OPTION AGREEMENT
FOR
PURCHASE OF LEASEHOLD INTEREST
AND JOINT ESCROW INSTRUCTIONS

To: Stewart title of California

("Escrow Holder" and "Title Company")
7676 Hazard Center Dr #1400
San Diego, California 92108
Attn.: Rhonda Bernardini Escrow Officer
Telephone: (619) 692-1600
Facsimile: (619) 923-2921

Escrow No.: 370792
("Escrow")

This Option Agreement for Purchase of Leasehold Interest and Joint Escrow Instructions ("Agreement"), dated for reference purposes March 15, 2011, is made by and between SEACOAST INN, LP., a California limited partnership ("Developer"), and THE IMPERIAL BEACH REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency").

RECITALS

A. This Option Agreement for Purchase of Leasehold Interest is entered into pursuant to that certain Disposition and Development Agreement dated as of 12/16/10, 2010, ("DDA"). The DDA provides for the redevelopment of the Property with a full service hotel ("Project"), as more specifically described in the DDA. DDA as used herein shall mean, refer to and include the DDA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the DDA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the DDA.

B. In accordance with the DDA, the Developer and Agency have also entered into that certain Ground Lease by and between Developer (as "Developer") and Agency (as "Agency") dated March 15, 2011, a memorandum of which has been recorded concurrently herewith, wherein Developer acquired a leasehold interest in the Property ("Leasehold Interest").

C. Subject to the terms and conditions of this Agreement, and in accordance with the DDA, Developer desires to acquire an option to purchase Agency's fee interest in the Property from Agency and Agency desires to grant to Developer an option to purchase Agency's fee interest in the Property from Developer.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Developer and Agency agree as follows:

TERMS AND CONDITIONS

1. Option; The Property. At any time commencing upon Completion and ending upon expiration of the Term, and subject to the Conditions Precedent to Right of Option, below, Developer shall have the option ("Option") to purchase all of Agency's right, title and interest in and to the fee interest in the Property more particularly described on Exhibit "A," attached hereto and incorporated herein by this reference, together with all of Agency's right, title and interest in and to all Improvements, easements, appurtenances, and other intangible property of Developer to said land (collectively, the "Property"), for a price equal to ONE DOLLAR AND NO CENTS ($1.00)("Option Price"). The Option shall be exercised in accordance with the procedures set forth in this Option Agreement, a memorandum of which has been recorded in the official records on March 17, 2011, as Instrument No. 2011-0141891 of the County Recorder of the County of San Diego, California. Upon Developer's acquisition of the Property, the Ground Lease shall terminate.

2. Exercise of Developer's Option

2.1 Exercise of Option. To exercise the Option, Developer shall deliver written notice to Agency or its successor assignee ("Option Notice"), stating that Developer elects to purchase the Property upon the terms and conditions set forth in this Agreement.

2.2 Conditions Precedent to Right of Option

Developer's right to exercise the Option shall be conditioned upon the following events:

i Commencing upon Completion until on or before Operating Year 10, the City of Imperial Beach's receipt of transient occupancy taxes ("TOT") from the operation of the Hotel on the Property, in the cumulative amount of at least THREE MILLION TWO HUNDRED AND TWO THOUSAND DOLLARS AND NO CENTS ($3,202,000);

ii. Commencing upon Completion and after Operating Year 10, the City of Imperial Beach's receipt of transient occupancy taxes ("TOT") from the operation of the Hotel on the Property, in the cumulative amount of at least TWO MILLION THREE HUNDRED AND FIFTY ONE THOUSAND DOLLARS AND NO CENTS ($2,351,000);

2.2 Opening of Escrow. Subject to Paragraphs 2.1 and 2.2, above, Agency and Developer shall deliver to Escrow Holder a fully-executed duplicate original of this Agreement within five (5) business days after the Option Notice Date (as defined below). As used in this Agreement, the term "Option Notice Date" shall mean the date on which Developer shall have delivered the Option Notice to Agency, provided that in no event shall the Option Notice Date be later than the expiration of the Term. When this Agreement, fully signed, is delivered to Escrow Holder, Escrow shall be deemed opened ("Opening of Escrow"). Escrow Holder shall immediately notify Agency and Developer, in writing, of the date of Opening of Escrow.

3. Prior to Opening of Escrow, Developer, at Developer's sole expense, shall have investigated and approved the physical condition of, and the condition of title with respect to, the Property and the Improvements. Developer acknowledges and agrees that Agency makes no representation or warranty, express or implied, written or oral, with respect to the condition of the Property or the Improvements, or their fitness or availability for any particular use. Developer shall obtain a Title Policy (either CLTA or ALTA, at Developer's option) insuring Developer's fee interest in the Property. Agency shall not be responsible for ensuring condition of title or removing any exceptions.

3.1 Agency makes no representations, express or implied, with respect to the legality, fitness, or desirability of the Property for Developer's intended use. If Developer desires to do so, Developer shall have the right to conduct its own investigation, to its satisfaction, with respect to any matters affecting Developer's ability to use the Property for Developer's intended use.

3.2 The Property shall be delivered from Agency to Developer in an "as is" physical condition, with no warranty, express or implied by Agency as to the presence of Hazardous Substances, or the condition of the soil, its geology or the presence of known or unknown faults. If the condition of the Property is not in all respects entirely suitable for the use or uses to which such Property will be put, then it is the sole responsibility and obligation of Developer to place the Property in all respects in a condition entirely suitable for the development thereof, solely at Developer's expense.

3.3 Developer agrees to indemnify, defend and hold harmless Agency and City, and their respective members, officers, agents, employees, contractors and consultants, in accordance with the Environmental Indemnity (Attachment No. 8 to the DDA).

3.4 Developer waives, releases and discharges the Agency, City, and their respective members, officers, employees, agents, contractors and consultants, from any and all present and future claims, demands, suits, legal and administrative proceedings, and from all liability for damages, losses, costs, liabilities, fees and expenses (including, without limitation, attorneys' fees) arising out of or in any way connected with the Agency's or Developer's use, maintenance, ownership or operation of the Property, any Hazardous Substances on the Property, or the existence of Hazardous Substances contamination in any state on the Property, however the Hazardous Substances came to be placed there, except that arising out of the gross negligence or willful misconduct of the Agency and City, or their respective employees, officers or agents. Developer acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

To the extent of the release set forth in this Section 2.2.4, Developer hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

4. Closing of Escrow.

4.1 Closing Date.

4.1.1 Subject to the satisfaction of the Conditions Precedent to Right of Option, Escrow shall close on or before 5:00 p.m. on the sixtieth (60th) day after the Option Notice Date (the "Closing Date").

4.1.2 The terms "Close of Escrow" and/or "Closing" are used in this Agreement to mean the time and date (which shall be as provided in Paragraph 4.1.1) on which the Grant Deed (as defined in Paragraph 4.3.1) is filed for recording by Escrow Holder in the Office of the San Diego County Recorder.

4.2 Deposits to be Made by Developer. On or before the Close of Escrow, Developer shall deliver to Escrow Holder:

4.2.1 Immediately available funds in a total amount equal to the Option Price and any other sums payable by Developer hereunder.

4.2.2 Any additional funds and/or instruments, properly executed and acknowledged by Developer, as appropriate, as may be necessary to comply with this Agreement.

4.3 Deposits to be Made by Agency. At or before 5:00 p.m. on the last business day immediately before the Close of Escrow, Agency shall deliver to Escrow Holder:

4.3.1 A grant deed conveying Agency's interest in the Property, properly executed and acknowledged by Agency in the form of Exhibit "B";

4.3.2 A Certification of Non-Foreign Status certifying, pursuant to Internal Revenue Code Section 1445, that Agency is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations), along with California Form 593-C.

4.3.3 Any additional instruments, signed and properly acknowledged by Agency if appropriate, as may be necessary to comply with this Agreement.

5. Title Policy.

5.1 At Close of Escrow, Title Company shall issue to Developer the title policy described in Paragraph 4.3 above (the "Title Policy"), with liability in the amount of the fair market value of the, covering the Property and insuring fee title vested in Developer.

6. Termination and Cancellation of Escrow.

6.1 If Escrow fails to close by the Closing Date, then Escrow shall terminate automatically without further action by Escrow Holder or any party. Termination of Escrow, as provided in this Paragraph 7.1, shall be without prejudice to whatever legal rights Agency or Developer may have against each other which may otherwise arise from the DDA in connection with that termination.

6.2 If the Close of Escrow fails to occur because of either party's default, the defaulting party shall be liable for all Escrow cancellation and Title Company charges, in addition to any other damages or remedies due the non-defaulting party. If Close of Escrow fails to occur for any other reason, Developer shall pay any Escrow and Title Company cancellation charges, and this Agreement shall terminate.

7. Developer's Representations and Warranties. Developer hereby represents and warrants to Developer as follows, which representations and warranties are true in all material respects as of the date hereof and such representations and warranties shall be true on the Close of Escrow:

7.1 Authority. Developer has the legal power, right and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The individuals executing this Agreement on behalf of Developer have the legal power, right and actual authority to bind Developer to the terms and conditions of this Agreement.

7.2 Requisite Action. As of the date hereof, all requisite action has been taken by Developer in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby.

7.3 Validity. This Agreement and all documents required hereby to be executed by Developer are and shall be valid, legally binding obligations of and enforceable against Developer in accordance with their terms.

8. Agency's Representations and Warranties. Agency hereby agrees and represents and warrants to Developer as follows, which representations and warranties are true in all respects as of the date hereof and shall be true on the Close of Escrow:

8.1 Authority. Agency has the legal power, right and authority to own property and to enter into this Agreement and the documents referenced herein, and to consummate the transactions contemplated hereby. The individuals executing this Agreement and the documents referenced herein on behalf of Agency have the legal power, right and actual authority to bind Agency to the terms and conditions hereof and thereof.

8.2 Requisite Action. As of the date hereof, all requisite action (corporate, partnership or otherwise) has been taken by Agency in connection with the entering into of this Agreement and the documents referenced herein, and the consummation of the transactions contemplated hereby.

8.3 Validity. This Agreement and all documents required hereby to be executed by Agency are and shall be valid, legally binding obligations of and enforceable against Agency in accordance with their terms.

9. Brokerage Commissions. Developer hereby represents and warrants to Agency that Developer has made no statement or representation to, nor entered into any agreement with, any broker, salesman or finder in connection with the transactions contemplated by this Agreement. Agency hereby represents and warrants to Developer that Agency has made no statement or representation to, nor entered into any agreement with, any broker, salesman or finder in connection with the transactions contemplated by this Agreement. Each party agrees to indemnify, defend, protect and hold the other harmless from and against any claim, loss, damage, cost or liability for any broker's commission or salesman's or finder's fee asserted as a result of its own act or omission in connection with this transaction.

10. General Provisions.

10.1 Assignment. This Agreement shall be binding upon and shall inure to the benefit of Agency and Developer and their respective representatives, successors and assigns as may be permitted, if at all, below. Agency shall have the right to assign this Agreement or any interest or right under this Agreement or under the Escrow or to appoint a nominee to act as Agency under this Agreement. Developer shall have the right assign this Agreement and its rights, duties and obligations hereunder in accordance with the DDA and Ground Lease.

10.2 Attorneys' Fees. In any action between the parties arising out of this Agreement or the Escrow, or in connection with the Property, the prevailing party in the action shall be entitled, in addition to damages, injunctive relief or other relief, to its reasonable costs and expenses, including, without limitation, costs and reasonable attorneys' fees fixed by the court.

10.3 Approval and Notices. Any notice, demand, approval, consent or other communication required or desired to be given under this Agreement in writing may be given by personal service, fax (with a hard copy to follow immediately), recognized overnight air courier or by certified mail and shall be directed to the party involved at the address indicated below:

DEVELOPER : Seacoast Inn, LP
1785 Hancock Street, Suite 100
San Diego, California 92110
Attention: Ashok Israni

AGENCY: Imperial Beach Redevelopment Agency
825 Imperial Beach Boulevard
Imperial Beach, California 91932
Attn: Executive Director
Tel: 619-423-0314
Fax: 619-628-1395

With a copy to: Kane, Ballmer & Berkman
515 S. Figueroa Street, Suite 1850
Los Angeles, California 90071
Attn: Susan Cola
Tel: 213-617-0480
Fax: 213-625-0931

Any notice, demand, approval, consent or other communication given: (a) personally shall be deemed to have been given upon receipt, (b) by recognized overnight air courier, freight prepaid, shall be deemed to have been given on the next business day, (c) by certified mail shall be deemed to have been given on the third business day after it was deposited in the U.S. mail, certified and postage prepaid. Notices shall be deemed to have been validly given if given by either Agency's or Developer's respective counsel in the manner set forth above. In any case, in order for such notice, demand, approval, consent or other communication to be given, the same shall be addressed to the party to be served at said address or at such other address of which that party may have given notice under the provisions of this paragraph.

10.4 General Escrow Provisions. Developer and Agency agree that this Agreement shall also constitute instructions to Escrow Holder. In addition, the parties agree to execute and deliver to Escrow Holder, such reasonable and customary escrow instructions in the usual form of Escrow Holder for the purpose of consummating the transaction contemplated by this Agreement; provided, however, that any standard extension provisions in such escrow instructions shall not apply, and in the event of any conflict or inconsistency between the provisions of such escrow instructions and the provisions of this Agreement, the provisions of this Agreement shall control. Escrow Holder shall perform all customary functions of an escrow holder to consummate this transaction, including, among other duties, calculation of the prorations and closing costs required by this Agreement, as well as serving as depository for all funds, instruments and documents needed for the Close of Escrow. If the requirements relating to the duties or obligations of Escrow Holder are unacceptable to Escrow Holder, or if Escrow Holder requires additional instructions, the parties agree to make any deletions, substitutions and additions, as counsel for Agency and Developer shall mutually approve, and which do not materially alter the terms of this Agreement. Any supplemental instructions shall be signed only as an accommodation to Escrow Holder and shall not be deemed to modify or amend the rights of Agency or Developer, as between Agency and Developer, unless those signed supplemental instructions expressly so provide.

10.5 Prorations; Refundable Deposits. Property taxes and assessments on the Property, and any rents, utilities and maintenance and other income and operating expenses for the Property, shall be paid by Developer as of Close of Escrow, based on the most current statements and information available to Escrow Holder. Developer shall be responsible for the lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California for acts or events occurring on or after Close of Escrow.

10.6 Payment of Costs. Developer shall pay all closing costs, including without limitation, escrow fees, recording fees, title premiums.

10.7 Escrow Holder Authorized to Complete Documents. If necessary, Escrow Holder is authorized to insert the date Escrow closes as the date of documents conveying interests therein.

10.8 Recordation of Documents. Upon Close of Escrow, Escrow Holder shall cause the Grant Deed, and any other recordable instruments to be filed for recordation in the Office of the San Diego County Recorder. Escrow Holder shall supply Developer and Agency with conformed copies of documents submitted for recording.

10.9 Delivery of Documents and Funds. Upon Close of Escrow, Escrow Holder shall deliver to Developer and to Agency all documents and funds to which each is entitled and for whose benefit those documents and funds were delivered to Escrow Holder.

10.10 Performance by Escrow Holder. Escrow Holder is to be concerned only with those paragraphs under this Agreement where Escrow Holder is given instructions to perform certain acts or with those paragraphs where escrow holders generally and reasonably would be expected to act.

10.11 Damage or Destruction; Condemnation. In the event any of the Property is damaged or destroyed by any casualty or by a partial taking or condemnation under the provisions of applicable eminent domain law after the date hereof but prior to the Closing Date, Developer's obligations to repair or replace any such damage or destruction shall be in accordance with the DDA and Ground Lease.

10.12 Interpretation. This Agreement shall be construed under the laws of the State of California in effect at the time of the signing of this Agreement. Each party acknowledges that it has been represented by independent counsel in connection with this Agreement and that this Agreement is the result of negotiations between the parties hereto. Any uncertainty or ambiguity shall not be construed against Agency because Agency's counsel, as a matter of convenience or otherwise, prepared this Agreement in its final form.

10.13 Titles, Captions and Paragraphs. Titles and captions are for convenience only and shall not constitute a portion of this Agreement. References to paragraph numbers are to paragraphs as numbered in this Agreement unless expressly stated otherwise.

10.14 Gender, Etc. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. As used in this Agreement, the terms "including" and "include" shall have their most comprehensive meanings and shall be deemed to mean "including, without limitation" and "include, without limitation," respectively.

10.15 No Waiver. A waiver by either party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other party shall not be

construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

10.16 Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each party.

10.17 Severability. If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

10.18 Merger of Prior Agreements and Understandings. This Agreement, together with the DDA and the Ground Lease, contains the entire understanding between the parties relating to the transaction contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force.

10.19 Time of Essence. Time is expressly made of the essence with respect to the performance by Agency and Developer of each and every obligation and condition of this Agreement.

10.20 Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding Agreement.

10.21 Exhibits Incorporated by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference.

10.22 Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day Escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, in which case the time shall be extended to the next business day.

10.23 Further Actions. Each party agrees to sign such other and further instruments and documents and take such other and further actions as may be reasonably necessary or proper in order to accomplish the intent of this Agreement.

10.24 Preliminary Change of Developer ship Report. Developer shall be fully responsible for all matters in connection with the filing of a Preliminary Change of Ownership Report in accordance with the California Revenue and Taxation Code Section 480.3.

10.25 No Recordation. Neither this Agreement nor any memorandum hereof shall be recorded or filed except for the Memorandum to be recorded pursuant to Paragraph 11.28.

10.26 No Third Party Beneficiaries. This Agreement does not create, and it shall not be construed as creating, any rights enforceable by any person or entity not a party to this Agreement except to the extent such person or entity is the beneficiary of any indemnity, waiver or release contained herein.

10.27 Memorandum of Option. Concurrently with the execution of this Agreement, Agency and Developer shall execute in a form suitable for recordation a Memorandum of Option disclosing the grant of the Option to Developer and Developer's right to purchase the Property pursuant to this Agreement, such Memorandum of Option to be in the form of Exhibit "C," attached hereto.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date set forth next to their respective signatures below.

IMPERIAL BEACH REDEVELOPMENT AGENCY

Dated: 3/10/11

By: Signature on File

Gary Brown
Executive Director

APPROVED AS TO FORM AND LEGALITY

Agency General Counsel

By: Signature on File

Jennifer Lyon

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: Signature on File

Susan Y. Cola

ACKNOWLEDGMENT

State of California
County of SAN DIEGO)

On MARCH 10, 2011 before me, TINA MARIE A.C. BARCLAY "NOTARY PUBLIC"
(insert name and title of the officer)

personally appeared GARY BROWN,
who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature on File

Signature _____ (Seal)

TINA MARIE A.C. BARCLAY
Commission # 1740468
Notary Public - California
San Diego County
My Comm. Expires May 16, 2011

TINA MARIE A.C. BARCLAY
Commission # 1740468
Notary Public - California
San Diego County
My Comm. Expires May 16, 2011

SEACOAST INN, L.P.,
a California limited partnership

By: PAC SEACOAST, LLC, a California limited liability company its General Partner

Signature on File

Dated: 3-9-11

By: _____
Deepak Israni, Secretary

CALIFORNIA ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

COUNTY OF SAN DIEGO)

On March 9, 2011, before me, D. Hummer, a Notary Public personally appeared Deepak Israni who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature on File

Signature_____

D. Hummer Notary Public

D. HUMMER
Commission # 1730337
Notary Public - California
San Diego County
My Comm. Expires Mar 10, 2011

EXHIBIT A

Legal Description

The land referred to herein is situated in the State of California, County of San Diego, and described as follows:

Lot 1 ~~and Lot A~~ of Seacoast Inn in the City of Imperial Beach, County of San Diego, State of California, according to Official Map thereof No. 15792 recorded September 8, 2010 in the Office of the County Recorder of San Diego County.

Excepting therefrom, that portion of Date Avenue dedicated and accepted on said Map in favor of the City of Imperial Beach.

EXHIBIT "B"

FORM OF GRANT DEED

OFFICIAL BUSINESS
Document entitled to free
recording per Government Code
Sections 6103 and 27383

Imperial Beach Redevelopment Agency
825 Imperial Beach Boulevard
Imperial Beach, California 91932

Attn: Executive Director

(Space Above Line for Recorder's Use Only)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the IMPERIAL BEACH REDEVELOPMENT AGENCY, a public body, corporate and politic ("Grantor"), acting to carry out the Redevelopment Plan for the Palm/Commercial Redevelopment Project ("Redevelopment Plan") under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*), hereby grants to SEACOAST INN, L.P., a California limited partnership ("Grantee"), the real property ("Property") described in the exhibit attached hereto labeled Exhibit A and incorporated herein by this reference.

1. **General**. Said Property is conveyed in accordance with and subject to that certain Disposition and Development Agreement by and between Grantor ("Agency" therein) and Grantee ("Developer" therein) dated as of March 15 2010 ("DDA"), which document is a public record on file in the Office of the City Clerk of the City of Imperial Beach, and is by reference hereto incorporated herein as though fully set forth herein. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the DDA.

2. **Recorded Entitlement Documents**. Grantee acknowledges and agrees that any and all conditions of approval for the development of the Property, including the Development Agreement, the Specific Plan, the Temporary Encroachment Permit, the Vehicular and Pedestrian Access Easement Agreement, the Declaration of CC&Rs, the Resort Covenants, and any recorded map pertaining to the Property shall run with the Property and shall, therefore, be obligations of Grantee, its successor and assigns, and every successor in interest to the Property, or any part thereof.

3. **Uses**.

a. Grantee covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof (collectively referenced as "Grantee"), that for a period of 30 years, commencing from the execution of the DDA ("Covenant Period"), Grantee shall operate the Hotel on the Property in accordance with the Specific Plan, the Development Agreement, the Declaration of CC&Rs, the Resort Covenants, and this Grant Deed. No change in the use of the Property shall be permitted without the prior written approval of Agency.

b. Notwithstanding the generality of subsection (a), directly above, Grantee, its successors and assigns, shall use the Property and/or Improvements only for the following uses: operation of a four story hotel with a minimum of seventy-eight (78) guest rooms ("Hotel"). The Hotel shall be rated not less than three diamonds by AAA or three stars by the Mobile Travel Guide, and shall also have the following characteristics:

i) The Hotel shall contain an on-site, full service (sit down) three-meal restaurant and lounge.

ii) The Hotel shall have at least one swimming pool.

iii) The Hotel shall have a fully-equipped exercise room/fitness center.

iv) The Hotel shall have a business center.

v) The Hotel shall have a minimum of 2,080 square feet of meeting and conference space.

c. Grantee, Hotel owner and/or Hotel operator ("Grantee" for purposes of this section) shall be required to provide for collection and payment of the transient occupancy tax ("TOT") to the City for all guest units/hotel units that are occupied on the Property and/or Improvements, regardless of the occupant's status as guest unit owner, lessee, private guest or guest. If a guest unit/hotel unit is occupied by a guest unit/hotel unit owner, the TOT shall be based upon the nightly rate then in effect for the unit as if it were being occupied by a third party renter. For occupancies of the guest unit/hotel unit other than by a unit owner, the TOT shall be based on the actual rent charged. This requirement to collect and pay TOT to the City exists regardless of whether the unit is booked in person through the Registration System, via telephone or through online means via agents of the Grantee. If there is a legal reason why Grantee cannot collect the TOT from owner/occupants of a guest unit, the Grantee shall be required to provide to the City an amount of TOT equivalent to the amount that should have been collected from the owner/occupant for each night a guest unit is occupied by the owner/occupant.

d. **Payment of Taxes and Assessments**. Until the date of expiration of the effectiveness of the Redevelopment Plan, Grantee and its successors and assigns shall pay when due all real estate taxes and assessments assessed and levied on the Property or any portion thereof or any improvements thereon or any interest therein.

e. **Designation as Point of Sale**. Until the expiration of the effectiveness of the Redevelopment Plan, Grantee and its successors and assigns shall maintain such licenses and permits as may be required by any governmental Grantor to conduct taxable sales arising from any project on the Property and, to the extent permitted by law, shall designate City of Imperial Beach as the "point of sale" for all taxable sales and lease transactions occurring from any project on the Property in all reports to the California State Board of Equalization in accordance with the Bradley-Burns Uniform Sales and Use Tax Law (Revenue and Taxation Code 72000 *et seq.*), as it may be amended or substituted from time to time, and on sales tax returns to the State of California for all taxable sales occurring at any project on the Property. A breach of the foregoing by a third party, including any tenant or concessionaire on the Property, shall not be a breach by Grantee.

4. **Maintenance of the Property**. Grantee covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that, until the expiration of the effectiveness of the Redevelopment Plan, Grantee and its successors and assigns shall maintain, repair and operate the Property, and all other improvements constructed or to be constructed thereon (including landscaping, lighting and signage) in a first-quality condition (which condition shall mean with the facilities and amenities in the condition existing as of the certificate of occupancy for a particular project, and with no obligation to upgrade or update the facilities or amenities or install new facilities and amenities except to the extent such facilities and amenities are destroyed, damaged and/or removed), free of debris, waste and graffiti. Maintenance of the Property shall include, without limitation, maintenance and irrigation of the off-site landscaping on Date Avenue using Owner's water supply from the Property.

5. **Obligation to Refrain from Discrimination**. In perpetuity, Grantee covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that in perpetuity there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall Grantee itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property.

6. **Form of Nondiscrimination and Nonsegregation Clauses**. In perpetuity, Grantee covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that in perpetuity Grantee shall refrain from restricting the rental, sale or lease of the Property on the basis of the race, color, creed, religion, sex, marital status, national origin or ancestry of any person. Grantee covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that all deeds, leases or contracts entered into relating to the sale, transfer, or leasing of land or any interest therein shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

7. **Effect of Covenants.** The covenants established in this Grant Deed shall, without regard to technical classification and designation, be binding on Grantee and any successor in interest to the Property or any part thereof for the benefit and in favor of City, Grantor, and their respective successors and assigns. This Grant Deed, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. All conditions, covenants and restrictions contained in this Grant Deed shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by Grantor, its successors and assigns, and the City, and its successors and assigns,

against Grantee, its successors and assigns, to or of the Property conveyed herein or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof.

8. **Time of Essence**. Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Grant Deed.

9. **Compliance with Law**. Grantee agrees to comply with all the requirements now in force, or which may hereafter be in force, of all municipal, county, state and federal authorities, pertaining to the Property, as well as operations conducted thereon. The judgment of any court of competent jurisdiction, or the admission of Grantee or any lessee or permittee in any action or proceeding against them, or any of them, whether Grantor be a party thereto or not, that Grantee, lessee or permittee has violated any such ordinance or statute in the use of the premises shall be conclusive of that fact as between Grantor and Grantee.

10. **Merger**. This Grant Deed shall merge the Grantee's leasehold interest in the Leased Premises with Grantee's fee interest in the Property upon Grantor's conveyance of this Grant Deed to Grantee.

11. **Counterparts**. This Grant Deed may be executed by each party on a separate signature page, and when the executed signature pages are combined with the balance of this Grant Deed, it shall constitute one single instrument.

SIGNATURES ON NEXT PAGE

Grantee hereby accepts the written deed, subject to all of the matters hereinbefore set forth.

GRANTOR

IMPERIAL BEACH REDEVELOPMENT AGENCY

Signature on File

Dated: 3/10/11

By: _____
Gary Brown
Executive Director

APPROVED AS TO FORM
AND LEGALITY

Agency General Counsel

Signature on File

By: _____
Jennifer Lyon

KANE, BALLMER & BERKMAN
Agency Special Counsel

Signature on File

By: _____
Susan Y. Cola

GRANTEE

SEACOAST INN, L.P.,
a California limited partnership

By: PAC SEACOAST, LLC, a California limited liability company, its General Partner

Dated: _____

By: _____
Deepak Israni, Secretary

State of California)
)
County of SAN DIEGO)

On MARCH 10, 2011 before me, (~~here insert name and title of the officer~~) TINA MARIE A.C. BARCLAY "NOTARY PUBLIC", personally appeared GARY BROWN, who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature on File

Signature _____ (Seal)

TINA MARIE A.C. BARCLAY
Commission # 1740468
Notary Public - California
San Diego County
My Comm. Expires May 16, 2011

EXHIBIT "A"
LEGAL DESCRIPTION TO GRANT DEED

The land referred to herein is situated in the State of California, County of San Diego, and described as follows:

Lot 1 and Lot A of Seacoast Inn in the City of Imperial Beach, County of San Diego, State of California, according to Official Map thereof No. 15792 recorded September 8, 2010 in the Office of the County Recorder of San Diego County.

Excepting therefrom, that portion of Date Avenue dedicated and accepted on said Map in favor of the City of Imperial Beach.

State of California)
)
County of _____)

On _____ before me, (here insert name and title of the officer), personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "C"

FORM OF MEMORANDUM OF OPTION

OFFICIAL BUSINESS
Document entitled to free recording
per Government Code Section 6103

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

REDEVELOPMENT AGENCY OF
THE CITY OF IMPERIAL BEACH
825 Imperial Beach Boulevard
Imperial Beach, California 91932

Attn: Executive Director

ABOVE SPACE FOR RECORDER'S USE ONLY

MEMORANDUM OF OPTION

THIS MEMORANDUM OF OPTION (this "Memorandum") is made as of _____, 2011, by and between Seacoast Inn, LP, a California limited partnership ("Developer"), and the Imperial Beach Redevelopment Agency, a public body, corporate and politic, ("Agency"). All capitalized terms used and not otherwise defined in this Memorandum, but defined in the Option Agreement (as defined below), shall have the same meaning in this Memorandum as in the Option Agreement.

RECITALS

A. Developer and Agency have entered into that certain Option Agreement For Purchase of Real Property and Joint Escrow Instructions dated _____, 201_ (the "Option Agreement"), pursuant to which Agency has granted to Developer the option to purchase ("Option") the real property more particularly described in Exhibit "A" attached hereto, together with all improvements thereon (the "Property").

B. Pursuant to the Option Agreement, the parties now desire to enter into this Memorandum to provide record notice of the Option Agreement.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, it is hereby agreed as follows:

AGREEMENT

1. Option to Purchase. Agency hereby grants to Developer the option to purchase the Property ("Option") for the price and upon all of the terms and conditions set forth in the Option Agreement, which Option Agreement is incorporated herein by this reference.

2. Term of Option. Subject to all of the terms and conditions contained in the Option Agreement, the Option may be exercised at any time after Completion and ending upon expiration of the Term after the termination of the Covenant Period (as those capitalized terms are defined in the Ground Lease, a memorandum of which has been recorded in the official records on 3/15 2011, as Instrument No. 2011-0141885 of the County Recorder in the County of San Diego), upon notice by Agency to Developer as specified in the Option Agreement.

3. Purpose of Memorandum of Option. This Memorandum is prepared for the purpose of recordation only, and in no way modifies the provisions of the Option Agreement. In the event that any provisions of this Memorandum are inconsistent with provisions of the Option Agreement, the provisions in the Option Agreement shall prevail.

4. Governing Law. This Memorandum shall be construed and enforced in accordance with the laws of the State of California.

5. Counterparts. This Memorandum may be executed in several counterparts, each of which shall constitute an original.

IN WITNESS WHEREOF, each of the parties hereto has executed this instrument as of the date first above written.

IMPERIAL BEACH REDEVELOPMENT AGENCY

Signature on File

Dated: 3/10/11

By: _____

Name:: GARY BROWN

Title: Executive Director

SIGNATURES CONTINUED ON NEXT PAGE

APPROVED AS TO FORM AND LEGALITY
Agency General Counsel

Signature on File

By: _____
Jennifer Lyon

KANE, BALLMER & BERKMAN
Agency Special Counsel

Signature on File

By: _____
Susan Y. Cola

SEACOAST INN, L.P.,
a California limited partnership

By: PAC SEACOAST, LLC, a California limited liability company, its General Partner

Dated: _____

By: _____
Deepak Israni, Secretary

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On MARCH 10, 2011 before me, TINA MARIE A.C. BARCLAY, a Notary Public, personally appeared GARY BROWN, who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is~~/are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature on File

Signatur _____ (Seal)

TINA MARIE A.C. BARCLAY
Commission # 1740468
Notary Public - California
San Diego County
My Comm. Expires May 16, 2011

TINA MARIE A.C. SARCLAY
Commission # 1740469
Notary Public - California
San Diego County
My Comm. Expires May 16, 2011

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of San Diego, and described as follows:

Lot 1 and Lot A of Seacoast Inn in the City of Imperial Beach, County of San Diego, State of California, according to Official Map thereof No. 15792 recorded September 8, 2010 in the Office of the County Recorder of San Diego County.

Excepting therefrom, that portion of Date Avenue dedicated and accepted on said Map in favor of the City of Imperial Beach.

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT D

Estoppel Certificate

The undersigned, as Tenant [Landlord] under that lease dated _____ (the "Lease") made between IMPERIAL BEACH REDEVELOPMENT AGENCY ("Landlord"), and SEACOAST INN, L.P., a California limited partnership ("Tenant"), hereby certifies as follows:

(1) That Tenant has entered into occupancy of the premises described in said lease (the "Leased Premises");

(2) That the Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way, except as follows:_____;

(3) That the Commencement Date of the Lease is _____;

(4) That there is an unexpired term thereunder of _____ years;

(5) That to the knowledge of the undersigned there are no defaults by either Tenant or Landlord thereunder, except as follows:_____;

(6) That no rents have been prepaid, other than as provided in the Lease.

EXECUTED THIS _____ day of _____, ____.

_____
[Tenant] [Landlord]

By:_____
Print Name:_____
Its:_____

By:_____
Print Name:_____
Its:_____