

HIRSCHLER, FLEISCHER, WEINBERG, COX & ALLEN

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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August 24, 1998

A13233

BY FEDERAL EXPRESS

Division of Corporations
409 E. Gaines Street
Tallahassee, Florida 32399
Attention: Ms. Gretchen Harvey

100002624731--1
-08/25/98--01059--012
****105.00 ****105.00

Dear Ms. Harvey:

I have enclosed for filing on an expedited basis Articles of Merger signed in counterparts whereby Courtney Square Apartments, Ltd., a Florida limited partnership, shall merge with and into Courtney Square, L.L.C., a Virginia limited liability company. If possible, please issue the Certificate of Merger on Tuesday, August 25 and fax a copy to me at (804) 644-0957 and return the original to me in the enclosed prepaid Federal Express envelope. I have enclosed a check in the amount of \$105.00 in payment of the required filing fees. If your policy is to bill for an office fax, please let me know and I will submit the necessary proceeds as soon as possible. Thank you for your assistance and attention in completing this transaction.

If you have any questions, please call me.

Very truly yours,


E.G. Allen, III

EGAIH\esb

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ARTICLES OF MERGER
Merger Sheet

MERGING:

COURTNEY SQUARE APARTMENTS, LTD.
,

INTO

COURTNEY SQUARE, LLC, entity not qualified in Florida.

File date: August 25, 1998

Corporate Specialist: Tammi Cline

**ARTICLES OF MERGER
OF
COURTNEY SQUARE APARTMENTS, LTD.
WITH AND INTO
COURTNEY SQUARE, LLC**

✓ A13233

Pursuant to Section 13.1-1072 of the Code of Virginia of 1950, as amended and Section 620.203 of the Florida Statutes, as amended, the Articles of Merger of Courtney Square Apartments, Ltd. (the "Partnership"), a limited partnership organized under the laws of the State of Florida, with and into Courtney Square, L.L.C., a limited liability company organized under the laws of the Commonwealth of Virginia, provide as follows:

1. Plan of Merger. The Plan of Merger (the "Plan") by which the Partnership shall be merged with and into the Company, with the Company being the surviving entity in the merger, is attached hereto as Exhibit A and made a part hereof.

2. Action Taken by Merging Entities.

(a) The Partnership. The Plan was approved and adopted by the written consent of the general partner of the Partnership and by a majority of the limited partners of the Partnership pursuant to Section 620.202 of the Florida Statutes, which consents were effective as of July 30, 1998.

(b) The Company. The Plan was approved and adopted by the unanimous written consent of the members of the Company authorized to vote thereon, effective as of July 30, 1998. Such action was in accordance with Virginia Code § 13.1-1071.

3. Effective Time and Date. The effective time and date of the Certificate of Merger issued with respect to these Articles shall be the effective date of filing these Articles.

4. Representations by Surviving Entity. The Company shall be the surviving entity in the merger and has a principal business address at 8H Courtney Square, Greenville, North Carolina 27858. The Company is deemed to have appointed the Secretary of State of the State of Florida as its agent for service process in a proceeding to enforce any obligation or the rights of dissenting partners of the Partnership arising in connection with the merger. The Company shall promptly pay to the dissenting partners of the Partnership the amount, if any, that such partners are entitled to under § 620.205 of the Florida Statutes.

5. Counterparts. These Articles of Merger are executed in counterparts, with each executed counterpart constituting one (1) Articles of Merger.

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WITNESS the following signatures as of this 24th day of August, 1998.

LTD.,

COURTNEY SQUARE APARTMENTS,

a Florida limited partnership

By: South Atlantic Advisory Group, Ltd.
Title: General Partner

By: Marc Kovens
Marc Kovens, General Partner

By: Phillip H. Sloane
Phillip H. Sloane, General
Partner

COURTNEY SQUARE, L.L.C., a Virginia
limited liability company

By: William E. Dansey, Jr.
William E. Dansey, Jr.,
Manager

#119448 - 21378.01187

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WITNESS the following signatures as of this 24th day of August, 1998.

COURTNEY SQUARE APARTMENTS, LTD.,
a Florida limited partnership

By: South Atlantic Advisory Group, Ltd.
Title: General Partner

By: _____
Marc Kovens, General Partner

By: Phillip H. Sloane
Phillip H. Sloane, General Partner

COURTNEY SQUARE, L.L.C., a Virginia
limited liability company

By: _____
William E. Dansey, Jr., Manager

#119448 - 21378.01187

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WITNESS the following signatures as of this 2nd day of August, 1998.

COURTNEY SQUARE APARTMENTS, LTD.,
a Florida limited partnership

By: South Atlantic Advisory Group, Ltd.
Title: General Partner

By: _____
Marc Kovens, General Partner

By: _____
Phillip H. Sloane, General Partner

COURTNEY SQUARE, L.L.C., a Virginia
limited liability company

By: W. E. Dansey, Jr.
William E. Dansey, Jr., Manager

#119443 - 21378.01187

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Plan"), dated as of August 18, 1998, is prepared pursuant to Section 13.1-1070 of the Code of Virginia of 1950, as amended, and Section 620.201 of the Florida Statutes, as amended, between COURTNEY SQUARE APARTMENTS, LTD., a Florida limited partnership (the "Partnership"), which shall merge with and into COURTNEY SQUARE, L.L.C., a Virginia limited liability company (the "Company" or sometimes referred to herein as the "Surviving Entity") (hereinafter, the Partnership and the Company are collectively called the "Constituent Entities").

RECITALS

WHEREAS, the Partnership is duly organized and validity existing as a limited partnership under the laws of the State of Florida and currently operates an apartment project in Greenville, North Carolina known as Courtney Square Apartments (the "Property");

WHEREAS, the Company is a limited liability company duly organized and validity existing under the laws of the Commonwealth of Virginia, whose sole initial member and manager is William E. Dansey, Jr. ("Dansey");

WHEREAS, the partners of the Partnership (the "Partners") have agreed to the restructuring of the Partnership pursuant to the merger of the Partnership with and into the Company under the terms of the laws of both the Commonwealth of Virginia and the State of Florida (the "Merger");

WHEREAS, all the Partnership's mortgage debt will be refinanced with additional financing extended to the Company, and the Company is committed to close the additional financing immediately following the consummation of the Merger (the "Debt Restructuring"); and

WHEREAS, the Partnership and the Company desire that the Partnership be merged with and into the Company in a transaction intended to qualify as a tax-free reorganization. Because the Company as the Surviving Entity, will continue the operation of the Property and all other business previously conducted by the Partnership, the Partners desire to maintain their percentage ownership interests in the Partnership prior to the Merger in the Company after the Merger.

ARTICLE I THE MERGER

1.1 Surviving Entity. Subject to the due approval and adoption of this Plan and the Merger provided for herein by the Partners and the members of the

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Company and subject to the conditions hereinafter set forth, upon the Merger Date, as defined below, (a) the Partnership shall be merged with and into the Company; (b) the Company shall be the Surviving Entity; and (c) the Surviving Entity shall continue to be a limited liability company organized and governed by the laws of the Commonwealth of Virginia.

1.2 Effect of Merger. Upon the Merger Date, the effect of the Merger shall be as provided in the applicable provisions of the laws of the Commonwealth of Virginia and the laws of the State of Florida. Without limiting the generality of the foregoing, and subject thereto, upon the Merger Date:

(a) The separate existence of the Partnership shall cease, except insofar as its existence shall be continued by operation of the last sentence of Section 1.2(c) hereof, as required by Section 1.3 hereof and by operation of the laws of the State of Florida, and the Surviving Entity shall possess all the rights, privileges, powers, and franchises of a public as well as a private nature, and shall be subject to all of the restrictions, disabilities, and duties of the Partnership; and

(b) all and singular, the rights, privileges, powers, and franchises of the Partnership, all property, real, personal and mixed, and all debts due to the Partnership, and all other things in action of or belonging to the Partnership shall be vested in the Surviving Entity; and

(c) all property, rights, privileges, powers, and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Entity as they were of the Partnership, and the title to any real estate vested by deed or otherwise in the Partnership shall not revert or be in any way impaired; provided, that all rights of creditors and all liens upon any property of the Partnership shall be preserved unimpaired, and all debts, liabilities, and duties of the Partnership shall, upon the Merger Date, attach to the Surviving Entity and may be enforced against it to the same extent as if such debts, liabilities, and duties had been incurred or contracted by it. Any action or proceeding pending by or against the Partnership at the Merger Date may be prosecuted as if the Merger had not taken place, or the Surviving Entity may be substituted in its place.

1.3 Supplemental Action. If at any time after the Merger Date the Surviving Entity shall determine that any further conveyances, agreements, documents, instruments, assurances, or any further actions are necessary or desirable to vest, perfect, confirm, or record in the Surviving Entity the title to any property, rights, privileges, powers, and franchises of the Partnership or otherwise to carry out the provisions of this Plan, the appropriate members of the Partnership shall execute or cause to be executed and shall deliver, upon the request of the Surviving Entity, any and all proper conveyances, agreements, documents, instruments, and assurances and perform all necessary or proper acts, to vest,

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perfect, confirm, or record such title thereto in the Surviving Entity or otherwise to carry out the provisions of this Plan.

1.4 Articles of Organization and Operating Agreement. From and after the Merger Date, the Articles of Organization and the Operating Agreement of the Company shall continue in full force and effect as the Articles of Organization and the Operating Agreement of the Surviving Entity. Upon the Merger Date, the Partners shall become the members of the Company (the "Members") and shall be subject to the Operating Agreement, which shall set forth the Members' rights and duties with respect to the management of and distributions from the Company. The Surviving Entity's Articles of Organization as in effect immediately prior to the Merger Date shall constitute its Articles of Organization separate and apart from this Plan and may be separately certified as the Surviving Entity's Articles of Organization.

1.5 Manager. The Manager of the Company in office at the Merger Date is William E. Dansey, Jr., whose business address is 8H Courtney Square, Greenville, North Carolina 27858. Dansey shall continue as the Manager of the Surviving Entity and shall hold such position until a successor is elected and qualified pursuant to the terms of the Operating Agreement.

ARTICLE II TERMS OF MERGER

2.1 Conversion of Partnership Interests. The Partners shall, without further act or deed, become the Members of the Company as a result of the Merger and shall hold membership interests in the Company in percentage amounts that correspond identically with their percentage interests formerly held in the Partnership. Upon the effective date of the Merger and without any further act or deed, each one percent (1%) interest in the Partnership formerly held by each Partner shall be converted into, and represent the right to receive, 813.559322 units of membership interest in the Company, with Dansey's membership interest representing a Class B membership interest in the Company and each other Partner's membership interest representing a Class A membership interest in the Company. As the initial member of the Company, Dansey made a capital contribution to the Company, which contribution shall be repaid upon the effective date of the Merger, and his initial membership interest in the Company shall be canceled.

2.2 Redemption Proceeds. The Company shall set aside net proceeds in the amount of \$250,000 for the redemption of any Member's interest in the Company and the payment of certain fees and expenses incurred in connection with the Merger (the "Redemption Fund"). Any Member desiring to have his or her interest in the Company redeemed shall so notify the Company in writing within thirty (30) days of the date of notice from the Company of the completion of the

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Merger. If the number of Members exercising this redemption option results in an aggregate redemption price in excess of the Redemption Fund, such proceeds shall be paid to the Members exercising this right on a pro rata basis, and such Members shall retain the balance of their membership interest in the Company.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 Company. The Company is duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. As of the date of the Plan, Dansey is the Manager and sole member of the Company, and the Company has no assets or liabilities with the exception of liabilities incurred or accrued in connection with the formation of the Company, its qualification to transact business in North Carolina and the Merger.

3.2 Partnership. As of the effective date of the Merger, the Partnership will be duly organized, validly existing and in good standing under the laws of the State of Florida.

ARTICLE IV GENERAL

4.1 Merger Date. The Merger shall become effective upon, and the "Merger Date" shall mean for the purpose of this Plan, the effective date of the filing of Articles of Merger pursuant to the laws of the Commonwealth of Virginia and the State of Florida.

4.2 Action Effecting Merger. Upon the due approval and adoption of this Plan by the Partners and Members, the Manager of the Company and the general partner of the Partnership are hereby authorized and directed to take all actions necessary or desirable in effecting the Merger on the Merger Date, including, but not limited to, filing Articles of Merger with the Virginia State Corporation Commission and the Florida Secretary of State.

4.3 Other Agreements. The Plan shall supersede any other prior agreements, whether written or oral, that may have been made or entered into by either of the Constituent Entities or any of their officers and managers relating to the Merger. Nothing set forth herein is intended, or shall be construed, to confer upon or give any individual or any corporation, limited liability company or other entity, other than the Constituent Entities and their respective partners and members and the creditors of the Partnership, any rights or remedies under or by reason hereof.

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4.4 Debt Restructuring. The Constituent Entities have agreed pursuant to an escrow agreement by and between the Constituent Entities and Hirschler, Fleischer, Weinberg, Cox & Allen (the "Escrow Agreement") that the Plan and other documents and instruments necessary to effectuate the Merger (the "Merger Documents") shall be held in escrow pending receipt of execution and delivery of the necessary documents to complete the Debt Restructuring. Within ten (10) days of the Merger Date, the Company shall use its best efforts to settle on the Debt Restructuring. If the Merger Documents are released pursuant to the terms and conditions of the Escrow Agreement and the Debt Restructuring is not consummated for any reason within ten (10) days thereafter, the Constituent Entities agree to execute and deliver all such documents and instruments as any party deems necessary or appropriate to unwind the Merger.

4.5 Counterparts. The Plan may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one (1) Plan.

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The undersigned hereby certify that the above Plan of Merger was duly approved and adopted by the Constituent Entities effective August 5, 1998.

COURTNEY SQUARE APARTMENTS, LTD.

By: South Atlantic Advisory Group, Ltd.,
a Florida limited partnership

Title: Its General Partner

By:


Marc Kovens, General Partner

By:

Phillip H. Sloane, General Partner

COURTNEY SQUARE, L.L.C.

By:

William E. Dansey, Jr., Manager

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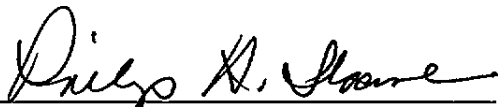
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a Florida limited partnership

Title: Its General Partner

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Marc Kovens, General Partner

By: 
Phillip H. Sloane, General Partner

COURTNEY SQUARE, L.L.C.

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William E. Dansey, Jr., Manager

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