Convertible Mortgage Option Agreement

OPTION AGREEMENT

THIS OPTION AGREEMENT dated as of , 20\_\_, by and between

Limited Partnership, a Limited Partnership ("Grantor"), and , a corporation ("Properties") and , a banking corporation, as agent and investment manager for , a corporation ("DSA"), under the Investment Management Agreement dated \_, 20\_\_ and the Participation Agreement dated , 20\_\_ (Properties and being herein collectively referred to as "Grantee")

W I TN E S S E T H:

WHEREAS, Grantor and Grantee have entered into a Loan Agreement dated as of

, 20\_\_ (the "Loan Agreement") pursuant to which Grantee has agreed to lend to Grantor up to ($ \_) on the terms and subject to the conditions set forth in the Loan Agreement; and

WHEREAS, Grantor desires to grant and Grantee desires to accept an irrevocable option to purchase from Grantor a Class B Limited Partnership Interest in Grantor and to become a Class B Limited Partner in Grantor on the terms and subject to the conditions herein contained;

NOW, THEREFORE, in consideration of the payment of the Option Price, receipt of which is hereby acknowledged by Grantor, Grantor and Grantee agree as follows:

1. Definitions. The following terms, as used herein, have the following meanings: "Additional Capital Expenditure Advances" is defined in Section 7.

"Additional Rehabilitation Advances" is defined in Section 7. "Capital Expenditure Advances" is defined in the Loan Agreement.

"Class B Limited Partnership Interest" means the right, title and interest of a Class B limited partner in Grantor as set forth in the Partnership Agreement.

"Class B Limited Partner" means the holder of a Class B Limited Partnership Interest. "Closing" is defined in Section 4.

"Closing Date" is defined in Section 5.

"Existing General Partner" means , a

corporation, and the general partner of Grantor.

"Existing Limited Partner" means, Inc., a corporation, and the Class A limited partner of Grantor.

"Loan Agreement" means the Loan Agreement dated as of , 20\_\_ between Grantor and Grantee.

"Option" is defined in Section 2. "Option Price" is defined in Section 3.

"Participation Agreement” means the Participation Agreement dated as of

, 20\_\_ between of

and Corporation.

"Partnership Agreement” means the Partnership Agreement in the form attached hereto as Exhibit A.

"Permitted Exceptions” means the Security Instruments.

"Property" means the parcels of real property and items of personal property owned or leased by Grantor and described in the Security Instruments.

"Purchase Price" is defined in Section 5.

"Rehabilitation Advances" is defined in the Loan Agreement.

All other capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Loan Agreement.

1. Grant of the Option. Grantor hereby grants, sells and conveys unto Grantee and Grantee hereby accepts from Grantor an irrevocable option (the "Option") to purchase the Class B Limited Partnership Interest in Grantor and to become a Class B Limited Partner in Grantor. The Option may be exercised at any time during the period from the date hereof through the end of the Term of the Loan Agreement, as the same may be extended, by delivery by Grantee to Grantor of the Exercise Notice (as defined below); provided, however, that any such exercise during the ten (10) year period from the date hereof shall not be effective if Grantor shall deliver to Grantee within the ten (10) day period after receipt of the Exercise Notice an opinion of Counsel reasonably satisfactory to Grantee to the effect that the exercise of the Option by Grantee during such period would result in material adverse tax consequences to Grantor or its partners. In the event that such an opinion is furnished and not objected to by Grantee, the exercise of the Option shall be deemed ineffective, provided, that Grantee's right to exercise the Option pursuant and subject to the terms and provisions hereof at any time thereafter shall remain unaffected notwithstanding any prior ineffective exercise of the Option.
2. Option Price. In consideration for the grant of the Option. Simultaneously with the execution and delivery hereof, Grantee shall pay to Grantor the sum of eight hundred thousand dollars ($800,000) (the "Option Price"). Upon the exercise of the Option by Grantee, the Option Price shall be considered for all purposes of the Partnership Agreement as a contribution by Grantee to the capital of the Partnership.
3. The Closing. Subject to the terms and conditions hereof, the closing (the "Closing") of the acquisition and issuance of the Class B Limited Partnership Interest to Grantee shall take place on the Closing Date as set forth below.
4. Exercise of the Option. (a) In the event that Grantee desires to exercise the Option, Grantee shall deliver a notice (the "Exercise Notice") to Grantor of its intention to exercise the Option, which notice shall specify a date (the "Closing Date"), which shall not be earlier than fifteen (15) days nor later than forty-five (45) days after the date of such notice, on which the Option shall be exercised and the Closing shall take place, unless such notice is subsequently rescinded as hereinafter provided.
   1. Within ten (10) days after receipt of the Exercise Notice, Grantor shall deliver to Grantee a Certificate executed and delivered by the Existing General Partner on behalf

of Grantor to the effect that Grantor has complied with all of its obligations, covenants and agreements contained in the Loan Agreement, the Note, the Deed of Trust and the Security Instruments and that all of the representations and warranties of Grantor set forth herein, in the Loan Agreement, the Deed of Trust and in the other Security Instruments are true and correct as of the date of such Certificate as if made on the date thereof. In the event that Grantor is unable to certify to all such matters, the Certificate shall state precisely the respects in which Grantor is unable to so certify. Upon receipt of the foregoing Certificate, Grantee shall have the right to rescind the Exercise Notice by a further notice (the "Rescission Notice") delivered to Grantor prior to the Closing Date set forth in the Exercise Notice if it is not satisfied with the matters set forth in such Certificate. Such rescission shall not terminate the Option, and Grantee shall continue to have the right thereafter to exercise the Option.

* 1. In the event that Grantee does not timely rescind the Exercise Notice, Grantor shall be deemed to have agreed to sell to Grantee and Grantee shall be deemed to have agreed to purchase from Grantor on the Closing
  2. The Closing of the acquisition of the Class B Limited Partnership Interest shall be effected at the Closing Date as follows:
     1. Grantee shall execute and deliver a signature page to the Partnership Agreement pursuant to which Grantee shall agree to accept, adopt and agree to be bound by the provisions of the Partnership Agreement with respect to the Class B Limited Partnership Interest, in substantially the form of Exhibit B hereto, which shall be attached to the Partnership Agreement and shall constitute and become a part thereof to evidence the admission of Grantee as the Class B Limited Partner;
     2. Existing General Partner, on behalf of all of the Partners of Grantor pursuant to the power\_ of attorney granted in the Partnership Agreement, shall execute and cause to be filed in all appropriate state filing offices a certificate of limited partnership of Grantor, in form satisfactory to Grantee, showing Grantee as the Class B Limited Partner in Grantor, and such other documents as shall be necessary to effectuate the admission of Grantee as the Class B Limited Partner in Grantor;
     3. Grantee shall deliver to Grantor the original copy of the Note, marked paid in full, and the Security Instruments, together with appropriate instruments in form for recording and filing to release and discharge of record the lien of the Deed of Trust and the other Security Instruments encumbering the Property; and
     4. Grantor, each partner of Grantor and Grantee shall each execute, deliver and file such further documents, instruments and certificates as shall be necessary or appropriate to consummate the admission of Grantee as the Class B Limited Partner of Grantor, the payment of the Purchase Price and all other transactions contemplated herein.
  3. Grantor hereby agrees that upon receipt of the Exercise Notice and pending the Closing, it shall not sell, lease, exchange, encumber, assign or otherwise convey, dispose or otherwise transfer all or any portion of the Property (other than in the ordinary course of business of Grantor) or take any action with respect to the Property or Grantor's business affairs which might have an adverse effect on it properties or assets, financial position or the results of its operations or on the value of the Class B Limited Partnership Interest.

1. Conditions Precedent.
2. The Obligations of each party hereto to effectuate the Closing shall be subject to the other party hereto performing all of its obligations pursuant to Section 5(d), which each party hereby agrees to satisfy.
3. Notwithstanding the prior exercise of the Option by Grantee, the obligations of Grantee pursuant to Section 5 hereof shall be subject to the following additional conditions precedent, any or all of which can be waived by Grantee, and all of which Grantor hereby agrees to satisfy:
   1. Grantor shall deliver a Certificate to Grantee, dated as of the date of Closing, confirming the state of facts and information set forth in the Certificate delivered pursuant to Section 5(b);
   2. Grantor shall deliver to Grantee a Certificate of the Title Company confirming that the title to the Property is vested in Grantor, and that there are no exceptions, encumbrances, liens, or other matters affecting title thereto, except for the Permitted Exceptions, any matters which existed on the last funding of the Loan pursuant to the Loan Agreement and approved by Grantee and any matters arising thereafter approved by Grantee;
   3. Grantor shall deliver to Grantee such other documents, instruments and certificates as the Grantee shall reasonably require to effectuate the transactions contemplated herein.
4. Grantee's Obligation to Make Additional Capital Contributions to the Partnership.

If the Option is exercised by Grantee within five (5) years of the date hereof and Grantor has not theretofore borrowed the maximum amount of Rehabilitation Advances and Capital Expenditure Advances (as such terms are defined in the Loan Agreement) available under the Loan Agreement, Grantee shall be obligated to make additional contributions to the capital of the Partnership in the respective amounts equal to unfunded portions of the Rehabilitation Advances and the Capital Expenditure Advances, as follows:

1. Rehabilitation Advances (a) Subsequent to the Closing, the Partnership may cause the Property to be improved, renovated, rehabilitated and repaired pursuant to an overall plan for the rehabilitation of the Property. Such plan may from time to time be amended, modified and supplemented with Grantee's approval (such plan, including any such plan approved by Grantee pursuant to the Loan Agreement, as from time to time amended, modified or supplemented with Grantee's approval being herein referred to as the "Rehabilitation Plan"). In the event that Grantee shall disapprove of the proposed Rehabilitation Plan or any amendment, modification or supplement thereof, Grantee shall consult with the Existing General Partner concerning Grantee's objections and the parties shall in good faith attempt to make appropriate modifications to satisfy such objections. In no event shall any rehabilitation be undertaken pursuant to this Section 7(A) other than pursuant to the Rehabilitation Plan approved by Grantee.
2. From time to time after the approval of the Rehabilitation Plan, the Existing General Partner shall prepare and furnish to Grantee for Grantee's approval such detailed plans and specifications, where appropriate, for the improvement, renovation, rehabilitation and repair of the Property pursuant to the Rehabilitation Plan. The Existing

General Partner shall also furnish to Grantee for Grantee's approval a Certificate signed by the Existing General Partner on behalf of Grantor setting forth a general description of the work to be performed, in the event that plans and specifications are not provided to Grantee, and a detailed budget of the estimated costs of the work described in such plans and specifications or in such Certificate and the estimated dates on which such costs will be incurred.

1. If the Option is exercised at any time during the first five (5) years from the date hereof and Grantor has not theretofore borrowed the maximum amount of Rehabilitation Advances (as defined in the Loan Agreement) under the Loan Agreement, Grantee shall be obligated to make additional capital contributions to the Partnership in the amount of all sums (collectively, the "Additional Rehabilitation Advances") necessary to pay the costs and expenses of improving, renovating, rehabilitating and repairing the Property pursuant to the Rehabilitation Plan and the detailed related approved plans and specifications, where appropriate, and budgets; provided, that the aggregate total amount of the Additional Rehabilitation Advances made by Grantee pursuant hereto and the aggregate amount of Rehabilitation Advances made under the Loan Agreement shall not in any event exceed the sum of

($ ). Grantee shall make each Additional Rehabilitation Advance to the Partnership as requested by the Existing General Partner within five (5) business days after receipt and approval by Grantee of the instruments and documents described above provided, that the amount of the advance requested plus prior advances, when viewed as a percentage of the total cost of the work, shall not exceed the percentage of the work completed. Each Certificate of Grantor given pursuant to this Section

7 shall be accompanied by the request for payment from the contractor performing the work in question, any supporting architect's certificate and any other supporting documents requested by Grantee or otherwise applicable.

1. Capital Expenditure Advances. (a) Subsequent to the Closing, the Partnership may cause the Property to be improved, renovated, rehabilitated and repaired in a manner designed to increase the value of and the amount of revenue derived in respect thereof pursuant to an overall plan for the improvement of the Property. Such plan may from time to time be amended, modified and supplemented with Grantee's approval (such plan, including any such plan approved by Grantor pursuant to the Loan Agreement, as from time to time amended, modified or supplemented with Grantee's approval being hereinafter referred to as the "Income Producing Capital Expenditures Plan"). In the event that Grantee shall disapprove the proposed Income Producing Capital Expenditures Plan or any modification thereof, Grantee shall consult with he Existing General Partner concerning Grantee's objections, and the parties shall in good faith attempt to make appropriate modifications to satisfy such objections. In no event shall any improvements to the Property be made pursuant to this Section 7(B) other than pursuant to the Income Producing Capital Expenditures Plan approved by Grantee.
2. From time to time after the approval of the Income Producing Capital Expenditures Plan, the Existing General Partner shall prepare and furnish to Grantee, for Grantee's approval, detailed plans and specifications, where appropriate, for the improvement renovation, rehabilitation and repair of the Property pursuant to the Income Producing Capital Expenditures Plan. The Existing General Partner shall also furnish to Grantee, for Grantee's approval, a Certificate setting forth a general description of the work to be performed in the event that plans and specifications are not provided to Grantee and detailed budget of the estimated costs of the work described in such plans and specifications or in such Certificate and

the estimated dates on which such costs will be incurred.

1. If the Option is exercised at any time during the first five (5) years from the date. hereof and Grantor has not theretofore borrowed the maximum amount of Capital Expenditure Advances (as defined in the Loan Agreement) under the Loan Agreement, Grantee shall be obligated to make additional capital contributions to the Partnership in the amount of eighty percent (80%) of the sums necessary to pay the costs of such approved additional income producing capital expenditures pursuant to the Income Producing Capital Expenditures Plan (the amounts so contributed being hereinafter collectively referred to as the "Additional Capital Expenditure Advances") and the Class A Partners of the Partnership shall pay the remaining twenty percent (20%) of such expenditures on a pro rata basis as and when the funds are expended; provided, that the total of the Additional Capital Expenditure Advances made by Grantee pursuant hereto and the aggregate amount of Capital Expenditure Advances under the Loan Agreement shall not in any event exceed the sum of ($ ). Grantee shall make each Additional Capital Expenditure Advance to the Partnership as requested by the Existing General Partner within five (5) business days after receipt and approval by Grantee of the instruments and documents described above; provided, that the amount of the advance requested plus prior advances, when viewed as a percentage of the total cost of the work, shall not exceed the percentage of the work completed. Each Certificate of the Grantor given pursuant to this Section 7(B) shall be accompanied by the request for payment from the contractor performing the work in question, any supporting architect's certificate and any other supporting documents requested by Grantee or otherwise if applicable.
2. Conditions Precedent to Additional Capital Contributions. (a) The obligation of Grantee to make additional capital contributions to Grantor pursuant to this Section 7 shall be subject to the performance by Grantor of all of its covenants and agreements hereunder to be performed on or prior to the making of the advance in question, the continuing accuracy of the representations and warranties of Grantor contained herein, and to the satisfaction of the following further conditions precedent which shall be complied with for each separate capital advance subsequent to the Closing, each of which Grantor agrees to use its best efforts to satisfy:
   1. Grantee shall have received such Certificates of the Existing General Partner and such opinions of counsel to the Grantor as Grantee may require concerning the performance by Grantor of all its covenants and agreements hereunder or of the Class A Partners under the Partnership Agreement, in each case to be performed prior to the advance in question, the continuing accuracy of the representations and warranties of Grantor contained herein and bringing down to date any of the Certificates or opinions delivered pursuant to Section 8.1 of the Loan Agreement;
   2. Grantee shall have received an opinion of its counsel, and its special counsel as to such matters of law of the State of

and the , respectively, as Grantee may deem necessary or advisable;

* 1. With respect to each Additional Rehabilitation Advance, Grantee shall have received and approved the plans and specifications. where appropriate, and budgets

required to be furnished by the Existing General Partner with respect to the improvement, renovation, rehabilitation or repair in question, and Grantee shall have received and approved a Certificate of the Existing General Partner setting forth the amount requested, the total cost of the

work in question, the total of all prior advances with respect to such work and the percentage of completion of such work and the other documents required to be furnished with such certificate for the Rehabilitation Advance in question;

* 1. With respect to each Additional Capital Expenditure Advance, Grantee shall have received and approved the plans and specifications, where appropriate, and budgets required to be furnished by the Existing General Partner with respect to the income producing capital expenditure in question, Grantee shall have received and approved a

Certificate of the Existing General Partner setting forth the amount requested, the total cost of the work in question, the total of all prior advances with respect to such work and the percentage of completion of such work and the other documents required to be furnished with such Certificate for the Additional Capital Expenditure Advance in question, together with evidence satisfactory to Grantee that the Class A Partners have met their obligations to contribute twenty percent (20%) of the cost of the income producing capital expenditures for which such Additional

Capital Expenditure Advance is required;

* 1. There shall have been no material adverse change in the condition, financial or otherwise, of Grantor, any of the partners thereof, or their affiliates or in the investment characteristics of the Property; and
  2. All instruments, opinions of counsel and other documents described in this Section 7 and proceedings in connection with the transactions contemplated by this Section 7 shall be furnished or taken at the sole cost and expense of Grantor and shall be satisfactory in form and substance to Grantee and its counsel, , and Grantee shall receive copies of all such instruments, opinions of counsel, documents or other evidence as Grantee or its said counsel may request with respect to such transactions and all corporate and partnership proceedings in connection therewith shall be in form and substance satisfactory to Grantee and its said counsel.

1. Specific Enforcement. In the event of a default by Grantee in the performance of its obligations pursuant to this Section 7, Grantee acknowledges that Grantor will be without an adequate remedy at law, and agrees that Grantor shall have the right, in addition to any other remedies which may be available to Grantor at law or in equity, to enforce the obligations of Grantee pursuant to the terms of this Section 7 by an action for specific performance.
2. Miscellaneous; Survival. The provisions of this Section 7 shall apply only to periods after the Closing hereunder. Any amounts of Additional Rehabilitation Advances and Additional Capital Expenditure Advances made by Grantee to the Grantor and the amount required to be paid by the Class A Partners to the Grantor pursuant to this Section 7 shall for all purposes of the Partnership Agreement be treated as additional capital contributions to the Grantor.
3. Representations and Warranties of Grantor. Grantor hereby represents and warrants to, and covenants with, Grantee as follows:
4. Grantor is a limited partnership duly organized and validly existing in good standing under the laws of the State of Maryland and is a limited partnership duly organized and validly existing in good standing under the laws of the

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1. Grantor has full partnership power, authority and legal right and all necessary permits and licenses to acquire and own all its assets and properties, to execute and deliver this Option Agreement and to observe and perform its obligations hereunder;
2. This Option Agreement has been duly authorized by all necessary partnership action on the part of Grantor, has been executed and delivered. By Grantor and constitutes a valid and legally binding obligation of Grantor, enforceable against Grantor in accordance with the terms hereof, except as such enforceability may be limited by bankruptcy, insolvency, or other laws affecting generally the enforceability of creditors' rights and by limitations on the availability of equitable remedies;
3. Neither the execution and delivery of this Option Agreement, the performance by Grantor of the terms hereof, nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of any of the provisions of the Partnership Agreement, or of any applicable license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any determination or award of any arbitrator, or of any agreement or instrument to which Grantor is a party or by which any of its assets or properties is bound, or constitute a default under any thereof, or result in the creation or imposition of any lien, charge or encumbrance upon any of Grantor's assets or properties;
4. There are no actions, suits or proceedings pending or, to the best of the knowledge of Grantor, threatened against Grantor or any partner or affiliate thereof, by or before any court, administrative agency or other governmental authority or any arbitrator which could interfere with or bring into question the validity of the transactions contemplated by this Option Agreement or which might result in any material adverse change in the business, assets or condition of Grantor or any partner thereof;
5. Grantor owns, beneficially and of record, all of the Property, free and clear of all liens and encumbrances, except the Permitted Exceptions;
6. Neither Grantor, Existing General Partner nor Existing Limited Partner is insolvent and no voluntary proceeding or petition has been instituted or is contemplated by Grantor, Existing General Partner, or Existing Limited Partner and no involuntary proceeding has been instituted or been threatened to be instituted against Grantor, Existing General Partner or Existing Limited Partner under the bankruptcy laws of the United States or any other country or any political subdivision thereof. Neither Grantor, Existing General Partner nor Existing Limited Partner has (i) made an assignment of any of its assets or properties for the benefit of its creditors, nor is any contemplated, (ii) consented to the appointment of a receiver or trustee for any of its assets or properties, (iii) been adjudicated a bankrupt or made a bulk sale or taken any action which contemplates the making of a bulk sale and no court has entered any order appointing a receiver or trustee for any assets of Grantor, Existing General Partner or Existing Limited Partner or has assumed the custody of, or sequestered any assets or properties of Grantor, Existing General Partner or Existing Limited Partner and no attachment has been made of any assets or properties of Grantor, Existing General Partner or Existing Limited Partner; and
7. No consent, approval or other authorization of or by any court, administrative agency or other governmental authority is required in connection with the execution, delivery, performance, or consummation by Grantor of the transactions contemplated

by this Option Agreement.

1. Representations and Warranties of Grantee.

Grantee hereby represents and warrants to, and covenants with, Grantor as follows:

1. Grantee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware;
2. Grantee has full corporate power, authority and legal right and all necessary permits and licenses to acquire and own all its assets and properties, to execute and deliver this Option Agreement and to perform its obligations hereunder;
3. This Option Agreement has been duly authorized by all necessary corporate action on the part of Grantee, has been executed and delivered by Grantee and constitutes a valid and legally binding obligation of Grantee, enforceable against Grantee in accordance with the terms hereof, except as such enforceability may be limited by bankruptcy, insolvency, or other laws affecting generally the enforceability of creditors' rights and by limitations on the availability of equitable remedies;
4. Neither the execution and delivery of this Option Agreement, the performance by Grantee of the terms hereof, nor consummation of the transactions contemplated hereby will conflict with or result in a breach of any of the provisions of the certificate of incorporation or by-laws of Grantee, or of any applicable license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any determination or award of any arbitrator, or of any agreement or instrument to which Grantee is a party or by which any of its assets or properties is bound, or constitute a default under any thereof, or result in the creation or imposition of any lien, charge or encumbrance upon any of Grantee's assets or properties;
5. There are no actions, suits or proceedings pending or, to the best of the knowledge of Grantee, threatened against Grantee, by or before any court, administrative agency or other governmental authority or any arbitrator which could interfere with or bring into question the validity of the transactions contemplated by this Option Agreement, or which might result in any material adverse change in the business, assets or condition of Grantee;
6. Grantee is not insolvent and no voluntary proceeding or petition has been instituted or is contemplated by Grantee and no involuntary proceeding has been instituted or been threatened to be instituted against Grantee under the bankruptcy laws of the United States or any other country or political subdivision thereof. Grantee has not (i) made an assignment of any of its assets or properties for the benefit of its creditors, nor is any contemplated, (ii) consented to the appointment of a receiver or trustee for any of its assets properties, (iii) been adjudicated a bankrupt or made a bulk sale or taken any action which contemplates the making of a bulk sale and no court has entered any order appointing a receiver or trustee for the assets or properties of Grantee, or has assumed the custody of, or sequestered any assets or properties of Grantee and no attachment has been made of any asset or properties of Grantee; and
7. No consent, approval or other authorization of or by any court, administrative agency or other governmental authority is required in connection with the execution, delivery, performance or consummation by Grantee of the transactions contemplated by this Option Agreement.

The exercise by Grantee of the Option shall be deemed reaffirmation by Grantee of the accuracy of the representations and warranties contained in this Section 9 in all material respects.

1. Survival of Representations and Warranties. Notwithstanding any investigation by Grantee or Grantor, all representations and warranties of Grantor and Grantee set forth in this Option Agreement or in the Certificates delivered to Grantee pursuant to the provisions of this Option Agreement shall survive the Closing.
2. Covenants of Grantor. Grantor covenants and agrees with Grantee that so long as the Closing of the exercise of the Option granted hereby shall not have occurred:
3. Grantor shall manage the Property in accordance with the highest standards of care and, to the extent applicable, shall maintain the Property or cause the Property to be maintained in good repair and, without the prior written consent of Grantee, Grantor shall not engage in any activity other than ownership of the property and activities incident thereto or cause or permit the amendment of the Partnership Agreement, the termination or dissolution of Grantor, or the admission Grantor of any new or substitute partner or the sale of any direct or beneficial interest in Grantor;
4. Grantor shall allow Grantee or Grantee's representatives, agents and designees access to the Property upon reasonable prior notice and at reasonable times, and shall provide to Grantee such documents relating to the Property and Grantor as may be reasonably requested by Grantee; and
5. Grantor shall observe and perform all of its obligations under the Note, the Loan Agreement, the Deed of Trust and the Security Instruments.
6. Remedies for Breach. In the event of a default by Grantor in the performance of its obligations hereunder, Grantor acknowledges that Grantee will be without an adequate remedy at law, the subject matter hereof being unique, and agrees that Grantee shall have the right, in addition to any other remedies which may be available to Grantee at law or in equity, to enforce the obligations of Grantor pursuant to the terms of this Option Agreement by an action for specific performance.
7. Notices. All notices and other communications required or permitted under this Option Agreement shall be in writing and shall be deemed to have been sufficiently given or served for all Purposes herein set forth when received if hand delivered or if mailed by registered or certified mail, return receipt requested, addressed, if to Grantor:

Attention: General Counsel If the Grantee:

Attention: Special Situation Investments -Real Estate with a copy to:

or to such other address as may be specified from time to time by any of the above on notice to the other as herein provided.

1. Entire Agreement; No Oral Changes. This Option Agreement embodies the entire agreement and understanding between Grantor and Grantee relating to the subject matter hereof,

# and supersedes all prior agreements and understandings relative thereto. This Option Agreement and the Option granted hereby may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

1. Governing Law; Binding Effect. This Option Agreement and the rights and obligations of Grantor and Grantee hereunder shall be governed by, construed and enforced in accordance with the laws of the State of applicable to agreements to be performed entirely within such state. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.
2. Captions. The headings to the Sections of this Option Agreement have been inserted solely for convenience of reference and shall not modify, define or limit the express provisions of this Option Agreement.
3. Memorandum of Option. The parties hereto hereby agree to execute and deliver a Memorandum of Option evidencing the Option granted hereunder, which shall be appropriately filed in the relevant offices in and pursuant to the

as in effect in each of such jurisdictions.

1. Obligations of Existing General Partner and Existing Limited Partner. Existing General Partner and Existing Limited Partner agree that whenever any obligation is imposed upon Grantor hereunder they shall cause Grantor to perform such obligation. In addition, any certificate of limited partnership of Grantor shall appropriately refer to the Option granted hereby.
2. DSA's Option Grantor hereby acknowledges that, pursuant to the Participation Agreement, DSA has the right, upon the exercise of the Option, to acquire a 50% interest in the Class B Limited partnership Interest directly, in its own name; provided, however, that notwithstanding the exercise by DSA of such right, shall continue to act as the sole and exclusive agent on behalf of DSA with respect to DSA's 50% interest in the Class B Limited Partnership Interest in accordance with and subject to the terms of the Participation Agreement.

IN WITNESS WHEREOF, Grantor and Grantee have caused this Option Agreement to be executed and delivered on their behalf as of the date first. Above written.