating Partnership.

(10.1) Administrative and Advisory Agreement dated April 2, 1998 between Cedar Bay Realty Advisors, Inc. and the Company.

(10.2) Management Agreement dated April 2, 1998 between Brentway Management LLC and the Company.

(10.3) Financial Advisory Agreement dated June 1, 1998 between BV Capital Markets, Inc. and the Company.

(b) Reports on Form 8-K.

None

(c) The required exhibits applicable to this section are listed in Item 14(a)3.

(d) There are no financial statement schedules applicable to this section.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEDAR INCOME FUND, LTD.

/s/ Leo S. Ullman	/s/ Brenda J. Walker
Leo S. Ullman	Brenda J. Walker
Chairman of the Board	Vice President, Treasurer and Director
(principal executive officer)	(principal financial officer)
	/s/ Ann Maneri
	Ann Maneri
	Controller
	(principal accounting officer)

March 30, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and as of the date indicated.

/s/ Jean-Bernard Wurm	/s/ Everett B. Miller, III
Jean-Bernard Wurm	Everett B. Miller, III
Director	Director
/s/ J.A.M.H. der Kinderen	/s/ Theodore Fichtenholz
J.A.M.H. der Kinderen	Theodore Fichtenholz
Director	Director

March 30, 1999

EXHIBIT INDEX

Exhibit Item	Title or Description
(3.1)	Articles of Incorporation.
(3.2)	By-laws.
(3.3)	Agreement of Limited Partnership for the Operating Partnership.
(10.1)	Administrative and Advisory Agreement dated April 2, 1998 between Cedar Bay Realty Advisors, Inc. and the Company.
(10.2)	Management Agreement dated April 2, 1998 between Brentway Management LLC and the Company.
(10.3)	Financial Advisory Agreement dated June 1, 1998 between BV Capital Markets, Inc. and the Company.

(b) Reports on Form 8-K.

None

(c) The required exhibits applicable to this section are listed in Item 14(a)3.

(d) There are no financial statement schedules applicable to this section.

ARTICLES OF INCORPORATION
OF
CEDAR INCOME FUND, LTD.

I, THE UNDERSIGNED, JAMES T. CUNNINGHAM, whose post-office address is c/o Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, being at least eighteen years of age, do hereby form a corporation, under and by virtue of the General Laws of the State of Maryland authorizing the formation of corporations.

ARTICLE I

Name

The name of the Corporation shall be Cedar Income Fund, Ltd. (the "Corporation").

ARTICLE II

Principal Office, Registered Office and Agent

The address of the Corporation's principal office in Maryland is c/o The Corporation Trust, Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The address of the Corporation's principal office and registered office in the State of Maryland is 300 East Lombard Street, Baltimore, Maryland 21202. The name of its registered agent at that office is The Corporation Trust, Incorporated, a Maryland corporation.

ARTICLE III

Purposes

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE IV

Capital Stock

A. Authorized Shares. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 55 million shares, consisting of 50 million shares of Common Stock with a par value of $.01 per share (the "Common Stock"), amounting in the aggregate to par value of $500,000, and 5 million shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of $50,000.

B. Common Stock

1. Dividend Rights. Subject to the preferential dividend rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, Holders (as defined below) shall be entitled to receive such dividends as may be declared by the Board of Directors of the Corporation. Upon the declaration of dividends hereunder, Holders shall be entitled to share in all such dividends, pro rata, in accordance with the relative number of shares of Common Stock held by each such Holder.

2. Rights Upon Liquidation. Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, each Holder shall be entitled to receive, ratably with each other Holder, that portion of the assets of the Corporation available for distribution to its stockholders as the number of shares of the Common Stock held by such Holder bears to the total number of shares of Common Stock then outstanding.

3. Voting Rights. Each Holder shall be entitled to vote on all matters (on which a holder of Common Stock shall be entitled to vote), and shall be entitled to one vote for each share of the Common Stock held by such Holder.

4. Restrictions on Ownership and Transfer to Preserve Tax Benefit.

(a) Definitions

For the purposes of this Article IV, the following terms shall have the following meanings:

"Act" shall mean the General Corporation Law of Maryland.

"Beneficial Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Charitable Trust" shall mean the trust created pursuant to subparagraph B(4)(c)(i) of this Article IV.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Constructive Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Date of the Merger" shall mean the latter of the Merger and the redemption of shares of Common Stock held by Cedar Bay Company in exchange for Units.

"Existing Holder" shall mean (i) Cedar Bay Company and (ii) any Person (other than another Existing Holder) to whom an Existing Holder transfers Beneficial Ownership of Common Stock causing such transferee to Beneficially Own Common Stock in excess of the Ownership Limit.

"Existing Holder Limit" (i) for any Existing Holder who is an Existing Holder by virtue of clause (i) of the definition thereof, shall mean, initially, the percentage of Common Stock Beneficially Owned by such Person immediately after the Merger, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; and (ii) for any Existing Holder who becomes an Existing Holder by virtue of clause (ii) of the definition thereof, shall mean, initially, the percentage of the outstanding Common Stock Beneficially Owned by such Existing Holder at the time that such Existing Holder becomes an Existing Holder, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 85% of the Corporation's Common Stock. For purposes of determining the Existing Holder Limit, the amount of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that Existing Holders may beneficially own with respect to options and rights to convert Units into Common Stock pursuant to Section 8.6 of the Partnership Agreement and shall not include shares that may be Beneficially Owned solely by other persons upon exercise of options or rights to convert into Common Stock. From the Date of the Merger and prior to the Restriction Termination Date, the Secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

"Holder" shall mean the record holder of shares of Common Stock, or in the case of shares held by a Purported Record Transferee, the Charitable Trust.

"IRS" shall mean the United States Internal Revenue Service.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of Common Stock on the trading day immediately preceding the relevant date, or if the Common Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Common Stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the market price of the Common Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Merger" shall mean the merger of Cedar Income Fund, Ltd., an Iowa corporation, with and into the Corporation, its wholly-owned subsidiary.

"Ownership Limit" shall initially mean 3.5% of the outstanding Common Stock of the Corporation, and after any adjustment as set forth in subparagraph B(4)(i) of this Article IV, shall mean such greater percentage.

"Partner" shall mean any Person owning Units.

"Partnership" shall mean Cedar Income Fund Partnership, L.P., a Delaware limited partnership.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Partnership, of which the Corporation is the sole general partner, as such agreement may be amended from time to time.

"Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include (i) Cedar Bay Company, and (ii) an underwriter which participates in a public offering of the Common Stock provided that the ownership of Common Stock by such underwriter would not result in the Corporation failing to qualify as a REIT.

"Purported Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the purported beneficial transferee or owner for whom the Purported Record Transferee would have acquired or owned shares of Common Stock, if such Transfer had been valid under such subparagraph.

"Purported Record Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the record holder of the Common Stock if such Transfer had been valid under such subparagraph.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

"Restriction Termination Date" shall mean the first day after the Date of the Merger on which the Board of Directors of the Corporation determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Common Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Common Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Common Stock), whether voluntary or involuntary, whether of record or beneficially or Beneficially or Constructively (including but not limited to transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Common Stock), and whether by operation of law or otherwise.

"Trustee" shall mean the Corporation as trustee for the Charitable Trust, and any successor trustee appointed by the Corporation.

"Units" shall mean the units into which partnership interests of the Partnership are divided, and as the same may be adjusted, as provided in the Partnership Agreement.

(b) Restriction on Ownership and Transfers.

(i) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, no Person (other than an Existing Holder) shall Beneficially Own shares of Common Stock in excess of the Ownership Limit, and no Existing Holder shall Beneficially Own shares of Common Stock in excess of the Existing Holder Limit for such Existing Holder.

(ii) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the

Restriction Termination Date, any Transfer that, if effective, would result in any Person (other than an Existing Holder) Beneficially Owning Common Stock in excess of the Ownership Limit shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit; and the Purported Transferee shall acquire no rights in such shares of Common Stock.

(iii) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer that, if effective, would result in any Existing Holder Beneficially Owning Common Stock in excess of the applicable Existing Holder Limit shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights in such shares of Common Stock.

(iv) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer that, if effective, would result in the Common Stock being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise beneficially owned by the transferee; and the intended transferee shall acquire no rights in such shares of Common Stock.

(v) Notwithstanding any other provisions contained in this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer or other event that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, but not limited to, a Transfer or other event that would result in the Corporation owning (directly or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code), shall be void ab initio as to the Transfer of the shares of Common Stock which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code or would otherwise result in the Corporation failing to qualify as a REIT; and the intended transferee or owner or Constructive or Beneficial Owner shall acquire or retain no rights in such shares of Common Stock.

(c) Effect of Transfer in Violation of Subparagraph (B)(4)(b).

(i) If, notwithstanding the other provisions contained in this Article IV, at any time after the Date of the Merger and prior to the Restriction Termination Date, there is a purported Transfer, change in the capital structure of the Corporation, or other event such that one or more of the restrictions on ownership and transfers described in subparagraph B(4)(b) above has been violated, then the shares of Common Stock being Transferred (or in the case of an event other than a Transfer, the shares owned or Constructively Owned or Beneficially Owned) which would cause one or more of the restrictions on ownership or transfer to be violated (rounded up to the nearest whole share) (the "Trust Shares"), shall automatically be transferred to the Corporation, as Trustee of a trust (the "Charitable Trust") for the exclusive benefit of The American Cancer Society (the "Designated Charity"), an organization described in Section 170(b)(1)(A) and 170(c) of the Code. The Purported Transferee shall have no rights in such Trust Shares.

(ii) The Corporation, as Trustee of the Charitable Trust, may transfer the shares held in such trust to a Person whose ownership of the shares will not result in a violation of the ownership restrictions (a "Permitted Transferee"). If such a transfer is made, the interest of the Designated Charity will terminate and proceeds of the sale will be payable to the Purported Transferee and to the Designated Charity. The Purported Transferee will receive the lesser of (1) the price paid by the Purported Transferee for the shares or, if the Purported Transferee did not give value for the shares, the Market Price of the shares on the day of the event causing the shares to be held in trust, and (2) the price per share received by the Corporation, as Trustee, from the sale or other disposition of the shares held in trust. The Designated Charity will receive any proceeds in excess of the amount payable to the Purported Transferee. The Purported Transferee will not be entitled to designate a Permitted Transferee.

(iii) All stock held in the Charitable Trust will be deemed to have been offered for sale to the Corporation or its designee for a 90-day period, at the lesser of the price paid for that stock by the Purported Transferee and the Market Price on the date that the Corporation accepts the offer. This period will commence on the date of the violative transfer, if the Purported Transferee gives notice to the Corporation of the transfer, or the date that the Board of Directors of the Corporation determines that a violative transfer occurred, if no such notice is provided.

(iv) Any dividend or distribution paid prior to the discovery by the Corporation that shares of Common Stock have been transferred in violation of subparagraph B(4)(b) of this Article IV, shall be repaid to the Corporation upon demand and shall be held in trust for the Designated Charity. Any dividend or distribution declared but unpaid shall be rescinded as void ab initio with respect to such shares of stock.

(v) Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, the Designated Charity shall be entitled to receive, ratably with each other holder of Common Stock, that portion of the assets of the Corporation available for distribution to its stockholders as the number of Trust Shares bears to the total number of shares of Common Stock then outstanding (including the Trust Shares). The Corporation, as Trustee, or if the Corporation shall have been dissolved, any trustee appointed by the Corporation prior to its dissolution, shall distribute to the Designated Charity, when determined (or if not determined, or only partially determined, ratably to the other holders of Common Stock who have been determined and the Designated Charity), any such assets received in respect of the Trust Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation.

(vi) The Purported Transferee will not be entitled to vote any Common Stock it attempts to acquire, and any stockholder vote will be rescinded if a Purported Transferee votes and the stockholder vote would have been decided differently if such Purported Transferee's vote was not counted.

(d) Remedies for Breach. If the Board of Directors or its designees shall at any time determine in good faith that a Transfer or other event has taken place in violation of subparagraph B(4)(b) of this Article IV or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution), Beneficial Ownership or Constructive Ownership of any shares of the Corporation in violation of subparagraph B(4)(b) of this Article IV, the Corporation shall inform the Purported Transferee of its obligations pursuant to this Article IV, including such Purported Transferee's obligations to pay over to the Charitable Trust any and all dividends received with respect to the Trust Shares. In addition, the Board of Directors or its designees shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer and to recover any dividend erroneously paid and declaring any votes erroneously cast to be retroactively invalid; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership) in violation of subparagraph B(4)(b) of this Article IV shall automatically result in a transfer to the Charitable Trust as described in subparagraph B(4)(c), irrespective of any action (or non-action) by the Board of Directors.

(e) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire shares in violation of subparagraph B(4)(b) of this Article IV, or any Person who is a Purported Transferee, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(f) Owners Required To Provide Information. From the Date of the Merger and prior to the Restriction Termination Date each Person who is a beneficial owner or Beneficial Owner or Constructive Owner of Common Stock and each Person (including the stockholder of record) who is holding Common Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information that the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(g) Remedies Not Limited. Nothing contained in this Article IV shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT.

(h) Ambiguity. In the case of an ambiguity in the application of any of the provisions of subparagraph B(4) of this Article IV, including any definition contained in subparagraph B(4)(a), the Board of Directors shall have the power to determine the application of the provisions of this subparagraph B(4) with respect to any situation based on the facts known to it.

(i) Modification of Ownership Limit or Existing Holder Limit. Subject to the limitations provided in subparagraph B(4)(j), the Board of Directors may from time to time increase the Ownership Limit or the Existing Holder Limit and shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland to evidence such increase.

(j) Limitations on Modifications.

(i) From the Date of the Merger and prior to the Restriction Termination Date, neither the Ownership Limit nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Persons who are Beneficial Owners of Common Stock (including all of the then Existing Holders) could (taking into account the Ownership Limit and the Existing Holder Limit) Beneficially Own, in the aggregate, more than 49% of the outstanding Common Stock.

(ii) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to subparagraph B(4)(i) of this Article IV, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(iii) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit.

(iv) The Ownership Limit may not be increased to a percentage which is greater than 9.9%.

(k) Exceptions.

(i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit or the Existing Holder Limit, as the case may be, if such Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership of such shares of Common Stock will violate the Ownership Limit or the applicable Existing Holder Limit, as the case may be, and agrees that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in this subparagraph B(4) of this Article IV) or attempted violation will result in such shares of Common Stock automatically being transferred to the Charitable Trust.

(ii) Prior to granting any exception pursuant to subparagraph B(4)(k)(i) of this Article IV, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

5. Legend. Each certificate for shares of Common Stock shall bear legends substantially to the effect of the following:

"The Corporation is authorized to issue two classes of capital stock which are designated as Common Stock and Preferred Stock. The Board of Directors is authorized to determine the preferences, limitations and relative rights of the Preferred Stock before the issuance of any Preferred Stock. The Corporation will furnish, without charge, to any stockholder making a written request therefor, a copy of the Corporation's charter and a written statement of the designations, relative rights, preferences and limitations applicable to each such class of stock. Requests for the Corporation's charter and such written statement may be directed to Cedar Income Fund, Ltd., 44 South Bayles

Avenue, Port Washington, New York 11050, Attention: Secretary.

The shares of Common Stock represented by this certificate are subject to restrictions on ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Code. No Person may Beneficially Own shares of Common Stock in excess of 3.5% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Stock of the Corporation (unless such Person is an Existing Holder) with certain exceptions set forth in the Corporation's charter. Any Person who attempts to Beneficially Own shares of Common Stock in excess of the above limitations must immediately notify the Corporation. All capitalized terms in this legend have the meanings defined in the Corporation's charter. Transfers in violation of the restrictions described above may be void ab initio.

In addition, upon the occurrence of certain events, if the restrictions on ownership are violated, the shares of Common Stock represented hereby may be automatically exchanged for Trust Shares which will be held in trust by the Corporation. The Corporation has an option to acquire Trust Shares under certain circumstances. The Corporation will furnish to the holder hereof upon request and without charge a complete written statement of the terms and conditions of the Trust Shares. Requests for such statement may be directed to Cedar Income Fund, Ltd., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Secretary."

6. Severability. If any provision of this Article IV or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

C. Preferred Stock. The Board of Directors of the Corporation, by resolution, is hereby expressly vested with authority to provide for the issuance of the shares of Preferred Stock in one or more classes or one or more series, with such voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof, if any, as shall be stated and expressed in the resolution or resolutions providing for such issue adopted by the Board of Directors. Except as otherwise provided by law, the holders of the Preferred Stock of the Corporation shall only have such voting rights as are provided for or expressed in the resolutions of the Board of Directors relating to such Preferred Stock adopted pursuant to the authority contained in the Articles of Incorporation. Before issuance of any such shares of Preferred Stock, the Corporation shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland in accordance with the provision of Section 2-208 of the Act.

D. Reservation of Shares. Pursuant to the obligations of the Corporation under the Partnership Agreement to issue shares of Common Stock in exchange for Units, the Board of Directors is hereby required to reserve a sufficient number of authorized but unissued shares of Common Stock to permit the Corporation to issue shares of Common Stock in exchange for Units that may be exchanged for shares of Common Stock pursuant to the Partnership Agreement.

E. Preemptive Rights. No holder of shares of capital stock of the Corporation shall, as such holder, have any preemptive or other right to purchase or subscribe for any shares of Common Stock or any class of capital stock of the Corporation which the Corporation may issue or sell.

F. Control Shares. Pursuant to Section 3-702(b) of the Act, the terms of Subtitle 7 of Title 3 of the Act shall be inapplicable to any acquisition of a Control Share (as defined in the Act) that is not prohibited by the terms of Article IV.

G. Business Combinations. Pursuant to Section 3-603(e)(1)(iii) of the Act, the terms of Section 3-602 of such law shall be inapplicable to the Corporation.

ARTICLE V

Board of Directors

A. Management. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

B. Number. The number of directors which will constitute the entire Board of Directors shall be fixed by, or in the manner provided in, the By-Laws but shall in no event be less than three. The names of the directors who shall act until the first annual meeting or until their successors are duly chosen and qualified are Leo S. Ullman, J.A.M.H. der Kinderen and Everett B. Miller III.

C. Classification. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-Laws of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1999, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2000, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2001, with each class to hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the date of which shall be fixed by or pursuant to the By-Laws of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. No election of directors need be by written ballot. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Vacancies. Newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-Laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or as otherwise provided in the By-Laws. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the Corporation, at which time a successor shall be elected to fill the remaining term of the position filled by such director.

E. Removal. Any director may be removed from office only for cause and only by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding shares entitled to vote in the election of directors. For purposes of this subparagraph E of Article V "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from temporary incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

F. By-Laws. The power to adopt, alter and/or repeal the By-Laws of the Corporation is vested exclusively in the Board of Directors.

G. Powers. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board of Directors under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE VI

Liability

The liability of the directors and officers of the Corporation to the Corporation and its stockholders for money damages is hereby limited to the fullest extent permitted by Section 5-349 of the Courts and Judicial Proceedings Code of Maryland (or its successor) as such provisions may be amended from time to time.

ARTICLE VII

Indemnification

The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's By-Laws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such By-Laws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such

amendment or repeal.

ARTICLE VIII

Existence

The Corporation is to have perpetual existence.

IN WITNESS WHEREOF, the undersigned incorporator of Cedar Income Fund, Ltd. who executed the foregoing Articles of Incorporation hereby acknowledges the same to be his act and further acknowledges that, to the best of his knowledge the matters and facts set forth therein are true in all material respects under the penalties of perjury.

Dated the 11th day of June, 1998.

/s/ James T. Cunningham

JAMES T. CUNNINGHAM

CERTIFICATE OF CORRECTION
TO
THE ARTICLES OF INCORPORATION
OF
CEDAR INCOME FUND, LTD.,
a Maryland Corporation

Pursuant to the provisions of Section 1-207 of the Maryland General Corporation Law, the undersigned executes the following Certificate of Correction:

1. The title of the document being corrected is the "Articles of Incorporation of Cedar Income Fund, Ltd." (the "Articles").

2. The name of the sole party to the Articles is James T. Cunningham, as sole incorporator of Cedar Income Fund, Ltd., a Maryland corporation.

3. The date that the Articles were filed with the State of Maryland Department of Assessments and Taxation is June 12, 1998.

4. The erroneous provision of the Articles to be corrected is the proviso beginning on the 11th line of the definition of the term "Existing Holder Limit" contained in Article IV paragraph B.4.(a) of the Articles (the "Proviso") which currently reads as follows:

> "provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 85% of the Corporation's Common Stock."

5. The foregoing erroneous Proviso is hereby corrected to read as follows:

> "provided, however, that the Existing Holder Limits for all Existing Holders when combined shall not exceed 35% of the Corporation's Common Stock."

IN WITNESS WHEREOF, the undersigned sole incorporator of Cedar Income Fund, Ltd., who executes the foregoing Certificate of Correction, hereby acknowledges the same to be his act and further acknowledges that, to the best of his knowledge, the matters and facts set forth herein are true in all material respects under the penalties of perjury.

Dated the 24th day of July, 1998.

/s/ James T. Cunningham

JAMES T. CUNNINGHAM

CEDAR INCOME FUND, LTD.

BY-LAWS

adopted as of June 25, 1998

ARTICLE 1
OFFICES

Cedar Income Fund, Ltd. (the "Corporation") shall maintain a registered office in the State of Maryland as required by law. The Corporation may also have offices at other places, within or without the State of Maryland as the business of the Corporation may require.

ARTICLE 2
STOCKHOLDERS

Section 2.01. Place of Meetings. Meetings of stockholders possessing voting shares shall be held at such place in the United States, within or without the State of Maryland, as the Board of Directors designates.

Section 2.02. Annual Meeting. The annual meeting of the stockholders possessing voting shares shall be held on such date and at such time as the Board of Directors designates. At each annual meeting, such stockholders shall elect the members of the Board of Directors whose terms have expired and transact such other business as may be properly brought before the meeting.

Section 2.03. Special Meetings. Special meetings of stockholders may be called by the Chairman of the Board and shall be called by the Chairman of the Board or the Secretary at the request in writing of (x) a majority of the Directors or (y) the holders of 25 percent or more of the issued and outstanding shares of capital stock of the Corporation entitled to be voted at the meeting. Such a request shall state the purpose or purposes of the proposed meeting.

Section 2.04. Notice of Stockholder Meetings.

(a) Required Notice. Written notice stating the place, day and hour of any annual or special stockholder meeting shall be delivered not less than 10 or more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Board of Directors, or other persons calling the meeting, to each stockholder of record entitled to vote at such meeting and to any other stockholder entitled by the Maryland General Corporation Law (the "Act") or the charter to receive notice of the meeting. Notice shall be deemed to be effective at the earliest of: (1) when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid; (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (3) when received.

(b) Adjourned Meeting. If any stockholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. But if a new record date for the adjourned meeting is or must be fixed then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.04, to those persons who are stockholders as of the new record date.

(c) Waiver of Notice. A stockholder may waive notice of the meeting (or any notice required by the Act, charter, or By-Laws), by a writing signed by the stockholder entitled to the notice, which is delivered to the Corporation (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the corporate records.

A stockholder's attendance at a meeting:

(1) waives objection to lack of notice or defective notice of the meeting unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or

(2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

(d) Contents of Notice. The notice of each special stockholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 2.04(d), or as provided in the

Corporation's charter, or otherwise in the Act, the notice of an annual stockholder meeting need not include a description of the purpose or purposes for which the meeting is called.

Section 2.05. Quorum. The holders, present in person or represented by proxy, of shares of capital stock entitled to cast a majority of all votes entitled to be cast at the meeting shall constitute a quorum for the transaction of business at the meeting. If less than a quorum is present, the holders of a majority of such shares whose holders are so present or represented may from time to time adjourn the meeting to another place, date, or hour until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice except as required by law or by Section 2.04.

Section 2.06. Voting. When a quorum is present at a meeting of the stockholders, the vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy shall decide any question brought before the meeting, unless the question is one upon which, by express provision of law or of the Articles of Incorporation or of these By-Laws, a different vote is required. Unless otherwise provided in the charter, each holder of shares of Common Stock shall at a meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of Common Stock held by such stockholder. At a meeting of the stockholders, all questions relating to the qualifications of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the presiding officer of the meeting.

Section 2.07. Presiding Officer of Meetings. The Chairman of the Board, or in his absence, the President, or in his absence a Vice President, or in his absence a chairman for the meeting chosen by the Board of Directors, shall preside at all meetings of the stockholders. In the absence of all of the foregoing, the presiding officer shall be elected by vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy at the meeting.

Section 2.08. Secretary of Meetings. The Secretary of the Corporation shall act as secretary of all meetings of the stockholders. In the absence of the Secretary, the presiding officer of the meeting shall appoint any other person to act as secretary of the meeting.

Section 2.09. Action in Lieu of Meeting. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, are signed by all of the holders of shares of capital stock entitled to vote thereon.

Section 2.10. Proxies. At all meetings of stockholders, a stockholder may vote in person, or vote by proxy which is executed in writing by the stockholder or which is executed by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation or other persons authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

ARTICLE 3
BOARD OF DIRECTORS

Section 3.01. Powers. The business of the Corporation shall be managed under the direction of the Board of Directors, which shall exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3.02. Number; Election; Qualification; Term.

(a) The Board of Directors shall initially consist of at least three members or as determined from time to time by amendment of this subsection. The term of office of a Director shall not be affected by any decrease in the authorized number of Directors.

(b) Until the first annual meeting of the stockholders, the Board of Directors shall initially consist of the persons named as the Directors of the Corporation by the incorporator in the charter. At the first annual meeting and at each subsequent annual meeting of the stockholders, the stockholders shall elect the successors of the class of Directors whose term have expired at that meeting to serve for a term expiring in accordance with Section 3.02(d). The number of Directors shall in no event be less than three.

(c) Unless by the terms of the action pursuant to which he was elected

any special condition or conditions must be fulfilled in order for him to be qualified, a person elected as a Director shall be deemed to be qualified (1) upon his receipt of notice of election and his indication of acceptance thereof or (2) upon the expiration of ten days after notice of election is given to him without his having given notice of inability or unwillingness to serve.

(d) The initial Directors shall serve until the first meeting of the stockholders of the Corporation. Thereafter, the Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, with one class expiring at each of the three subsequent annual meetings of stockholders. Each class will hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Directors need not be stockholders of the Corporation.

Section 3.03. Vacancies. Whenever between annual meetings of the stockholders any vacancy exists in the Board of Directors by reason of death, resignation, removal, or increase in the authorized number of Directors, or otherwise, it may be filled by the Board of Directors (if permitted under the Act) or by the stockholders at a special meeting of the stockholders called for that purpose.

Section 3.04. Place of Meetings. Any meeting of the Board of Directors may be held either within or without the State of Maryland.

Section 3.05. Annual Meeting. There shall be an annual meeting of the Board of Directors for the election of officers and the transaction of such other business as may be brought before the meeting. The annual meeting of the Board shall be held immediately following the annual meeting of the stockholders or any adjournment thereof, at the place where the annual meeting of the stockholders was held or at such other place as a majority of the Directors who are then present determine. If the annual meeting is not so held, it shall be called and held in the manner provided herein for special meetings of the Board or conducted pursuant to Section 3.11.

Section 3.06. Regular Meetings. Regular meetings of the Board of Directors, other than the annual meeting, may be held without notice at such times and places as the Board may have fixed by resolution.

Section 3.07. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President and shall be called on the written request of a majority of the Directors. Not less than one day's notice of a special meeting shall be given by the Secretary to each Director.

Section 3.08. Organization. Every meeting of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence by the President. In the absence of the Chairman of the Board and the President, a presiding officer shall be chosen by a majority of the Directors present. The Secretary of the Corporation shall act as secretary of the meeting. In his absence the presiding officer shall appoint another person to act as secretary of the meeting.

Section 3.09. Quorum. The presence of a majority of the number of Directors then serving shall be necessary to constitute a quorum for the transaction of business at a meeting of the Board of Directors. If less than a quorum is present, a majority of the Directors present may adjourn the meeting to another time or place until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice.

Section 3.10. Vote. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law, by the Articles of Incorporation, or by these By-Laws. Where a vote of the Directors present results in a tie, the action proposed shall not constitute an act of the Board of Directors.

Section 3.11. Action in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all of the members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

Section 3.12. Conference Call Meeting. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall

constitute presence in person at the meeting.

Section 3.13. Removal of Director. Any Director shall be subject to removal with or without cause at any time by the holders of a majority of the shares of capital stock then entitled to be voted at an election of Directors.

ARTICLE 4
COMMITTEES

Section 4.01. Committees of the Board. The Board of Directors may, by resolution passed by a majority of the Directors in office, establish one or more committees, each committee to consist of two or more of the Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member or members at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the power and authority of the Board for direction and supervision of the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it. No such committee, however, shall have power or authority in reference to (i) amending the charter or the By-Laws, (ii) adopting an agreement of merger or consolidation, (iii) recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, (iv) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, (v) electing a Director, or electing or removing an officer; and (vi) unless the resolution expressly so provided, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

Section 4.02. Procedures; Minutes of Meetings. Each committee shall determine its rules with respect to notice, quorum, voting, and the taking of action, provided that such rules shall be consistent with law, the rules in these By-Laws applicable to the Board of Directors, and the resolution of the Board establishing the committee. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE 5
OFFICERS

Section 5.01. General. The Board of Directors shall elect the officers of the Corporation, which shall include a President, Treasurer and a Secretary and such other officers, including, without limitation, Chairman of the Board, Vice Chairman, Chief Operating Officer, Vice-Presidents, Comptroller and General Counsel as in the Board's opinion are desirable for the conduct of the business of the Corporation. Any two or more offices may be held by the same person except that the President shall not hold the office of Vice-President or Secretary.

Section 5.02. Powers and Duties. Each of the officers of the Corporation shall, unless otherwise ordered by the Board of Directors, have such powers and duties as generally pertain to his respective office as well as such powers and duties as from time to time may be conferred upon him by the Board and these By-Laws.

Section 5.03. Term of Office; Removal and Vacancy. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal and shall be subject to removal with or without cause at any time by the affirmative vote of a majority of the Directors in office. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 5.04. Chairman of the Board. The Chairman of the Board shall be the Chief Executive Officer and, if present, shall preside at meetings of the Board and of the stockholders, shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall supervise and control in general all of the business and affairs of the Corporation. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of chairman of the board and chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.05. President. The President shall be the chief operating officer of the Corporation and, subject to the control of the Board of

Directors, shall supervise and control in general those operations of the Corporation designated by the Chairman of the Board. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and chief operating officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.06. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected by the Board of Directors; and (c) in general, perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the Chairman of the Board, the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 5.07. Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the stockholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of any seal of the Corporation and if there is a seal of the Corporation, see that it is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) when requested or required, authenticate any records of the Corporation; (e) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (f) sign with the Chairman of the Board, the President or a Vice-President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the offices of secretary and such other duties as from time to time may be assigned to him by the Chairman of the Board, the President or by the Board of Directors.

ARTICLE 6
CAPITAL STOCK

Section 6.01. Certificates of Stock. Certificates for shares of capital stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by the Chairman of the Board, the President or a Vice-President and by the Secretary or the Treasurer. Any or each of the signatures on a stock certificate, including that of any transfer agent or registrar, may be a facsimile. If any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent, or registrar before the certificate is issued, the certificate may be issued by the Corporation with the same effect as if the officer, transfer agent, or registrar were the officer, transfer agent, or registrar at the date of issuance.

Section 6.02. Transfer of Stock. Shares of stock of the Corporation shall be transferable on the books of the Corporation only by the holder of record thereof, in person or by duly authorized attorney, upon surrender and cancellation of a certificate or certificates for a like number of shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require.

Section 6.03. Ownership of Stock. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has express or other notice thereof, except as otherwise expressly provided by law or in the charter.

Section 6.04. Lost, Stolen, or Destroyed Certificates. In case any certificate for stock of the Corporation is lost, stolen, or destroyed, the Corporation may require such proof of the fact and such indemnity to be given to it, to its transfer agent, or to its registrar, if any, as deemed necessary or advisable by it.

ARTICLE 7
MISCELLANEOUS

Section 7.01. Corporate Seal. The seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of incorporation, and the word "Maryland."

Section 7.02. Fiscal Year. The Corporation's fiscal year shall end on December 31. The Board of Directors shall have power to change the fiscal year of the Corporation from time to time.

ARTICLE 8
INDEMNIFICATION; TRANSACTIONS
WITH INTERESTED PERSONS

Section 8.01. Indemnification. The Corporation shall, to the fullest extent required or permitted by applicable law, indemnify any person who is or was, or is the personal representative of a deceased person who was, a Director, officer, employee, or agent of the Corporation against any judgments, penalties, fines, settlements and reasonable expenses and any other liabilities to the fullest extent permitted by Section 2-418 of the Act as in effect from time to time; provided that, unless applicable law otherwise requires, indemnification shall be contingent upon a determination, by the Board of Directors by a majority vote of a quorum consisting of Directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting solely of two or more Directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full board in which the designated Directors who are parties may participate or by special legal counsel selected by and if directed by the Board of Directors as set forth above, that indemnification is proper in the circumstances because such Director, officer, employee, or agent has met the applicable standard of conduct prescribed by Section 2-418(b) of the Act.

Section 8.02. Transactions With Interested Persons. No contract or transaction between the Corporation and any of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which any of its Directors or officers is a director or officer or has a financial interest, shall be void or voidable solely for that reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof at which the contract or transaction is authorized or solely because his vote is counted for such purpose, if

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith approves or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors are less than a quorum;

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a majority of the votes cast by the stockholders other than the votes of shares owned of record or beneficially by the interested Director, officer, corporation, firm or other entity; or

(c) the contract or transaction is fair and reasonable as to the Corporation as of the time it is authorized, approved, or ratified by the Board of Directors, a committee thereof, or the stockholders.

ARTICLE 9
AMENDMENT

The power to amend or repeal these By-Laws and to adopt new By-Laws is vested exclusively in the Board of Directors.

AGREEMENT OF LIMITED PARTNERSHIP

OF

CEDAR INCOME FUND PARTNERSHIP, L.P.

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B Notice of Redemption

AGREEMENT OF LIMITED PARTNERSHIP
OF
CEDAR INCOME FUND PARTNERSHIP, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP, dated as of June 25th, 1998, is entered into by and among Cedar Income Fund, Ltd. (the "General Partner"), a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as the Limited Partners, together with any other Persons who become Partners in the Partnership as provided herein.

ARTICLE 1
DEFINED TERMS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Funds" shall have the meaning set forth in Section 4.5.A.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

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

(i) decrease such deficit by any amounts which such Partner is obligated to restore pursuant to this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentence of each of Treasury Regulation Sections 1.704-2(i)(5) and 1.704-2(g); and

(ii) increase such deficit by the items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjustment Date" means, with respect to any Capital Contribution, the close of business on the Business Day last preceding the date of the Capital Contribution, provided, that if such Capital Contribution is being made by the General Partner in respect of the proceeds from the issuance of REIT Shares (or the issuance of the General Partner's securities exercisable for, convertible into or exchangeable for REIT Shares), then the Adjustment Date shall be as of the close of business on the Business Day last preceding the date of the issuance of such securities.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreed Value" means (i) in the case of any Contributed Property set forth in Exhibit A and as of the time of its contribution to the Partnership, the value of such property as set forth in Exhibit A; (ii) in the case of any Contributed Property not set forth in Exhibit A and as of the time of its contribution to the Partnership, the fair market value of such property or other consideration as determined by the General Partner, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the fair market value of such property as determined by the General Partner at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of the distribution as determined under Section 752 of the Code and the Regulations.

"Agreement" means this Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Appraisal" means with respect to any assets, the opinion of an independent third party experienced in the valuation of similar assets, selected by the General Partner in good faith, such opinion may be in the form of an opinion by such independent third party that the value for such property or asset as set by the General Partner is fair, from a financial point of view, to the Partnership.

"Articles of Incorporation" means the Articles of Incorporation of the General Partner filed in the State of Maryland on June 12, 1998 as amended, supplemented or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

a. the Partnership's Net Income or Net Loss (as the case may be) for such period,

b. Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period,

c. the amount of any reduction in reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

d. the excess of the net proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from any such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

e. all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum of:

a. all principal debt payments made during such period by the Partnership,

b. capital expenditures made by the Partnership during such period,

c. repayments of investments in any entity (including repayments of loans made thereto) to the extent that such repayments of investments are not otherwise described in clauses (ii)(a) or (b),

d. all other expenditures and payments not deducted in determining Net Income or Net Loss for such period,

e. any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period, and

f. the amount of any increase in reserves established during such period which the General Partner determines is necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include the amount of any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of

the dissolution and liquidation of the Partnership.

"Bankruptcy" means any event where the General Partner, or the Partnership, as the case may be, makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, or seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for all or any substantial part of its properties.

"Board of Directors" means the Board of Directors of the General Partner.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to be closed.

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

a. To each Partner's Capital Account there shall be added such Partner's Capital Contributions, such Partner's share of Net Income and any items in the nature of income or gain which are specially allocated pursuant to Section 6.3 hereof, and the amount of any Partnership liabilities assumed by such Partner or which are secured by any property distributed to such Partner.

b. From each Partner's Capital Account there shall be subtracted the amount of cash and the Gross Asset Value of any property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.3 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

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

d. In determining the amount of any liability for purposes of subsections (a) and (b) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

e. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b) and Section 1.704-2, and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article 13 of this Agreement upon the dissolution of the Partnership. The General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"Capital Contribution" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership by such Partner.

"Cash Amount" means an amount of cash per Partnership Unit equal to the Value on the Valuation Date of the REIT Shares Amount.

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Delaware Secretary of State, as amended from time to time in accordance with the terms hereof and the Act.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or any successor statute thereto, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Consent" means the consent to, approval of, or vote on a proposed action by a Partner given in accordance with Article 14 hereof.

"Consent of the Limited Partners" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by a Majority in Interest of the Limited Partners, unless otherwise expressly provided herein, in their sole and absolute discretion.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code).

"Conversion Factor" initially means 1.0, provided that

a. in the event that the General Partner

(i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares to all holders of its outstanding REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares,

(ii) splits or subdivides its REIT Shares into a larger number of REIT Shares, or

(iii) effects a reverse split or combines its outstanding REIT Shares into a smaller number of REIT Shares,

the Conversion Factor shall be adjusted by multiplying the Conversion Factor previously in effect by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

b. in the event that the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares (or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares) at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "Distributed Right"), then the Conversion Factor shall be adjusted by multiplying the Conversion Factor previously in effect by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date plus the maximum number of REIT Shares purchasable under such Distributed Rights, and the denominator of which shall be the number of REIT Shares issued and outstanding on the record date plus a fraction, the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights, and the denominator of which is the Value of a REIT Share as of the record date; provided, that if any such Distributed Rights expire or become no longer exercisable, then the Conversion Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fractions; and

c. in the event the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in clause (a)(i) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Conversion Factor shall be adjusted to equal the amount determined by multiplying the Conversion Factor in effect immediately prior to the close of business on the date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be such Value of each REIT Share on the date fixed for such determination, and the denominator shall be the Value of each REIT Share on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event; provided that any Limited Partner may waive, by written notice to the General Partner, the effect of any adjustment to the Conversion Factor applicable to the Units held by such Limited Partner, and thereafter, such adjustment will not be effective as to such Units. For purposes of this definition, the term "REIT Share" shall not include any Trust Shares (as defined in the Articles of Incorporation of the General Partner).

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Persons; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) lease obligations of such Persons which, in accordance with generally accepted accounting principles, should be capitalized.

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

"Deemed Partnership Interest Value" means, as of any date, the Deemed Value of the Partnership multiplied by the applicable Partner's Percentage Interest.

"Deemed Value of the Partnership" means, as of any date, (a) the total number of REIT Shares issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of a REIT Share on such date, (i) minus the net fair market value of the General Partner Properties determined by the Board of Directors of the General Partner in good faith or (ii) if the face amount of the General Partner's liabilities (other than those arising through the Partnership) exceeds the value of the General Partner Properties, plus such excess and (b) divided by the Percentage Interest of the General Partner on such date;

"Effective Date" means the effective date of the merger of Cedar Income Fund, Ltd., an Iowa corporation, into the General Partner, upon which contributions set forth on Exhibit A that are to be effective on the Effective Date shall become effective.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"General Partner" means the REIT or its successors as general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partner Interest may be expressed as a number of Partnership Units.

"General Partner Loan" is defined in Section 4.5.C.

"General Partner Properties" means any property or assets owned by the General Partner directly, and which are not owned by the Partnership.

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

a. The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the General Partner; provided that, if the contributing Partner is the General Partner and contributes assets in an amount valued at above cost, then the determination of the fair market

value of the contributed asset shall be determined by Appraisal.

b. The Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, provided however, that for this purpose the net value of all of the Partnership assets, in the aggregate, shall be equal to the Deemed Value of the Partnership, regardless of the method of valuation adopted by the General Partner, as of the following times:

(i) the acquisition of an additional interest in the Partnership by a new or existing Partner in exchange for more than a de minimis Capital Contribution if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interest of the Partners in the Partnership;

(ii) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(iii) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) and 1.704-2; and

(iv) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Regulations Sections 1.704-1(b) and 1.704-2.

c. The Gross Asset Value of any Partnership asset distributed to a Partner shall be the gross fair market value of such asset on the date of distribution as determined by the distributee and the General Partner, or if the distributee and the General Partner cannot agree on such a determination, by Appraisal.

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

e. If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subparagraph (a), (b) or (c), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

"Holder" means either the Partner or Assignee owning a Unit.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Immediate Family" means, with respect to any natural Person, the ancestors and descendants of such natural Person, the spouse of such natural Person and the ancestors and descendants of such spouse, the estate or heirs thereof, and any trust or estate, all of the beneficiaries of which consist of the foregoing persons.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, physical disability which renders him unable to work on a full-time basis or entry by a court of competent jurisdiction adjudicating him incompetent to manage his Person or his estate; (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any partnership which is a Partner, the dissolution and commencement of winding

up of the partnership; (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust which is a Partner, the

termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within 120 days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within 90 days of such appointment, or (h) an appointment referred to in clause (g) is not vacated within 90 days after the expiration of any such stay.

"Indemnitee" means (i) any Person made a party to a proceeding by reason of his status as (A) the General Partner or (B) a director or officer of the Partnership or the General Partner, and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time, in its sole and absolute discretion.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interest of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidator" has the meaning set forth in Section 13.2.A.

"Majority in Interest of the Limited Partners" means those Limited Partners (other than any Limited Partner 50% or more of whose equity is owned, directly or indirectly, by the General Partner) holding Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners (other than any Limited Partner 50% or more whose equity is owned, directly or indirectly, by the General Partner).

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

a. Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be added to such taxable income or loss;

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

c. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (b) or subparagraph (c) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Loss;

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

e. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss,

there shall be taken into account Depreciation for such fiscal year;

f. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss; and

g. Notwithstanding any other provision of this definition of Net Income or Net Loss, any items which are specially allocated pursuant to Section 6.3 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss, or deduction available to be specially allocated pursuant to Section 6.3 hereof shall be determined by applying rules analogous to those set forth in this definition of Net Income or Net Loss.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means a Notice of Redemption substantially in the form of Exhibit B to this Agreement.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"Partnership Interest" means an ownership interest in the Partnership of either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for the distribution of Available Cash pursuant to Section 5.1 hereof which record date shall be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"Partnership Unit" means a fractional, undivided share of the Partnership Interest of all Partners issued pursuant to Sections 4.1 and 4.2. As of the Effective Date of this Agreement, there shall be considered to be 2,245,411 Partnership Units outstanding, with all such Partnership Units representing 100% of the Percentage Interests of the Partnership.

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner, its interest in the Partnership as determined by dividing the Partnership Units owned by such Partner by the total number of Partnership Units then outstanding and as specified in Exhibit A attached hereto, as such Exhibit may be amended from time to time.

"Person" means an individual or a corporation, partnership, trust, limited liability company, unincorporated organization, association or other entity.

"Properties" means such interests in real property and personal property including, without limitation, fee interest, interests in ground leases, interests in joint ventures, interests in mortgages, and Debt instruments as the Partnership may hold from time to time.

"Qualified Transferee" means an "Accredited Investor" as defined in Rule 501 promulgated under the Securities Act.

"Redemption Right" has the meaning set forth in Section 8.6 hereof.

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

"Regulatory Allocations" has the meaning set forth in Section 6.3(A)(viii) of this Agreement.

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Requirements" has the meaning set forth in Section 5.1.

"REIT Share" shall mean a share of common stock of the General Partner, but shall not, for purposes of the definition of "Conversion Factor," include any Trust Shares (as defined in the Articles of Incorporation of the General Partner).

"REIT Shares Amount" shall mean a number of REIT Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner, multiplied by the Conversion Factor in effect on the Valuation Date.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Specified Redemption Date" means the tenth (10th) Business Day after receipt by the Partnership of a Notice of Redemption.

"Stock Option Plan" means any stock option plan of the General Partner.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interest is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the immediately preceding Business Day.

"Value" means, with respect to a REIT Share, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the Valuation Date. The market price for each such trading day shall be: (i) if the REIT Shares are listed or admitted to trading on any securities exchange or the Nasdaq National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, (ii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or (iii) if the REIT Shares are not listed or admitted to trading on any securities

exchange or the Nasdaq National Market System and no such last reported sale

price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than 10 days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the 10 days prior to the date in question, the Value of the REIT Shares shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the REIT Shares Amount includes rights that a holder of REIT Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate; and provided further that in connection with determining the Deemed Value of the Partnership for purposes of determining the number of additional Units issuable upon a Capital Contribution funded by an underwritten public offering of REIT Shares, then the Value of the REIT Shares shall be the public offering price per share of the REIT Shares sold.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 Organization

The Partnership is a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

The Partnership has been formed with an initial contribution of $1.00 by the General Partner for one Partnership Unit of general partnership interest, and an initial contribution of $1.00 by Cedar Bay Company, for one Partnership Unit of limited partnership interest. Upon the Effective Date, the contributions specified on Exhibit A as being made on the Effective Date shall be made and the Partnership Units specified therein shall be issued. Upon such issuance, the initial Partnership Unit issued to the General Partner and the initial Partnership Unit issued to Cedar Bay Company shall be redeemed for the price of $1.00 each.

Section 2.2 Name

The name of the Partnership is Cedar Income Fund Partnership, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be as set forth in the Certificate, as it may be amended from time to time. The principal office of the Partnership is 44 South Bayles Avenue, Port Washington, New York 11050 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Power of Attorney

A. Each Limited Partner and each Assignee constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) Execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all

certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12 or 13 hereof or the Capital Contribution of any Partner; and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article 14 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner, acting in good faith pursuant to such power of attorney, and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, engage or disaffirm the action of the General Partner, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the General Partner's request therefor, such further designations, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.5 Term

The term of the Partnership commenced on June 12, 1998 and shall continue until December 31, 2098 unless it is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

ARTICLE 3
PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or the ownership of interest in any entity engaged in any of the

foregoing and (iii) to do anything necessary or incidental to the foregoing; provided, however, that with respect to subparagraphs (i), (ii) and (iii) above such business shall be limited to and conducted in such a manner as to permit the General Partner at all times to be classified as a REIT for federal income tax purposes, unless the General Partner has determined to cease to qualify as a REIT, and, to the extent not inconsistent with the preceding clause, to permit any other Partner which is a REIT to be so classified for federal income tax purposes.

Section 3.2 Powers

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, provided that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any additional taxes under Section 857 or Section 4981 of the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner or its securities, unless any such action (or inaction) under (i), (ii) or (iii) first shall have been specifically consented to by the General Partner in writing.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 Capital Contributions of the Partners

At the time of the execution of this Agreement, the Partners shall make Capital Contributions as set forth in Exhibit A to this Agreement. To the extent the Partnership acquires after the date of this Agreement any property by acquisition or by the merger of any other Person into the Partnership or otherwise, Persons who receive Partnership Interests in connection with the acquisition or in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable acquisition or merger agreement and as set forth in Exhibit A as amended. The Partners shall own Partnership Units in the amounts set forth in Exhibit A, which Exhibit A shall be amended from time to time by the General Partner to the extent necessary to reflect accurately exchanges, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's Percentage Interest.

Section 4.2 Additional Capital Contributions Generally

Except as otherwise required by law or pursuant to this Article 4, no Partner shall be required or permitted to make any additional Capital Contributions to the Partnership.

Section 4.3 Loans by Partners

Except as otherwise provided in Section 4.5, no Partner shall be required or permitted to make any loans to the Partnership.

Section 4.4 Loans by Third Parties

The Partnership may incur Debt, or enter into other similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any further acquisition of Properties) upon such terms as the General Partner determines appropriate; provided that loans from the General Partner shall be subject to Section 4.5.C.

Section 4.5 Additional Funding, Additional Partnership Interests and Capital Contributions

A. General. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("Additional Funds") for the acquisition or development of additional Properties or for such other purposes as the General Partner may determine. Additional Funds may be raised by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.5. No Person shall have any preemptive rights or rights to subscribe for or acquire any Partnership Interest.

B. Additional General Partner Capital Contributions. The General Partner may, or, to the extent the General Partner raises all or any portion of the Additional Funds through the sale or other issuance of REIT Shares or other equity interests in the General Partner, the General Partner shall, contribute the Additional Funds to the capital of the Partnership in exchange for Partnership Units.

C. General Partner Loans. The General Partner may, or, to the extent the General Partner enters into a Funding Debt, the General Partner shall, lend the Additional Funds to the Partnership (a "General Partner Loan"). If the General Partner enters into such a Funding Debt, the General Partner Loan will consist of the net proceeds to the General Partner from such Funding Debt and will be on the same terms and conditions, including interest rate, repayment schedule and costs and expenses, as shall be applicable with respect to or incurred in connection with such Funding Debt. Otherwise, all General Partner Loans made pursuant to this Section 4.5 shall be on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party.

D. Additional Limited Partners. The General Partner on behalf of the Partnership may raise all or any portion of the Additional Funds by accepting additional Capital Contributions, (i) in the case of cash, from the General Partner or any Limited Partner, or, (ii) in the case of property other than cash, from any Partner and/or third parties, and either (a) in the case of a Partner, issuing additional Units, or (b) in the case of a third party, admitting such third party as an Additional Limited Partner. The General Partner shall determine the amount, terms and conditions of such additional Capital Contributions.

E. Additional Units. Upon the acceptance of a Capital Contribution, the contributing Partner shall receive the following number of additional whole Partnership Units (rounded down to the nearest whole Partnership Unit):

$$U(1) = \frac{CC \times TU}{DV}$$

where

U(1) = number of additional Partnership Units to be issued

CC = Agreed Value of the Capital Contribution

DV = Deemed Value of the Partnership as of the Adjustment Date for such Capital Contribution

TU = total number of Partnership Units outstanding immediately prior to the Capital Contribution

F. Additional Partnership Interests. The General Partner shall be authorized to issue additional limited partnership interests in the form of Partnership Units for any Partnership purpose at any time or from time to time, to any Partner or other Person (other than the General Partner, except in accordance with the provisions contained below). The Partnership also may from time to time issue to the General Partner additional Partnership Units or other Partnership Interests in such classes and having such designations, preferences and relative rights (including preferences and rights senior to the existing Limited Partnership Interests) as shall be determined by the General Partner in accordance with the Act and governing law. Any such issuance of Partnership Units or Partnership Interests to the General Partner shall be conditioned upon (i) the undertaking by the General Partner of a related

issuance of REIT Shares (with such shares having designations, rights and preferences such that the economic rights of the holders of such REIT Shares are substantially similar to the rights of the additional Partnership Interests issued to the General Partner) and the General Partner making a Capital Contribution in an amount equal to the net proceeds raised in the issuance of such REIT Shares or (ii) the issuance by the General Partner of REIT Shares under any stock option or bonus plan and the General Partner making a Capital Contribution in an amount equal to the exercise price of the option exercised by any employee pursuant to such stock option or other bonus plan.

G. Additional REIT Shares. The General Partner shall not issue any (i) additional REIT Shares, (ii) rights, options or warrants containing the right to subscribe for or purchase REIT Shares or (iii) securities convertible or exchangeable into REIT Shares (collectively, "Additional REIT Securities") other than to all holders of REIT Shares, pro rata, unless (x) the Partnership issues to the General Partner (i) Partnership --- ---- Interests, (ii) rights, options or warrants containing the right to subscribe for or purchase Partnership Interests or (iii) securities convertible or exchangeable into Partnership Interests such that the General Partner receives an economic interest in the Partnership substantially similar to the economic interest in the General Partner represented by the Additional Securities and (y) the General Partner contributes the net proceeds from the issuance of the Additional REIT Securities and from the exercise of any rights contained in any Additional REIT Securities to the Partnership.

ARTICLE 5
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

The General Partner shall cause the Partnership to distribute quarterly all or such portion as the General Partner may in its discretion determine, of Available Cash generated by the Partnership during such quarter to the Holders of Partnership Units on the Partnership Record Date with respect to such quarter, pro rata in accordance with the respective number of Partnership Units so held on such Partnership Record Date. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with its qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations ("REIT Requirements"), and (b) avoid any federal income or excise tax liability of the General Partner.

Section 5.2 Distributions in Kind

No right is given to any Partner to demand and receive property or cash. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind to the Partners of Partnership assets and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13.

Section 5.3 Amounts Withheld

All amounts withheld pursuant to the Code or any provisions of any state or local tax and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees, as the case may be, pursuant to Section 5.1 for all purposes under this Agreement.

Section 5.4 Distributions Upon Liquidation

Notwithstanding the foregoing, proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with

Section 13.2.

ARTICLE 6
ALLOCATIONS

Section 6.1 Timing and Amount of Allocations of Net Income and Net Loss

Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of each such year. Subject to the other provisions of this Article 6, an allocation to a Partner of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 General Allocations

Except as otherwise provided in this Article 6, Net Income and Net Loss shall be allocated to each of the Partners in accordance with their respective Percentage Interests during the year.

Section 6.3 Additional Allocation Provisions

Notwithstanding the foregoing provisions of this Article 6:

A. Regulatory Allocations.

(i) Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 of this Agreement, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.3(A)(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3(A)(i).

(ii) Partner Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(i)(4), and notwithstanding the provisions of Section 6.2 of this Agreement, or any other provision of this Article 6 (except Section 6.3(A)(i)), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any fiscal year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specifically allocated items of Partnership income and gains for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.3(A)(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3(A)(ii).

(iii) Nonrecourse Deductions and Partner Nonrecourse Deductions. Any Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partners in accordance with their Percentage Interests. Any Partner Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partner(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) Qualified Income Offset. If any Partner unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(h)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to the Partner in an amount and manner sufficient to eliminate to the extent required by such Regulations, the Adjusted Capital Account Deficit of the Partner as quickly as possible provided that an allocation pursuant to this Section 6.3(A)(iv) shall be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit after

all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3(A)(iv) were not in this Agreement. It is intended that this Section 6.3(A)(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704.1(b)(2)(ii)(d), which shall be controlling in the event of a conflict between such Regulations and this Section 6.3(A)(iv).

(v) Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (1) the amount (if any) such Partner is obligated to restore to the Partnership, and (2) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704.2(g)(1) and 1.704-2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 6.3(A)(v) shall be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3(A)(v) and Section 6.3(A)(iv) were not in this Agreement.

(vi) Limitation on Allocation of Net Loss. To the extent any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Partner, such allocation of Net Loss shall be reallocated among the other Partners in accordance with their respective Partnership Interests, subject to the limitations of this Section 6.3(A)(vi).

(vii) Section 745 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704.1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in accordance with their interests in the Partnership in the event that Regulations Section 1.704-1(b(2)(iv)(m)(2) applies, or to the Partners to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) Curative Allocation. The allocations set forth in Sections 6.3(A)(i), (ii), (iii), (iv), (v), (vi), and (vii) (the "Regulatory Allocations") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Section 6.2, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if the Regulatory Allocations had not occurred.

B. For purposes of determining a Partner's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Partner's interest in Partnership profits shall be such Partner's Percentage Interest.

Section 6.4 Tax Allocations

A. In General. Except as otherwise provided in this Section 6.4, for income tax purposes each item of income, gain, loss and deduction (collectively, "Tax Items") shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3.

B. Allocations Respecting Section 704(c) Revaluations. Notwithstanding Section 6.4(A), Tax Items with respect to Partnership property that is contributed to the Partnership by a Partner shall be shared among the Partners for income tax purposes pursuant to Regulations promulgated under Section 704(c) of the Code, so as to take into account the variation, if any, between the basis of the property to the Partnership and its initial Gross Asset Value. With respect to Partnership property that is initially contributed to the Partnership upon its formation, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Proposed Treasury Regulation Section 1.704-3(b) and Treasury Regulation Section 1.704-1(c)(2). With respect to properties subsequently

contributed to the Partnership the Partnership shall account for such variation under any method approved under Section 704(c) of the Code and the applicable regulations as chosen by the General Partner. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (b) of the definition of Gross Asset Value (provided in Article 1 of this Agreement), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the applicable regulations.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause, except with the consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including Section 7.3, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the General Partner (as long as the General Partner has determined to qualify as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its stockholders sufficient to permit the General Partner to maintain REIT status), the assumption or guarantee of or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any assets of the Partnership or the merger or other combination of the Partnership with or into another entity. In the event of any such sale, exchange, disposition or other transfer of any property of the Partnership, the Partnership shall no later than 15 days after the end of the calendar quarter in which such sale, exchange, disposition or other transfer becomes a taxable event to Partners, to the extent of the net cash Proceeds of such sale, exchange, disposition or other transfer, effect a distribution of cash in an amount which shall be such that the pro rata share thereof received by each Partner shall equal or exceed the total liability of such Partner for federal, state and local income and franchise taxes resulting from such sale, exchange, disposition or other transfer and from such distribution;

(4) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, and the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including without limitation, the financing

of the conduct or the operations of the General Partner and of the Partnership, the lending of funds to other Persons and the repayment of obligations of the Partnership and any other Person in which it has an equity investment;

(5) the negotiation, execution, and performance of any contracts, leases, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement;

(6) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(7) the appointment of a manager or advisor to manage the business of the Partnership and the entering into of a management agreement in connection therewith and the selection and dismissal of employees of the Partnership or of the General Partner (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the General Partner or of the Partnership and the determination of their compensation, management fees and other terms of engagement, employment or hiring;

(8) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate;

(9) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to any Subsidiary and any other Person in which it has an equity investment from time to time); provided that as long as the General Partner has determined to continue to qualify as a REIT, the General Partner may not engage in any such formation, acquisition or contribution that would cause it to fail to qualify as a REIT;

(10) the control of all matters affecting the rights and obligations of the Partnership, including the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(11) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons); and

(12) Subject to the other provisions in this Agreement, the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as it may adopt, provided that such methods are otherwise consistent with the requirements of this Agreement.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provisions of

this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation. None of the execution, delivery and performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or

any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership and (ii) liability insurance for the Indemnitees hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken by it. The General Partner and the Partnership shall not have liability to a Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction, in which the Partnership, or any of its subsidiaries, may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware, any other state, or the District of Columbia or other jurisdiction, in which the Partnership, or any of its Subsidiaries, may elect to do business or own property.

Section 7.3 Restrictions on General Partner's Authority

A. The General Partner may not take any action in contravention of this Agreement, including, without limitation:

(1) take any action that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;

(2) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose except as otherwise provided in this Agreement;

(3) admit a Person as a Partner, except as otherwise provided in this Agreement;

(4) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act; or

(5) enter into any contract, mortgage, loan or other agreement that prohibits or restricts, or has the effect of prohibiting the ability of a Limited Partner to exercise its rights to an Exchange in full, except with the written consent of such Limited Partner.

B. The General Partner shall not, without the prior written Consent of the Limited Partners, undertake, on behalf of the Partnership, any of the following actions or enter into any transaction which would have the effect of such transactions:

(1) Except as provided in Section 7.3.C amend, modify or terminate this Agreement other than to reflect the admission, substitution, termination or withdrawal of Partners pursuant to Article 12 hereof;

(2) Make a general assignment for the benefit of

creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of the assets of the Partnership;

(3) Institute any proceeding for Bankruptcy on behalf of the Partnership;

(4) Approve or acquiesce in the transfer of the Partnership Interest of the General Partner to any Person other than the Partnership; or

(5) Admit into the Partnership any Additional or Substitute General Partners.

C. Notwithstanding Section 7.3.B, the General Partner shall have the power, without the Consent of the Limited Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

(1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(2) to reflect the admission, substitution, termination, or withdrawal of Partners in accordance with this Agreement;

(3) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement;

(4) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law;

(5) to amend the provisions of this Agreement to protect the qualification of the General Partner as a REIT because of a change in applicable law (or an authoritative interpretation thereof) or a ruling of the Internal Revenue Service, unless the General Partner has determined to cease qualifying as a REIT; and

(6) to modify, as set forth in the definition of "Capital Account," the manner in which Capital Accounts are computed.

The General Partner will provide notice to the Limited Partners when any action under this Section 7.3.C is taken.

D. Notwithstanding Sections 7.3.B and 7.3.C hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected if such amendment or action would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest (except as the result of the General Partner acquiring such interest), (ii) modify the limited liability of a Limited Partner, (iii) alter rights of the Partner to receive distributions pursuant to Article 5 or Section 7.1.A(3), or the allocations specified in Article 6 (except as permitted pursuant to Section 4.5 and Section 7.3.C(3) hereof); (iv) alter or modify the rights to an Exchange or REIT Shares Amount as set forth in Section 8.6, and related definitions thereof or (v) amend this Section 7.3.D. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Section 7.3 without the Consent specified in such Section.

E. The General Partner shall not take, on behalf of the Partnership, without the prior written Consent of the Limited Partners, as long as the Limited Partners have at least 10% of the aggregate Percentage Interests of the Partnership, any of the following actions:

(1) Dissolve the Partnership;

(2) Agree to or consummate any merger, consolidation, reorganization or other business combination to which the Partnership or the General Partner is a party; or

(3) Sell, dispose, convey or otherwise transfer all or substantially all of the assets of the Partnership or the General Partner in one or a series of transactions.

Section 7.4 Reimbursement of the General Partner

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Subject to Section 15.11, the General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership of interests in and operation of, or for the benefit of, the Partnership. The Limited Partners acknowledge that the General Partner's sole business is the ownership of interests in and operation of the Partnership and that such expenses are incurred for the benefit of the Partnership; provided, that, the General Partner shall not be reimbursed for expenses it incurs relating to the organization of the Partnership and the General Partner and any public offering of REIT Shares by the General Partner, but shall be reimbursed for expenses it incurs with respect to any other issuance of additional Partnership Interests pursuant to the provisions hereof. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

Section 7.5 Outside Activities of the General Partner

A. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner and the management of the business of the Partnership, its operation as a public reporting company with a class (or classes) of securities registered under the Securities Exchange Act of 1934, as amended, its operation as a REIT and such activities as are incidental to same. Without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly, participate in or otherwise acquire any interest in any real or personal property, except its General Partner Interest, and other than such short-term liquid investments, bank accounts or similar instruments as it deems necessary to carry out its responsibilities contemplated under this Agreement and its Articles of Incorporation. Any Limited Partner Interests acquired by the General Partner, whether pursuant to exercise by a Limited Partner of its right to an Exchange or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units.

B. In the event the General Partner exercises its rights under Article IV of the Articles of Incorporation to purchase REIT Shares, then the General Partner shall cause the Partnership to purchase from it a number of Partnership Units as determined based on the application of the Conversion Factor on the same terms that the General Partner purchased such REIT Shares.

Section 7.6 Contracts with Affiliates

A. The Partnership may lend or contribute to Persons in which it has an equity investment, and such Persons may borrow funds from the Partnership on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5.A, the Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

D. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

Section 7.7 Indemnification

A. The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or

otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or any entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership.

B. Reasonable expenses incurred by an Indemnitee who is a party to a proceeding may be paid or reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met, and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise and shall continue as to an Indemnitee who has ceased to serve in such capacity.

D. The Partnership may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on or otherwise involves services by it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

Section 7.8 Liability of the General Partner

A. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner shall not be liable or accountable in damages or otherwise to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission if the General Partner acted in good faith.

B. The Limited Partners expressly acknowledge that the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively, that the General Partner is under no obligation to give priority to the separate interests of the Limited Partners or the General Partner's stockholders (including, without limitation, the tax consequences to Limited Partners or Assignees or to stockholders) in deciding whether to cause the Partnership to take (or decline to take) any actions.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A hereof, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and to the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT or (ii) to avoid the General Partner incurring any taxes under Section 857 or Section 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, by virtue of their status as such, individually or collectively, shall have any ownership interest in any of such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the

General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to any agreements entered into by a Limited Partner or its Affiliates with the General Partner, Partnership or a Subsidiary, any Limited Partner and any officer, director, partner, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person, other than the General Partner, and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the rights of Redemption set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of his Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions, or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at the Partnership's expense:

(1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner pursuant to the Securities Exchange Act of 1934, as amended, and each communication sent to the stockholders of the General Partner;

(2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;

(3) to obtain a current list of the name and last known business, residence or mailing address of each Partner; and

(4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed.

B. The Partnership shall notify each Limited Partner, upon request, of the then current Conversion Factor and the REIT Shares Amount per Partnership Unit and, with reasonable detail, how the same were determined.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or (ii) the Partnership or the General Partner is required by law or by agreements with unaffiliated third parties to keep confidential.

Section 8.6 Redemption Right

A. Subject to Sections 8.6.B and 8.6.C hereof, each Limited Partner (other than the General Partner) shall have the right (the "Redemption Right") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Partnership Units held by such Limited Partner at a redemption price per Unit equal to and in the form of the Cash Amount to be paid by the Partnership. The Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"); provided, however, that the Partnership shall not be obligated to satisfy such Redemption Right if the General Partner elects to purchase the Partnership Units subject to the Notice of Redemption pursuant to Section 8.6.B. A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units, or, if such Limited Partner holds less than one thousand (1,000) Partnership Units, all of the Partnership Units held by such Partner. The Redeeming Partner shall have no right, with respect to any Partnership Units so redeemed, to receive any distributions paid on or after the Specified Redemption Date. The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Assignee. In connection with any exercise of such rights by an Assignee on behalf of a Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

B. Notwithstanding the provisions of Section 8.6.A, a Limited Partner that exercises the Redemption Right shall be deemed to have offered to

sell the Partnership Units described in the Notice of Redemption to the General Partner, and the General Partner will, at the direction of the Partnership as determined in the Partnership's sole and absolute discretion and only if so directed, elect to purchase directly and acquire such Partnership Units by paying to the Redeeming Partner either the Cash Amount or the REIT Shares Amount, as elected by the General Partner (in its sole and absolute discretion), on the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units. If the General Partner shall elect to exercise its rights to purchase Partnership Units under this Section 8.6.B with respect to a Notice of Redemption, it shall so notify the Redeeming Partner within five (5) Business days after the receipt by it of such Notice of Redemption. Unless the General Partner shall exercise its right to purchase Partnership Units from the Redeeming Partner pursuant to this Section 8.6.B, the General Partner shall not

have any obligation to the Redeeming Partner or the Partnership with respect to the Redeeming Partner's exercise of the Redemption Right. In the event the General Partner shall exercise its right to purchase Partnership Units with respect to the exercise of a Redemption Right in the manner described in the first sentence of this Section 8.6.B, the Partnership shall have no obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of such Redemption Right, and each of the Redeeming Partner, the Partnership, and the General Partner shall treat the transaction between the General Partner and the Redeeming Partner, for federal income tax purposes, as a sale of the Redeeming Partner's Partnership Units to the General Partner. Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of REIT Shares upon exercise of the Redemption Right.

C. Notwithstanding the provisions of Section 8.6.A and Section 8.6.B, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A if the delivery of REIT Shares to such Partner on the Specified Redemption Date by the General Partner pursuant to Section 8.6.B (regardless of whether or not the General Partner would in fact exercise its rights under Section 8.6.B) would be prohibited under the Articles of Incorporation of the General Partner.

D. With respect to any Redemption Right pursuant to this Section 8.6:

(1) All Partnership Units acquired by the General Partner pursuant thereto shall automatically, and without further action required, be converted into and deemed to be General Partner interests comprised of the same number of Partnership Units.

(2) The consummation of such Redemption shall be subject to the requisite filings, if any, and the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(3) Each Redeeming Partner shall continue to own all Partnership Units subject to any Notice of Redemption and be treated as a Limited Partner with respect to such Partnership Units for all purposes of this Agreement, until such Partnership Units are transferred to the General Partner.

Section 8.7 Representations of Limited Partners

Each Limited Partner by execution of this Agreement represents and warrants to every other Partner and to the Partnership as follows:

(i) it is acquiring the Partnership Units to be received by it for its own account and not with the view to the sale or distribution of the same or any part thereof in violation of the Securities Act;

(ii) it understands that the Partnership Units (or REIT Shares issued upon exchange of the Partnership Units) to be issued to it will not be registered under the Securities Act, or the securities laws of any state ("Blue Sky Laws") by reason of a specific exemption or exemptions from registration under the Securities Act and applicable Blue Sky Laws and that the REIT's and Partnership's reliance on such exemptions is predicated in part on the accuracy and completeness of the

representations and warranties of it;

(iii) it understands that, for the reasons set forth in paragraph (ii) above the Partnership Units (or REIT Shares issued upon exchange of the Partnership Units) may not be offered, sold, transferred, pledged, or otherwise disposed of by it except (A) pursuant to an effective registration statement under the Securities Act and any applicable Blue Sky Laws, (B) pursuant to a no-action letter issued by the Securities and Exchange Commission to the effect that a proposed transfer of the Partnership Units (or REIT Shares issued upon exchange of the Partnership Units) may be made without registration under the Securities Act, together with either registration or an exemption under applicable Blue Sky Laws, or (C) upon the REIT and the Partnership receiving an opinion of counsel knowledgeable in securities law matters and reasonably acceptable to the REIT and the Partnership to the effect that the proposed transfer is exempt from the registration requirements of the Securities Act and any applicable Blue Sky Laws, and that, accordingly, it must bear the economic risk of an investment in the Partnership Units (and the REIT Shares issued upon exchange of the Partnership Units) for an indefinite period of time;

(iv) it is a Qualified Transferee;

(v) it understands that an investment in the Partnership and the REIT involves substantial risks; it has had the opportunity to review all documents and information which it has requested concerning its investment in the Partnership and the REIT and to ask questions of the management of the Partnership and the REIT, which questions were answered to its satisfaction; and

(vi) it understands that any certificates representing the Partnership Units (and any REIT Shares issued upon exchange of the Partnership Units) will bear a legend substantially to the effect of the following:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state. The securities may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Act and under any applicable state securities laws, receipt of a no-action letter issued by the Securities and Exchange Commission (together with either registration or an exemption under applicable state securities laws) or an opinion of counsel acceptable to the Partnership and the REIT that the proposed transaction will be exempt from registration under the Act and applicable state securities laws."

and that the Partnership and the REIT reserve the right to place a stop order against the transfer of any certificates representing the Partnership Units (and any REIT Shares issued upon exchange of the Partnership Units), and to refuse to effect any transfers thereof, in the absence of satisfying the conditions contained in the foregoing legend.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 Reports

A. As soon as practicable, but in no event later than 105 days after the close of each Partnership Year, or such earlier date as they are filed with Securities and Exchange Commission, the General Partner shall cause to be mailed to each Limited Partner as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than 105 days after the close of each calendar quarter (except the last calendar quarter of each year) the General Partner shall cause to be mailed to each Limited Partner as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership, or of the General Partner, if such statements are prepared solely on a consolidated basis with applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE 10
TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within 90 days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including the election under Section 754 of the Code. The General Partner shall have the right to seek to revoke any such election (including without limitation, any election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address and profit interest of each of the Limited Partners; provided, however, that such information is provided to the Partnership by the Limited Partners.

B. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"),

and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice group" (as defined in Section

6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership's principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 of this Agreement shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing his duties as such (including legal and accounting fees) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging legal counsel or an accounting firm to assist the tax matters partner in discharging his duties hereunder, as long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 60-month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445 or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within 15 days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event

shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., 15 days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE 11
TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. The term "transfer," when used in this Article 11 with respect to a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign its General Partner Interest to another Person or by which a Limited Partner purports to assign its Limited Partnership Interest to another Person, and includes a sale, assignment, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article 11 does not include a redemption pursuant to Section 8.6 No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

Section 11.2 Transfer of General Partner's Partnership Interest

The General Partner shall not withdraw from the Partnership and shall not transfer all or any portion of its interest in the Partnership (whether by sale, statutory merger or consolidation, liquidation or otherwise) without the consent of all of the Limited Partners, which may be withheld by each Limited Partner in its sole and absolute discretion, and only upon the admission of a successor General Partner pursuant to Section 12.1. Upon any transfer of a Partnership Interest in accordance with the provisions of this Section 11.2, the transferee shall become a Substitute General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner, once such transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired. It is a condition to any transfer otherwise permitted hereunder that the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such transferred Partnership Interest, and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor General Partner are assumed by a successor corporation by operation of law) shall relieve the transferor General Partner of its obligations under this Agreement without the Consent of the Limited Partners, in their reasonable discretion. In the event the General Partner withdraws from the Partnership, in violation of this Agreement or otherwise, or otherwise dissolves or terminates, or upon the bankruptcy of the General Partner, a majority in interest of all the remaining Partners may elect to continue the Partnership business by selecting a Substitute General Partner in accordance with the Act.

Section 11.3 Limited Partners' Rights to Transfer

A. Prior to the first anniversary of the Effective Date, no Limited Partner shall transfer all or any portion of its Partnership Interest to any transferee without the consent of the General Partner, which consent may be withheld in its sole and absolute discretion; provided, however, that any Limited Partner may, at any time, without the consent of the General Partner, (i) transfer all or any portion of its Partnership Interest to the General Partner, subject to the provisions of Section 11.6, (ii) transfer its Partnership Interest pursuant to its right of redemption as provided in Section

8.6 hereof, (iii) transfer all or any portion of its Partnership Interest to its Immediate Family, to a corporation controlled by such Limited Partner or, if the Limited Partner is an entity, to its beneficial owners (or members of the Immediate Family of such beneficial owners) or (iv) pledge (a "Pledge") all or any portion of its Partnership Interest to a lending institution, which is not an Affiliate of such Limited Partner, as collateral or security for a bona fide loan or other extension of credit, and transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension or credit. After such first anniversary, each Limited Partner or Assignee, pursuant to the proviso of the preceding sentence, shall have the right to transfer all or any portion of its Partnership Interest, or subject to the provisions of Section 11.6 and the satisfaction of each of the following conditions, transfer all or any portion of its Partnership Interests to any other Person:

(a) General Partner Right of First Refusal. The transferring Partner shall give written notice of the proposed transfer to the General Partner, which notice shall state (i) the identity of the proposed transferee, and (ii) the amount and type of consideration proposed to be received for the Partnership Units to be transferred. The General Partner shall have twenty (20) days upon which to give the transferring Partner notice of its election to acquire the Partnership Units on the proposed terms. If it so elects, it shall purchase the Partnership Units on such terms within twenty (20) days after giving notice of such election. If it does not so elect, the transferring Partner may transfer such Partnership Units to a third party, on economic terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(b) Qualified Transferee. Any transfer of a Partnership Interest shall be made only to Qualified Transferees.

It is a condition to any transfer otherwise permitted hereunder that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such transferred Partnership Interest and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor partner are assumed by a successor entity by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the approval of the General Partner, in its reasonable discretion. Notwithstanding the foregoing, any transferee of any transferred Partnership Interest shall be subject to any and all ownership limitations contained in the Articles of Incorporation. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the

obligations of the transferor hereunder and by accepting such transfer makes the representations and warranties contained in Section 8.7 hereof. Unless admitted as a Substitute Limited Partner, no transferee, whether by a voluntary transfer, by operation of law or otherwise, shall have rights hereunder, other than the rights of an Assignee as provided in Section 11.5.

B. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator, or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to transfer all or any part of his or its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. The General Partner may prohibit any transfer otherwise permitted under Section 11.3 by a Limited Partner of his Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require the filing of a registration statement under the Securities Act by the Partnership or would otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No transfer by a Limited Partner of his Partnership Units (including any Exchange) may be made to any person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation, or (ii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

Section 11.4 Substituted Limited Partners

A. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in his place (including any transferee permitted by Section 11.3). The General Partner shall, however, have the right to consent to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. Upon such admission, the transferee makes the representations and warranties contained in Section 8.7 hereof.

C. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain and loss attributable to the Partnership Units assigned to such transferee, the rights to transfer the Partnership Units provided in this Article 11, and the right of redemption provided in Section 8.6, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to effect a Consent with respect to such Partnership Units on any matter presented to the Limited Partners for approval (such Consent remaining with the transferor Limited Partner). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 or pursuant to the exercise of its Redemption Right with respect to all of its Partnership Units under Section 8.6.

B. Any Limited Partner who shall transfer all of his Partnership Units in a transfer permitted pursuant to this Article 11, where such transferee was admitted as a Limited Partner, or pursuant to the exercise of its Redemption Right with respect to all of its Partnership Units under Section 8.6, shall cease to be a Limited Partner.

C. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or transferred pursuant to Section 8.6, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method or any other permissible method selected by the General Partner in the exercise of its reasonable discretion. Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such transfer or redemption shall be made to the transferor Partner, and all distributions of Available Cash thereafter shall be made to the transferee Partner.

E. In addition to any other restrictions on transfer herein contained, in no event may any transfer or assignment of a Partnership Interest by any Partner (including by way of an Exchange) be made (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event such transfer would cause the General Partner to cease to comply with the REIT Requirements, if the General Partner at such time has determined to continue to meet the REIT Requirements; (v) if such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the Exchange of all Partnership Units held by all Limited Partners); (vi) if such transfer would, in the opinion of counsel to the Partnership, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Exchange of all Partnership Units held by all Limited Partners); (vii) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a "party-in-interest" (as defined in Section 23(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (viii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101; (ix) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (x) if such transfer causes the Partnership to become a "Publicly Traded Partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code; or (xi) if such transfer subjects the Partnership to be regulated under the Investment Company Act of 1940 or the Investment Advisors Act of 1940, each as amended, or ERISA.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner's General Partner Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 12.2 Admission of Additional Limited Partners

A. After the admission to the Partnership of the initial Limited Partners on the date hereof, a Person who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the receipt of the Capital Contribution in respect of such Limited Partner and the consent of the General Partner to such admission.

Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

ARTICLE 13
DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

A. the expiration of its term as provided in Section 2.5 hereof;

B. an event of withdrawal of the General Partner, as defined in the Act, unless, within 90 days after the withdrawal, at least a majority in interest of all the remaining Partners agree in writing, in their sole and absolute discretion, to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

C. an election to dissolve the Partnership made by the General Partner, approved by the Consent of the Limited Partners;

D. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

E. the sale of all or substantially all of the assets and properties of the Partnership;

F. a Bankruptcy of the General Partner, unless a majority in interest of all of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such Bankruptcy, of a substitute General Partner; or

G. the Exchange by all Partners (other than the General Partner) of all Units into REIT Shares.

Section 13.2 Winding Up

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of stock in the General Partner) shall be applied and distributed in the following order:

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

(2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;

(3) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the Limited Partners; and

(4) The balance, if any, to the General Partner and Limited Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13 other than reimbursement of its expenses as provided in Section 7.4.

B. Notwithstanding the provisions of Section 13.2.A hereof which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interests of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 13.3 Compliance with Timing Requirements of Regulations

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(h)(2). If any Partner has a deficit balance in his Capital Account (after giving effect to all contributions, distributions and allocations for the taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

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

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

Section 13.4 Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article 13, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the property in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such property subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership property in kind to the Partnership, which shall be deemed to have assumed and taken such property subject to all such liabilities.

Section 13.5 Rights of Limited Partners

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

Section 13.6 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 13.1 result in a dissolution of the Partnership, the General Partner shall, within 30 days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conduct business (as determined in the discretion of the General Partner).

Section 13.7 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8 Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

Section 13.9 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE 14
AMENDMENT OF PARTNERSHIP AGREEMENT; CONSENTS

Section 14.1 Amendments

A. The actions requiring Consent of Limited Partners pursuant to this Agreement, including Section 7.3, or otherwise pursuant to applicable law, are subject to the procedures in this Article 14.

B. Amendments to this Agreement may be proposed by the General Partner or by any Limited Partner. Following such proposal, the General Partner shall submit any proposed amendment to the Limited Partners. The General Partner shall seek the written consent of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written consent, the General Partner may require a response within a reasonable specified time, but not less than 15 days, and failure to respond in such time period shall constitute a consent which is consistent with the General Partner's recommendation (if so recommended) with respect to the proposal; provided, that, an action shall become effective at such time as requisite consents are received even if prior to such specified time.

Section 14.2 Action by the Partners

A. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding 25 percent or more of the Partnership Interests held by Limited Partners. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than ten days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1 hereof.

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by the percentage as is expressly required by this Agreement for the action in question. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of the Percentage Interests of the Partners (expressly required by

this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

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

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

Section 15.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.5 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6 Creditors

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 Applicable Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles

of conflicts of law.

Section 15.10 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11 Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "GP Payment"), would constitute gross income to the General Partner for purposes of Sections 856(c)(2) or 856(c)(3) of the Code (but is not described in subsections (A) through (H) of Section 856(c)(2) or subsections (A) through (I) of Section 856(c)(3)) then, notwithstanding any other provision of this Agreement, the amount of such GP Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 5.00% of the General Partner's total gross income for the fiscal year which is described in subsections (A) through (H) of Section 856(c)(2) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any GP Payments); or

(ii) an amount equal to the excess, if any, of (a) 25% of the General Partner's total gross income for the fiscal year which is described in subsections (A) through (I) of Section 856(c)(3) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (not including the amount of any GP Payments).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

CEDAR INCOME FUND, LTD.

By: /s/ Leo S. Ullman

Name: Leo S. Ullman
Title: President

LIMITED PARTNERS:

CEDAR BAY COMPANY

By: THE POINT ASSOCIATES, L.P., Partner

By: SELBRIDGE CORP., General Partner

By: /s/ Leo S. Ullman

Name: Leo S. Ullman
Title:

By: TRIANGLE CENTER ASSOCIATES, L.P., Partner

By: BUTTZVILLE CORP., General Partner

By: /s/ Leo S. Ullman

Name: Leo S. Ullman
Title:

EXHIBIT A
PARTNERS, CONTRIBUTIONS AND PARTNERSHIP UNITS

I. Initial Contributions (cancelled 6/26/98)

Name and Address of Partner	of the Capital Contribution	Partnership Units
General Partner		
Cedar Income Fund, Ltd. 44 South Bayles Avenue Port Washington, NY 11050	$1.00	1
Limited Partner		
Cedar Bay Company 44 South Bayles Avenue Port Washington, NY 11050	$1.00	1

II. Contributions To Be Made On Effective Date

Name and Address of Partner	Partnership Units
General Partner	
Cedar Income Fund, Ltd. 44 South Bayles Avenue Port Washington, NY 11050	542,111
Cedar Bay Company 44 South Bayles Avenue Port Washington, NY 11050	1,703,300

EXHIBIT B
NOTICE OF REDEMPTION

The undersigned hereby irrevocably (i) elects to have redeemed _____ Limited Partnership Units in Cedar Income Fund Partnership, L.P. in accordance with the terms of the Limited Partnership Agreement of Cedar Income Fund Partnership, L.P. and the Redemption Rights referred to therein, (ii) surrenders such Limited Partnership Units and all right, title and interest therein, and (iii) directs that the cash and any REIT Shares deliverable upon redemption be delivered to the address specified below, and such REIT Shares be registered or placed in the name(s) and at the address(es) specified below.

Dated: _____
Name of Limited Partner

(Signature of Limited Partner)

(Street Address)

(City) (State) (Zip Code)

Issue REIT Shares to:

Please insert social security or identifying number:

Name:

ADMINISTRATIVE AND ADVISORY AGREEMENT

THIS AGREEMENT is made and entered into as of this __ day of _____, 1998 by and between CEDAR INCOME FUND, LTD., an Iowa corporation (hereinafter referred to as the "Company" and CEDAR BAY REALTY ADVISORS, INC., a New York corporation with its principal place of business at 44 South Bayles Avenue, Port Washington, NY 11050 (hereinafter referred to as "the Advisor"). In consideration of the mutual covenants, promises and agreements herein contained, the Company and the Advisor do hereby covenant, promise and agree to and with each other as follows:

W I T N E S S E T H:

1. PARTIES AND INTEREST:

The Company intends to operate as a Real Estate Investment Trust under the provisions of Section 856 et seq. of the Internal Revenue Code of 1954, as amended. The Company has no employees and, therefore, must hire an administrator to perform the day-to-day administrative functions of the Company. The Advisor has the experience and employees necessary and suitable for the administration of the Company's business and desires to undertake the administration of the Company's day-to-day operations. The Advisor is an independent contractor and the Company shall have no voice in the selection or discharge of the Advisor's employees, representatives or subcontractors, and no control over the specific manner in which the work shall be done, but the Advisor are not, and shall not be deemed to be, partners or joint venturers with each other.

2. TERM:

The Company does hereby designate the Advisor, and the Advisor hereby accepts such designation, as the administrator and advisor for the Company's operations for the term of one (1) year commencing on the effective date hereof. This designation shall be automatically renewed annually on each anniversary of such commencement date for an additional one (1) year period. This Agreement may, however, be terminated by either party at any time, with or without cause, upon not less than sixty (60) days prior written notice given by the Company by a majority of the Independent Directors (as defined in the Articles of Incorporation of the Company) or by the Advisor by its duly authorized representatives, to the other party of its intention to so terminate. In the event of termination of this Agreement, neither party shall have any further rights, obligations or liabilities under this Agreement except those which are accrued through the effective date of such termination; provided, however, the Advisor shall cooperate with the Company and take all reasonable steps requested to assist the Company in making an orderly transition of the advisory function.

3. DUTIES OF THE ADVISOR:

Subject to the ultimate supervision, direction and control of the Board of Directors of the Company and consistent with the Articles of Incorporation of the Company, the Advisor shall administer the day-to-day operations of the Company, which shall include the following services:

(1) Provide office space and equipment, personnel and general office services necessary to conduct the day-to-day operations of the Company;

(2) Select and conduct relations with accountants, attorneys, brokers, banks and other lenders, and such other parties as may be considered necessary in connection with the Company's business and investment activities, including, but not limited to, obtaining services required in the acquisition, management and disposition of investments, collection and disbursement of funds, payment of debts and fulfillment of obligations of the Company, and prosecuting, handling and settling any claims of the Company;

(3) Provide property acquisition and disposition services, research, economic and statistical data, and investment and financial advice to the Company; and

(4) Maintain appropriate legal, financial, tax, accounting and general business records of activities of the Company and render appropriate periodic reports to the Directors and shareholders of the Company and to regulatory agencies, including the Internal Revenue Service, Securities and Exchange Commission, and similar state agencies.

The Advisor may perform additional services which are of an extraordinary nature requiring time, resources and expertise beyond that reasonably expected of the Advisor for a separately negotiated fee or expense reimbursement on such other terms and conditions as are agreed to between the Advisor and the Company. Any such additional fees shall be approved by a majority of the Independent Directors of the Company. The Advisor may subcontract to affiliated and unaffiliated entities, firms and organizations for those services necessary to accomplish the duties specified above; provided, however, any agreement with an affiliated entity performing services for a separate fee shall be approved by a majority of the Independent Directors.

Nothing herein contained shall prevent the Advisor from engaging in other activities, including without limitation, the rendering of advisory to other investors and the management of other investments, including investors and investments advised, sponsored, or organized by the Advisor, nor shall this Agreement limit or restrict the right of any director, officer, employee, affiliate or shareholder of the Advisor to engage in any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association.

4. COMPANY EXPENSES:

The Company shall bear the cost of the following expenditures:

(1) Audit, legal, appraisal and other professional services provided by third parties to the extent such services are not considered duties of the Advisor;

(2) Supplies, printing, postage and related expenses incurred in the preparation, filing and mailing of regulatory reports and reports to shareholders and Directors of the Company;

(3) Fees and other compensation of Directors and officers of the Company;

(4) Expenses of meetings and travel of Directors and officers of the Company; and

(5) All such other expenses related to Company activities considered to be appropriate or advisable by the Directors.

5. COMPENSATION OF THE ADVISOR:

A. Subject to the provisions of paragraph 5B hereof, for the services provided hereunder, the Advisor shall be paid the following fees:

(1) An administrative and advisory fee, payable monthly, equal to 1/12 of 3/4 of 1% of the Estimated Current Value (as hereinafter defined) of the real estate assets of the Company, plus 1/12 of 1/4 of 1% of the Estimated Current Value of all other assets of the Company. The monthly base fee shall be based on the daily average of the Estimated Current Value of the assets during the month for which the fee is payable and shall be payable in arrears on the last day of each month. The base fee for any partial month at the beginning or end of the term of this Agreement shall be prorated.

(2) An acquisition fee equal to 5% of the gross purchase price (before expenses of purchase, including the acquisition fee, but without deducting any indebtedness against the property) for any real property acquired by the Company during the term of this Agreement, such fee to be paid at the closing of the acquisition; provided, however, that the total of all Acquisition Fees (as hereinafter defined) and Acquisition Expenses (as hereinafter defined) paid in connection with the purchase of any real property by the Company shall be reasonable and in no event exceed an amount equal to 6% of the Contract Price for the Property (as hereinafter defined).

(3) A subordinated disposition fee equal to 3% of the gross sales price (before expenses of sale, including the subordinated disposition fee, but without deducting any indebtedness against the property) of any real property sold by the Company during the term of this Agreement, limited to the amount by which the sales price, less all expenses of sale other than the subordinated disposition fee, exceeds the original purchase price of the property, including the acquisition fee and all expenses of purchase; provided, however, no subordinated disposition fee shall be payable unless and until cumulative cash distributions have been made to shareholders representing the "Amount Available for Investment" (as hereinafter defined), plus an annual 10% cumulative (but not compounded) return on the Amount Available for Investment commencing with the date hereof. The subordinated disposition fee shall be paid at the closing of any sale, provided, however, the Advisor may only receive up to one-half of the brokerage commission paid but in no event to exceed 3% of the Contract Price for the Property and such fee when added to the sums paid to unaffiliated third parties in a similar capacity shall not exceed the lesser of the Competitive Real Estate Commission (as hereinafter defined) or an amount equal to 6% of the Contract Price for the Property. If this Agreement is terminated before the Company is completely liquidated, the subordinated disposition fee with continue to be payable in an amount computed as follows: the subordinated disposition fee as provided above multiplied by a fraction, the numerator of which is the number of years that this Agreement was operative and the denominator of which is the number of years from the date this Agreement became operative to the date the fee becomes payable.

B. Notwithstanding anything in this Agreement to the contrary, in the event Total Operating Expenses (as defined in the Articles of Incorporation of the Company) exceed the limitations contained in Section 7.2 of the Articles of

Incorporation of the Company, the Advisor shall reimburse the Company at or within a reasonable time after the end of the applicable twelve (12) month period, the amount by which Total Operating Expenses paid or incurred by the Company exceed such limitations. The compensation of the Advisor shall be audited by the Company's independent certified public accountant in connection with the annual audit of the Company's financial statements after the end of each year and any necessary adjustments by the parties made between the compensation so computed and that already paid.

C. For purposes of this paragraph 5, the following definitions shall apply:

(1) "Estimated Current Value" of real estate assets shall mean the fair market value of such real estate as determined by yearly appraisals certified by independent appraisers. Until the first appraisals are made (as the end of the first fiscal year of the Company), the Estimated Current Value shall equal the cost of the Company's properties, including the acquisition fees and acquisition expenses. The Estimated Current Value of the assets of the Company other than real estate shall be their fair market value as determined by industry standards.

(2) "Acquisition Expenses" means expenses, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, non-refundable option payments on property not acquired, accounting fees and expenses, title insurance, and miscellaneous expenses related to selection and acquisition of properties, whether or not acquired.

(3) "Acquisition Fee" means the total or all fees and commissions paid by any party in connection with the making or investing in mortgage loans or the purchase or development of property by the Company, except a development fee paid to a person not affiliated with the Sponsor (as hereinafter defined) in connection with the actual development of a project after acquisition of the land by the Company. Included in the computation of such fees or commissions are any real estate commission, selection fee, development fee, nonrecurring management fee, or any fee of a similar nature, however designated.

(4) "Contract Price for the Property" means the amount actually paid or allocated to the purchase, development, construction or improvement of a property exclusive of Acquisition Fees and Acquisition Expenses.

(5) "Competitive Real Estate Commission" means that real estate or brokerage commission paid for the purchase or sale of a property which is reasonable, customary and competitive in light of the size, type and location of such property.

(6) "Sponsor" means any person directly or indirectly instrumental in organizing, wholly or in part, the Company or any person who will manage or participate in the management of the Company and any affiliate of any such person but would not include a person whose only relationship with the Company is as that of an independent property manager, whose only compensation is as such. Sponsor also does not include wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services.

6. AMENDMENTS:

This Agreement may be amended only in writing with the mutual consent of the parties. However, no amendment shall become effective unless it specifically refers to this Agreement and is signed by the parties.

7. LIABILITY OF THE ADVISOR:

The Advisor shall provide the Company the benefit of its best judgment and efforts in rendering services hereunder and shall be considered in a fiduciary relationship with the Company. The Advisor and its officers, directors, shareholders, affiliates, agents and employees shall not be liable to the Company or to any other person for any act or omission except for any act or omission resulting from willful misfeasance, gross negligence or reckless disregard of duty or not having acted in good faith in the reasonable belief that the act or omission was in the best interests of the Company. The Company shall defend, indemnify and save harmless the Advisor and its officers,

directors, shareholders, affiliates, agents and employees from and against any and all liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by reason of or arising out of the performance or nonperformance of their duties under or by reason of this Agreement; provided, however, there shall be no such indemnification for liabilities, claims, damages, costs or expenses incurred by any such person or entity by reason of their willful misfeasance, gross negligence, reckless disregard of duty or bad faith. Notwithstanding the foregoing provisions of this paragraph 7, the Advisor may only be indemnified by the Company for losses arising from the operation of the Company if all of the following conditions are met:

(a) The Advisor has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company, and

(b) Such liability or loss was not the result of negligence or misconduct by the Advisor, and

(c) Such indemnification or agreement to hold harmless is recoverable only out of the assets of the Company and not from the shareholders of the Company, and

(d) Indemnification will not be allowed for any liability imposed by judgment, and costs associated therewith, including attorneys' fees, arising from or out of a violation of state or federal securities laws associated with the offer and sale of shares of the Company, and

(e) Indemnification will be allowed for settlements and related expenses of lawsuits alleging securities law violations, and for expenses incurred in successfully defending such lawsuits, provided that a court either (1) approves the settlement and finds that indemnification of the settlement and related costs should be made, or (2) approves indemnification of litigation costs if a successful defense is made.

The provisions of this paragraph 7 shall survive the termination of this Agreement.

8. STATUS OF THE COMPANY:

In the event the terms of this Agreement at any time shall, in the opinion of counsel for the Company, impair the status of the Company as a "real estate investment trust" within the meaning of Part II, subchapter M of the Internal Revenue Code of 1954, as amended, the parties shall, within 30 days after the Company shall have given to the Advisor written notice of such impairment, negotiate such amendments as may be necessary to restore, in the opinion of counsel for the Company, such status of the Company.

9. DEFAULT:

If either party shall default under this Agreement, the other party shall be reimbursed by the defaulting party for all costs and expenses incurred in the enforcement of the provisions of this Agreement, including reasonable attorneys' fees.

10. NOTICE:

Whenever, under the terms of this Agreement, any notice is required or permitted to be served upon the other party, said notice may be served upon the other party by personal service or certified mail. Any such notice shall be deemed given when personally received by the party to whom the notice is directed; provided, however, in the event notice is mailed, such notice shall be deemed given when deposited in the United States Mail with postage prepaid. Notices shall be in writing and until further notification in writing, shall be delivered to the following addresses:

To the Company:

Cedar Income Fund, Ltd.
c/o/ Cedar Bay Realty Advisors, Inc.
44 South Bayles Avenue
Port Washington, NY 11050

To the Advisor:

Cedar Bay Realty Advisors, Inc.
SKR Management Corp.
44 South Bayles Avenue
Port Washington, NY 11050

11. CUMULATIVE RIGHTS:

The various rights and remedies of the Company and the Advisor provided in this Agreement shall be construed as cumulative and no one of them is exclusive of the other or exclusive of any rights or remedies allowed the Company or the Advisor by law.

12. CONSENT:

Neither the Company nor the Advisor shall unreasonably withhold its consent whenever such consent shall be required under the terms of this Agreement.

13. PARAGRAPH HEADINGS:

The paragraph headings contained herein are inserted only as a matter of

convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement or in any way affect the terms and provisions hereof.

14. RULES AND CONSTRUCTION:

Words and phrases herein shall be construed as in the singular or plural number and as masculine, feminine or neuter gender, according to the context.

15. SUCCESSORS AND ASSIGNS:

The provisions of this Agreement shall be binding upon and inure to the benefit of the immediate parties hereto and their respective legal representatives, successors and assigns. Neither party may assign this Agreement without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CEDAR INCOME FUND, LTD.	CEDAR BAY REALTY ADVISORS, INC.
By xxxxxxxxxxxxxxxxxxxx - - ----------	By xxxxxxxxxxxxxxxxxxxx ----------
Title:	Title:

MANAGEMENT AGREEMENT

THIS AGREEMENT is made and entered into as of this 1st day of 1998, by and between CEDAR INCOME FUND, LTD., an Iowa corporation, (hereinafter referred to as "OWNER") and BRENTWAY MANAGEMENT LLC, with its principal place of business at 44 South Bayles Avenue, Port Washington, NY 11050 (hereinafter referred to as "MANAGER"). In consideration of the mutual covenants, promises and agreements herein contained, OWNER and MANAGER do hereby covenant, promise and agree to and with each other as follows:

W I T N E S S E T H:

1. PARTIES AND INTEREST: OWNER is or will be the owner of certain real property which may be located throughout the continental United States and will continue to acquire additional property during the term of this Agreement. MANAGER has the experience and staff necessary and suitable for the management and operation of real estate properties in the United States and desires to undertake the management and operation of the real estate properties of OWNER. MANAGER is an independent contractor and OWNER shall have no voice in the selection or discharge of MANAGER'S employees, representatives, or subcontractors, or in their number or in the compensation to be received by them or in the period of hours of their employment, and no control over the specific manner in which the work shall be done, but MANAGER shall be responsible for the quality of work done and of the materials furnished, and warrants that they shall conform to the terms of this Agreement. OWNER and MANAGER are not, and shall not be deemed to be, partners or joint venturers with each other.

2. TERM: OWNER does hereby designate MANAGER, and MANAGER hereby accepts such designation, as the manager of the real estate interests of OWNER which are from time to time included in a schedule of such properties mutually agreed upon by OWNER and MANAGER (hereinafter referred to collectively as the "Premises"), for a term of one (1) year commencing on the effective date hereof. Thereafter, this Agreement shall be renewed automatically for one year periods. This Agreement may, however, be terminated by either party at any time, with or without cause, upon not less than sixty (60) days prior written notice given by the OWNER by a majority of the Independent Directors (as defined in the Articles of Incorporation of OWNER) or by MANAGER by its duly authorized representatives, to the other party of its intention to so terminate. In the event of termination of this Agreement, neither party shall have any further rights, obligations or liabilities under this Agreement except those which are accrued through the effective date of such termination; provided, however, MANAGER shall cooperate with OWNER and take all reasonable steps requested to assist OWNER in making an orderly transition of the property management function OWNER AND MANAGER agree,

upon request of either party at any time during the term of this Agreement, to acknowledge a schedule of properties covered hereby, including the legal descriptions thereof. Nothing herein contained shall prevent the MANAGER from engaging in other activities, including without limitation. the management of other properties; nor shall this Agreement limit or restrict the right of any director, officer, employee, affiliate or shareholder of the MANAGER to engage in any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association.

3. SERVICES OF MANAGER: Subject to such express restrictions or limitations on its authority and to such written instructions as may from time to time be imposed or given by the OWNER, MANAGER shall, on behalf of and for the account of the OWNER:

A. LEASING: Use its best efforts to lease and keep leased to desirable tenants all space held for lease at no less than the prevailing rental rates for similar properties in the community in which the property is located and calculated to provide a reasonable return on investment to OWNER, unless otherwise approved in writing by OWNER. MANAGER shall lease the Premises with each lease identifying the OWNER (or the trade name of the Premises) as the titleholder of the Premises and owner of the lease. No lease shall be for a term of sixty (60) months or longer, including options, if any. In the event that a lease contract contemplated to be entered into by MANAGER in the name of OWNER is not within the limitations set forth in this subparagraph 3A, such lease contract shall first be subject to the written approval of OWNER, which approval shall not be unreasonably withheld. MANAGER shall advise OWNER personally or by certified mail of any such proposed lease or amendment thereto. If OWNER fails to advise MANAGER within four (4) days after receipt of such notice, it shall be presumed that OWNER granted OWNER'S written approval thereto and, accordingly, MANAGER shall be authorized to execute such lease contract in the name of OWNER without being in violation of MANAGER'S duties hereunder. All leases of the Premises shall remain the property of OWNER and copies shall be promptly provided to OWNER. MANAGER shall have the right, without prior consent, at OWNER'S expense, to repair, alter, modify and improve (as distinguished from expand) the existing structures, in connection with any such lease;

prior approval, however, of OWNER to be secured by MANAGER on all such matters involving costs in excess of Twenty Thousand Dollars ($20,000) for any one item. MANAGER may collect from lessees, security deposits as security for the performance under the leases, the amount of such security deposits to be for such sum as is customary in the locality of said real estate. Failure by MANAGER to obtain any security deposit shall not constitute any nature of default by MANAGER hereunder. The security deposits, as collected, shall be paid over each month to the OWNER following the month of collection by MANAGER. Without the specific prior written approval of OWNER, no lease with respect to the Premises shall provide for rents the determination of which depends in whole or in part on the

net income or net profits derived by any person from such property and no tenant shall be permitted to sublease any property wherein the determination of rent depends in whole or in part on the net income or net profits derived by any person from such property; provided, however, leases and subleases may, except as otherwise directed by OWNER or as otherwise provided in this Agreement, provide for rental payments based upon a fixed percentage or percentages of receipts or sales.

B. BOOKS AND RECORDS: The term "Agreement Year" as used herein shall mean the calendar year ending December 31st of each year. The first Agreement Year shall be the period beginning on the date hereof and ending December 31, 1998, and the last Agreement Year shall be the period beginning January 1st of the last year of the term of this Agreement and ending with the last day of the term of this Agreement.

MANAGER shall maintain in manner and form consistent with generally accepted methods of accounting at its office, during each Agreement Year and retain such for a period of three (3) consecutive years thereafter, complete and accurate general books of account, which will reflect all receipts derived from the operation of the Premises by MANAGER during such Agreement Year, including but not limited to, original invoices, sales and other records provided by lessees, sales and occupation tax returns, if any, relating to MANAGER'S operation of the Premises, and all other original records pertaining to the business of operating the Premises and other pertinent papers and documents which will enable the OWNER to determine the gross receipts derived by the MANAGER from the Premises. All of the aforementioned records shall be open to the inspection and audit by the OWNER or its agents at all reasonable times during ordinary business hours. On termination of this Agreement, all records shall be delivered to the OWNER at the Premises. OWNER and MANAGER recognize that OWNER, itself, may have records pertaining to the Premises as to which MANAGER does not have actual knowledge, and nothing in this paragraph shall be interpreted to impose any duty on MANAGER with respect to such records or any other records of a type which would not be kept by a reasonably prudent property manager. MANAGER shall establish a bank account into which receipts relating to the Premises of the OWNER transmitted to MANAGER or collected by MANAGER shall be deposited. From the funds in such bank account, MANAGER shall pay the following types of expenses associated with operation of the Premises (it being understood that nothing herein shall be interpreted to impose on MANAGER liability for the payment of any of such expenses from MANAGER'S own funds): on-site salary expenses of every kind and nature, utility charges, custodial service, management fees hereunder to MANAGER and all other recurring-type charges relating to the operation of the Premises (all of the aforesaid being

herein sometimes referred to as "Premises Operating Expenses"). MANAGER shall submit to OWNER on or before the tenth (10th) day of each month during the term hereof (including the tenth (10th) day of the month following the end of the term) at the place then fixed for the payments hereunder, a check in a sum equal to all funds, if any, in the bank account for the Premises except a nominal sum to pay obligations due prior to receipt of additional rentals, and a written statement, certified by MANAGER to be true and correct to the best of his knowledge and belief, showing in reasonably accurate detail, the amount of aforesaid receipts and the amount of Premises Operating Expenses disbursed from such bank account and the resulting difference for the preceding month. MANAGER shall submit to the OWNER on or before the thirtieth (30th) day following the end of each Agreement Year, at all places then fixed for payments, a complete statement of the aforesaid annual figures for the preceding Agreement Year in reasonable detail certified by MANAGER. Relative to the authority of MANAGER to pay from the bank account Premises Operation Expenses (as hereinabove referred to), such authority of MANAGER shall be limited as stated in subparagraph SD hereof.

C. MAINTENANCE:

MANAGER shall use its best efforts, at OWNER'S expense (but subject to

the limitations hereinafter set forth), at all times during the term of this Agreement, to keep the Premises, both exterior and interior, structural and otherwise, in good repair, subject to ordinary wear and tear or casualty occurring without the fault of MANAGER, and make all repairs and replacements, both exterior and interior, structural and otherwise; and MANAGER shall use its best efforts, at OWNER'S expense (subject however, to the limitations hereinafter set forth) to satisfy each and every obligation, duty or payment required of the lessor on the leases or any substitute leases entered into during the term of this Agreement except in the event of a default by the tenant under any such lease. MANAGER shall also use its best efforts, at OWNER'S expense (subject, however, to the limitations hereinafter set forth), to keep the Premises in a clean condition, and not permit or allow any refuse or debris to accumulate thereon, or upon the sidewalks, alleys or streets adjoining the same, and remove any obstruction from the sidewalks adjoining the Premises. MANAGER shall exercise reasonable efforts to see that no article deemed extra-hazardous on account of fire or other dangerous properties, nor any explosive, shall be brought on or into the Premises, except that this provision shall not apply to articles usually held for storage in substantially similar building.

D. AUTHORITY:

All of the duties of MANAGER pursuant to this Agreement shall be fulfilled at OWNER'S expense and the funds of OWNER shall be utilized by MANAGER for the purpose of fulfilling such responsibilities subject, however, to the following limitations:

(i) MANAGER is authorized to enter into any agreement, verbal or written, for performance of its responsibilities if the consideration payable by OWNER pursuant to such agreement is Twenty Thousand One Hundred and 00/100 Dollars ($20,100.00) or less; however, MANAGER may enter into such agreements where the consideration payable pursuant thereto is more than Twenty Thousand and 00/100 Dollars ($20,000.00), if in MANAGER'S opinion such repairs are emergency repairs necessary to protect the Premises, fulfill obligations to OWNER under leases or rental agreements or prevent bodily injury.

(ii) If any written contract for the performance of such responsibility is in the name of OWNER (other than any lease authorized herein to be executed by MANAGER on behalf of OWNER), then irrespective of the amount payable pursuant thereto, only an authorized agent of OWNER shall be authorized to execute any such contract (and for these purposes MANAGER shall not be deemed to be an authorized agent of OWNER).

(iii) If any contract for performance of the aforesaid duties is not cancellable by MANAGER on sixty (60) days' notice or less, then MANAGER shall not enter into such contract without the prior written approval of OWNER, notwithstanding that the consideration payable thereunder may be Twenty Thousand Dollars ($20,000.00) or less. The preceding provisions do not relate to the contractual authority of MANAGER as to signing leases of building space in the Premises.

(iv) If any contract for performance of the aforesaid duties is cancellable by MANAGER on sixty (60) days' notice or less, then MANAGER may enter into such contract without the prior written approval of Owner, subject, however, to the limitations contained in subparagraph 3(D) (i).

E. EMPLOYEES: MANAGER shall engage and discharge such employees as it deems necessary for the operation and maintenance of the Premises. Such employees shall be deemed employees of the MANAGER, or such local agent or agents as may be retained by the MANAGER and not in the employ of the OWNER. The MANAGER at its expense shall retain adequate fidelity insurance on those of its

employees who handle funds or assets of the OWNER. The OWNER shall reimburse MANAGER for all salary expenses, benefits and moving and traveling expenses, except for those personnel of MANAGER performing property management functions operating out of the home office of the MANAGER.

F. WORKER'S COMPENSATION: MANAGER agrees to provide and OWNER agrees to reimburse MANAGER for all premiums, contributions and taxes for Worker's Compensation insurance, unemployment insurance, and for old age pensions, annuities and retirement benefits, now or hereafter imposed by or pursuant to federal or state laws, which are measured by the wages, salaries or other remuneration paid to persons employed by MANAGER in

connection with the performance of the Management Agreement except as it relates to personnel of MANAGER performing property management functions operating out of the home office of MANAGER. MANAGER agrees to carry Worker's Compensation insurance and Employer's Liability insurance in accordance with the laws of the states in which the OWNER owns real estate to be at all times in force and OWNER agrees to reimburse MANAGER for the cost thereof.

G. CODE REQUIREMENTS: MANAGER, at OWNERS expense, shall use its best efforts to comply in all material respects with all building codes, zoning and licensing requirements, and other requirements of the duly constituted federal, state and local governmental authorities with respect to the Premises. MANAGER may, in its discretion, any requirement it deems unwarranted and it may appeal from compromise or settle any dispute regarding such requirements.

H. REAL ESTATE EXPERTS. MANAGER may enlist the services of other real estate brokers or agents in the performance of its duties hereunder to the extent deemed necessary or appropriate. The expense of the services will be paid by the OWNER.

I. RENT COLLECTION: MANAGER will use its best efforts to collect rent and other income from the real estate interests of the OWNER. MANAGER may in its discretion compromise claims for such rent and other income and, at the expense of the OWNER, institute legal proceedings in its own name or in the name of the OWNER to collect the same, to oust or dispossess tenants or others occupying such real estate interests, and otherwise to enforce the rights of the OWNER with respect thereto and in its discretion may compromise or settle such proceedings.

J. INSURANCE: MANAGER, at OWNER'S expense, shall at all times during the term of this Agreement, carry such (i) general liability, accident and property damage insurance, (with OWNER and MANAGER as named insureds), (ii) fire, extended coverage and

malicious mischief insurance, (iii) rental insurance and (iv) such other insurance for the protection of OWNER and MANAGER, as shall be directed from time to time by OWNER. All such policies shall be in the name of and made payable to OWNER.

5. COMPENSATION; OWNER hereby agrees to pay the MANAGER a monthly management fee in the amount of five percent (5%) of Gross Income (as hereinafter defined) derived from the operation of the Premises during the preceding month. "Gross Income" shall mean any and all receipts from the Premises including: rents, percentage rents, overage rents, expense participation rents and all rents or payments from tenants of any nature, income from services rendered to tenants (i.e., maid service, janitorial or cleaning service, telephone answering service, watchman or guard service, trash collection, elevator service and similar services customarily furnished or rendered in connection with the rental of real property), and all income from concessions of any kind, including all coin-operated facilities on the Premises. Also included in Gross Income shall be any amounts collected in lieu of the above-enumerated items such as forfeited security deposits and judgments or awards collected in the enforcement of any lease or rental agreement.

6. LEASING COMMISSIONS: OWNER shall also pay MANAGER a leasing fee in conjunction with leases of space in OWNER'S commercial (as opposed to residential) properties which are procured by MANAGER. The leasing fee shall be at the prevailing rate for similar services performed by independent qualified persons regularly performing such services in the community in which the property is located; provided, however, in no event shall such leasing fee exceed six percent (6%) of the rent to be paid during the term (including any renewals) of the lease procured. The amount and timing of payment of such leasing fees shall be agreed to by OWNER and MANAGER prior to execution of the lease with respect to which the leasing fee is payable. MANAGER may divide its leasing fee with outside leasing agents or other third parties. Any division of the leasing fee payable pursuant to this Agreement shall be disclosed to OWNER at the time the fee is negotiated.

7. STATUS OF OWNER: In the event the terms of this Agreement at any time shall, in the opinion of the counsel for the OWNER, impair the status of the OWNER as a "real estate investment trust" within the meaning of Part II, subchapter M of the Internal Revenue Code of 1954, as amended, OWNER and MANAGER shall, within 30 days after the OWNER shall have given to the MANAGER written notice of such impairment, negotiate such amendments as may be necessary to restore, in the opinion of counsel for the OWNER, such status of the OWNER.

8. CONFORMITY WITH LAW; MANAGER covenants, with respect to the Premises, and the fixtures and appurtenances thereto, that at OWNER'S expense (subject to the limitations on MANAGER'S contractual authority as herein set forth), MANAGER shall use due diligence to cause them to conform in all material respects to applicable requirements of law or duly constituted authority, and to the applicable requirements of all carriers of insurance on the Premises, and Board

of Underwriters, Rating Bureau, or similar organizations including, but not limited to, requirements pertaining to the health, welfare, or safety of employees or the public, such as adequate toilet facilities, fire exits, exit signs, safe electric wiring and elevators. MANAGER

shall, at OWNER'S cost and expense (but subject to the herein set forth limitations on MANAGER'S contractual authority), use its best efforts to make such improvements or installations as may be necessary to satisfy this requirement and shall, at all times during the term, promptly comply in all material respects with such requirements whether now or hereafter in effect and whether now or hereafter applicable for any reason whatsoever. Manager shall use due diligence to prevent the Premises from being used for any unlawful purpose.

9. INSURANCE CLAIMS: MANAGER shall settle and adjust any claims against any insurance company under the fire or extended coverage policies of insurance as described in paragraph 3J hereof, but before making final settlement of any claim over Fifty Thousand Dollars ($50,000.00), the written approval of OWNER shall be obtained.

10. SUBORDINATION: OWNER and MANAGER agree that this Agreement is and shall be subordinated to any mortgages or trust deeds held by or for any bank, insurance company, seller or accredited lending institution that may be now an or hereafter placed upon the Premises, and to any and all advances to be made thereunder, and to the interests thereon and all renewals, replacements and extensions thereof.

11. CONDEMNATION: In the event of any condemnation or taking of all or any part of the Premises, all damages shall be the exclusive property of OWNER; provided, however, MANAGER shall be entitled to any proceeds recovered by MANAGER in its own right on account of any damage to MANAGER'S business by reason of such condemnation.

12. DEFAULT; If either party shall default under this Agreement, the successful party shall be reimbursed by the other for all costs and expenses incurred in the enforcement of any of the provisions of this Agreement, including reasonable attorney's fees.

13. LIABILITY OF MANAGER: MANAGER and its officers, directors, shareholders, affiliates, agents and employees shall not be liable to OWNER or to any other person for any act or omission in the course of performance of their duties hereunder except for their willful misfeasance, gross negligence or reckless disregard of duty or their not having acted in good faith in the reasonable belief that their action was in the best interests of OWNER. The OWNER shall defend, indemnify and save harmless MANAGER and its officers, directors, shareholders, affiliates, agents and employees from and against any and all liabilities, claims, damages, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) incurred by reason of or arising out of the performance or nonperformance of their duties under or by reason of this Agreement; provided, however, there shall be no such indemnification for liabilities, claims, damages, costs or expenses incurred by any such person or entity by reason of their willful misfeasance, gross negligence, reckless disregard of duty or bad faith in the conduct of their duties under or by reason of this Agreement. This paragraph 13 shall survive the termination Of this Agreement.

14. NOTICE: Whenever, under the terms of this Agreement, any notice is required or permitted to be served upon the other party, said notice shall be served upon the other party by personal service or by certified mail. Any such notice shall be deemed given when personally received by the party to whom the notice is directed; provided, however, in the event notice is mailed, such notice shall be deemed given when deposited in the United States Mail with postage prepaid. Notices to each party shall be until further notification in writing, shall be delivered to the following addresses:

To OWNER

Cedar Income Fund, Ltd.
c/o Cedar Bay Realty Advisors, Inc.
44 South Bayles Avenue
Port Washington, NY 11050

To MANAGER:

Brentway Management LLC
44 South Bayles Avenue
Port Washington, NY 11050

15. CUMULATIVE RIGHTS: The various rights and remedies of OWNER and MANAGER provided in this Agreement shall be construed as cumulative and no one of them is exclusive of the others or exclusive of any rights or remedies allowed OWNER or MANAGER by law.

16. CONSENT: Neither OWNER nor MANAGER shall unreasonably withhold its conset whenever such consent shall be required under the terms of this Agreement.

17. PARAGRAPH READINGS: The paragraph headings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement or in any way affect the terms and provisions hereof.

18. RULES OF CONSTRUCTION: Words and phrases herein shall be construed as in the singular or plural number and as masculine, feminine or neuter gender, according to the context.

19. AMENDMENTS: This Agreement may be amended only by the mutual consent of the parties. However, no such amendment shall become effective unless it be reduced to an instrument in writing specifically referring to this Agreement and signed by both parties.

20. SUCCESSORS AND ASSIGNS: The provisions of this Agreement shall be binding upon and inure to the benefit of the immediate parties hereto and their respective legal representatives, successors and assigns. Neither party may assign this Agreement without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

OWNER	MANAGER
CEDAR INCOME FUND, LTD.	BRENTWAY MANAGEMENT LLC
BY /s/ ----------	BY /s/ ----------
TITLE:	TITLE:

FINANCIAL ADVISORY AGREEMENT

AGREEMENT made as of June 1, 1998 by and between Cedar Income Fund, Ltd. (the "Company"), a real estate investment trust organized under the laws of the State of Iowa, with offices at 44 South Bayles Avenue, Port Washington, New York and B.V. Capital Markets Inc. ("B.V.C."), a New York corporation, an affiliate of Bayerische Vereinsbank AG, a German banking institution, with offices at 150 East 42nd Street, New York, New York.

Whereas the Company wishes to avail itself of the experience, sources of information, advice, and assistance of B.V.C. and to have B.V.C. perform certain services on behalf of, and subject to the supervision of, the board of directors of the Company (the "Board"), as provided herein;

Whereas B.V.C. is willing to undertake to render such services, subject to the approval of the Board, on the terms and conditions hereinafter set forth;

Now therefore, in consideration of the premises and mutual covenants herein contained, it is agreed as follows:

1. Services of financial advisor. Subject to acceptance of this Agreement by the Company, B.V.C., under the direction and supervision of, and subject to the approval of, the Board, shall serve as the Company's financial advisor and consultant in connection with financial policy decisions to be made by the Company. In this regard, B.V.C. shall:

- advise on acquisition financing and/or a line of credit for future acquisitions by the Company;
- advise on contributions, sales, assignments or other transfers to or for the benefit of the Company by U.S. and foreign clients or contacts of B.V.C. of U.S. real property interests appropriate to or consistent with the desired investment parameters of the Company in exchange for cash, shares of the Company interests in an Upreit partnership of which the Company is general partner and/or other consideration;
- advise on a private placement of Company shares;
- assist the Board in developing suitable investment parameters for the Company;
- develop and maintain contacts on behalf of the Company with U.S. and foreign commercial and investment banking firms, non-bank financial institutions, and others with substantial interests in real estate and capital securities markets, other REITS, and national and regional associations of such persons and entities;
- advise the Board as to issues relevant to additional private placements or public issues of shares and various alternate debt financing opportunities;

- review certain financial policy matters with consultants, accountants, lenders, attorneys, and persons acting in any other capacity deemed by the Board to be necessary or desirable; and
- prepare periodic (generally quarterly) reports of its performance of the foregoing services to the Company.

Notwithstanding any other provision in this agreement to the contrary, B.V.C. shall not furnish or render services to tenants of the Company's properties, or manage or operate property of the Company, or do any other act which would adversely affect the status of the Company as a real estate investment trust as defined and limited in Section 856 et. seq. of the Internal Revenue Code of 1986, as amended, or Regulations promulgated thereunder. The Board does not have any obligation to accept or approve any proposal made by B.V.C.

It is specifically contemplated that Roland Palm would continue to serve as a consultant or employee to B.V.C. in performing its services hereunder and that Mr. Palm would be compensated by B.V.C. for his services in helping B.V.C. discharge its duties hereunder.

2. Furnishing information to advisor. Subject to the acceptance of this Agreement by the Company, the Company shall at all times keep B.V.C. fully informed with regard to the investments which it owns, its funds available or to become available for investment, and generally as to the condition of its affairs. In particular, the Company shall notify B.V.C. promptly of any proposal or offer for sale or other disposition of any of the Company's investments, or

for any new investment. B.V.C. shall enter into such confidentiality and non-competition agreements with respect to such disclosed information as counsel for the Company may reasonably require.

3. Recommendation by advisor. Subject to acceptance of this Agreement by the Company, B.V.C. shall consult with the Board and the officers of the Company and furnish them with advice and recommendations with respect to the acquisition, by purchase, exchange, or otherwise, the holding and the disposal, through sale, exchange, or otherwise, of investments of, or investments considered by, the Company. B.V.C. shall at the request of the Board or the officers of the Company furnish advice and recommendations with respect to other aspects of the business and affairs of the Company. In the absence of a director designated by B.V.C., and unless otherwise notified by the Board, a duly authorized representative of B.V.C., may attend all regular and special meetings of the Board. The Company shall notify B.V.C. of all such meetings.

4. Books. B.V.C. shall maintain appropriate records of all its activities hereunder.

5. Position of Directors and relationship with the Company. Officers and employees of B.V.C. may serve as Directors and as officers of the Company. Subject to approval by the Bayerische Vereinsbank AG of his election as Director of the Company, Cedar Bay Company will cause its shares to be voted in favor of Jean-Bernard Wurm as director of the Company.

6. Compensation. (a) For services rendered by it, B.V.C. shall be entitled to the following compensation commencing as of the date hereof, as determined by, and subject to the approval of the Board:

(i) 0.25% (25 basis points) of the Fund's net asset value ("Net Asset Value") as defined in the Agreement of Limited Partnership of Cedar Income Fund Partnership, L.P. (the "Upreit") less any indebtedness of the Company, affecting the net value of the Company's assets, the Upreit or the properties, but in any event no less than $100,000 per annum, payable in equal quarterly installments on the last business day of each calendar quarter;

(ii) A one-time payment of 1.5% (150 basis points) of the "Agreed Value", as defined in the Agreement of Limited Partnership of Cedar Income Partnership, L.P. of properties contributed to the Company or its affiliates, including the "Upreit" partnership(s) by entities or persons introduced by B.V.C. to the Company. The fee shall be payable only after the property has been contributed to the Company;

(iii) As soon as the Company becomes self administered, B.V.C. shall have the option, in its sole discretion to convert its claim to received its financial advisory fees payable under (ii) above into an ownership interest in the company or cash, equal to 5x those fees.

(b) B.V.C. shall promptly furnish to the Company a statement for any fees payable hereunder for each quarter annual period during which B.V.C. performed services hereunder. Such statement shall include the calculation by which such fee was determined.

(c) In the absence of a bona fide dispute between the parties as to such payment, the Company shall pay to B.V.C. the amount payable pursuant to any such statement not later than the 20th day of the month following the quarter during which the services for the payment of which the fee is payable were rendered.

(d) If the Company shall request B.V.C., or any director, officer, or employee thereof, to render services for the Company other than those to be rendered by B.V.C. hereunder, such additional services shall be compensated separately on terms to be agreed upon between B.V.C. and the Company from time to time.

7. Responsibility of advisor. B.V.C. assumes no responsibility hereunder other than to render the services required hereunder in good faith and shall not be responsible for any action of the Board or officers of the Company in following or declining to follow any advice or recommendations of B.V.C.. B.V.C., its officers, and employees shall not be liable to the Company, the Company's shareholders, or others except for acts constituting bad faith, willful misfeasance, gross negligence, or reckless disregard of its or his duties. The Company and B.V.C. are not partners or joint venturers, and nothing herein shall be construed so as to make them partners or joint venturers or impose any liability as such on either of them. B.V.C. agrees to devote appropriate time and personnel to performing its obligations under this Agreement.

8. Freedom of officers of advisor. Nothing herein shall limit or restrict the right of any director, officer, or employee of B.V.C. who may also be a Director, officer, or employee of the Company to engage in any other

business or to render services of any kind to any other corporation, firm,

individual, or association, except that such person shall not engage in any activity which shall be competitive with, or otherwise in the reasonable judgment of the Board, be adverse to the interests of the Company.

9. Term of contract. This contract shall be in force for a period of 12 months commencing on the effective date hereof. It shall continue thereafter from year to year unless cancelled by either party at the end of any year, upon 60 days' prior written notice. The Company may cancel this agreement only by affirmative vote of a majority of the independent Directors then in office at a meeting called for such purpose. For purposes of the preceding sentence "independent Trustee" means a Director who is not a director, officer, affiliate or shareholder of B.V.C.

10. Nonassignability. This contract shall terminate automatically if B.V.C. shall assign it without the written consent of the Company. The Company shall not assign this contract without B.V.C.'s consent. No consent shall be necessary, however, where the assignment is to a corporation or other organization that is a successor to the Company, in which case the other corporation shall be bound hereunder and by the terms of such assignment in the same manner as is the Company.

11. Termination. This agreement shall terminate immediately upon written notice of termination from the Company to B.V.C. if any of the following events shall happen:

(a) If B.V.C. shall violate any provision of the contract, and after notice of such violation, shall not cure such default within 30 days; or

(b) If, B.V.C. shall be adjudged bankrupt or insolvent by a court of competent jurisdiction, or an order shall be made by a court of competent jurisdiction for the appointment of a receiver, liquidator, or trustee of the

Corporation, or of all or substantially all of its property by reason of the foregoing, or approving any petition filed against B.V.C. for its reorganization, and such adjudication or order shall remain in force or unstayed for period of 30 days; or

(c) If B.V.C. shall institute proceedings for voluntary bankruptcy, or shall file a petition seeking reorganization under the federal bankruptcy laws, or for relief under any law for the relief of debtors, or shall consent to the appointment of a receiver of B.V.C. or of all or substantially all of its property, or shall make a general assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due.

If any event specified in subparagraphs (b) and (c) of this paragraph 11 shall occur, B.V.C. shall give written notice thereof to the Company within seven days thereof.

Should Agreement be terminated at the end of year 1, B.V.C. will receive from company a cancelation fee equal to 50% of the advisory fee to which it would have been entitled for the first 32 months but no less than $50,000 if Agreement is terminated by Company and not more than $50,000 if Agreement is terminated by B.V.C.

12. Notices. Any notice, report, or other communication required or permitted to be given hereunder shall be in writing and shall, unless some other method of giving such notice, report, or other communication is accepted by the party to whom it is given, be mailed by certified mail to the following addresses parties thereto:

Cedar Bay:
Cedar Bay Company
c/o SKR Management Corp.
44 South Bayles Avenue
Port Washington, NY 11050
Attn.: Leo S. Ullman

The Company:
Cedar Income Fund, Ltd.
c/o SKR Management Corp.
44 South Bayles Avenue
Port Washington, NY 11050
Attn.: Brenda J. Walker

B.V.C.:
B.V. Capital Markets Inc.

150 East 42 Street
New York, NY 10017

Attn.: Mr. Jean-Bernard Wurm
with a copy to Mr. Roland Palm
c/o B.V. Capital Markets Inc.
150 East 42 Street, 39th Floor
New York, NY 10017

Any party may at any time give notice to the other party that it wishes to change its address for the purpose of this paragraph.

14. Modification. This agreement shall not be changed, modified, terminated, or discharged in whole or in part, except by an instrument signed by both parties hereto, or their respective successors or assigns.

15. Binding effect. This agreement shall bind all of the parties' successors and all of the Company's assigns.

16. Applicable law. The provisions of this agreement shall be construed and interpreted in accordance with the law of the State of New York.

17. Effect on Company. No director, officer, agent, or shareholder of the Company shall be bound or held to any personal liability in connection with the Company's obligations hereunder.

18. Headings for reference only. Headings preceding the text and sections of this agreement have been inserted solely for convenience and reference, and shall not be construed to affect its meaning, construction, or effect.

19. Entire agreement. This agreement supersedes all agreements previously made between the parties relating to its subject matter. There are no other understandings or agreements between them.

20. Non-waiver. No delay or failure by either party to exercise any right under this agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

21. Counterparts. This agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

22. Effective Date. This Agreement shall only become effective after formal approval by the Board of the Company.

IN WITNESS WHEREOF the parties hereto have caused this contract to be executed by their officers thereunto duly authorized as of the day and year first above written.

B.V. Capital Markets Inc.

By:_____

By: _____

Attest:

BV Capital Markets Inc.

_____
Secretary

By: _____
President

Cedar Income Fund, Ltd.

By: _____

Section 5 is agreed to

Cedar Bay Company

By:_____

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