

Filing Fee: \$50.00

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61499

State of Rhode Island and Providence Plantations

FOREIGN LIMITED PARTNERSHIP
APPLICATION FOR
CERTIFICATE OF REGISTRATION
OF

NATIONAL HOTEL ASSOCIATES

To the Secretary of State
of the State of Rhode Island

Pursuant to the provisions of Section 7-13-49 of the General Laws, 1956, as amended, the undersigned foreign limited partnership hereby applies for a Certificate of Registration to transact business in the State of Rhode Island and for that purpose submits the following statement:

FIRST: The name of the limited partnership is NATIONAL HOTEL ASSOCIATES
and, if different, the name which it
proposes to register and transact business in the State of Rhode Island is
NATIONAL HOTEL ASSOCIATES LIMITED PARTNERSHIP
(If not applicable, so state)

SECOND: It is organized under the laws of New York
and the date of its formation is August 17, 1983

THIRD: The general character of the business it proposes to transact in Rhode Island is
Real Estate

FOURTH: The Rhode Island address of its proposed agent for service of process on the foreign limited
partnership is Ernest N. Agresti, Esq.
and the name of the agent resident in Rhode Island at that address is
2700 Hospital Trust Tower, Providence, Rhode Island 02903

FIFTH: The foreign limited partnership hereby agrees that if the foreign limited partnership fails to
appoint an agent for service of process or, if appointed, the agent's authority has been revoked or if the agent
cannot be found or served with the exercise of reasonable dilligence, the foreign limited partnership appoints the
Secretary of State of the State of Rhode Island as its agent for service of process.

Dated April 12, 19 90.

NATIONAL HOTEL ASSOCIATES L.P.
(Exact name of Limited Partnership making application)

by: M.E. VENTURE MANAGEMENT, INC., General Partner

By *Barry Evans*
(General Partner)
Barry Evans, President

State of New York
County of New York

In New York, on this 12th day of April, 1990, before me personally appeared BARRY EVANS, President of M.E. Venture Management, Inc., General Partner of NATIONAL HOTEL ASSOCIATES, to me known and known by me to be the person executing the foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed, the free act and deed of M.E. Venture Management, Inc., the free act and deed of NATIONAL HOTEL ASSOCIATES, and his free act and deed in his capacity aforesaid,

At NEW YORK in said county on this 12th day of APRIL, 19 90, personally appeared before me

BARRY EVANS, who, being by me first duly sworn, declared that he/she is a General Partner of the

document as a General Partner of the limited partnership, and that the statements therein contained are true.

Marie R. Borcello
MARIE R. BORCELLO
Notary Public, State of New York
No. Notary Public
Qualified in Westchester County
Cert. Filed in New York County

April 16, 1990

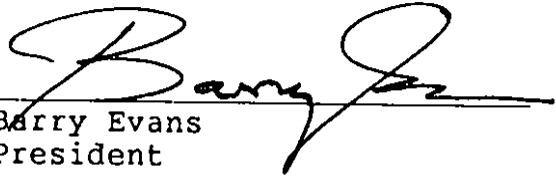
State of Rhode Island
Secretary of State
Corporations Division
100 North Main Street
Providence, RI 02903

Dear Sir or Madam:

The New National Hotel of Block Island, Inc., hereby consents to the qualification in Rhode Island of a limited partnership named National Hotel Associates, and does hereby further consent to the use of such name in Rhode Island by such limited partnership.

Sincerely,

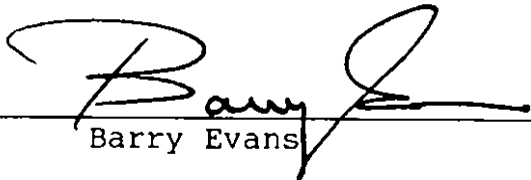
THE NEW NATIONAL HOTEL OF BLOCK
ISLAND, INC.

By: 
Barry Evans
President

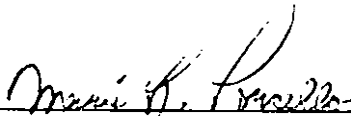
RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV.

APR 17 3 40 PM '90

3. I acknowledge that the New York law firm of Summit
Rovins & Feldesman will rely upon the foregoing warranties and
representations in rendering an opinion requested by the
Partnership and Marquette Financial Corp. ("Marquette") in
connection with a mortgage loan of \$2,500,000 to be made by
Marquette to the Partnership.


Barry Evans

Sworn to before me this
^{13th} day of April, 1990


Notary Public
Notary Public, State of New York
No. 60-8134650
Qualified in Westchester County
Cert. Filed in New York County
Commission Expires ~~(Month) of (Year)~~
SEPTEMBER 30, 1991

LIMITED PARTNERSHIP AGREEMENT

OF

NATIONAL HOTEL ASSOCIATES

LIMITED PARTNERSHIP AGREEMENT

OF

NATIONAL HOTEL ASSOCIATES

AGREEMENT of Limited Partnership dated as of August 16, 1983, by and between M.E. Venture Management, Inc., a Rhode Island Corporation (the "General Partner") and Elaine T. Hackett (the "Initial Limited Partner"), and each of the persons set forth on Exhibit A annexed hereto and designated as Additional Limited Partners.

1. Definitions. As used herein the following terms shall have the following meanings:

(a) "Auditor" shall mean such firm of independent certified public accountants which may be engaged for the partnership by the General Partner.

(b) "Act" shall mean the Securities Act of 1933, as amended.

(c) "Affiliate" shall have the meaning set forth in Rule 405 promulgated under the Act, except as otherwise provided herein.

(d) "Aggregate Capital Contribution" shall mean all contributions made to the capital of the Partnership by a Partner pursuant to Paragraph 7 hereof less all distributions of Capital Items received by such Partner.

(e) "Capital Items" shall mean the net proceeds received by the Partnership, after retirement of applicable mortgage debt or any portion thereof upon the occurrence of any of the following events, provided such event does not cause or result in a dissolution of the Partnership; (i) any sale of all or part of the Project, (ii) any insurance payments (other than under policies commonly referred to as rent insurance) or damage recoveries paid to the Partnership in respect of the Project, (iii) any condemnation proceeds paid to the Partnership for the taking of all or part of the Project, (iv) any proceeds derived from any refinancing of the Partnership's mortgage loans less any expenses incurred in connection with the receipt or collection of any such proceeds, not applied or set aside for the reduction of Partnership liabilities or the repair, restoration or improvement of the Project.

(f) "Cash Flow" shall mean the excess of cash revenue from operation of the Project over cash disbursements, without deduction for depreciation, and a reasonable allowance for cash reserves for repairs, replacements, contingencies and anticipated obligations (including debt service, capital improvements and replacements) as determined by the General Partner. Cash Flow shall not include Capital Items.

(g) "Certificate" shall mean the valid Certificate of Limited Partnership of the Partnership, duly filed and amended, as herein required, in accordance with (and in all respects sufficient in form and substance under) the laws of the State of New York.

(h) "Code" shall mean the Internal Revenue Code of 1954, as amended, or corresponding provisions of future laws.

(i) "Restaurant FFE" shall mean any furniture, fixtures and equipment which shall be contributed by the Partners to the Partnership as part of their Aggregate Capital Contribution in the manner set forth in this Agreement and installed in the Improvements to the Project.

(j) "General Partner" shall mean M.E. Venture Management, Inc., a Rhode Island Corporation, or any other person or corporation who succeeds it in such capacity.

(k) "Improvements" shall mean the buildings, structures, improvements and fixtures now or hereafter erected on, over or beneath the Land.

(l) "Initial Investment" shall mean, with respect to each Additional Limited Partner, the product of (i) that proportion which his Limited Partnership Interest bears to all Limited Partnership Interests, and (ii) \$1,003,000.

(m) "Land" shall mean those certain plots, pieces and parcels of land described in Exhibit B annexed hereto.

(n) "Limited Partners" shall mean the persons set forth in Exhibit A and A-1 annexed hereto, and in the Certificate. References to "Limited Partner" shall be to any one of the Limited Partners. "Initial Limited Partner" shall mean the person designated as such in Exhibit A annexed hereto, and in the Certificate. "Additional Limited Partners" shall mean the persons set forth in Exhibit A and A-1 annexed hereto, and in the Certificate, as amended and

admitted to the Partnership in accordance with the provisions of Paragraph 7 hereof.

(o) "Limited Partnership Interest" or "Interest" when used with respect to any Limited Partner, shall refer to that percentage of the total interest in capital and profits of the Partnership owned by the Limited Partner (which is set forth opposite the name of such Limited Partner in Exhibit A and A-1 annexed hereto), which represents the aggregate of each Limited Partner's contribution to the Partnership in cash or in other property.

(p) "Material" shall mean existing or reasonably foreseeable costs, expenses, damages or other liabilities to the Partnership of the Limited Partners amounting in the aggregate to \$5,000 or more.

(q) "Memorandum" shall mean that certain Confidential Private Placement Memorandum relating to the sale of Limited Partnership Interests of the Partnership which was, or will be, delivered to each Additional Limited Partner (as the same may be amended or supplemented subsequent to the date hereof).

(r) "Notes" shall mean the promissory notes evidencing the payments to be made by the Additional Limited Partners on the Payment Dates, which Notes shall be in the form annexed to the Memorandum.

(s) "Payment Date" shall mean the dates as hereinafter indicated. "First Payment Date" shall mean February 15, 1984; "Second Payment Date" shall mean August 15, 1984; "Third Payment Date" shall mean February 15, 1985; "Fourth Payment Date" shall mean February 15, 1986; "Fifth Payment Date" shall mean February 15, 1987; and "Sixth Payment Date" shall mean February 15, 1988.

(t) "Partners" shall refer, collectively, to the General Partner and the Limited Partners. Reference to a "Partner" shall be to any one of the Partners.

(u) "Partnership" shall mean the Limited Partnership subject to this Agreement and the Certificate.

(v) "Partnership Act" shall mean the New York Uniform Limited Partnership Act.

(w) "Project" shall mean the Land and Improvements.

(x) "State" shall mean the State of New York.

(y) "Existing Loan Mortgage" shall mean a mortgage dated February 18, 1983 made by Square One Corporation, in favor of The Rhode Island Hospital Trust National Bank securing a demand note in the original principal sum of \$275,000; the mortgage covered the Land.

(z) "Withdrawal", when used with reference to a General Partner, shall mean (i) the resignation and retirement of such General Partner from the Partnership, (ii) the transfer, sale, assignment, pledge, encumbrance or other disposition of such General Partner's interest in the Partnership, (iii) the dissolution of the General Partner, or (iv) the bankruptcy of such General Partner. For purposes of this definition, bankruptcy of a General Partner shall be deemed to occur when such General Partner is voluntarily adjudicated a bankrupt or insolvent, or seeks, consents to or does not contest the appointment of a receiver or trustee for itself or for all or any part of its property, or files a petition seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of the United States or any state or any other competent jurisdiction, or makes a general assignment for the benefit of creditors, or admits in writing an inability to pay its debts as they may mature, or a petition is filed against such General Partner seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of the United States or any state or other competent jurisdiction, or a court of competent jurisdiction enters an order, judgement or decree appointing, without the consent of such General Partner, a receiver or trustee for him, or for all or any part of its property, and such petition, order, judgment or decree shall not be and remain discharged or stayed within a period of 30 days after its entry. "Withdraw" shall mean the taking or suffering of any action constituting a Withdrawal.

2. Formation; Expense of Formation.

(a) The Partners constitute a limited partnership formed pursuant to the Partnership Act and other applicable laws of the State. The General Partner shall promptly file an amendment to the Certificate in such public offices in the State as shall be required under the law of the State to give effect to the provisions of this Agreement and the Certificate and to preserve the character of the Partnership as a limited partnership.

(b) Each Limited Partner shall bear his personal expenses incurred in connection with the acquisition of his

Limited Partnership Interest, except as otherwise expressly provided herein. The Partnership shall pay for all other expenses of formation of every nature and description including, without limiting the foregoing, reproduction, printing and stenographic costs, filing and recording fees, taxes and costs of legal publications, expenses of registration, qualification or obtaining exemptions under any Federal or state securities laws, sales commissions related to the sale of the Limited Partnership Interests, and legal fees of the Partnership incident to the formation of the Partnership and the forming and sale of the Limited Partnership Interests.

3. Name and Place of Business.

The Partnership is and shall be conducted under the name of "NATIONAL HOTEL ASSOCIATES" or such other names as the General Partner shall hereafter designate by written notice to the Limited Partners. The principal place of business for the Partnership shall be c/o Lawrence Blau, 6 Sleator Drive, Ossining, New York 10562, and its office in the State of Rhode Island shall be the street address of the Project, or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

4. Purposes.

The Partnership has been formed to acquire and hold the Project, and to own, manage, operate, rent, lease, rehabilitate, refurbish and repair the Project as an investment and to do all things reasonably incident thereto, including borrowing money for Partnership purposes, securing such borrowings by mortgage, pledge or other lien, and selling, leasing or otherwise disposing of the Project at any time. The Partnership shall not engage in any other business without the prior consent of all Partners.

5. Title to the Project.

Title to the Project and any other assets acquired to effect the purposes of the Partnership, shall be held in the name of the Partnership. The General Partner shall execute such documents as may be necessary to reflect the Partnership's ownership of the Property in such public offices in the State of Rhode Island as may be required.

6. Commencement; Term.

The Partnership commenced on the date the Certificate was duly filed for recordation in the appropriate public offices in the State. The term of the Partnership shall continue until December 31, 2075, unless sooner terminated in accordance with the provisions of Paragraph 20 hereof or as otherwise provided by law.

7. Capital Contributions.

(a) General Partner - Upon the execution of this Agreement, the General Partner shall make a cash contribution to the capital of the Partnership in the amount of \$9,500. In addition, as part of its Aggregate Capital Contribution, the General Partner shall contribute Restaurant FFE, in an amount equal to \$1,500 dollars to the Partnership, to be purchased by Barry Evans as agent for the Partners, by paying such amount to Barry Evans upon the execution of this Agreement, in cash or by check, subject to collection. In consideration of its contribution to the capital of the Partnership, becoming the General Partner of the Partnership, exposing its assets to the liabilities incurred by the Partnership and undertaking other obligations as herein set forth, the General Partner shall receive the interest in the Partnership allocated to it in Paragraph 10 hereof.

(b) Initial Limited Partner - Upon the execution of this Agreement, the Initial Limited Partner shall make a cash contribution to the capital of the Partnership in the amount of \$100 and receive the Limited Partnership Interest set forth in Exhibit A annexed hereto. Upon admission of the Additional Limited Partners, such contribution shall be returned and such Limited Partnership Interest cancelled.

(c) Additional Limited Partners - The General Partner intends to and shall have the right and power to admit as Additional Limited Partners persons who contribute an aggregate amount of \$1,003,000 (in 20 "Units" of \$50,150 each or fractional units thereof) to the capital of the Partnership and an aggregate amount of \$150,000 worth of Restaurant FFE.

Each Additional Limited Partner shall contribute to the capital of the Partnership for each Unit Interest his Initial Investment, cash in an amount equal to \$50,150 to be contributed as follows:

(i) One Thousand Four Hundred Dollars (\$1,400) of the Initial Investment in cash or by check, subject to

collection, to be delivered to the Partnership upon execution of this Agreement;

(ii) Forty-Eight Thousand Seven Hundred Fifty Dollars (\$48,750) of the Initial Investment to be evidenced by his Notes, which shall be payable in six installments as follows: \$10,300 on the First Payment Date, \$15,300 on the Second Payment Date, \$8,100 on the Third Payment Date, \$5,500 on the Fourth Payment Date, \$5,350 on the Fifth Payment Date, and \$4,200 on the Sixth Payment Date; said Notes to be delivered to the Partnership upon the execution of this Agreement.

In addition, as part of his Aggregate Capital Contribution, each Limited Partner shall contribute Restaurant FFE in an amount equal to \$7,500 per Unit to the Partnership (proportionately for Fractional Units) to be purchased by Barry Evans, as agent for the Partners. The Limited Partners shall pay such amount to Barry Evans as follows:

(i) Two Thousand Five Hundred Dollars (\$2,500) in cash or by check, subject to collection, to be delivered to Barry Evans upon execution of this Agreement;

(ii) Five Thousand Dollars (\$5,000) to be evidenced by his Note, which shall be payable to Barry Evans upon the First Payment Date.

After the receipt of such funds and the \$1,500 to be contributed by the General Partner, Barry Evans shall purchase the Restaurant FFE and contribute it to the Partnership on behalf of the Partners.

(d) Nature of Contributions - No Limited Partner shall be required to contribute any capital to the Partnership other than as provided in Paragraph 7(c) hereof, except that, as provided in Paragraph 20(b) hereof, any Partner with a deficit in his Capital Account following distribution of proceeds on a liquidation of the Partnership shall be required to restore the amount of such deficit by making additional capital contributions to the Partnership. No Limited Partners shall be required to lend any funds to the Partnership. Except as otherwise provided herein, no interest shall be paid on any capital contributed to the Partnership pursuant to this Paragraph 7 and, except as otherwise provided herein, no Partner may withdraw his capital contribution. No offset shall be made against the capital contribution due pursuant to Paragraph 7(c) hereof for any reason, including, without limitation, any default by any occupancy tenant of its lease at the Project or any foreclosure of the Partnership's interest in the Project.

(e) Defaults - The obligation of each Limited Partner to make the deferred capital contribution pursuant to Paragraph 7(c) shall be evidenced by his Notes.

If any Additional Limited Partner shall fail to make each capital contribution when due and shall continue in default for a period of 10 days after the due date thereof, the General Partner may elect: (i) not to pay to such Additional Limited Partner any distributions he would otherwise be entitled to receive; and (ii) for purposes of any provision herein requiring the consent or action of Limited Partners, to deem such Additional Limited Partner not to be a Limited Partner.

In connection therewith, each Limited Partner hereby severally pledges to the Partnership and grants to the Partnership a security interest in his Limited Partnership Interest as security for his obligation to make such deferred capital contribution and agrees that the Partnership shall have, in addition to the rights provided for herein, all of the rights and remedies of a secured party under the Uniform Commercial Code of the State in respect to his Limited Partnership Interest in the event of the failure of such Limited Partner timely to make his deferred capital contribution as provided herein, in whole or in part. In furtherance of the foregoing pledge, the originally executed counterpart of this Agreement, and Certificate which represent and evidence the Interest of each Limited Partner, shall be deposited with and held by the Partnership until the notes of such Limited Partner, and the interest thereon, have been paid in full. In the event that a Limited Partner shall fail to pay the principal of and interest on any of his Notes when due, and shall fail to cure such default within ten (10) days after written notice of default, the Partnership is hereby granted the right to accelerate the maturity of the balance of his Notes and declare the entire unpaid balance thereof to be immediately due and payable. A Note may be pledged by the Partnership to third parties to secure obligations of the Partnership.

Upon failure, in whole or in part, of a Limited Partner timely to make his capital contributions as provided herein or upon any default by a Limited Partner under his Notes which is not cured within ten (10) days after written notice of default, the Partnership may, but shall not be required to, immediately realize upon said collateral by foreclosing on its security interest in the Interest of such defaulting Limited Partner and offering the same for public or private sale, at which sale the Partnership or any qualified third party, other than the General Partner, may bid. Written notice of such public or private

sale shall be given to all Limited Partners. If any notification of an intended disposition of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition. One or more Limited Partners may, in such proportion as they may determine, purchase the Limited Partnership Interest of a defaulting Limited Partner by giving notice to the General Partner of their intention so to purchase within ten (10) days from the date of the written notice of the public or private sale. Any purchase of a Limited Partnership Interest of a defaulting Limited Partner shall be made at the highest bid tendered by a Limited Partner after the date of written notice of the public or private sale. In the event two or more Limited Partners desire to purchase an Interest on the same terms and conditions, the General Partner shall give prompt notice thereof to the purchasing Limited Partners and if such Limited Partners are unable to agree as to the apportionment thereof within five (5) days following such notice, each such Limited Partner shall be entitled to purchase that portion of the Interest which his then Interest bears to the then Interests of the Limited Partners desiring to purchase such Interest. If no Limited Partners notify the General Partner of their intention to exercise such option within such ten (10) day period, the General Partner (or its designee) shall have the option to purchase such Interest within a ten (10) day period from the date on which the option granted to the Limited Partners expired for an amount equal to ninety (90%) percent of the paid-in capital contribution of the defaulting Limited Partner less (i) previous distributions of Cash Flow to the defaulting Limited Partner; (ii) reasonable expenses incurred by the General Partner as purchaser; and (iii) an amount equal to fifty (50%) percent of the net losses previously allocated to the defaulting Limited Partner on his Interests. In the event the General Partner purchases such Interest or a portion thereof, the Limited Partners hereby agree that the General Partner purchasing such Interest shall assume the status of a Substituted Limited Partner in respect thereof in addition to its status as a General Partner hereunder (and such designee shall assume the status of a Substituted Limited Partner) and such General Partner (or its designee) shall assume all the obligations of such defaulting Limited Partner hereunder. A defaulting Limited Partner in no event shall be allocated or be entitled to any distributions, profits or losses of the Partnership in respect of his Interest for the year in which such default or forfeiture occurred or for any future year. The purchaser of an Interest shall be allocated all of the profits and losses, and be entitled to all distributions (not previously made), of the Partnership in respect of such Interest for the entire year of such purchase.

The proceeds of any foreclosure sale of an Interest shall be applied in the following order of priority:

(i) to the payment of costs and expenses of such sale and the costs and expenses of amending this Agreement and Certificate, including, without limitation, reasonable compensation to the General Partner and its agents; filing, recording, and publishing costs; and the fees and disbursements of counsel and of any agent employed by the Partnership in the sale of such Interests;

(ii) to the payment of the capital contribution with respect to which the default occurred and any other past-due obligation of the defaulting Limited Partner to the Partnership; and

(iii) to the defaulting Limited Partner as to any excess.

The defaulting Limited Partner shall not be released from his obligations hereunder by the existence of such an option, by the exercise of such an option, or by the consummation of such a sale, and the defaulting Limited Partner shall remain primarily liable to make all required contributions in respect to the foreclosed Interest and to pay all expenses of the Partnership in connection with any such sale and/or the collection of his Notes by the Partnership; provided that any contributions actually made to the Partnership by the purchaser at said sale shall be applied against the amount due from the defaulting Limited Partner. If no such purchase is made or if such a purchase is made, but subsequently the purchaser defaults with respect to the obligation owed by the initial defaulting Limited Partner, then the Partnership may, at the option of the General Partner, bring suit against such initial defaulting Limited Partner for the balance of the Partnership contribution, together with all costs incurred in enforcing such obligation.

The above-described foreclosure remedies are elective and nonexclusive and may, at the General Partner's option, be exercised in addition to suit upon the aforesaid Notes.

An Interest purchased by the Partnership from a defaulting Limited Partner may be sold on such terms as the General Partner may deem advisable. Such purchaser shall succeed to the balance in the capital account of the defaulting Limited Partner in the same manner as if he had purchased his Interest from the defaulting Limited Partner.

Each Limited Partner authorizes the General Partner to execute such documents, including any financing statements, on his behalf, to evidence and perfect the security interest granted to the Partnership hereunder.

(f) Capital Accounts - The Partnership shall establish for each Partner a capital account which shall be credited with the amounts of his contributions to the Partnership when made and his adjusted basis (as determined by the Internal Revenue Code of 1954, as amended) in any property which he contributes to the Partnership, shall be credited or charged, as the case may be, with his distributive share of Partnership profit or loss, and shall be charged with the amounts of any distributions to him pursuant to Paragraph 10. Loans by any Partner shall not be considered contributions to the capital of the Partnership.

8. Rights and Duties of the General Partner.

(a) Management of Partnership Business - The General Partner shall be solely responsible for the management of the Partnership's business with all rights and powers generally conferred by law or necessary, advisable or consistent in connection therewith.

(b) Specific Rights and Powers - In addition to any other rights and powers which it may possess under law, the General Partner shall have, subject to the provisions of subparagraph (c) of this Paragraph, all specific rights and powers required for or appropriate to its management of the Partnership's business which, by way of illustration but not by way of limitation, shall include the following rights and powers, to the extent they are in furtherance of the best interests of the Partnership:

(i) to sell, transfer, assign, convey, lease, sublet, or otherwise dispose of or deal with all or any part of the Project;

(ii) to borrow money for Partnership purposes and, if security is required therefor, to mortgage or subject to any other security device any portion of the Project or other Partnership assets;

(iii) to acquire and enter into any contract of insurance at competitive rates, which the General Partner reasonably deems necessary and proper for the protection of the Partnership, for the conservation of the Project or any other asset of the Partnership, or for any purpose beneficial to the Partnership;

(iv) to employ attorneys, brokers, a manager for the Project, managing agents, and accountants on behalf of the Partnership, including Affiliates of the General Partner, provided that such services are necessary or advisable and the compensation therefor is reasonable; for purposes of this clause, compensation shall be deemed reasonable if the rates being charged for services performed (other than legal services) are comparable to the rates generally being charged within the area in which the Project is located for similar services;

(v) to make any alterations, improvements and repairs which are necessary to maintain the Property in good operating condition; and, if and as required by obligations of the Partnership to third parties, to raze, replace or rebuild (if destroyed by Act of God or condemnation by any local jurisdiction) the Improvements;

(vi) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Partnership;

(vii) to establish reasonable reserve funds from income derived from the Partnership's operations to provide for future requirements of the Project for maintenance, repair or replacement;

(viii) to perform or cause to be performed all of the Partnership's obligations under any agreement to which the Partnership is a party;

(ix) to loan funds to the Partnership, directly or through an Affiliate, or to cause loans to be made to the Partnership in its discretion and charge interest therefor, and in connection therewith to grant a lender a mortgage lien against the Project;

(x) to pledge, assign and hypothecate all or a portion of the Notes and letters of credit delivered by Limited Partners to secure borrowing by the Partnership, including borrowings from Affiliates of the General Partner;

(xi) to enter into the Construction Loan, Permanent Loan, Interim Loan, General Partner's Loan, Construction Manager's Agreement, Construction Supervisor's Contract and Guarantee, and to authorize the payment of the Project development fees, Construction Loan fee, Permanent Loan fee, Construction Loan Placement and Guaranty fee, Permanent Loan Placement and Guaranty fee, Interim Loan fee, Operating Deficit Commitment fees and SBA Guarantee fee. (all as more fully described in the Memorandum);

(xii) to pay for an appraisal of the Project, costing a maximum of \$8,000, to the extent actually expended, and to reimburse the seller of the Project for a market study of the Project, costing a maximum of \$18,000, to the extent actually expended; and

(xiii) to execute, acknowledge and deliver any and all instruments necessary to effectuate the foregoing.

Notwithstanding anything contained herein to the contrary, the General Partner is hereby authorized to act as the "tax matters partner" of the Partnership as that term is defined in Section 6231(a)(7) of the Internal Revenue Code of 1954, as amended (the "Code") and in such regulations as may be promulgated pursuant thereto, and to take such action and exercise such rights, powers and duties as "tax matters partner" of the Partnership as contemplated by the Code, including, without limitation, participating on behalf of the Partnership in audits of the tax returns filed for the Partnership; keeping all Partners informed of and forwarding copies of notices with respect to all administrative and judicial proceedings for the adjustment at the Partnership level of Partnership items; consenting to extensions relating to the tax returns filed for the Partnership; participating in administrative and judicial proceedings, including appeals, relating to the Partnership's tax returns or its tax liabilities; and entering into settlement agreements with respect to tax proceedings involving the Partnership's tax returns which will bind the Partners.

Except as otherwise provided herein, the General Partner shall possess the same rights and powers as a general partner in a partnership without limited partners formed under the laws of the State.

(c) Limitations on General Partner's Authority - Notwithstanding anything to the contrary herein contained, without in each instance receiving the prior written consent of Limited Partners owning more than 51% of the Limited Partnership Interests, the General Partner shall not have the authority and the General Partner covenants and agrees that it will not:

(i) sell, lease (except for the leasing of space in the Project in the ordinary course of business), assign, exchange or otherwise transfer or convey all or substantially all of the assets of the Partnership;

(ii) amend or permit the amendment of any provisions of the documents and agreements relating to the Existing First Mortgage, the Purchase Money Mortgage, the

Construction Loan Mortgage, the Permanent Loan Mortgage and the other Loans set forth in the Memorandum which are for the benefit or protection of the Partnership or the Limited Partners in a manner adversely affecting the Partnership or the Limited Partners;

(iii) utilize the proceeds to be received by the Partnership pursuant to Paragraph 7 hereof for purposes other than as set forth under the caption "Estimated Use of Proceeds" in the Memorandum; or

(iv) lend any Partnership funds or property to any person; provided, however, that the General Partner shall not have the rights and powers afforded hereby, without in each instance receiving the prior written consent of all the Limited Partners, if the consent of all Limited Partners is required under the Partnership Act.

(d) Other Business Ventures - Any Partner or any officer, director, employee, shareholder or other person holding a legal or beneficial interest in any entity which is a Partner, may engage in or possess an interest in other business ventures of every nature and description, independently or with others, including, but not limited to, the acquisition, ownership, financing, leasing, operation, management, syndication, brokerage, sale, construction and development of real property, and neither the Partnership nor the Partners shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom; provided however, that nothing contained in this Paragraph 8(d) is intended to absolve the General Partner from any liability to the Partnership or the Limited Partners arising as a result of any breach by it of its fiduciary obligations to the Partnership or the Limited Partners.

(e) Liability of General Partner to Limited Partners and Partnership. The General Partner shall not be required to devote all of its time or business efforts to the affairs of the Partnership, but shall devote so much of such time and attention to the Partnership as is reasonably necessary and advisable to manage the affairs of the Partnership to the best advantage of the Partnership, and, except as otherwise specifically set forth herein, the General Partner shall not have any personal liability for the repayment of capital contributions of the Limited Partners except as provided in this Agreement. In addition, the doing of any act or the omission to do any act by the General Partner, the effect of which may cause or result in loss or damage to the Partnership, if done in good faith and in accordance with sound business practices and otherwise in accordance with the terms of this Agreement, shall

not subject the General Partner or its successors and assigns to any liability. The Partnership will indemnify and hold harmless the General Partner and its successors and assigns from any claim, loss, expense, liability, action or damage resulting from any such act or omission, including, without limitation, reasonable costs and expenses of litigation and appeal (including reasonable fees and expenses of attorneys engaged by the General Partner in defense of such act or omission), but the General Partner shall not be entitled to be indemnified or held harmless due to, or arising from, its fraud, bad faith, gross negligence, malfeasance.

(f) Special Duties of the General Partner. In addition to and without limiting the customary duties and obligations of the General Partner as a general partner of a limited partnership or the specific duties and obligations of the General Partner set forth in other provisions of this Agreement, the General Partner hereby covenants and agrees that it shall (i) cause the Partnership and any contractor or agent of the Partnership at all times to perform and comply with the provisions of the the Underlying Mortgage and any other agreement affecting the Project or the operation thereof, and shall diligently enforce the provisions of such agreements which are for the benefit or protection of the Partnership or the Limited Partners; and (ii) cause the Partnership to file an amended Certificate or such other documents and to do such acts and things as shall be required under the law of the State in order to preserve the valid existence of the Partnership and the limited liability of the Limited Partners.

(g) General Partner's Loan. The General Partner shall be required to make or arrange for a \$100,000 loan to the Partnership on or about April 16, 1984, which shall bear interest at a fluctuating rate equal at all times to 2 points above the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time, as Citibank's prime lending rate, shall be adjusted quarterly, and shall be due and payable in full no later than 15 years after its issuance.

(h) Representations and Warranties of the General Partner - The General Partner hereby represents and warrants to the Partnership and to each Additional Limited Partner that:

(i) The General Partner is a corporation which has been duly organized and is validly existing under the laws of the State of Rhode Island and is duly qualified to do business in every jurisdiction wherein such qualification is material and necessary. The General Partner has

all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under this Agreement.

(ii) the General Partner's execution and delivery of, and performance under, this Agreement and all other agreements and instruments required to be executed, delivered and performed by it (whether individually or on behalf of the Partnership) in connection with the transactions herein contemplated (A) to the best of its knowledge after due inquiry, does not conflict with, and will not result in any breach of, any of the terms, conditions or provision of any law (or any order, writ, injunction or decree known to it of any court or governmental authority against the General Partner or by which the General Partner is bound), or of any agreement or instrument to which the General Partner or any Affiliate, are bound, and (B) to the best of its knowledge after due inquiry, does not require any governmental approvals which have not been duly obtained; and

(iii) this Agreement is the legal, binding and valid obligation of the General Partner enforceable in accordance with its terms;

9. Property Management and General Partner's Fees and Expenses.

(a) Management - The General Partner shall be responsible for the management of the day to day operations of the Project.

(b) Fees - The General Partner shall receive the fees set forth in the Memorandum under the section captioned "Compensation to the General Partner and Affiliates".

10. Profits and Losses and Distributions.

(a) Generally - The profits and losses of the Partnership shall be determined for each fiscal year in accordance with the accounting method followed by the Partnership for Federal income tax purposes and otherwise in accordance with good accounting procedures applied in a consistent manner. Profits and losses shall be allocated to the Partners in accordance with their varying interests in the Partnership on a monthly basis.

(b) Transferor - Transferee Allocations - As between a Limited Partner and his transferee, profits and losses for any month shall be apportioned to the person who is the holder of the Limited Partnership Interest transfer-

red (determined in accordance with Paragraph 12(b) hereof) on the last day of the month without regard to the results of the Partnership's operations during the period before and after such transfer.

(c) Allocation of Profits and Losses and Cash Flow Distributions - The profits and losses of the Partnership and distributions of Cash Flow shall be allocated 99% to the Limited Partners and 1% to the General Partner.

(d) Limited Partners' Priority On Distribution of Capital Items - The Limited Partners shall be entitled to receive the following cumulative annual minimum return on their Aggregate Capital Contribution actually made to the Partnership on or before December 31st of each year, which shall be payable in the manner set forth in Paragraph 10(f) hereof and only to the extent available thereunder; 2% in 1986; 3% in 1987; 4% in 1988; 6% in 1989; 8% in 1990 and annually thereafter;

(e) Apportionment of Allocations and Distributions - Except as otherwise provided in this Agreement, all allocations and distributions to be made to the Limited Partners pursuant to Paragraph 10 hereof shall be apportioned among the Limited Partners as a class, pro rata in the proportion that their respective Limited Partnership Interests bear to all Limited Partnership Interests.

(f) Distributions of Capital Items - Distributions of Capital Items shall be made as follows:

(i) To pay any debt service including accrued interest or principal on any outstanding debts and obligations of the Partnership, including loans made by the General Partner, and to provide a reasonable reserve for such payments in the future; and

(ii) To the extent that there are Capital Items thereafter available, said Capital Items shall be distributed to the Partners as follows:

(A) To the payment of any positive Capital Account balances, pro rata, in accordance with such Capital Accounts;

(B) To the Partners, in an amount equal to their actual Aggregate Capital Contribution to the Partnership, reduced by prior distributions of Capital Items, pro rata, in accordance with such Aggregate Capital Contribution;

(C) To the Limited Partners in an amount equal to any unpaid priority as defined in Paragraph 10(d) above, to be allocated among them in the same proportions as the Aggregate Capital Contribution theretofore actually made by each Limited Partner bear to the Aggregate Capital Contribution theretofore actually made by all Limited Partners; and

(D) The balance of such Cash from Capital Items, if any shall be distributed: 50% to the Limited Partners as a class, to be allocated among them in the same proportions as the Aggregate Capital Contribution theretofore actually made by each Limited Partner bear to the Aggregate Capital Contribution theretofore actually made by all Limited Partners, and 50% to the General Partner.

(g) Allocations of Profits and Losses with Respect to Capital Items - With respect to Capital Items, profits of the Partnership attributable to any event described in Paragraph 1(e) shall be allocated:

(i) First to the Partners with negative Capital Accounts pro rata in accordance with such Capital Accounts determined as of the date such allocation is made and without giving effect to distributions of Capital Items, until the Capital Account of each Partner is raised to zero, but no gains shall be allocated to a Partner under this Paragraph 10(g)(i) once his Capital Account is brought to zero; and

(ii) The balance to the Partners in the same ratio that Capital Items are distributed to them, but if no cash from Capital Items is distributable to the Partners then in the manner set forth in Paragraph 10(c).

~~With respect to Capital Items, losses of the Partnership attributable to any event described in Paragraph 1(e) shall be allocated as follows:~~

(A) First, to the Partners with positive Capital Accounts pro rata in accordance with such Capital Accounts until the Capital Account of each Partner is brought to zero, but no loss shall be allocated to a Partner under this Paragraph 10(g) after his Capital Account is brought to zero.

Paragraph 10(g) after his Capital Account is brought to zero.

(B) Second, the balance to the Partners in the manner set forth in Paragraph 10(c).

(h) Liquidating Distributions - The net cash proceeds of a sale, exchange or other disposition of all or substantially all of the Partnership's Property constituting a dissolution of the Partnership shall be applied as follows:

(i) to payment of debts and liabilities of the Partnership and the expenses of liquidation;

(ii) to the setting up of such reserves as the person required by law to wind up the Partnership's affairs may reasonably deem necessary for any contingent liabilities or obligations of the Partnership, provided that any such reserves shall be paid over by such person to an independent escrow agent, to be held by such agent or his successor for such period as such person shall deem advisable for the purpose of applying such reserves to the payment of such liabilities or obligations and, at the expiration of such period, the balance of such reserves, if any, shall be distributed as hereinafter provided; and

(iii) to the Partners in the order of priority as provided in Paragraph 10(f);

(i) Allocation and Time of Distribution - Cash Flow and Capital Items available for distribution shall, subject to Paragraph 20(b) hereof, be determined by the General Partner as of the last day of each month of each fiscal year and shall be allocated to Limited Partners and their transferees on a monthly basis, in accordance with Paragraphs 10(a) and (b). Such items shall be distributed at convenient periodic intervals, not less than semi-annually, within sixty days after the close of each June 30 and December 31.

(j) Standards - The methods hereinabove set forth by which distributions and allocations are made are hereby expressly consented to by each Partner as an express condition to becoming a Partner. To the extent that the Partnership shall be entitled to any deduction for Federal income tax purposes as a result of any interest in profits and losses granted to the General Partner, such deduction shall be allocated for Federal income tax purposes to the General Partner.

11. Limited Partners.

(a) Limitation on Limited Partners' Liabilities- A Limited Partner shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Partnership or General Partner and the liability of each Limited Partner shall be limited solely to the amount of his contribution to the capital of the Partnership required under the provisions of Paragraph 7 hereof.

(b) No Control of Business or Right to Act For Partnership - A Limited Partner shall take no part in the management, conduct or control of the business of the Partnership and shall have no right or authority to act for or to bind the Partnership. No action shall be taken by Limited Partners to amend this Agreement pursuant to Paragraph 17 hereof, to remove the General Partner pursuant to Paragraph 19(c) hereof, to continue the business of the Partnership in a reconstituted form as a successor limited partnership and to elect a successor general partner pursuant to Paragraph 19(d) hereof, or to dissolve the Partnership pursuant to Paragraph 20(a)(iv) hereof, unless, prior to the taking of such action, either (i) a court of competent jurisdiction shall determine, in any action for declaratory judgment or for similar relief brought by or on behalf of the Limited Partners (but not by the General Partner), that neither the grant nor the exercise of the right to take such action will be deemed taking part in the control of the business of the Partnership or will result in the loss of any Limited Partner's limited liability, or (ii) the Limited Partners shall receive an opinion of counsel, reasonably satisfactory to, and selected by, Limited Partners owning more than 51% of all of the Limited Partnership Interests, to such effect. In the absence of such court determination or opinion of counsel, such actions may be taken only by Limited Partners owning 100% of the Limited Partnership Interests.

(c) No Priority - Except as otherwise specifically set forth herein, no Limited Partner shall have the right to demand or receive property other than cash in return of his capital contribution or as to distribution of income. No Limited Partner shall have priority over any other Limited Partner either as to the return of his original contribution to the capital of the Partnership or as to distributions.

12. Transfer of Limited Partnership Interests.

(a) Requirements for Transfer - Subject to any restrictions on transferability required by law or contain-

ed in this Agreement, each Limited Partner shall have the right to transfer (but not to substitute the assignee as a substitute Limited Partner in his place, except in accordance with Paragraph 12(c) hereof), by a written instrument, to a person approved by the General Partner, the whole or any part of his Limited Partnership Interest, provided that (i) the transferee is a citizen and resident of the United States, (ii) the transferor delivers to the General Partner an unqualified opinion of counsel in form and substance satisfactory to counsel designated by the General Partner that neither the transfer nor any offering in connection therewith violates any provision of any Federal or State securities law, (iii) the transferee executes a statement that he is acquiring such Limited Partnership Interest or such part thereof for his own account for investment and not with a view to distribution, fractionalization, or resale thereof, and (iv) the General Partner consents to such transfer, the granting or denial of which shall be in its sole discretion; provided, however, that such consent shall be withheld if in the opinion of counsel designated by the General Partner such transfer would result in the termination of the Partnership (within the meaning of Section 708(b) of the Code) or termination of its status as a partnership under the Code. The term "transfer", when used in this Agreement with respect to a Limited Partnership Interest, includes a sale, assignment, gift or any other disposition, whether voluntary or by operation of law.

(b) Effectiveness of Assignment - The transfer by a Limited Partner of all or part of his Limited Partnership Interest shall become effective on the first day of the month following satisfaction of the requirements set forth in Paragraph 12(a) and receipt by the General Partner of evidence of such transfer in form and substance reasonably satisfactory to the General Partner and a transfer fee sufficient to cover all reasonable expenses of the Partnership connected with such transfer.

(c) Requirements for Substitution - No transferee of the whole or a portion of a Limited Partner's Limited Partnership Interest shall have the right to become a substituted Limited Partner in place of his assignor unless and until all of the following conditions are satisfied:

(i) A duly executed and acknowledged written instrument of transfer approved by the General Partner has been filed with the Partnership setting forth the intention of the transferor that the transferee become a substituted Limited Partner in his place;

(ii) The transferor and transferee execute and acknowledge such other instruments as the General Partner may reasonably deem necessary or desirable to effect such substitution, including the written acceptance and adoption by the transferee of the provisions of this Agreement, and the execution, acknowledgment and delivery by the transferee of a power of attorney containing the powers provided for in Paragraph 16 hereof;

(iii) The written consent of the General Partner to such substitution shall be obtained, the granting or denial of which shall be within the sole and absolute discretion of the General Partner;

(iv) A reasonable transfer fee has been paid to the Partnership sufficient to cover all reasonable expenses connected with the transfer and substitution; and

(v) An appropriate amendment of the Certificate has been duly filed and recorded. The General Partner agrees to file such amendment and cause it to be recorded promptly after the conditions specified above in subparagraphs (i) through (iv) above have been satisfied.

(d) Distributions and Allocations Subsequent to Transfer - A transferee of, or substitute Limited Partner for, a Limited Partner's Limited Partnership Interest shall be entitled to receive distributions from the Partnership with respect to such Limited Partnership Interest only after the effective date of such assignment.

(e) Consent to Substitutions; Vote of Limited Partners - The Limited Partners hereby consent to any substitution made in accordance with the provisions of Paragraph 12(c). In any case where a vote of the Limited Partners is required hereunder, Limited Partners and substituted Limited Partners, but not their transferees who are not substituted Limited Partners, shall be entitled to vote.

13. Books, Records, Accounting and Reports.

(a) Availability - At all times during the existence of the Partnership, the General Partner shall keep or cause to be kept full and true books of account in accordance with the accounting method followed by the Partnership for Federal income tax purposes and otherwise in accordance with good accounting principles and procedures applied in a consistent manner, which shall reflect all Partnership transactions and shall be appropriate and adequate for the Partnership's business. Such books of account, together with a copy of this Agreement and any

amendments thereto, and a list of names and addresses of all Limited Partners shall at all times be maintained at the principal place of business of the Partnership. Any Partner or his duly authorized representative shall have the right at any time to inspect and copy from such books and documents during normal business hours upon reasonable notice.

(b) Financial Reports - As soon as practicable after the close of each fiscal year but in no event later than March 15 of the next succeeding year, the General Partner shall deliver to each Limited Partner a financial report of the Partnership for such fiscal year, including a balance sheet, a profit and loss statement prepared on the comprehensive method of accounting (i.e., the accrual method audited by the Auditors, and a report by the General Partner showing (i) distributions to the Partners and allocations to the Partners of Partnership taxable income, gains, losses, deductions, credits and items of tax preference, (ii) all necessary tax reporting information required by the Limited Partners for preparation of their respective income tax returns, and (iii) on request, a copy of the tax returns (Federal, State and local, if any) of the Partnership for such fiscal year.

(c) Accounting Decisions - All decisions as to accounting matters, except as specifically provided to the contrary herein, shall be made by the General Partner in accordance with the accrual method of accounting in accordance with good accounting principles applied on a consistent basis. Such decisions must be acceptable to the Auditors.

(d) Taxable Year and Accounting Method - The Partnership's taxable and fiscal year shall be the calendar year. The Partnership shall use initially the accrual method of accounting. Subject to (e)(iii) below, all elections required or permitted to be made by the Partnership under the Code shall be made by the General Partner in such manner as will, in the opinion of the Auditors, be most advantageous to the Limited Partners.

(e) Tax Elections - The Partnership shall make elections for Federal Income Tax purposes as follows:

(i) The Partnership shall, to the extent permitted by applicable law and regulations, elect to treat as an expense for Federal income tax purposes all amounts incurred for real estate taxes, interest and other charges following the acquisition of the Property by the Partnership which may, in accordance with applicable law and regulations, be considered as an expense.

(ii) In case of a transfer (as defined in Paragraph 13(a)) of all or part of any Limited Partnership Interest, the Partnership shall elect in a timely manner pursuant to Section 754 of the Code and pursuant to corresponding provisions of the applicable state and local tax laws, to adjust the basis of the assets of the Partnership pursuant to Section 734 and 743 of the Code.

14. Bank Accounts.

All funds of the Partnership are to be deposited in the Partnership's name in such bank account or accounts as may be designated by the General Partner, and shall be withdrawn on the signature of the General Partner, or such other person or persons as the General Partner may authorize.

15. Amendment of Certificate of Limited Partnership.

The Certificate shall be amended without the prior agreement of the Limited Partners whenever required by law or necessary to effect changes of a ministerial nature which do not adversely affect the rights or increase the obligations of the Limited Partners.

16. Power of Attorney.

(a) Description - Each Limited Partner hereby gives to the General Partner, the power of attorney contained in this Paragraph and constitutes and appoints it with full power of substitution and resubstitution, as his or its attorney-in-fact with full power and authority to act in his or its name on his or its behalf with respect to the execution, acknowledgment, swearing to and filing of the following documents, subject to all of the provisions of this Agreement:

(i) The Certificate to be filed in the appropriate public offices in the State and in such form as shall be necessary under the laws of the State to give effect to the provisions of this Agreement and to preserve the character of the Partnership as a limited partnership, and any amended Certificate which complies with Paragraph 15 hereof. This power includes, but is not limited to, the power and authority to admit additional Limited Partners to the Partnership and to amend the Certificate to reflect said admissions.

(ii) Any instrument which the General Partner deems to be in the best interests of the Partnership to file and which is not inconsistent with this Agreement.

(iii) Any documents which may be required to effect any amendment to this Agreement or any continuation, dissolution or termination of the Partnership which is in accordance with the terms hereof.

(iv) Any financing and continuation statement pursuant to the Uniform Commercial Code, as enacted in any jurisdiction, applicable to the creation and perfection of the security interest granted pursuant to this Agreement and the Security Agreement.

(b) Characteristics of Power of Attorney - The power of attorney hereby granted by each Limited Partner to the General Partner:

(i) Is a special power of attorney coupled with an interest, which is irrevocable and shall survive the death or incapacity of the Limited Partner;

(ii) May be exercised by the General Partner either by signing separately as attorney-in-fact for each Limited Partner, or, after listing all of the Limited Partners executing any instrument, by a single signature of the General Partner acting as attorney-in-fact for all of them; and

(iii) Shall survive the delivery of an assignment by a Limited Partner of the whole or any portion of his Limited Partnership Interest; except that where the assignee thereof has been approved by the General Partner for admission to the Partnership as a substituted Limited Partner, this power of attorney given by the assignor shall survive the delivery of such assignment for the sole purpose of enabling the General Partner to execute, acknowledge, swear to and file any instrument necessary to effect such substitution.

(c) Limitations of Power of Attorney. No document or amendment executed by the General Partner pursuant to this Paragraph 16 shall, in the absence of the prior consent of all of the Limited Partners, (i) reduce the obligations of the General Partner, (ii) affect the rights or restrictions regarding the assignability of Limited Partnership Interests, (iii) modify the term of the Partnership, (iv) amend this Paragraph 16, or (v) reduce the rights or interests or enlarge the obligations of the Limited Partners. The General Partner shall promptly notify

the Limited Partners of any documents or amendments executed pursuant to this Paragraph 15.

17. Meetings; Amendments.

(a) Meetings of the Partners shall be called by the General Partner whenever requested in writing to do so by Limited Partners owning 51% or more of the Limited Partnership Interests.

(b) The General Partner may, and, at the request of Limited Partners having Partnership Interests representing 51% or more of the Limited Partnership Interests, shall, submit to the Limited Partners the text of any proposed amendment to this Agreement and any statement by the proposer thereof relating thereto. The General Partner may include in any submission his views as to the proposed amendment. Subject to the provisions of Paragraph 16(c) and the second and third sentences of Paragraph 11(b) hereof, any such proposed amendment shall be adopted if, within 60 days after the submission thereof to the Limited Partners, Limited Partners owning 51% or more of the Limited Partnership Interests shall have consented thereto, provided such amendment is not for the purpose of reflecting the addition or substitution of Limited Partners or the reduction of capital accounts upon the return of capital to the Partners. The effective date of an amendment pursuant to this Paragraph shall be the date on which the required consents shall have been given. Any proposed amendment which is not adopted may be resubmitted.

18. Death, Incompetency, Bankruptcy or Dissolution of a Limited Partner.

Upon the death or legal incompetency of an individual Limited Partner, the liquidation, dissolution or other cessation-to-exist as a legal entity-of-a Limited Partner not an individual, or the insolvency or bankruptcy of any Limited Partner, the Partnership shall not dissolve or terminate and the personal representative of such Limited Partner shall have such rights of a Limited Partner as are necessary for the purpose of settling or managing his estate or its affairs and the same power as said Limited Partner had to constitute a transferee of such Limited Partner's Limited Partnership Interest as a substituted Limited Partner, but said representative shall not become a substituted Limited Partner without complying with the requirements of Paragraph 12.

19. Resignation, Removal, Death or Dissolution of the General Partner.

(a) Prohibited Withdrawal by the General Partner- Subject to the provisions of Subparagraph (b), immediately following, the General Partner hereby covenants that it shall not take any action which constitutes its voluntary withdrawal from the Partnership without the prior written consent of Limited Partners owning more than 51% of all the Limited Partnership Interests. The Partners agree that if, without such prior consent, the General Partner takes any such action, the Limited Partners shall be entitled to receive from the General Partner, as a partial measure of the damages resulting from such voluntary Withdrawal (without limiting the right of the Partnership or the Limited Partners to recover any other damages incurred by it or them), the tax cost to the Partnership and the Limited Partners of any reclassification of the Partnership as an association taxable as a corporation for Federal income tax purposes resulting therefrom and the expenses (including reasonable attorneys' fees) of defending against an attempted reclassification of the Partnership.

(b) Permitted Withdrawal by the General Partner- The resignation of the General Partner as General Partner at any time after ten years from the date hereof upon sixty days written notice to the Limited Partners shall constitute a permissible Withdrawal and shall not be subject to the provisions of Subparagraph (a) above; provided that in the case of resignation such permitted Withdrawal shall not be effective until such time as the Partnership shall have received an opinion of counsel, satisfactory to counsel for the Partnership and the Limited Partners, that the permitted Withdrawal will not result in the reclassification of the Partnership as an association taxable as a corporation for Federal income tax purposes or a termination of the Partnership under the then existing provisions of the Code and applicable regulations and law.

(c) Removal of the General Partner - Subject to the provisions of the second and third sentences of paragraph 11(b) hereof, the Limited Partners owning more than 51% of the Limited Partnership Interests shall have the right, for cause, exercisable by written notice given to the General Partner and all other Limited Partners, to remove the General Partner. Cause shall mean willful misconduct or malfeasance.

(d) Reconstitution of Partnership after Withdrawal or Removal of the General Partner -

(i) Upon the Withdrawal or removal of the General Partner, the Limited Partners upon the consent of all Limited Partners, shall have the right, subject to the provisions of the second and third sentence of Paragraph 11(b) hereof, to elect to continue the business of the Partnership, in a reconstituted form if necessary, such right exercisable upon notice to all Partners (including the General Partner), within sixty days after the Withdrawal or removal of the General Partner, and for this purpose, such Limited Partners may elect another person as successor general partner, such election to be effective at the end of said sixty-day period. Each Partner hereby agrees to such continuation and reconstitution. The Withdrawal, or removal of the General Partner shall not be effective until the successor general partner shall have taken all steps necessary to be substituted as a general partner under the law of the State,

(ii) In the event of the death or incompetency of the General Partner (in the case of an individual general partner), his legal representative shall have the option to become a special Limited Partner and retain his interest in the Partnership, provided he designates a successor General Partner acceptable to 51% of the Limited Partnership Interests and who shall receive such interest in the Partnership from such legal representative as they shall agree upon.

(iii) If the Partners shall continue the business of the Partnership pursuant to clause (i) above, the business of the Partnership shall be continued in a reconstituted form as a successor limited partnership subject to and upon the same terms and conditions as are set forth in this Agreement and subject to the election of a successor general partner, and the assets and liabilities of the Partnership shall be assigned to and assumed by the successor limited partnership. In all events in which the Withdrawal or removal of the General Partner does not result in a dissolution of the Partnership, the successor general partner, or in the absence of a successor general partner, Limited Partners owning more than 51% of all the Limited Partnership Interests acting on behalf of the successor general partner, as the case may be, shall acquire the interest of the Withdrawing or removed General Partner in the Partnership for an amount equal to the fair market value of the Withdrawing, deceased, incompetent or removed General Partner's interest in the Partnership, determined by agreement between such Withdrawing or removed General Partner and the successor general partner (or Limited Partners act-

ing on his behalf), or, if they cannot agree, by arbitration in New York City in accordance with the then current rules of the American Arbitration Association. For this purpose, the fair market value of the interest of the Withdrawing or removed General Partner shall be deemed to be the amount the Withdrawing or removed General Partner would receive upon dissolution and termination of the Partnership under Paragraph 20(b) hereof assuming the assets of the Partnership were sold for their then fair market value without compulsion of the Partner to sell such assets. Payment shall be made by promissory note bearing eight percent (8%) simple interest per annum on the unpaid principal amount of the promissory note, secured by assignment by the successor general partner to the Withdrawing or removed General Partner of the future cash distributions by the Partnership to the successor general partner, which principal amount together with accrued interest shall be payable at the times and in the amounts equal to seventy-five percent (75%) of such distributions until such time as the principal amount together with accrued interest is paid in full, but shall become due and payable in full by the successor general partner at such time as the Partnership is finally wound up and liquidated, provided, however, that if the Withdrawing or removed General Partner requests, to the extent required, the sale and payment shall be made on terms and conditions that will allow such sale to qualify for the installment method as provided in Section 453 of the Code. The Withdrawing or removed General Partner shall be required to sell and the successor general partner (or Limited Partners acting on his behalf) shall be required to purchase the Withdrawing or removed General Partner's interest no later than the 60th day following the occurrence of an event specified in Paragraph 20(a) or the election of a successor general partner, whichever occurs later. The right of any General Partner who has been removed pursuant to Subparagraph (c) above to receive any amount due from the Partnership under this Agreement upon or after removal shall be subject to any claim for damages the Partnership or Limited Partners may have against such removed General Partner. Any successor General Partner may be removed upon the same terms and conditions as are provided in this Paragraph 19.

(e) New Certificate - The exercise of the right of removal granted in this Paragraph 19 shall not in any way constitute any Limited Partner a general partner or impose any personal liability on any Limited Partner. Immediately upon the Withdrawal, death or removal of the General Partner, the Partners and/or successor general partner shall prepare, execute, and file for recordation a new Certificate and shall take or cause to be taken all steps re-

quired in connection therewith, all in accordance with the applicable law of the State.

(f) Accounting - If the Withdrawal, death or removal of a General Partner does not result in the dissolution and winding up of the Partnership's business because such business is being continued in a reconstituted form as provided above, the Partners and/or successor general partner shall promptly have an accounting prepared by the Auditors covering the transactions of the Partnership since the end of the immediately preceding fiscal year through the date of such Withdrawal or removal.

(g) Continuing Liability of General Partner - Notwithstanding the Withdrawal, death or removal of a General Partner, and in addition to any other obligation herein contained, such General Partner shall remain liable for payment of all debts, obligations, liabilities and commitments of the Partnership incurred while it (or he) was the General Partner to the extent the Partnership does not have funds available for such payment and to the extent it (or he) would otherwise have been liable.

20. Dissolution of the Partnership.

(a) Events Causing Dissolution - The Partnership shall be dissolved and its affairs wound up on the first to occur of the following:

(i) the Withdrawal or removal of the General Partner unless the business of the Partnership shall be continued in a reconstituted form and another person selected as a successor general partner pursuant to Paragraph 19(d) hereof; or

(ii) subject to the second and third sentences of Paragraph 11(b) hereof, the General Partner, with the prior written consent of Limited Partners owning more than 51% of the Limited Partnership Interests, shall determine that the Partnership should be dissolved; or

(iii) the sale or other disposition by the Partnership of all or substantially all of the Project, unless the Partnership as part of the consideration for any such sale or other disposition acquired a mortgage or lease on all or substantially all of the Project, in which case the Partnership shall be dissolved following the sale by it of its entire interest in such mortgage or lease; or

(iv) subject to the provisions of the second and third sentences of Paragraph 11(b) hereof, Limited Partners

owning more than 51% of all the Limited Partnership Interests shall determine that the Partnership should be dissolved and shall so advise the General Partner by notice; or

(v) the expiration of the Partnership term pursuant to Paragraph 6 hereof; or

(vi) when required by law.

(b) Liquidation of Assets and Application of Proceeds - Upon the dissolution of the Partnership the person required by law to wind up the Partnership's affairs shall liquidate and reduce to cash the assets of the Partnership as thereof and apply and distribute the proceeds of such liquidation in accordance with the provisions of Paragraph 10(f) hereof, provided that if such dissolution resulted from the Withdrawal of the General Partner in contravention of this Agreement, any payment to such General Partner pursuant to said Paragraph 10(f) shall be subject to offset for any claim for damages against such General Partner resulting from such withdrawal. In connection with any such winding up and liquidation, the Auditors shall audit a balance sheet of the Partnership as of the date of dissolution, and such balance sheet shall promptly be furnished to all Partners.

(c) Deficit in Capital Account.

(i) Any Partner with a deficit in his capital account following the distribution of proceeds on a liquidation of the Partnership shall be required to restore the amount of such deficit by making additional capital contributions to the Partnership.

(ii) None of the provisions of this Agreement shall be construed as existing for the benefit of any creditor of the Partnership or of any of the Partners, nor shall any such provision be enforceable by any party not a signatory to this Agreement.

21. Miscellaneous.

(a) Notices - All notices, demands, requests, consents or other communications required or permitted to be given or made under this Agreement shall be in writing and signed by the party giving the same and shall be deemed given or made when mailed by certified or registered mail, postage prepaid, to the intended recipient at the address set forth in this Agreement or any other address of which prior written notice has been given.

(b) Severability - Each provision hereof is intended to be severable and the invalidity or illegality of any portion of this Agreement shall not affect the validity or legality of the remainder hereof.

(c) Captions - Paragraph captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, or extend or describe the scope of this Agreement or the intent of any provision hereof.

(d) Person and Gender - The masculine gender shall include the feminine and neuter genders, the singular shall include the plural and the word "person" shall include a corporation, firm, partnership or other form of association.

(e) Binding Agreement - Subject to the restrictions on assignment herein contained, the terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the successors, assigns, personal representatives, estates, heirs and legatees of the respective Partners.

(f) Applicable Law - Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed under the laws of the State and that the Partnership Act as now adopted or as may be hereafter amended shall govern the partnership as part of this Agreement.

(g) Entire Agreement - This Agreement constitutes the entire agreement of the parties hereto with respect to matters set forth herein and supersedes any prior understanding or agreement, oral or written, with respect thereto.

(h) Agreement in Counterparts - This Agreement be executed in several counterparts and all so executed shall constitute one Agreement, binding on all the parties hereto notwithstanding that all the parties are not signatories to the original or the same counterpart.

(i) Qualification in Other States - In the event the business of the Partnership is carried on or conducted in other states in addition to the State, the parties agree that this Partnership shall exist under the laws of each state in which business is actually conducted by the Partnership and they severally agree to execute other further documents as may be required or requested in order that the General Partner legally may qualify this Partnership in

such states. The power of attorney hereinabove granted the General Partner by each Limited Partner in Paragraph shall constitute the authority of the General Partners who perform the ministerial duty of qualifying this Partnership under the laws of any state in which it is necessary to file documents or instruments of qualification. A Partnership office or principal place of business in any state may be designated from time to time by the General Partner.

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

GENERAL PARTNER:

M.E. VENTURE MANAGEMENT, INC.

By: Barry Evans


Barry Evans

INITIAL LIMITED PARTNER


Elaine T. Hackett

Exhibit A

NATIONAL HOTEL ASSOCIATES

<u>Name and Address of Partners</u>	<u>Interest in Profits</u>	<u>Interest in Capital Items After Certain Capital Account Adjustments</u>
General Partner		
M.E. Venture Management, Inc. c/o Lawrence Blau 6 Sleator Drive Ossining, New York 10562.....	<u>1.0%</u>	<u>50%</u>
Total General Partner's Interest..	1.0%	50%
Initial Limited Partner*		
	<u>99.0%</u>	<u>50%</u>
ADDITIONAL LIMITED PARTNERS.....		
	<u>100.0%</u>	<u>100%</u>

* Will withdraw upon admission of Additional Limited Partners.

Exhibit A-1

NATIONAL HOTEL ASSOCIATES

<u>Name and Place of Residence of the Limited Partners</u>	<u>Interest in Profits</u>	<u>Interest in Capital Items After Certain Capital Account Adjustments</u>
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EXHIBIT "B"

Parcel I

That certain parcel of land with all buildings and improvements thereon, situated on Block Island in the State of Rhode Island, bounded and described as follows:

Beginning at a point on the southerly side of Dodge Street and the Westerly side of Water Street at a drill hole at the southwesterly intersection of said streets; THENCE running southerly, bounded easterly by said Water Street a distance of 170.97 feet to a granite bound; THENCE turning an interior angle of $182^{\circ}22'30''$ and continuing southerly bounded easterly by said Water Street a distance of 54.13 feet to a point; THENCE turning an interior angle of 92° and running westerly a distance of 126 feet to a point; THENCE turning an interior angle of 90° and running northerly bounded westerly by other land now or lately of Thomas A. Cappelli, to a point of tangency; THENCE turning and running northeasterly along the arc of a curve having a radius of five feet and a delta angle of $87^{\circ}47'26''$ a distance of 7.66 feet to a point of tangency; THENCE continuing northerly a distance of 44.30 feet to a granite bound; THENCE turning an interior angle of $154^{\circ}47'26''$ and running northeasterly a distance of 21.80 feet to a point; THENCE turning an interior angle of $208^{\circ}13'44''$ running northerly a distance of 93 feet, more or less, to the southerly line of Dodge Street; THENCE turning an interior angle of $88^{\circ}35'07''$ and running easterly bounded northerly by said Dodge Street a distance of 117 feet to the point and place of beginning. The first described course and the last described course forming an interior angle of $88^{\circ}48'25''$.

Parcel II

That certain parcel of land with all buildings and improvements thereon situated westerly of Water Street in the Town of New Shoreham, County of Washington and State of Rhode Island, being bounded and described as follows:

Beginning at a point in the northerly line of land now or lately of William B. Phelan, which said point is situated 126 feet, more or less, westerly from the westerly line of Water Street.

and forms the southwesterly corner of land conveyed from The National Hotel, Inc. to Square One Corporation, dated August 10, 1979, recorded in Vol. 49 at page 265 of the New Shoreham Land Evidence Records; THENCE running westerly bounded southerly by said land of William B. Phelan, 200 feet, more or less, to the easterly line of land now or lately of St. Andrew's Roman Catholic Church; THENCE turning and running northerly bounded westerly by said church land to the intersection of two stonewalls at the southeasterly corner of land now or formerly of the estate of Winfield S. Dodge; THENCE continuing northerly by and with the centerline of a stonewall to the intersection with another stonewall forming the southerly boundary line of land formerly of Aron Mitchell; THENCE turning and running easterly by and with the centerline of a stonewall, 50 feet, more or less, bounded northerly partly by said Mitchell land and partly by land now or lately of Stanley Nyzio to land now or lately of the Block Island Free Public Library; THENCE turning and running southerly with a fence line, 25.48 feet to the southwest-erly corner of said library land; THENCE turning and running easterly with said fence line, 147.59 feet, more or less, to a point of tangency and land of the grantee, Square One Corporation; said last two courses bounding easterly and northerly on the said library land; THENCE running southerly bounding easterly on said land of the grantee, 61 feet, more or less, to the point of beginning.

However otherwise said premises may be bounded and described, it being all of the remaining land designated as First Parcel conveyed to the grantor, Thomas A. Cappelli, by deed from Gladys Sarah Steadman, dated April 22, 1968 and recorded in Vol. 34 at page 20 of said New Shoreham Land Evidence Records. EXCEPTING THEREFROM the parcels of land conveyed by Thomas A. Cappelli to William B. Phelan by deed dated February 10, 1969, recorded in Vol. 36 at page 70, and by Thomas A. Cappelli to National Hotel, Inc., dated August 10, 1979 and recorded in Vol. 49 at page 260, of New Shoreham Land Evidence Records.

Together with that certain sewer and parking easement reserved for the benefit of Thomas A. Cappelli, his heirs and assigns, to install and maintain a septic tank and drainage system beneath the surface and to use said premises for parking facilities as reserved in

aforesaid deed from Thomas A. Cappelli to William B.
Phelan.

14. No Limited Partner has any right to demand and receive property other than cash in return for his contribution.

IN WITNESS WHEREOF, we, the undersigned, have sworn to and signed this Certificate of Limited Partnership as of this 28th day of October, 1983.

GENERAL PARTNER

M.E. VENTURE MANAGEMENT, INC.

by Barry Evans
Barry Evans, President

INITIAL LIMITED PARTNER

Elaine T. Hackett
Elaine T. Hackett

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
I, _____, Clerk of the County of San Diego, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County of San Diego.
10-31-83
APR - 6.1990
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