SECOND AMENDMENT TO GROUND LEASE

(Island House)

THIS SECOND AMENDMENT TO GROUND LEASE (the "Ground Lease Modification Agreement" or "Second Amendment") is made as of the 28 day of September 2012, by and between the **ROOSEVELT ISLAND OPERATING CORPORATION** ("RIOC" or "Lessor"), a public benefit corporation and subdivision of the State of New York, having its principal office at 591 Main Street, Roosevelt Island, NY 10044 and **NORTH TOWN PHASE II HOUSES, INC.**, (the "Housing Company" or "Lessee"), a corporation organized under Article 2 of the Private Housing Finance Law of the State of New York (the "PHFL"), having an office c/o RY Management, 545 Main Street, New York, NY 10044, attention David B. Hirschhorn. Capitalized terms used herein and not defined herein or defined in the "Affordability Plan" (as herein defined), shall have the meaning as defined in the original "Ground Lease" (as herein defined).

WHEREAS, the New York State Urban Development Corporation ("UDC"), as Lessor, and the Housing Company, as Lessee, entered into that certain Ground Lease dated October 30, 1972, which was recorded in the Office of the City Register, New York County on November 11, 1972, in Reel 259 at page 170, as amended by First Amendment To Ground Lease dated as of December 20, 1996, recorded in said Register's Office on February 7, 1997, in Reel 259, at Page 234 (collectively, as amended, the "Ground Lease" or "Lease");

WHEREAS, a portion of the premises leased pursuant to the Ground Lease was surrendered and released pursuant to a School Property Release Agreement dated as of June 9, 1980, made by and among UDC, Lessee, Sovereign Construction Company, Ltd. and the Partnership (as defined below), recorded in the Office of the City Register, New York County, on June 16, 1980 in Reel 527 Page 884;

WHEREAS, the remaining real property demised under the Ground Lease is known by the street address of 551, 555 and 575 Main Street, New York, NY, on Roosevelt Island, and is a part of Tax Lot 1 of Block 1373 on the Tax Map of the Borough of Manhattan, which real property is more particularly identified and described in **Exhibit A** attached hereto;

WHEREAS, UDC also entered into various other agreements, including without limitation, the Equity and Regulatory Agreement of even date with the Ground Lease, for the purpose of facilitating the construction and development of a residential project known as North Town Phase II Houses (n/k/a "Island House"), pursuant to Article 2 of the Private Housing Finance Law of the State of New York (the "Mitchell-Lama Program");

WHEREAS, by Assignment and Assumption Agreement, dated as of July 21, 1988 (the "Ground Lease Assignment"), UDC (which is now doing business as Empire State Development ("ESD")), having an address at 633 Third Avenue, New York, NY 10017, assigned its interest in and to the Ground Lease to RIOC, reserving, however, certain rights for itself, as provided in the Ground Lease Assignment;

WHEREAS, North Town Phase II Associates, LP, a New York Limited Partnership (the "Partnership"), is the equitable and beneficial owner of the Housing Company's interest in the Ground Lease pursuant to a certain Declaration of Interest, dated as of October 3, 1972 and recorded in said Register's Office on November 15, 1972, in Reel 259, at Page 234, as the same was amended most recently by Third Amendment, dated as of May 31, 1996, and recorded on February 26, 1997 in said Register's Office in Reel 2426, at Page 1171, so that upon repayment of the existing mortgage held by ESD (the "ESD Mortgage"), the Partnership, or its designee, shall own, directly or indirectly through its designee, all of the legal and equitable right, title and interest in and to the lessee's interest under the Ground Lease;

WHEREAS, the New York State Division of Housing and Community Renewal ("DHCR"), is the Supervising Agency under the Mitchell-Lama Program;

WHEREAS, the Island House Tenant's Association ("IHTA") is the duly constituted tenant's association for the Island House tenants and so recognized by DHCR;

WHEREAS, subject to repayment of the ESD Mortgage and compliance with the applicable provisions of the PHFL and the DHCR regulations regarding voluntary dissolution, the Partnership has the right to withdraw the Property from the Mitchell-Lama Program and to cause the dissolution and/or reconstitution of the Housing Company (whether by the filing of a new or amended certificate of occupancy or otherwise) as a business corporation or other entity, including a cooperative housing corporation;

WHEREAS, Lessee submitted to DHCR a Notice of Intent dated December 8, 2011 (the "Notice of Intent"), advising the DHCR of Lessee's intent to dissolve the Housing Company and withdraw from the Mitchell-Lama Program;

WHEREAS, notwithstanding the filing of such Notice of Intent, instead of the Partnership pursuing voluntary dissolution and withdrawal of the Property from the Mitchell-Lama Program without restrictions, DHCR, RIOC, ESD, IHTA, and the Partnership have all agreed to create and implement a program to maintain Island House as an affordable housing complex, all as more fully set forth in the Island House Plan For Preservation Of Affordable Housing And Withdrawal From The Mitchell-Lama Program (the "Affordability Plan"), a copy of which is attached hereto as **Exhibit B** and incorporated herein; and

WHEREAS, the Affordability Plan will become operative and effective upon (i) full execution of this Second Amendment to Ground Lease, (ii) DHCR's issuance of a certificate of no objection which shall constitute its final authorization for Lessee's withdrawal from the Mitchell-Lama Program and (iii) Lessee's repayment of the ESD Mortgage (the date on which the latest to occur of (i), (ii) and (iii) is referred to as the "Affordability Plan Effective Date").

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree that the Ground Lease is, and shall be, modified, extended, supplemented and amended as herein provided.

1. **Definitions And Interpretation.**

Capitalized terms used herein and not otherwise defined herein shall have the meaning as defined in the Ground Lease or in the Affordability Plan. In the event of any conflict between the provisions of the Affordability Plan and this Ground Lease Modification Agreement, the provisions of this Ground Lease Modification shall govern and control. The terms of the Affordability Plan are incorporated herein by reference and made a part hereof as if set forth at length herein.

2. **Island House Plan For Preservation Of Affordable Housing And The Withdrawal From The Mitchell-Lama Program.**

A. The Partnership shall cause its designee, IH Preservation Partners, LLC (or other designee of the Partnership, hereinafter, the "Sponsor") to (i) submit a draft Offering Plan to the New York State Department of Law, consistent with the terms of the Affordability Plan, within six months of the Affordability Plan Effective Date and thereafter, take such customary and reasonable steps as are necessary and appropriate to cause the Department of Law to promptly accept for filing a final Offering Plan, or Black Book (referred to herein as the "Offering Plan") consistent with such terms, and (ii) comply with provisions of the Affordability Plan, including, without limitation, the Affordable Rental Restrictions as described in Paragraph 6(iv) of the Affordability Plan. On or after the Affordability Plan Effective Date, Sponsor will provide each "Bona Fide Mitchell Lama Tenant" (as defined in the Affordability Plan) with a replacement lease (the "New Lease"), as described in the Affordability Plan. Upon the Department of Law's acceptance of the Offering Plan for filing, the Sponsor shall make the offering to "Insiders" at the "Insider Price" (as defined in the Affordability Plan) and otherwise comply with the terms of the Offering Plan, applicable law and the Affordability Plan.

B. Lessor, Sponsor, DHCR and ESD, each hereby consent and agree that (i) Sponsor may and shall take all actions necessary or appropriate to implement and effectuate the Affordability Plan, including without limitation, the refinancing of the Leased Premises, the repayment of the ESD Mortgage, and the filing of the Offering Plan creating the Island House Condominium, and (ii) Sponsor shall have the right, at any time, to create a four unit leasehold condominium consisting of (i) a "Residential Unit," comprised of all of the residential apartments and common areas now serving the residential apartments, (ii) a "Commercial Unit 1" comprised of the former pool area (iii) a "Commercial Unit 2" comprised of the former day care space and current management offices, and (iv) "Retail Unit" comprised of the Main Street retail spaces known by the street address of 549, 559, 563, 567 and 579 Main Street. Lessor agrees to execute, acknowledge and deliver such further certificates, affidavits, instruments and documents, and to do all such other acts and things at no cost or expense to Lessor, as may be reasonably required by law or as, in the reasonable judgment of Lessee, may be necessary or advisable to create the Island House Condominium, provided, however, that Lessor shall not be obligated to incur any liabilities or obligations beyond those set forth herein in connection with the execution of such documents. Lessor acknowledges that the acts and things necessary to create the Island House Condominium may include, but are not limited to, providing information for and executing certificates, affidavits, instruments and documents concerning the rights of Lessee under this Ground Lease in connection with Lessee submitting the Offering Plan for Island House Condominium and otherwise creating the Island House leasehold condominium.

Lessee shall reimburse Lessor within thirty (30) days of demand for all reasonable costs incurred by Lessor, in connection with the execution of such affidavits, instruments and documents. In no event shall Lessor be deemed to be a sponsor of Island House Condominium. Until such time as the Declaration of Leasehold Condominium is recorded and the Island House Condominium is created, the portions of the Leased Premises described above as the Residential Unit, shall be referred to as the "Residential Portion," the portions of the Leased Premises described above as Commercial Unit 1 and Commercial Unit 2 shall be collectively referred to as the "Commercial Portion," and the portions of the Leased Premises described above as the Retail Unit shall be referred to as the "Retail Portion." The Residential Unit will be converted to a residential cooperative and transferred to a cooperative housing corporation (the "Apartment Corporation") at a closing (the "Master Cooperative Closing"). The Sponsor may further subdivide Commercial Unit 1 and Commercial Unit 2 without consent of Lessor, ESD or DHCR, provided that if any portion of the Residential Unit is reallocated to the Commercial Portion, the Residential Tax Equivalent Payment following such reallocation shall not be reduced below what it would have been prior to such reallocation.

C. This Second Amendment To Ground Lease shall constitute the "Ground Lease Modification Agreement" described and referred to in the Affordability Plan.

D. DHCR hereby approves the Affordability Plan and agrees to supervise the Affordable Resale Provisions and the Affordable Rental Restrictions as provided in Paragraph 14 of the Affordability Plan. DHCR agrees that it shall authorize withdrawal of the Leased Premises from the Mitchell-Lama Program and the filing of a certificate of dissolution (and/or certificate of reconstitution and/or amendment to the certificate of incorporation), contemporaneously with the refinancing of the Leased Premises and the pay-off of the ESD Mortgage whereupon, so long as this Second Amendment has been fully signed, the Affordability Plan Effective Date shall be deemed to have occurred, provided, however, that withdrawal from the Mitchell-Lama Program shall not be deemed to have occurred prior to the closing of the refinancing of the ESD Mortgage.

3. **Term of Lease.**

Article 2 of the Ground Lease is hereby amended to provide that the term of the Ground Lease is hereby extended so that it shall now expire at midnight on December 22, 2068 (the "Ground Lease Expiration Date"), unless sooner terminated as may be elsewhere provided in the Ground Lease.

4. **Basic Rent.**

Notwithstanding any provision of the Ground Lease to the contrary, including without limitation, Article 4 and Article 5 of the original Ground Lease, the Basic Rent shall be determined and adjusted as set forth in this Article 4 of this Ground Lease Modification Agreement.

A. **Ground Rent.**

(i) Residential Ground Rent.

(a) Existing Ground Rent. The existing ground rent payable under paragraph 4 of the Ground Lease with respect to the Residential Portion ($136,000.00 per annum, as reduced by the subway abatement for so long as the abatement remains in effect pursuant to the Ground Lease) shall remain in effect until the First Ground Rent Adjustment Date. As used herein, the term "First Ground Rent Adjustment Date" means the later of (a) the first day of the Project's fiscal year immediately following the Master Cooperative Closing (provided the Master Cooperative Closing shall occur within three years of the date of this Second Amendment), or (b) the date of this Second Amendment, if the Master Cooperative Closing does not occur within three years of the date of this Second Amendment. If the Master Cooperative Closing occurs more than three years after the date of this Second Amendment, then the difference between the ground rent payable pursuant to Paragraph (b) below and the existing ground rent set forth in this subparagraph (a) for the period between the date of this Second Amendment and the Master Cooperative Closing shall be paid to Lessor in twenty-four equal installments, commencing on the first day of the first month following the Master Cooperative Closing.

(b) Adjusted Ground Rent. Effective as of the First Ground Rent Adjustment Date, the ground rent for the Residential Portion shall be as follows:

1) Commencing as of First Ground Rent Adjustment Date, and continuing through and including the day preceding the fifth anniversary of the First Ground Rent Adjustment Date, the ground rent shall be $236,000 per annum, payable in monthly installments of $19,666.67;

2) Commencing as of the fifth anniversary of the First Ground Rent Adjustment Date and continuing through and including the day preceding the tenth anniversary of the First Ground Rent Adjustment Date, the ground rent shall be $259,600 per annum, payable in monthly installments of $21,633.33;

3) Commencing as of the tenth anniversary of the First Ground Rent Adjustment Date and continuing through and including the day preceding the fifteenth anniversary of the First Ground Rent Adjustment Date, the ground rent shall

be $285,560.00 per annum, payable in monthly installments of $23,796.67;

4) Commencing as of the fifteenth anniversary of the First Ground Rent Adjustment Date and continuing through and including the day preceding the twentieth anniversary of the First Ground Rent Adjustment Date, the ground rent shall be $314,116.00 per annum, payable in monthly installments of $26,176.33;

5) Commencing as of the twentieth anniversary of the First Ground Rent Adjustment Date and continuing through and including the day preceding the twenty-fifth anniversary of the First Ground Rent Adjustment Date, the ground rent shall be $345,528.00 per annum, payable in monthly installments of $28,794.00;

6) Commencing as of the twenty-fifth anniversary of the First Ground Rent Adjustment Date and continuing through the thirtieth anniversary of the First Ground Rent Adjustment Date (the thirtieth anniversary of the First Ground Rent Adjustment Date is referred to as the "Affordability Expiration Date"), the ground rent shall be $380,081.00 per annum, payable in monthly installments of $31,673.42; and

7) Commencing as of the Affordability Expiration Date and continuing through the Ground Lease Expiration Date, (i) if the Master Cooperative Closing (or any other conversion to cooperative and/or condominium status) has occurred, the ground rent for the Residential Portion shall be as set forth in **Exhibit C-1** annexed hereto, and (ii) if the Master Cooperative Closing (or any other conversion to cooperative and/or condominium status) has not occurred, the ground rent for the Residential Portion shall be as set forth in **Exhibit C-2** annexed hereto.

(ii) Retail Portion Ground Rent. The existing ground rent payable under paragraphs 4 and 5 of the Ground Lease for completed Commercial Space shall be payable with respect to the Retail Portion throughout the remainder of the term of the Ground Lease.

(iii) Commercial Portion Ground Rent. No ground rent shall be payable with respect to the Commercial Portion until the day preceding the Affordability Expiration Date. As of the Affordability Expiration Date, ground rent shall be payable with respect to the Commercial Portion (including any additional completed commercial space then existing, but excluding the Retail Portion) at the rate at which such rent would then be payable under paragraphs 4 and 5 of the Ground Lease as Completed Commercial Space.

(iv) Ground Rent. The provisions of this Paragraph 4(A) relate to the calculation of the ground rent component of "Basic Rent" referred to in Paragraphs 4 and 5 of the Ground Lease, and do not apply to the calculation of the tax equivalent component of the Basic Rent, which shall be governed by the provisions of Paragraph 4(B) below.

B. **Tax Equivalent Payments.**

(i) Residential Tax Equivalent Payments.

(a) Residential Tax Equivalent Payment for Affordable Units. Lessor and Lessee acknowledge and agree that Lessee is currently paying a tax equivalent payment for the Residential Portion (the "Residential Tax Equivalent Payment") in an amount equal to ten percent (10%) of the "Annual Shelter Rent" (as defined in the Ground Lease). For those apartments that continue to be subject to the "Affordable Resale Restrictions" and the "Affordable Rental Restrictions" (as defined in the Affordability Plan, i.e., all apartments other than "Market Apartments" (as defined in Paragraph 10 of the Affordability Plan), all such other non-Market Apartments being referred to herein as the "Affordable Units"), the Residential Tax Equivalent Payment shall continue to be calculated in the same manner (i.e., as ten percent (10%)) of the Annual Shelter Rent) between the date hereof and for a thirty (30) year period commencing on the later of (a) the first day of the Project's fiscal year immediately following the Master Cooperative Closing (provided the Master Cooperative Closing shall occur within three years of the date of this Second Amendment), or (b) the date of this Second Amendment, if the Master Cooperative Closing does not occur within three years of the date of this Second Amendment and ending on the day preceding the first day of the Project's fiscal year immediately following the end of such thirty year period (such expiration date being referred to as the "Shelter Rent Expiration Date" (which date shall be the same date as the Affordability Expiration Date)). Following the Shelter Rent Expiration Date, the Residential Tax Equivalent Payment for all Affordable Units shall be equal to the "Tax Equivalent for Conventionally Financed Housing" as defined in the Ground Lease and shall no longer be computed on an Annual Shelter Rent basis.

(b) Adjustment of Residential Tax Equivalent Payment for Sales of Market Apartments. Notwithstanding that the Shelter Rent Expiration Date has not occurred, at such time as a cooperative apartment is vacated by the Bona Fide Mitchell Lama Tenant (as defined in the Affordability Plan) and is thereafter sold free of the Affordable Resale Restrictions (as defined in the Affordability Plan), then commencing as of the first day of the Project's fiscal year immediately following such sale, the Residential Tax

Equivalent Payment for such apartment shall convert to a Tax Equivalent for Conventionally Financed Housing. The conversion to a Tax Equivalent for Conventionally Financed Housing shall be phased in over a five-year period (as more fully described herein), as to each Market Apartment sold, provided, however, that such phase-in period (the "Phase-In Period") shall not extend beyond the Shelter Rent Expiration Date, at which time the Residential Tax Equivalent Payment for all of the cooperative apartments shall be the Tax Equivalent for Conventionally Financed Housing.

(c) Adjustment of Residential Tax Equivalent Payment for Rental of Market Apartments. Notwithstanding that the Shelter Rent Expiration Date has not occurred, at such time as an apartment is vacated by the Bona Fide Mitchell Lama Tenant and is thereafter rented free of the "Affordable Rental Restrictions" (as defined in the Affordability Plan, i.e., such apartment has been designated as a "Market Apartment"), then commencing as of the first day of the Project's fiscal year immediately following the commencement of such apartment lease term, the Residential Tax Equivalent Payment for such apartment shall convert to a Tax Equivalent for Conventionally Financed Housing. This conversion to a Tax Equivalent for Conventionally Financed Housing shall be phased in over the Phase-In Period, as to each Market Apartment rented, provided, however, that the Phase-In Period shall not extend beyond the Shelter Rent Expiration Date, at which time the Residential Tax Equivalent Payment for all of the rental apartments shall be the Tax Equivalent for Conventionally Financed Housing. Notwithstanding the foregoing, the Phase-In Period shall not commence or be applicable until the later of (a) the first day of the Project's fiscal year following the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years from the date of this Second Amendment), or (b) the date of this Second Amendment if the Master Cooperative closing does not occur within three years of the date of this Second Amendment.

(d) Tax Equivalent For Conventionally Financed Housing. Notwithstanding the provisions of the Ground lease, in calculating the Tax Equivalent for Conventionally Financed Housing for Market Apartments pursuant to paragraphs (a) – (c) above, the assessed valuation to be used shall be the lower of the then current transitional or actual assessed valuation of land and building from time to time announced by the City of New York.

(e) Availability of Deductions and Exemptions. The computation of the Residential Tax Equivalent Payments hereunder shall reflect all deductions and exemptions for which the

applicable tenants and or owners are eligible (such as, for example, Senior Citizen Rent Increase Exemptions, STAR, or Veterans exemptions) and, following the effective date of the condominium conversion and the Master Cooperative Closing referred to in paragraph 2 above, all applicable cooperative/condominium abatements. To the extent such deductions or exemptions are required to be credited to the individual tenants or Apartment owners, the Condominium Board of Managers or the Cooperative Board of Directors shall apply such benefits accordingly.

(ii) Commercial Space Tax Equivalent Payments.

(a) Retail Portion Tax Equivalent Payment. Lessee shall continue to pay a Commercial Tax Equivalent Payment for the Retail Portion equal to the Tax Equivalent for Commercial Space pursuant to the Ground Lease.

(b) Commercial Portion Tax Equivalent Payment. Neither Lessee, nor the owner of the Commercial Units, shall be obligated to pay any Commercial Tax Equivalent Payment with respect to the Commercial Portion until the Shelter Rent Expiration Date. As of the Shelter Rent Expiration Date, Lessee, or the owner of the Commercial Portion, as applicable, shall pay a Commercial Tax Equivalent Payment for all of the Commercial Portion (or their respective portions) which shall be computed in the manner provided in the existing Ground Lease for the Tax Equivalent for Commercial Space. If prior to the Shelter Rent Expiration Date, the Commercial Portion is expanded to add new completed commercial space, Lessee (or the owner thereof) will pay a Commercial Tax Equivalent Payment for the newly constructed and completed space only, which shall be computed in the manner provided in the existing Ground Lease for the Tax Equivalent for Commercial Space.

(iii) Existing Master Tax Lot And Future Tax Lot Subdivision.

Lessor and Lessee acknowledge that the Leased Premises are presently part of Tax Lot 1 of Block 1373 on the Tax Map for the Borough of Manhattan which lot includes the Leased Premises and other portions of Roosevelt Island. Lessee may at any time apply to the City of New York for a tax lot subdivision to remove the Leased Premises from lot 1 and to create a new tax lot comprised solely of the Leased Premises. In connection with the conversion of the Leased Premises to a leasehold condominium, Lessee shall apply to the City of New York for the assignment and creation of a separate tax lot for each of the Residential Unit, Commercial Unit 1, Commercial Unit 2 and the Retail Unit. The square footage

allocated to each of the Condominium Units shall conform with the provisions of the written agreement referred to in paragraph (v) below. Lessor and ESD shall cooperate with Lessee in connection with any tax lot subdivision and will execute all such documents as may be required by the City of New York and its various agencies in connection therewith, without charge to Lessee.

(iv) Tax Assessments.

(a) Lessee, the Apartment Corporation as the owner of the Residential Unit and the owners of the Commercial Units and the Retail Unit, shall each have the right to challenge or otherwise protest, including the right to commence appropriate judicial proceedings, the market value, taxable value, and/or tax classification underlying the computation of the tax equivalent payable with respect to the portion of the Leased Premises leased/owned by each party, notwithstanding that the Leased Premises are subject to the imposition of a tax equivalent in lieu of conventional real property taxes.

(b) At Lessee's request, Lessor shall join in any proceedings referred to in the preceding paragraph if (i) the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of or with the consent of Lessor, and (ii) otherwise, if Lessee shall reasonably request, and Lessor shall cooperate and/or otherwise consent to the commencement and prosecution of any such proceedings or permit the same to be brought in its name (including executing such documents as may be reasonably requested in connection therewith), provided that Lessor shall be provided with a copy of any documents which are being submitted in connection with such proceeding prior to their submission. Lessor shall not be liable for the payment of any costs or expenses in connection with any such proceedings and Lessee shall reimburse Lessor, within twenty (20) days after demand, for any and all reasonable costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) which Lessor may reasonably sustain or incur in connection with any such proceedings. All such costs payable by Lessee shall constitute additional rent under this Ground Lease.

(c) Lessee, the Apartment Corporation as the owner of the Residential Unit and the owners of the Commercial Units and the Retail Unit shall each provide ESD with prompt written notice of the filing of their respective tax grievance or protest and shall also provide ESD with prompt written notice of the outcome of their respective tax grievance or protest.

(d) To the extent that Lessee or such Unit Owner (i) shall be successful in reducing the market value or taxable value of the Leased Premises with respect to their Unit and has provided ESD with satisfactory evidence of same (which shall include, without limitation, a written statement from the City of New York, including a printout from the official website of Department of Finance), and (ii) would be entitled to a refund or credit of any real property taxes as a result of such reduction if the Leased Premises was a conventional tax-paying property, ESD shall credit the account of such party against the Tax Equivalent Payment that is next due and owing to ESD pursuant to the provisions of the Ground Lease. Notwithstanding the foregoing, in no event shall Lessee be entitled to any refund on account of Residential Tax Equivalent Payments calculated on the basis of Annual Shelter Rent.

(e) Any dispute arising under the provisions of this subparagraph (iv) shall be resolved by arbitration in accordance with the provisions of Article 33 herein.

(v) Procedures Governing Calculation of TEP Payments. As promptly as reasonably possible following execution of this Second Amendment, the parties agree to enter into a mutually satisfactory written agreement setting forth the procedure by which computation, payment and collection of the Tax Equivalent Payments specified in this Paragraph 4(B) will be implemented consistent with the Affordability Plan and the applicable provisions of this Second Amendment. Because completion of such an agreement is a requirement for completion of the Offering Plan, if such agreement is not executed by all parties within thirty (30) days after ESD has received all information it has reasonably requested in connection with the preparation of such agreement, the six month period referred to in Article 2(A) shall be extended on a day for day basis for each day after such thirty day period until the agreement referred to in this paragraph (v) has been signed. Lessee agrees to furnish the information reasonably requested by ESD within fifteen (15) days after same has been requested, provided same is available.

5. **Public Safety Fee.**

The Lessor will continue to pay its proportionate share of the actual cost of providing public safety for Roosevelt Island. The Lessee is and shall continue to pay annual public safety service fees in the sum of $161,454.36 until the First Ground Rent Adjustment Date. As of the First Ground Rent Adjustment Date, and on each anniversary thereof throughout the term of the Ground Lease, the annual public safety fee payable to Lessor shall increase by 3% compounded annually, so that the annual public safety fee commencing as of each anniversary of the First Ground Rent Adjustment Date shall be 103% of the public safety fee paid during the preceding twelve month period. The annual public safety fee shall be payable in equal monthly installments, on the first day of each month, subject to a ten day grace period. In consideration of the annual public safety fee, Lessor is currently providing the following public safety services: (i) external patrols consisting of foot patrols by Lessor's Public Safety Department in and around the Leased Premises, the sea wall adjacent to the Leased Premises and

Main Street, (ii) Segway and bicycle units patrols of the same areas when the weather permits, and (iii) the services described in **Exhibit H** attached hereto. Lessor shall not increase the public safety services being provided to the Leased Premises without the prior written consent of Lessee. If the public safety services provided by Lessor materially increase or decrease (any such decrease being subject to Article 34 hereof) during the term of this Ground Lease, the annual public safety fee shall be adjusted accordingly by mutual agreement of the parties (and the revised fee shall be subject to the 3% annual compounded increased described in this Article 5.) Disputes arising under this Article 5 shall be resolved by arbitration in accordance with the provisions of Article 33 herein.

6. **Sponsor Transfer Fee.**

In connection with the sale of each apartment by Sponsor, whether to an Insider or otherwise (all such sales referred to as "Initial Sponsor Sales"), the Sponsor shall pay to Lessor an amount equal to five percent (5%) of the gross sales price received by Sponsor on account of such sale (the "Sponsor Transfer Fee"). In calculating the gross sales price for an Initial Sponsor Sale, no deduction will be made for any expenses incurred by Sponsor in connection therewith. Sponsor shall remit the Sponsor Transfer Fee due to Lessor in connection with each Initial Sponsor Sale within five (5) business days following the closing of each Initial Sponsor Sale, which payment shall be accompanied by a statement showing the calculation of the Sponsor Transfer Fee, and either an executed HUD-1 Closing Statement or a copy of the contract of sale, certified as true and complete by Sponsor, evidencing the gross sales price paid for the Initial Sponsor Sale in question. Notwithstanding the foregoing, the aggregate Sponsor Transfer Fees payable by Sponsor shall not exceed $4,500,000. Sponsor's agreement to pay the Sponsor Transfer Fees are a material inducement to Lessor's entering into this Second Amendment of Lease, and the Sponsor's failure to make the payments set forth in this paragraph 6 shall be an event of default under the Ground Lease, subject to the provisions of Section 10 of the Ground Lease relating to notice and cure periods, which shall be applicable to the obligations under this Article 6. If the Partnership transfers its interest in the Housing Company to another entity which will serve as Sponsor, other than IH Preservation Partners, LLC, which joins in this Second Amendment, the Partnership shall cause such other entity to deliver to Lessor a written assumption of the Sponsor's obligation to pay the Sponsor Transfer Fees.

7. **Shareholder Transfer Fee.**

In connection with the sale of each apartment, other than an Initial Sponsor Sale, (any such sale being referred to as a "Resale"), the seller of each apartment shall be obligated to pay Lessor a sum equal to one percent (1%) of the gross sales price received by the seller on account of such Resale (the "Shareholder Transfer Fee"). In calculating the gross sales price for a Resale, no deduction will be made for any expenses incurred by the seller in connection therewith. The Apartment Corporation shall implement and enforce closing procedures reasonably approved by Lessor with respect to the collection and payment of Shareholder Transfer Fee. All Shareholder Transfer Fees shall be paid by bank or certified check payable to the order of RIOC and delivered at the closing of the Resale to the Apartment Corporation and shall be remitted by the Apartment Corporation to RIOC within fifteen (15) days after the closing of each Resale, which payment shall be accompanied by a statement showing the calculation of the Shareholder Transfer Fee, and either an executed HUD-1 Closing Statement or

a copy of the contract of sale, certified as true and complete by the seller evidencing the gross sales price paid for the Resale in question. Notwithstanding the foregoing, no Shareholder Transfer Fee shall be payable in connection with a transfer of any apartment to an immediate family member (as defined in NYCRR 1700.2(a)(7)) of the shareholder for less than fair market value, provided, however, that in connection with such transfer, the shareholder shall complete and provide to Lessor, a written certification, the form of which shall be provided by Lessor to the Apartment Corporation, certifying the facts supporting the Shareholder Transfer Fee exemption.

8. **River Road Access.**

Lessee, for itself and on behalf of its sublessees, licensees and occupants of the Commercial Portion of the Leased Premises located adjacent to the promenade along the East River (a/k/a River Road), shall have the non-exclusive right for themselves and their respective contractors, agents, employees, licensees and invitees, to use River Road for the limited purposes of making deliveries to such portions of the Leased Premises. The use of River Road shall comply with all reasonable rules and regulations of general applicability then in effect on Roosevelt Island with respect to the use of River Road, provided, however, that Lessor shall not impose or enforce any rule or regulation which shall have the practical effect of preventing the use of River Road for the purposes intended in this Paragraph.

9. **Mortgage Recording Tax.**

A. The ESD Mortgage will be repaid immediately prior to the withdrawal of the Project from the Mitchell-Lama Program and accordingly, no mortgage recording tax will be due on account of any new money advanced in connection with a refinancing (the "Initial Refinancing") prior to such withdrawal. Lessor and DHCR agree that they shall cooperate and facilitate such mortgage transaction, at no cost or expense to either party, so that no mortgage recording taxes are due or payable by mortgagor with respect to the Initial Refinancing, it being understood and agreed that Lessor shall not be entitled to receive a Payment in Lieu of the Mortgage Tax (as defined in Paragraph B below) in connection with the Initial Refinancing.

B. In connection with a refinancing of the Leased Premises, other than the Initial Refinancing, Lessee shall give Lessor at least sixty days' prior written notice that Lessee intends to obtain a mortgage that would not be exempt from the imposition of a mortgage recording tax (i.e., the refinancing of an existing mortgage without "new money" shall not require the giving of such notice). Lessor may seek to obtain an advisory opinion from the New York State Department of Taxation and Finance that exempts mortgages on the Leased Premises from the payment of a mortgage recording tax (the "Tax Exemption Opinion") solely based upon Lessor's participation in such mortgage transaction. If Lessor obtains a Tax Exemption Opinion that would exempt the mortgage transaction from payment of mortgage recording taxes otherwise due solely by reason of Lessor's participation and status, then Lessee agrees to name Lessor as a co-lender on such mortgage. Lessor shall immediately thereafter assign Lessor's interest in the mortgage to Lessee's lender. The provisions of the immediately preceding sentences shall only be applicable if (i) Lessee's lender consents to Lessor's participation as a co-lender with such subsequent assignment, (ii) such structuring does not impact the interest rate or other terms of the loan transaction, and (iii) Lessor reimburses Lessee at loan closing for all

costs associated with such structuring including reasonable attorneys' fees. Lessee shall pay to Lessor at the mortgage closing the amount of the mortgage recording tax which would have been payable in connection with the refinancing if the applicable mortgage had not been so exempt (such payment is referred to herein as the "Payment in Lieu of Mortgage Tax"). The Payment in Lieu of Mortgage Tax shall be paid by Lessee to Lessor as provided in this Ground Lease, and shall constitute additional rent. Lessor shall not be entitled to receive a Payment in Lieu of Mortgage Tax in connection with the Initial Refinancing.

10. **Real Property Transfer Taxes.**

Sponsor shall endeavor to develop a structure whereby the transfer of the Residential Unit to the Apartment Corporation will be wholly or partially exempt from the payment of New York City and New York State Real Property Transfer Taxes (collectively, "Transfer Taxes"). The Offering Plan prepared by Sponsor may provide for the Insider Price to be increased on a proportionate basis to reflect the projected cost of the Transfer Taxes, in which case the Transfer Taxes will then be paid by Sponsor at the Master Cooperative Closing. Upon each subsequent sale of a cooperative apartment by Sponsor to an Insider, Sponsor will pay any Transfer Taxes due in connection with such sale (and Sponsor may use any credit available to it on account of the prior payment of Transfer Taxes). Provided that the Insider Price has been so increased, the Insider shall not be obligated to pay any Transfer Taxes in connection with its purchase, nor to reimburse Sponsor, either for the cost of such Transfer Taxes or for the credit used by Sponsor to offset the Transfer Taxes.

11. **Retail Unit.**

A. In reliance on the terms of the Ground Lease and other agreements previously entered into between Lessor and Lessee, including but not limited to the provisions of that certain letter agreement dated October 30, 1972 between New York State Urban Development Corporation and Sovereign Construction Company, Ltd. (the "Commercial Space Agreement"), RIOC has been in occupancy of the Retail Portion and, pursuant to an agreement dated August 1, 2011 (the "Master Retail Sublease") sub-sublet various retail spaces located on Main Street on Roosevelt Island, including the Retail Portion (collectively, the "Main Street Retail Space") to Hudson Related Retail LLC ("Hudson") for retail, community facility, office and neighborhood commercial uses (including the right to further sub-sublease portions of the spaces for such uses). By agreement of even date herewith (the "Sponsor-RIOC Sublease"), Lessor and Lessee have entered into a sub-sublease whereby Lessor shall have the right to remain in occupancy of the Retail Unit, subject to the Master Retail Sublease and the terms of the Sponsor-RIOC Sublease.

B. The parties agree that, to the extent the sub-subtenant currently occupying the premises located at 549 Main Street (Trellis Restaurant) is encroaching on any area outside the boundaries of the Leased Premises, such encroachment, if any, shall not be deemed to be a default by (i) Lessee under this Ground Lease, (ii) Lessee, as the sublessor under the Sponsor-RIOC Sublease, or (iii) Hudson under the Master Retail Sublease.

12. **Notice of Intent.**

Nothing contained herein shall be deemed to amend, supersede or otherwise invalidate the Notice of Intent, or to toll any period set forth therein with respect to the anticipated date of the dissolution of the Housing Company or the withdrawal of the Leased Premises from the Mitchell-Lama Program. The Housing Company and the Partnership shall retain all of their rights with respect to the Notice of Intent and the actions contemplated thereby until the occurrence of the Affordability Plan Effective Date.

13. **Insurance.**

A. Lessee shall, at Lessee's sole cost and expense, continue to maintain in full force and effect, such policies of insurance and in such amounts and with such coverage and other terms (such as, e.g., waivers of subrogation, deductibles, etc.) as are presently maintained by Lessee and set forth in **Exhibit D** attached hereto, provided, however, that to the extent a Leasehold Lender requires more comprehensive coverage or higher insurance limits than those set forth in **Exhibit D**, Lessee shall comply with such requirements. Effective as of the fifth (5^{th}) anniversary date of the Master Cooperative Closing, and on each fifth anniversary of such date thereafter during the term of this Lease, the amount of coverage required herein shall be Adjusted for Inflation (as defined in Article 35). In all insurance policies, Lessee shall cause Lessor, ESD, the City and any Leasehold Lender of which Lessee has been given written notice to be named as additional insureds, as their respective interests may appear. Lessee shall deliver to Lessor a copy of each policy of insurance required by Lessor pursuant to this Ground Lease, accompanied by a certificate of the insurer as to the insurance and effectiveness of the policy and the amount of the coverage with respect to the Leased Premises. Both Lessor and Lessee shall be a loss payee under all policies of insurance required by any provision of this Lease insuring against damage to tangible property located at the Leased Premises by an insured hazard, provided, however, that to the extent that a Leasehold Mortgage provides that the Leasehold Lender be named as a loss payee under such policies, the Leasehold Lender shall be so named in place of Lessor. The parties hereto acknowledge and agree that Senior Leasehold Lender (hereinafter defined) has delivered to Lessor a copy of the Leasehold Mortgage and, as such, Senior Leasehold Lender shall be named, in lieu of Lessor, as loss payee on all insurance policies required under the terms of this Ground Lease.

B. In addition to the coverage set forth in **Exhibit D**, Lessee shall provide and keep in force such other insurance in such amounts as may from time to time reasonably be required by Lessor against such other insurable hazards as at the time are commonly insured against in the case of premises similarly situated and required of other multi-family residential building tenants on Roosevelt Island of a similar nature to the Leased Premises, provided such insurance is available at commercially reasonable rates. If other multi-family buildings on Roosevelt Island of a similar nature to the Leased Premises are carrying any of such coverages as of the period in question, same shall be presumed for such purposes to be available at commercially reasonable rates. In the event of any dispute between Lessor and Lessee with respect to such other insurance as Lessor may reasonably require from time to time, such disputes shall be submitted to arbitration pursuant to Article 33.

C. Each policy of insurance required to be obtained by Tenant shall contain agreements by the insurers that (i) no act or omission by Lessee shall impair or affect the rights of the assureds to receive and collect the proceeds under any such policies, (ii) such policies shall not be canceled or materially changed except upon ten (10) days prior written notice to each named insured and loss payee, and if the carrier shall elect not to renew any such policy, each named insured and loss payee shall receive not less than ten (10) days prior written notice of such election, and (iii) the insurers waive any right of subrogation against Lessor, Tenant shall only be obligated to obtain the aforesaid release and waiver if the same is obtainable without extra cost, or if extra cost is charged, so long as the party for whose benefit the clause is obtained, shall pay the extra cost. In addition, all policies shall contain endorsements that the rights of the assured to receive and collect the proceeds shall not be diminished because of any additional insurance carried by Lessee on its own account.

D. Following the conversion of the Leased Premises to leasehold condominium ownership, certain of the foregoing insurance shall be obtained by the Board of Managers of the Condominium, as agents of the Unit Owners or are the obligations of the respective Unit Owners, as the condominium document may so provide, or the subtenants of Unit Owners, as the subleases shall provide, provided, however, that the failure of such parties to maintain the insurance required herein shall be a default under this Lease, subject to the provisions of Article 10 of the Ground Lease as to notice, grace and cure periods which shall be applicable to this Article. Notwithstanding the foregoing, subject to the rights of Leasehold Lender to force place insurance under the Leasehold Mortgage, if any party fails to deliver evidence of new or renewal policies, in binder form, to Lessor not less than ten (10) days prior to the expiration dates of any expiring or cancelled policies, then Lessor may obtain, to the extent that Leasehold Lender has not already done so in the exercise of its rights under the Leasehold Mortgage, such coverage for and on behalf of Lessee, and the costs incurred by Lessor on account thereof shall constitute additional rent.

14. **Fire or Casualty.**

Notwithstanding any other provision of this Second Amendment to the contrary, in the event of any damage or loss to the Leased Premises by fire or other casualty, the rights and obligations of Lessor and Lessee with respect to restoration and termination of this Lease shall continue to be governed by the terms and provisions of applicable law and the original Ground Lease, provided, however, that for purposes of this Article 14, to the extent that the "Basic Documents" are incorporated therein by reference, the only "Basic Documents" which will be deemed to be incorporated by reference into the original Ground Lease are and shall be Section 8(b) of the Building Loan Agreement dated October 30, 1972 between UDC and North Town Phase II Houses, Inc., and Article 12 of the Mortgage dated October 30, 1972 between North Town Phase II Houses, Inc., as mortgagor, and UDC, as mortgagee. Any reference in the Building Loan Agreement or Mortgage to UDC shall be deemed to mean "Lessor". Except as otherwise provided in this Article and Article 37, the Basic Documents shall no longer govern or control the rights and obligations of the parties hereto or in any way affect the Leased Premises.

Notwithstanding anything to the contrary contained in this Ground Lease, Lessor shall make available to the Senior Leasehold Lender (as defined in Article 16) all insurance proceeds received by Lessor (as landlord hereunder) from fire or casualty insurance, after

deduction of any reasonable cost of collection. Subject to the rights of the Senior Leasehold Lender as set forth in the Leasehold Mortgage held by Senior Leasehold Lender to retain and apply insurance proceeds toward reduction of the obligations secured by such Leasehold Mortgage, the proceeds under all insurance policies required by any provision of the Ground Lease (inclusive of this Second Amendment) insuring against damage to the Leased Premises by fire or other casualty, shall be payable to the Senior Leasehold Lender and the Senior Leasehold Lender, shall hold the same in a trust fund established by the Senior Leasehold Lender, which fund shall be disbursed solely for repairs to and for the reconstruction of the Leased Premises, as the repair and restoration work progresses.

If the Lease is terminated as a result of casualty, Lessee shall, subject to adjustment of the loss and sufficient insurance proceeds being made available to Lessee for such purpose, and subject to receipt of any and all permits and consents required by applicable law, as to which Lessee shall use commercially reasonable efforts to procure, take such commercially reasonable steps, consistent with good construction practices, so as to leave the Leased Premises in a generally safe condition, recognizing that the Leased Premises are and shall continue to be an active construction site for a future restoration by persons other than Lessee (all such steps being collectively referred to as "Safety Work"). Such steps would include erection of temporary construction safety barriers and may include demolition of remaining portions of the building if such portions present a safety hazard. All insurance proceeds received and receivable as a result of such casualty shall be applied in the following order of priority: (i) to repayment of the outstanding obligations secured by the Leasehold Mortgage held by the Senior Leasehold Lender, (ii) for performance of the Safety Work, (iii) to the extent there are additional insurance proceeds available under the demolition provisions of the insurance policy, to any additional demolition that is required beyond the Safety Work, and (iv) the balance to Lessee.

Absent a restriction in a Leasehold Mortgage to the contrary and subject to the terms of the immediately preceding paragraph, losses of less than $250,000 can be adjusted by the Lessee exclusively and such insurance proceeds received by Lessor as loss payee shall be promptly endorsed to the order of Lessee to be applied for restoration. If at any time there is no Leasehold Lender, and the reasonably estimated cost of restoration exceeds $250,000, the insurance proceeds shall be deposited with a depositary which is unaffiliated with either party, as may be designated by Lessor and approved by Lessee, to be held and disbursed for such restoration in accordance with disbursement provisions as are then customarily provided in mortgages held by Institutional Lenders for similarly situated properties. Notwithstanding the foregoing, Lessor agrees that any insurance trustee named in the Condominium Declaration for Island House Condominium and approved by the Senior Leasehold Lender for the purpose of holding and disbursing insurance or condemnation proceeds, shall be an approved depositary for purposes of this Article 14.

Disputes arising under this Article 14, including, without limitation, designation of the party to serve as a depository, shall be subject to arbitration in accordance with the provisions of Article 33.

15. **Condemnation.**

A. Should a court of competent jurisdiction make a final determination that any governmental body, agency or other authority may condemn the Leased Premises or any portion thereof, then if, at any time during the term of this Lease, there shall be a total taking or a constructive total taking (as defined in the Major Lease) of the Leased Premises in condemnation proceedings or by any right of eminent domain, or if the Major Lease shall be terminated as a result of a total taking or a constructive total taking of the Leased Premises demised under the Major Lease pursuant to Article 13 of the Major Lease, this Lease shall terminate and come to an end as of the date of such condemnation or taking and the Basic Rent and other charges payable by Lessee hereunder shall be apportioned and paid to the date of such condemnation or taking (provided, however, that there shall be no adjustment, apportionment or refund of any of the rental payments which became due and payable prior to the date of such taking or Ground Lease termination, except with respect to Sponsor Transfer Fees and Shareholder Transfer Fees, which shall be amortized over the period from the date of payment through the remainder of the term of the Ground Lease.) In the event of such total taking, subject to the rights of the landlord under the Major Lease, the condemnation award will be allocated to Lessor and Lessee according to their respective interests in the Leased Premises immediately prior to such termination of this Lease (as such value shall have been determined in accordance with the provisions of Paragraph 13 of the Major Lease), after payment of any indebtedness secured by mortgages on the Leased Premises.

B. In the event that there shall be a taking less than a constructive total taking or a temporary taking of all or a part of the Leased Premises, and the Major Lease shall not have been terminated, this Lease shall terminate as to the portion taken, but shall continue in full force and effect as to the balance thereof. Lessee shall be obligated to restore the portion of the Leased Premises affected by such taking in accordance with the terms of the Lease. Lessee's obligation to pay rental hereunder shall be pro-rated in proportion to that portion of the Leased Premises which remains after such taking, provided, however, that there shall be no adjustment, apportionment or refund of any of the rental payments which became due and payable prior to the date of such taking, or Lease termination, except with respect to Sponsor Transfer Fees and Shareholder Transfer Fees, which shall be amortized over the period from the date of payment thereof through the remainder of the term of the Ground Lease.

C. Lessee shall receive: (i) upon receipt by Lessor, all Condemnation Proceeds (as such term is defined in the Major Lease) distributed to Lessor, as tenant under the Major Lease, with respect to the portion of the Buildings affected by the taking in accordance with Article 13 of the Major Lease, less Lessor's reasonable expenses in obtaining such Condemnation Proceeds (which expenses shall be ratably allocated by Lessor among all portions of the premises demised under the Major Lease so taken), and (ii) all Condemnation Proceeds to which Lessee might otherwise be entitled as Lessee hereunder or as sublessee under the Major Lease.

D. Notwithstanding anything to the contrary contained in this Article, in the event of any permanent or temporary taking of all or any part of the Leased Premises, Lessee and its sublessees shall have the exclusive right to assert claims for any trade fixtures and personal property so taken which were the property of Lessee or its sublessees (but not including any

equipment) and for relocation expenses of Lessee or its sublessees, and all awards and damages in respect thereof shall belong to Lessee and its sublessees; provided, however, that if there shall be no separate award for such trade fixtures or personal property so taken, but amounts therefor are stipulated by the court to be included within an award, then any claims of Lessee and its sublessees against such awards or damages (as well as any other awards or damages that Lessee shall be entitled to under this Article 15) shall be superior to Lessor's claims under this Article.

E. If Lessor acquires the fee interest in the Leased Premises, the fee title to the Leased Premises and the leasehold estate of the Lessor created under the Major Lease shall not merge, but shall remain separate and distinct. In such case, Lessor shall always be entitled to receive such portion of the Condemnation Proceeds, with interest thereon, as shall represent compensation for the value of the land of the Leased Premises then considered as vacant and unimproved land subject to this Lease as of the day of the taking, plus consequential damages, if any, to the portion of the land constituting the Leased Premises not so taken.

F. Disputes arising under this Article 15 shall be subject to arbitration in accordance with the provisions of Article 33.

16. **Leasehold Mortgages.**

As used in this Article 16, the following terms shall have the meanings set forth below:

Institutional Lender: A savings and loan association, savings bank, commercial bank or trust company, insurance company, educational institution, welfare, pension or retirement fund or system, any other entity subject to supervision and regulation by the insurance or banking departments of the State of New York or by a department or agency of the United States exercising similar functions (or any successor department or departments hereafter exercising the same functions as said departments), any governmental agency or entity insured by a governmental agency, a finance company, a private mortgage company, a conduit or pooled mortgage investment fund, a real estate investment trust, an investment bank, or any other lender generally considered an "institutional" real estate lender or a real estate investment trust or other non-bank entity that regularly deals with real estate and/or which makes loans secured by real estate as an ordinary part of its business, provided that in order for any of such entities to be included as an "Institutional Lender," it shall be subject to service of process within New York State and shall either (i) have a net worth of at least $20,000,000 and assets that have a value of at least $10,000,000 (each of such figures to be Adjusted for Inflation as of the fifth anniversary of the date of this Second Amendment and on each fifth anniversary of such date throughout the term of this Lease), or (ii) be a real estate mortgage investment conduit ("REMIC") or similar vehicle so long as the mortgage held by the REMIC or similar vehicle is serviced by an entity that meets the requirements of clause (i) above or by a rated servicer, or (iii) any entity controlled by any of the entities described in clause (i) or (ii) above. An entity meeting the foregoing requirements shall be deemed an Institutional Lender whether acting individually or in a fiduciary capacity. As used herein, "Senior Leasehold Lender" shall, in the case that there shall be more than one Leasehold Lender, refer to the Leasehold Lender who holds the Leasehold Mortgage that is recorded prior to any subsequent Leasehold Mortgage(s). Notwithstanding the foregoing, (i) (a) Oritani Finance Company or

a nominee or designee which it controls, and any assignee(s) thereof (collectively, "OFC") shall be deemed an Institutional Lender and, (b) by delivery of the OFC Leasehold Mortgage, receipt of which Lessor hereby acknowledges, OFC has satisfied all notice requirements of a Lender Notice and is hereby recognized as the Senior Leasehold Lender, which position OFC shall be deemed to hold (and shall be entitled to all of the rights and benefits afforded to the most senior Leasehold Lender under this Lease) unless and until (x) OFC notifies Lessor in writing that OFC is no longer the most senior Leasehold Lender or (y) Lessor obtains commercially reasonable evidence that the Leasehold Mortgage in favor of OFC has been satisfied of record, and (ii) the Sponsor or any affiliate or designee thereof shall be deemed an Institutional Lender with respect to any loan, credit or financial support extended pursuant to the Affordability Plan or the Offering Plan.

Taking shall mean a taking of all or any part of the Leased Premises, or any interest therein or right accruing thereto including any right of access, by or on behalf of any governmental authority or by any entity granted the authority to take property through the exercise of a power of eminent domain granted by statute, any agreement that conveys to the condemning authority all or any part of the Leased Premises as the result of, or in lieu of, or in anticipation of the exercise of a right of condemnation or eminent domain, or a change of grade affecting the Leased Premises. The date of the Taking shall be deemed to be the date that title vests in the condemning authority or its designee.

Award shall mean the condemnation award and/or proceeds of the Taking, including any interest earned on the Award.

A. Lessee may, from time to time, grant to any Institutional Lender providing financing or refinancing to Lessee with respect to the Leased Premises, or any portion thereof, a mortgage lien encumbering Lessee's interest in the Leased Premises and its interest in, to and under the Ground Lease, together with an assignment of leases and rents and a security interest in any personal property owned by Lessee, in order to secure the repayment of such financing, including interest thereon, and the performance of all of the terms, covenants and agreements on the Lessee's part to be performed or observed under all agreements executed in connection with such financing or refinancing (collectively, a "Leasehold Mortgage;" and each holder of a Leasehold Mortgage or a designee or nominee controlled by such party or its successor or assign, a "Leasehold Lender"). No such Leasehold Mortgage, lien or security interest shall attach to, affect or be a lien or encumbrance upon Lessor's interest in the Ground Lease or the Leased Premises or any part thereof nor shall any such assignment affect Lessor's interest in the Ground Lease. Lessee may have one or more Leasehold Mortgages at any time. With the exception of the rights granted to a Leasehold Lender pursuant to the provisions of this Article 16, the execution and delivery of a Leasehold Mortgage does not give nor shall be deemed to give any Leasehold Lender any greater rights against Lessor than those granted to Lessee hereunder. Notwithstanding the foregoing, there shall be no limit on the amount or nature of the obligations secured by a Leasehold Mortgage, the Leaseholder Lender's exercise of any rights or remedies against Lessee under any Leasehold Mortgage, or any creation of participation or syndication interests in any Leasehold Mortgage or on any subsequent assignment, transfer or hypothecation of any Leasehold Mortgage, provided the holder of the Leasehold Mortgage shall be an Institutional Lender.

B. Lessee shall give Lessor prompt notice of each Leasehold Mortgage, together with contact information for notices to the Leasehold Lender (such notice and/or any notice given by Lender to Lessor of its contact information shall be given in the manner otherwise provided herein for the giving of notices generally, collectively, the "Lender Notice"). Each Lender Notice shall be accompanied by a complete copy of each Leasehold Mortgage (including all documents and instruments comprising the Leasehold Mortgage) and all amendments, extensions, modifications and consolidations thereof, certified as such by Lessee. Lessee hereby agrees that if Lessee fails to comply with these conditions and procedures, the Leasehold Mortgage shall not be entitled to the protection of this Article unless and until the conditions and procedures set forth in this Paragraph B have been complied with by Lessee. If at any time a Lender Notice is delivered there is (or will be) more than one Leasehold Mortgage, then each Lender Notice shall state the order of priority of each Leasehold Lender's interest. Lessor, without liability to Lessee or any Leasehold Lender, may rely on the statement contained in such Lender Notice. Lessor hereby acknowledges that OFC has satisfied all requirements under this Lease with respect to delivering the Lender Notice and the Leasehold Mortgage and that OFC is the Senior Leasehold Lender.

C. Lessor shall give OFC and each other Leasehold Lender from whom Lessor has received a Lender Notice, in the manner provided by the notice provisions of the Ground Lease, a copy of each notice of default under the Ground Lease or the Major Lease or other notice that relates to a condition impairing or materially adversely affecting (i) the Lessee's interest in the Ground Lease, or (ii) the Leasehold Mortgage given by Lessor to Lessee, at the same time that Lessor gives such notice of default to Lessee or promptly thereafter. No such notice of default given by Lessor to Lessee shall be effective unless and until a copy of such notice shall have been so given to each such Leasehold Lender at the last address furnished to Lessor. After receipt of a Lender Notice, Lessor shall give such Leasehold Lender, in the manner provided by the notice provisions of the Ground Lease, a copy of each notice of default or other notice that relates to a condition impairing or materially adversely affecting the Leasehold Mortgage given by Lessor to Lessee, at the same time that Lessor gives such notice of default to Lessee or promptly thereafter. No such notice of default given by Lessor to Lessee shall be effective unless and until a copy of such notice shall have been so given to each such Leasehold Lender at the last address furnished to Lessor. Notice to a Leasehold Lender shall be deemed given on the date received by the Leasehold Lender. The Leasehold Lender shall have the right, but not the obligation (except as provided in the next section), to cure such default or to cause such default to be cured, within the time periods set out in Paragraph D below.

D. Lessor shall not exercise its right to terminate the Ground Lease following a default by Lessee if:

(i) As to a monetary default, the Leasehold Lender cures such default on or before the date that is the later of (x) thirty (30) days after the date such default is required to be cured by Lessee under the terms of the Ground Lease and (y) thirty (30) days after the date Leasehold Lender is given notice of Lessee's default; and

(ii) As to a non-monetary default, (x) Lessor receives written notice from the Leasehold Lender (the "Lender Cure Notice"), within thirty (30) days after Leasehold Lender is given Lessor's notice of Lessee's default, that Leasehold Lender agrees to remedy the

default, and (y) Lender cures such default on or before the date that is the later of (A) sixty (60) days after the date such default is required to be cured by Lessee under the terms of the Ground Lease, and (B) sixty (60) days after the date Leasehold Lender is given notice of Lessee's default, provided, however, that if any non-monetary default is not capable of being remedied by the Leasehold Lender within such time period, Leasehold Lender shall have such greater period of time as is necessary to cure such default if Leasehold Lender shall:

(x) commence to remedy the default within such period and shall diligently continue to prosecute such cure to completion, or

(y) if possession of the Leased Premises is required in order to cure such default, institutes judicial or non-judicial foreclosure proceedings within such sixty (60) day period and diligently prosecutes such proceedings or other proceeding to have a receiver appointed (subject to any stay in any bankruptcy proceeding or other proceedings affecting Lessee, so long as such stay or injunction has not been lifted) in order to obtain possession directly or through a receiver, and, upon obtaining such possession, commences promptly to cure the default and diligently prosecutes the same to completion, provided that, during the period in which such action is being taken and any foreclosure proceedings are pending, all of the other obligations of Lessee under the Ground Lease, to the extent they are reasonably susceptible to being performed by Leasehold Lender without taking possession of the Leased Premises, shall be performed within the cure periods otherwise provided.

If such non-monetary default is of such a nature that it cannot be cured by Leasehold Lender (for example, the bankruptcy of Lessee), and if Leasehold Lender succeeds Lessee to the position of Lessee hereunder, Lessor shall not terminate the Ground Lease by reason of such default unless the Leasehold Lender consents in writing to such termination, and Leasehold Lender is otherwise performing all other obligations of Lessee under the Ground Lease.

E. At any time after the delivery of the Lender Cure Notice, Leasehold Lender may notify Lessor, in writing, that it has relinquished possession of the Leased Premises, or that it will not institute foreclosure proceedings, or, if such proceedings have been commenced, that it has discontinued or will discontinue such proceedings, and that it relinquishes all right to a New Lease (the "Abandonment Notice"). In such event, Leasehold Lender shall have no further obligation to cure Lessee's default(s). Lessor may, at any time after receipt of such Abandonment Notice or upon Leasehold Lender's failure to comply with the requirements of Paragraph D above, terminate the Ground Lease in accordance with the terms thereof, without any obligation to give Leasehold Lender a New Lease.

F. Subject to the preceding sections, no Leasehold Lender shall become liable under the provisions of the Ground Lease, or any lease executed pursuant to this Article, unless and until such time as it becomes, and then only for as long as it remains, the Lessee under the leasehold estate created by the Ground Lease. No Leasehold Lender shall have any personal liability under the Ground Lease except to the extent of its interest in the Ground Lease, even if it becomes Lessee or assumes the obligations of Lessee under the Ground Lease.

G. Subject to Paragraph D, Leasehold Lender has no obligation to cure any default of Lessee under the Lease.

H. If the Ground Lease is terminated for any reason, or if the Ground Lease is rejected or disaffirmed pursuant to any bankruptcy, insolvency or other law affecting creditors' rights, Lessor shall give prompt notice thereof to OFC and each of the other then Leasehold Lenders whose contact information Lessor has received in a Lender Notice, in the manner provided by the notice provisions of the Ground Lease. Lessor, upon written request of OFC or, if OFC has notified Lessor that OFC is no longer the senior Leasehold Lender, any such other Leasehold Lender (or if more than one Leasehold Lender makes such request, the Leasehold Lender whose Leasehold Mortgage has the most senior lien), made any time within thirty (30) days after the giving of such notice by Lessor, shall promptly execute and deliver to OFC, as the Senior Leasehold Lender, or if OFC is no longer the senior Leasehold Lender, such other Leasehold Lender (or any designee or nominee of OFC or such other Leasehold Lender, as the case may be) a new lease of the Leased Premises (the "New Lease"), naming OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender or its designee as the Lessee under the Ground Lease, for the remainder of the Term upon all of the terms, covenants, and conditions of the Ground Lease (including options to extend the term of the Ground Lease, if any) except for such provisions that must be modified to reflect such termination, rejection or disaffirmance, if OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender, as the case may be, shall pay to Lessor, concurrently with the delivery of such New Lease, all unpaid Rent due under the Ground Lease up to and including the date of the commencement of the term of such New Lease, and all expenses, including, without limitation, reasonable attorneys' fees and disbursements and court costs incurred in connection with any such termination, rejection or disaffirmance of this Lease and the preparation of the New Lease. (If at any time Lessor enters into a New Lease with Leasehold Lender any portion of the Leased Premises shall have been subjected to a condemnation, then Lessor's obligation to enter into a New Lease with OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender, shall be for the Leased Premises as reduced.) OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender or its designee shall execute and deliver to Lessor such New Lease within thirty (30) days after delivery of such New Lease by Lessor to Leasehold Lender. If OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender, or its designee or nominee, as the case may be, fails to execute and return the New Lease within such thirty (30) days period, Lessor may notify the OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other such Leasehold Lender, designee or nominee that Lessor is withdrawing the New Lease, whereupon OFC or, to the extent that OFC is no longer the Senior Leasehold Lender, such other Leasehold Lender, designee or nominee shall have no further rights to a New Lease. Upon execution and delivery of such New Lease, except with respect to defaults which are not capable of being cured by the applicable Leasehold Lender, such Leasehold Lender shall cure or cause to be cured, within the time periods set forth in this Lease, all defaults existing under the Ground Lease immediately before its termination of which such Leasehold Lender had received notice of prior to the termination of the Lease (the time to cure determined as if such time periods commenced as of the date of the New Lease). The execution of a New Lease shall not constitute a waiver of any default existing immediately before termination of this Lease of which such Leasehold Lender had received notice of prior to the termination of the Lease and, except for a default which is not susceptible of being cured by the Leasehold Lender, the tenant under the New Lease shall cure, within the time periods set forth in the Lease, all defaults existing under this Lease immediately before its termination, which such

Leasehold Lender had received notice of prior to the termination of the Lease (the time to cure determined as if such time periods commenced as of the date of the New Lease).

I. The New Lease and the leasehold estate created thereby shall, have the same priority as this Ground Lease, provided, however that Lessor shall not be deemed to have represented or covenanted that such New Lease shall be superior to the claims of any prior tenant, its creditors, a judicially appointed receiver or trustee for such tenant, or any other person or entity claiming priority, by operation of law or otherwise, through, under, or by virtue of the acts of, any prior tenant. Concurrently with the execution and delivery of a New Lease, Lessor shall assign to the tenant named therein all of its right, title and interest to moneys (including insurance proceeds and condemnation awards), if any, then held by, or payable to Lessor that lessee would have been entitled to receive but for the termination of this Lease. With respect to any moneys held by Lessor under the terms of the Ground Lease that would not be payable to Lessee if the Lease had not been terminated, Lessor shall continue to hold, and to disburse such moneys, in accordance with the terms of the Ground Lease. Notwithstanding anything to the contrary herein contained, nothing in this Ground Lease is intended to alter or impair the rights of any party hereto, or the rights of any Institutional Lender, as such rights exist under the Major Lease, including, without limitation, the provisions of Paragraphs 12 and 14 of the Major Lease. If Lessor mortgages or otherwise encumbers its estate under and interest in this Ground Lease and/or its estate under or interest as lessee under the Major Lease, any such mortgage or other encumbrance shall be subject and subordinate to the Lessee's and each Leasehold Lender's respective interests in and under this Ground Lease and/or the Major Lease. In addition, the holder of any such mortgage or other encumbrance shall enter into a written agreement in favor of Lessee and each Leasehold Lender, substantially similar in form and substance to the provisions of the Subordination Agreement annexed to this Lease as **Exhibit I**. Lessor shall not subordinate its interest under the Major Lease without the consent of Lessee and all Leasehold Lenders. Lessor shall not subordinate its interest under the Ground Lease (inclusive of this Second Amendment) without the consent of Lessee and all Leasehold Lenders. Lessee shall not subordinate their interest in the Ground Lease to any mortgage or other encumbrance without the consent of all Leasehold Lenders, except as otherwise elsewhere in this Lease expressly provided, and provided further, however, that nothing herein shall limit the rights of any owner of a cooperative apartment formed pursuant to the Affordability Plan from obtaining a cooperative end loan and granting to the lender providing such loan such ordinary and customary security interests then given to lenders on cooperative apartments in the City of New York.

J. If a Leasehold Lender has timely requested a New Lease, Lessor shall not, between the date of termination of the Ground Lease and the date of execution of the New Lease, without the written consent of such Leasehold Lender, with respect to the Residential Portion or the Commercial Portions only, terminate any sublease, disturb the occupancy, interest or quiet enjoyment of any sublessee, or accept any cancellation, termination or surrender of such sublease (unless such termination or disturbance shall be effected as a matter of law on the termination of the Ground Lease or is pursuant to the provisions of such sublease(s)) or enter into any lease of all or part of the Leased Premises (other than a new lease with a sublessee entitled to a new lease pursuant to the terms of a subordination, non-disturbance and attornment agreement or similar agreement), which consent of such Leasehold Lender shall not be unreasonably withheld, conditioned or delayed. Upon the execution and delivery of a New Lease under this Article, all security deposits of sublessees and all prepaid rent moneys of sublessees that are in Lessor's

possession shall be transferred to the Lessee under the New Lease, and all such leases that have been made by Lessor, shall be assigned and transferred, without recourse, by Lessor to the Lessee named in such New Lease. Lessor may continue to sublease, or accept any cancellation, termination of surrender of any portion of the Retail Portion without consent of Leasehold Lender.

K. If more than one Leasehold Lender has requested a New Lease, and the Leasehold Lender whose Leasehold Mortgage had the most senior lien does not execute a New Lease or does not fully comply with the provisions of this Article regarding the delivery of such New Lease, Lessor shall continue to offer, seriatum in order of the priority of their respective Leasehold Mortgages, such New Lease to the remaining requesting Leasehold Lenders, who shall have ten (10) days from the date of receipt of such offer to execute such New Lease and to fully comply with the provisions regarding the delivery of such New Lease, until the earlier of (a) the execution and delivery of a New Lease and (b) the expiration of the offer period for the requesting Leasehold Lender whose lien is most junior. As long as any Leasehold Lender shall have the right to enter into a New Lease with Lessor pursuant to this section, Lessor shall not, without the prior written consent of all Leasehold Lender(s) that continue to have potential succession rights to a New Lease, terminate any sublease, disturb the possession, interest or quiet enjoyment of any sublessee, or accept any cancellation, termination or surrender of any such Sublease (unless such termination or disturbance shall be effected as a matter of law on the termination of the Ground Lease or is pursuant to the provisions of such sublease(s)) or enter into a lease of all or part of the Leased Premises (except for a New Lease with a Leasehold Lender entitled to such New Lease or a new lease with a sublessee entitled to a new lease pursuant to the terms of a subordination, non-disturbance and attornment agreement or similar agreement), except that Lessor may continue to sublease, or accept any cancellation, termination of surrender of any portion of the Retail Portion without consent of any Leasehold Lender. If no Leasehold Lender has the right to be offered a New Lease, Lessor shall be free of all obligations to the Leasehold Lenders and shall be free to lease all or any part of the Leased Premises at Lessor's sole discretion.

If more than one Leasehold Lender has exercised any of the rights afforded by this Article 16, then, unless otherwise provided in the Leasehold Mortgage most senior in lien (or otherwise acknowledged in writing by the holder thereof) or consented to by the holder thereof, only that Leasehold Lender, to the exclusion of all other Leasehold Lenders, whose Leasehold Mortgage is most senior in lien shall be recognized by Lessor as having exercised such right, for so long as such Leasehold Lender shall be exercising its rights under this Ground Lease with respect thereto, with reasonable diligence, and thereafter, successively, the Leasehold Lenders whose Leasehold Mortgages are next most senior in lien shall be recognized by Lessor, in order of seniority, unless any such Leasehold Lender has designated, in writing, a Leasehold Lender whose Leasehold Mortgage is junior in lien to exercise such right. If the parties shall not agree on which Leasehold Mortgage is prior in lien, such dispute shall be determined by a then current certificate of title obtained by Lessor or Lessee, at Lessee's sole expense, issued by a title insurance company licensed to do business in the State of New York and selected by Lessor, and such determination shall bind the parties. Notwithstanding the forgoing, Lessor shall recognize OFC as the most senior Leasehold Lender unless and until (x) OFC notifies Lessor in writing that OFC is no longer the most senior Leasehold Lender or (y) Lessor obtains commercially

reasonable evidence that the Leasehold Mortgage in favor of OFC has been satisfied of record, or assigned to another Leasehold Lender.

L. Lessor's agreement to enter into a New Lease with Leasehold Lender shall be unaffected by the rejection of the Ground Lease in any bankruptcy proceeding by either Lessor or Lessee. The provisions of this Article shall survive the termination, rejection or disaffirmance of the Ground Lease and shall continue in full force and effect thereafter to the same extent as if this Article were a separate and independent contract made by Lessor, Lessee and Leasehold Lender. The provisions of this Article are for the benefit of Leasehold Lender and may be relied upon and shall be enforceable by Leasehold Lender as if Leasehold Lender were a party to the Ground Lease.

M. Until each Leasehold Lender has been given a Lender Cure Notice (in the case of multiple Leasehold Lenders, the cure periods shall run concurrently) and the Ground Lease has been terminated, Lessor shall have no right and expressly waives any right arising under applicable law in and to the rentals, fees, and other amounts payable to Lessee under any Sublease, to the extent such rentals and fees are assigned by Lessee to Leasehold Lender.

N. If one or more Leasehold Mortgages is in effect, then, without the prior written consent of every Leasehold Lender that has delivered the Lender Notice to Lessor: (a) the Ground Lease shall not be modified, amended or terminated by the parties hereto, and (b) the Leased Premises shall not be surrendered by Lessee, and Lessor shall not accept any such surrender of the Leased Premises by Lessee. Notwithstanding the foregoing, (i) the Ground Lease may be terminated by the parties, and the Leased Premises surrendered by Lessee in connection with such termination, in connection with a casualty or condemnation solely in accordance with the terms of the Ground Lease, and (ii) Lessor may terminate the Ground Lease by reason of Lessee's default in accordance with the terms and conditions of the Ground Lease, subject to the Leasehold Lender's rights under this Article. If a Leasehold Lender becomes the owner of the leasehold estate, such Leasehold Lender shall not be bound by any modification, amendment, or termination of the Ground Lease or Major Lease (as same affects the Leased Premises) made subsequent to the date of its Leasehold Mortgage and delivery to Lessor of the Lender Notice except for (i) a termination effected in connection with a casualty or condemnation in accordance with the terms of the Ground Lease or Major Lease, and (ii) a termination occurring by reason of Lessee's default, in accordance with the terms and conditions of the Ground Lease, subject to the Leasehold Lender's rights under this Article, and (iii) a modification or amendment effected with such Leasehold Lenders' consent.

O. If and when a Leasehold Lender or its nominee, designee, successor or assign succeeds Lessee as the Lessee under the Ground Lease or becomes the Lessee under a New Lease, as the case may be, it may assign the Ground Lease and/or sublease all or part of the Leased Premises with the consent of Lessor, which consent shall not be unreasonably withheld, delayed or conditioned, provided, however, any sale or assignment of the Lessee's interest under the Ground Lease in connection with a foreclosure or transfer in lieu of foreclosure shall not require the consent of Lessor.

P. Lessor shall, within twenty (20) days after it receives the request of any Leasehold Lender or prospective Leasehold Lender, provide an estoppel certificate as to such

matters pertaining to the Ground Lease as are reasonably requested by such Leasehold Lender or prospective Leasehold Lender.

Q. Leasehold Lender shall have the right to participate in the adjustment of losses with any insurance company with respect to any damage or destruction of the Leased Premises or any improvements thereon and Leasehold Lender shall have the right to supervise and control the receipt and disbursements of all insurance proceeds, provided, however, that Leasehold Lender shall make all such proceeds available for the restoration of the Leased Premises prior to applying such proceeds for any other purpose.

R. Subject to the terms hereof, if there is a Taking, Leasehold Lender shall have the right to participate in any condemnation proceedings and settlement discussions and shall have the right to supervise and control the receipt and disbursement of all Awards payable to Lessee, provided, however, that in the event of a partial Taking, Leasehold Lender shall make the Award available for restoration of the Leased Premises prior to disbursing any portion thereof for any other purpose.

S. If any dispute under the Ground Lease is required to be resolved by arbitration, every Leasehold Lender that has delivered the Lender Notice to Lessor shall have the right to participate in such proceeding and shall be given notice of its commencement at least twenty (20) days prior thereto.

T. There shall be no merger of the Ground Lease or the leasehold estate created by the Ground Lease with a fee interest in the Leased Premises by reason of the fact that the same entity may acquire, own or hold, directly or indirectly, the Ground Lease or the leasehold estate created by the Ground Lease and the fee estate in the Leased Premises, unless and until such entity and every Leasehold Lender shall join in a written instrument expressly providing for such merger and such instrument is recorded.

U. Lessor and Lessee shall each, from time to time, execute, acknowledge and deliver such further instruments, and perform such additional acts, as the other and/or a Leasehold Lender may reasonably request in order to effectuate the intent and purposes of this Article.

V. Notwithstanding anything contained in any Leasehold Mortgage or in this Article, it is understood and agreed that the rights of a Leasehold Lender shall be subject to this Lease. In the event of any inconsistency between the terms, covenants and conditions of this Lease and the terms, covenants and conditions of the Leasehold Mortgage, the terms, covenants and conditions of the Lease shall control. Notwithstanding any provisions of the Leasehold Mortgage to the contrary, the Lessee for all purposes shall be deemed to be the Lessee hereunder unless and until a Leasehold Lender or its nominee, designee, successors or assigns shall have acquired the Lessee's interest herein or a New Lease has been executed pursuant to this Article, as the case may be. Any Leasehold Mortgage granted hereunder shall make reference to the provisions of this Lease and shall provide that the Leasehold Mortgage and the rights of the Leasehold Lender thereunder are and shall be in all respects subject to all provisions of this Lease. Each Leasehold Mortgage shall contain the following provisions:

"This Mortgage is executed upon the condition (i) that no purchaser at any foreclosure sale shall acquire any right, title or interest in or to the lease hereby mortgaged (the "Lease") unless such purchaser, or the person, firm or corporation to whom or to which such purchaser's right has been assigned, in the instrument transferring to such purchaser or to such assignee the interest of Lessee under the Lease, assumes and agrees to perform all of the terms, covenants and conditions of the Lease thereafter to be observed or performed on the part of such Lessee, (but such liability shall not extend to any default of any prior Lessee except to the extent that Lessor gave Leasehold Lender notice of any such default in accordance with the terms of this Lease prior to such foreclosure sale or transfer-in-lieu of foreclosure), but only so long as such purchaser or assignee is the owner of such leasehold estate, (ii) that no further or additional mortgage or assignment of the Lease shall be made except in accordance with the provisions of the Lease and (iii) that a duplicate original of the instrument containing such assumption agreement, duly executed and acknowledged by purchaser or assignee and in recordable form, is delivered to Lessor promptly after the consummation of such sale or assignment."

"Subject to the applicable provisions of the Ground Lease (inclusive of the Second Amendment) the mortgagee agrees to have the proceeds of any insurance or the proceeds of any condemnation award applied to the repair or restoration of the Leased Premises to the extent such application is required by the provisions of the Lease."

W. Leasehold Lender shall provide Lessor (as lessee under the Sponsor-RIOC Sublease) a form of Subordination, Non-Disturbance and Attornment Agreement substantially in the form annexed hereto as **Exhibit G.**

X. Following conversion of the Leased Premises to a leasehold condominium and upon the release of one or more units from the lien of the OFC Leasehold Mortgage, the provisions of this Article 16 shall apply separately as to each of the condominium units to the extent that a new or consolidated leasehold mortgage shall be placed thereon by a Leasehold Lender.

17. **Estoppel Certificates.**

Lessor and Lessee (or any of the Unit Owners, as the case may be) shall, at any time and from time to time, within twenty (20) business days following receipt of written request from the other party, execute, acknowledge and deliver a written statement certifying: that this Lease is in full force and effect and unmodified (or, if modified, stating the nature and date of such modification); the commencement and then expiration dates of the term of the Lease; whether any options to extend the term have been exercised and describing such terms to which such option(s) relate; the dates to which the rent reserved hereunder has been paid and the amount of such rent; whether or not, to the best knowledge of the signer, the other party is in default in performance of any of its obligations under this Lease (and, if so, specifying each such default of which the signer shall have knowledge); if the signer is the Lessee, that Lessee is not in default of any of its obligations under this Lease; and as to such other matters regarding this Lease as may reasonably be requested. Failure to deliver such statement within said twenty (20) business days' period shall be conclusive as to the facts stated in the requested certification and binding upon the party who failed to deliver such certification.

18. **Right of First Negotiation.**

It has been contemplated that the reversionary interest of the City of New York as the Major Lessor in Roosevelt Island may be conveyed by the City of New York prior to the Ground Lease Expiration Date. Accordingly (a) if, and only if, the term of the Major Lease is extended beyond the present expiration date thereof, Lessor agrees that in connection with such an extension of the Major Lease, Lessor shall, commencing upon the earlier of (i) July 1, 2065, or (ii) ninety (90) days after the Major Lease has been amended to provide for an extension of the present expiration date thereof, negotiate in good faith, for a period of not less than two (2) months nor more than six (6) months, an extension of the Ground Lease at a then fair market rental, taking into account the terms of this Lease, the improvements on the Leased Premises and the use thereof, as well as the terms and conditions of the Affordability Plan (if same is still in effect). If Lessor and Lessee fail to agree on such a fair market rental during such negotiating period, then Lessor shall not lease the Leased Premises to a third party for a rental less favorable to Lessor than that contained in the final offer of Lessee in the course of the negotiations, without first again offering to Lessee the rights contained in this Paragraph; and (b) if, and only if, Lessor intends to sell its interest in the Leased Premises only (and not its interest under the Major Lease or its interest in the Leased Premises together with any other interests in property or properties on Roosevelt Island, it being specifically understood that this right does not apply to a proposed sale including any other properties or interests in Roosevelt Island, such a sale of Lessor's interest in the Leased Premises only is referred to in this Paragraph as a "Lessor Sale"), Lessor agrees that in connection with any such Lessor Sale, Lessor shall, prior to agreeing to a Lessor Sale with any other party, negotiate in good faith for a period of not less than two (2) nor more than six (6) months, a sale of the interest in the Premises proposed to be conveyed in the Lessor Sale, to Lessee, at a then fair market price, taking into account the terms of this Lease, the improvements on the Leased Premises and the use thereof, as well as the terms and conditions of the Affordability Plan (if same is still in effect). If Lessor and Lessee fail to agree on such a fair market price during such period, then Lessor shall not enter into an agreement with a third party for a Lessor Sale on terms less favorable to Lessor with respect to the Leased Premises than those contained in the final offer of Lessee in the course of the negotiations without first again offering to Lessee the rights contained in this Paragraph. Lessee's rights under this Paragraph shall be conditioned on there being no event of default under the Lease which remains uncured at any time during the negotiations described above or on the Ground Lease Expiration Date. Lessor's obligations under this Paragraph are subject to all legal requirements then in effect which would apply to Lessor Sales, including, without limitation, the requirements of the Public Authorities Accountability Act. Disputes arising under this Article 18 shall be subject to arbitration in accordance with the provisions of Article 33.

19. **Cooperation.**

The parties hereto agree to cooperate with one another to facilitate the expeditious implementation of the Affordability Plan.

20. **Assignment And Subletting.**

A. Except as set forth in Article 2 above with respect to the conversion of the Leased Premises to a leasehold condominium and cooperative conversion of the newly created

Residential unit to cooperative ownership, and except as otherwise provided in or contemplated by the Affordability Plan, including the sale, lease and financing from time to time of condominium units and cooperative apartments, including the Commercial Unit and Retail Unit, all of which is expressly permitted without the consent of Lessor or the payment of any fees, other than as otherwise expressly provided in this Lease, neither this Lease, nor the interest of Lessee hereunder, shall be assigned in its entirety by Lessee, nor shall Lessee sublet the Leased Premises as an entirety or substantially as an entirety, without the prior written consent of Lessor in each case. Following the acceptance date of the Offering Plan, Lessor's consent to Lessee's assignment of its entire interest in this Lease, or a subletting of the Leased Premises as an entirety or substantially as an entirety shall not be unreasonably withheld, delayed or conditioned.

B. Notwithstanding the provisions of Paragraph A set forth above, Lessee may assign its interest in this Ground Lease to North Town Phase II Associates, L.P., as the equitable and beneficial owner of the Lessee's interest in the Ground Lease, provided that North Town Phase II Associates, L.P. shall deliver to Lessor a written assumption of all of Lessee's obligations under this Ground Lease and the Affordability Plan in form reasonably satisfactory to Lessor, whereupon, at the request of North Town Phase II Houses, Inc., it shall be released from all liability, as the Lessee accruing under this Lease after such assignment. Alternatively, Lessor shall, at the request of Lessee, add North Town Phase II Associates, L.P., as a co-Lessee, under this Lease, with joint and several liability with Lessee, provided that North Town Phase II Associates, L.P., shall deliver to Lessor written assumption of joint and several liability with Lessee of Lessee's obligations under this Ground Lease and the Affordability Plan in form reasonably satisfactory to Lessor. The Lessee(s) hereunder, may at any time assign its (their) interest in this Ground Lease to the Board of Managers of the Condominium, as agent for all of the Unit Owners therein, provided that the Board of Managers shall deliver to Lessor a written assumption of all of Lessee's obligations under this Ground Lease, in form reasonably satisfactory to Lessor, whereupon, at the request of North Town Phase II Associates L.P. (or the then current Lessee), and provided there is no monetary default then outstanding under the Ground Lease, North Town Phase II Associates L.P. (and/or the then current Lessee(s)), shall be released from all liability as the Lessee hereunder, accruing under this Lease after such assignment, provided, however, that the Sponsor shall not be released from the obligations of Sponsor under Paragraph 13 of the Affordability Plan to fund an emergency line of credit or under Paragraph 12 of the Affordability Plan to fund $500,000 of the Special Sponsor Contribution at the Master Cooperative Closing.

C. Except in connection with the permitted transfers set forth in Paragraphs A and B above, any direct or indirect transfer of beneficial ownership in Lessee, whether by transfers of stock, partnership interests, interests in a limited liability company or otherwise, and whether in a single transaction or a series of related or unrelated transactions shall be deemed an "assignment" to which the provisions of this Article 20 shall apply. For purposes of this Paragraph, "beneficial ownership" shall mean the right to enjoy any of the benefits of ownership, economic, or otherwise, of an equity interest in Lessee. Notwithstanding the foregoing, "transfers" as referred to in the first sentence of this Paragraph C shall not include, and no consent of Lessor shall be required for: (i) in the case of a transfer by an entity, a transfer to an entity which is wholly owned, directly or indirectly, by the transferor, or by substantially the same principals of the transferor, (ii) transfers of up to 30% ownership interest in the beneficial

ownership of Lessee, so long as Charles A. Lucido, David B. Hirschhorn and/or Candee B. Chusid have control (as defined below) over the entity, or (iii) any transfer to, from or among Charles A. Lucido, David B. Hirschhorn and/or Candee B. Chusid, (iv) any transfer to or among existing limited partners and or general partners of the Partnership, or the principals thereof, including any security interest granted in connection with any such transfer (a list of the existing limited and general partners of the Partnership has been separately provided to Lessor) and/or their respective immediate family members (as defined in (v) following) or any entity owned or controlled by any of them, or (v) transfer to a person who is a member of the immediate family (whether by birth or marriage) of any such individual transferor (which includes for purposes of this definition a spouse, nephew or niece, grandchild, a brother or sister of the whole or half-blood of such individual or his spouse or a lineal descendant or ancestor (including an individual related by or through legal adoption) of any of the foregoing or a trust or family partnership (or a similar transfer the primary purpose of which shall be for estate planning purposes) for the benefit of any of the foregoing.) In addition, Lessor's consent shall not be required for an assignment of this Lease by Lessee named herein to Sponsor (IH Preservation Partners, LLC) or a merger between the Partnership and the Sponsor. As used herein, "control" shall mean direct or indirect ownership of more than fifty percent (50%) of each class of stock which is authorized to vote of a corporation or other majority equity and control interest if not a corporation or the possession, directly or indirectly, of power to direct or cause the direction of the management and policy of such corporation or other entity, whether through the ownership of voting securities, by statute or according to the provisions of a contract. Nothing herein contained shall limit or in any way abrogate the rights elsewhere in this Ground Lease or the Major Lease contained for the benefit of a Leasehold Lender.

D. Any dispute arising under this Article 20 shall be subject to arbitration as provided in Article 33 hereof.

21. **Repairs.**

A. Lessee, at its sole cost and expense, throughout the Term, shall keep and maintain the Leased Premises in good and safe order and condition, including without limiting the generality of the foregoing, and to the extent same are located on the Leased Premises, the Buildings, roofs, foundations and appurtenances thereto, all sidewalks, vaults, and railing; any water, sewer and gas pipes and mains and/or connections on or adjacent to but directly and exclusively servicing the Leased Premises (unless such pipes, mains and/or connections are maintained by New York City, the Consolidated Edison Company or any other utility or RIOC), and all other fixtures, machinery and equipment owned by lessee and used in the operation of the Building and shall make all repairs therein and thereon, interior and exterior, structural and non-structural, ordinary and extraordinary, and unforeseen and foreseen, necessary to keep the same in good and safe order and condition, howsoever the necessity or desirability therefor may occur, and whether or not necessitated by wear, tear or defects, latent or otherwise; provided, however, that Lessee's obligations with respect to restoration resulting from a casualty or condemnation shall be as provided in Articles 14 and 15 hereof. Notwithstanding the foregoing, Lessee's obligations with respect to the sidewalks in front of the Leased Premises along Main Street shall be to maintain the sidewalks adjacent to the Leased Premises in good order, condition and repair, reasonable wear and tear excepted. Notwithstanding the foregoing, for so long as the Sponsor RIOC Sublease remains in effect, Lessee shall have no obligations with respect to the sidewalks

in front of the Retail Portion, or as and to the extent set forth in the Sponsor RIOC Sublease, the Retail Portion, all of which shall be maintained by Lessor (or any sub-subtenant of Lessor) (other than Lessee) in good order and repair. Lessee shall not commit or suffer, and shall use all reasonable precaution to prevent waste, damage, or injury to the Leased Premises. When used in this Paragraph (A), the term "repairs" shall include all appropriate replacements and alterations. All repairs made by Lessee shall be substantially equal in quality and class to the original work and shall be made in compliance with the laws, regulations and rules applicable generally to all residential buildings of a similar nature to the Building on Roosevelt Island and with the laws, regulations, codes, and rules of New York City and all other Governmental Authorities, if and to the extent having jurisdiction over the Leased Premises, and as to policies of insurance, the New York Board of Fire Underwriters or any successor thereto.

B. Notwithstanding the provisions of Paragraph A above, Lessor shall be responsible for maintaining the AVAC system in good order and repair, and in compliance with all Requirements, including the AVAC compressor currently located in 575 Main Street. Lessee, or the owner of the Unit of those portions of the Building in which the AVAC system is located, shall provide Lessor, and Lessor's employees, contractors and agents access to such areas for repair and maintenance. Furthermore, Lessee shall not be required to change the existing improvements constructed under the Basic Documents, except as contemplated in the Affordability Plan with respect to the Qualifying Reserve Work.

C. Lessee, at its sole cost and expense, also shall repair, and keep clean and free from dirt, snow, ice, rubbish and obstructions, the Leased Premises.

D. Lessor shall have no duty or obligation to provide any utility services to the Buildings, other than with respect to the operation of the AVAC system, or as otherwise provided to other buildings on Roosevelt Island or on Roosevelt Island generally. Except as provided in Paragraphs A - C above, Lessee assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement and maintenance of the Leased Premises. Particularly, Lessee shall not clean nor require, permit, suffer nor allow any window in the Building to be cleaned from the outside in violation of Section 202 of the Labor Law or of the rules of the Industrial Board or other state, county or municipal department, board or body having or asserting jurisdiction.

E. Any dispute arising under this Article 21 shall be subject to arbitration as provided in Article 33 hereof.

22. **Changes, Alterations and Additions**

A. (i) Lessee shall not demolish, replace or materially alter the Buildings, or any part thereof, or make any addition thereto or construct any additional Buildings, whether voluntarily or in connection with a repair or restoration required by this Lease (any such action being herein referred to as a "Capital Improvement"), unless Lessee shall comply with the requirements set forth in this Article 22(A) and, if applicable, with the additional requirements set forth in Paragraph B.

(ii) Any Capital Improvement, when completed, shall be of such a character as not to materially reduce the value of the Leased Premises below, in a material manner, its value immediately before construction of such Capital Improvement was commenced, or change the use of the improvements in violation of the uses set forth in the Affordability Plan.

(iii) Any Capital Improvement shall be made in a good and workmanlike manner and in compliance with all applicable permits and authorizations, building codes and all Requirements, and in accordance with the approved plans and specifications, if any therefor and the orders, rules, regulations and requirements of any Board of Fire Underwriters having jurisdiction or any similar body exercising similar functions.

B. Material Capital Improvements. In addition to complying with the requirements of Paragraph A above, in connection with any single Capital Improvement the cost of which is reasonably estimated to exceed Five Hundred Thousand Dollars ($500,000), Adjusted for Inflation commencing on the fifth anniversary of the date of this Second Amendment and on each fifth anniversary of such date thereafter, (any such Capital Improvement shall be referred to herein as a "Material Capital Improvement"), the following additional requirements shall apply:

(i) Lessee shall furnish to Lessor preliminary plans for any Material Capital Improvement which it contemplates making, and, within ten (10) days of receipt of such plans, Lessor shall advise Lessee with reasonable specificity of any additional information which is required in order to consider Lessee's request. Following Lessor's receipt of such information, which may include complete set of plans and, specifications for the Material Capital Improvement and a copy of all plans and specifications which may be required by any Governmental Authority in connection with its enforcement of the applicable Requirements, Lessor shall respond to Lessee's request in accordance with the provisions of paragraph (iv) below. Following its review of the materials provided by Lessee, Lessor may also request such further information as it reasonably deems necessary to complete its review of Lessee's request for consent, and Lessor shall respond to Lessee within ten (10) days of receipt of such additional information as has been requested.

(ii) No Material Capital Improvement shall be undertaken until Lessee shall have procured the consent of Lessor to the plans and specifications, architect, contractor and major subcontractors applicable to such Material Capital Improvement, which consent shall not be unreasonably withheld, delayed or conditioned. A major subcontractor shall be one who provides (directly or indirectly) One Hundred Thousand Dollars ($100,000) or more of labor, materials or both, to the Leased Premises. No Material Capital Improvement shall be undertaken until Lessee shall have procured and paid for, insofar as the same may be required in connection with such Material Capital Improvement, all permits and authorizations of all Governmental Authorities having jurisdiction. Lessor shall not unreasonably refuse to join in the application for such permit or authorization, provided same is made without cost or expense to Lessor. Copies of all required permits and authorizations (needed to commence performance of a Material Capital Improvement) certified to be true copies thereof by Lessee shall be delivered to Lessor prior to the commencement of any Material Capital Improvement.

(iii) No Material Capital Improvement shall be undertaken until Lessee shall have delivered to Lessor insurance policies or certificates therefor issued by reasonable

insurers, bearing proof of the payment of premiums (which may be payable in installments) or accompanied by other evidence satisfactory to Lessor of such payments, for worker's compensation and employer liability insurance covering all persons employed by any general contractor engaged by Lessee.in connection with the Capital Improvement other than employees of Lessee and its agents and with respect to whom death or bodily injury claims could be asserted against Lessor, Master Lessor, Lessee or the Leased Premises, and, unless the liability insurance then in effect with respect to the Leased Premises shall cover the risk, Owner's protective liability insurance expressly covering the additional hazards resulting from the Capital Improvement with limits not less than those, and otherwise subject to the same conditions and requirements, set forth herein with respect to the liability insurance required thereunder.

(iv) Lessor shall notify Lessee of Lessor's determination with respect to any request for consent required under this Article 22 within thirty (30) days of Lessor's receipt of the plans and specifications and such other drawings, information or samples which Lessor shall reasonably have requested in accordance with this Article. If Lessor disapproves Lessee's plans and specifications, Lessor shall provide Lessee with a detailed written explanation for the reason such plans and specifications were disapproved, and suggestions as to what changes would make the request acceptable. If Lessor requests additional information or changes in the plans, Lessor shall respond within twenty (20) days after the resubmission of such requested information or revised plan. Lessor's failure so to notify Lessee within said time periods specified herein shall be deemed to constitute consent to such request. The reasonable and actual out-of-pocket cost of Lessor's review of all matters relating to a Material Capital Improvement shall be paid by Lessee.

(v) All Material Capital Improvements shall be carried out under the supervision of an architect licensed in New York selected by Lessee and approved by Lessor, which approval shall not be unreasonably withheld, delayed or conditioned. The estimates of cost made by such architect shall be binding upon both parties for the purposes of this Article 22.

C. Notwithstanding the provisions of this Ground Lease to the contrary, a Material Capital Improvement shall not include, and the provisions of this Ground Lease relating to Material Capital Improvements shall not apply to any of the foregoing:

(i) Installation of rooftop antenna, satellites or other rooftop appurtenances.

(ii) The Qualifying Reserve work set forth in the Affordability Plan (without regard to the actual cost) or any work done by Sponsor pursuant to the Offering Plan.

(iii) Any work with respect to the Commercial Portion.

(iv) Any work done by the current Lessee, Partnership or Sponsor prior to the Master Cooperative Closing, or after the Master Cooperative Closing during the Sponsor Control Period as will be defined in the Offering Plan.

(v) Any work relating to the plazas, play areas, walkways, handrails, landscaping, exterior lighting other than such areas as directly front on Main Street.

(vi) Any work required to comply with any Requirements or directives of insurance carriers or board of fire underwriters.

D. Any dispute under this Article 22 shall be subject to arbitration as provided in Article 33 hereof.

E. Lessor, or its designee, including Sponsor may use and develop the Commercial Unit for any lawful use consistent with the development of the Leased Premises as contemplated by the Affordability Plan. A list of pre-approved and prohibited uses for the Commercial Unit is annexed hereto as **Exhibit E**. The Offering Plan shall provide that Sponsor may not use the Commercial Unit for any uses other than those set forth on **Exhibit E** without the prior written consent of the Apartment Corporation, which consent shall not be unreasonably withheld, delayed or conditioned, and the Apartment Corporation's By-Laws shall provide for an expedited method of dispute resolution should a dispute arise with respect to the Apartment Corporation's grant or withholding of such consent. Sponsor shall report semi-annually to the Board of Directors of the Apartment Corporation on the general status of re-development of that portion of the Commercial Unit which was the pool area.

23. Requirements of Public Authorities and of Insurance Underwriters and Policies.

A. Lessee, at its sole cost and expense, promptly shall comply with any and all present and future laws, rules, orders, ordinances, regulations, statutes and requirements (hereinafter in this Section collectively called "Requirements") irrespective of the nature of the work required to be done, extraordinary as well as ordinary, of federal, state, city, county, borough or other governmental, public or quasi-public authorities which may now or hereafter have jurisdiction over the Leased Premises and of any applicable Fire Rating Bureau or other body exercising similar functions, affecting the Leased Premises, or any street, avenue and/or sidewalk comprising a part or in front thereof and/or any vault in or under the same, or requiring the removal of any encroachment, or affecting the maintenance, use of occupation of the Leased Premises, whether or not the same involve or require any structural change or additions in or to the Leased Premises, and irrespective of whether or not such changes or additions be required on account of any particular use to which the Leased Premises, or any part thereof, may be put; and Lessee also shall comply with any and all provisions and requirements of any insurance policy or policies required to be carried by Lessee under the provisions of this Lease. Notwithstanding the foregoing, Lessee shall not be required to perform any work or take any action with respect to conditions in or resulting from other properties adjacent to the Leased Premises (not owned, leased or occupied by Lessee), which conditions (i) do not result from the use, non-use or misuse of the Leased Premises or (ii) do not result from work performed or actions taken by Lessee.

B. Lessee shall have the right to contest the validity of any Requirements or the application thereof at Lessee's sole cost and expense. During such contest, compliance with any such contested Requirements may be deferred by Lessee upon condition that, before instituting any such proceedings, provided Lessee is not a Leasehold Lender, Lessee shall furnish to Lessor a surety company bond, a cash deposit or other security satisfactory to Lessor, securing compliance with the contested Requirements and payment of all interest, penalties, fines, fees and expenses in connection therewith. Any such proceeding instituted by Lessee shall be begun

as soon as is reasonably possible after the issuance of any such contested matters and shall be prosecuted to final adjudication with reasonable dispatch. Notwithstanding the furnishing of any bond, deposit or security, Lessee shall promptly comply with any such Requirements and compliance shall not be deferred if at any time the Leased Premises, or any part thereof, shall be in danger of being forfeited or lost or if Lessor shall be in danger of being subjected to criminal liability or penalty by reason of noncompliance therewith or if any mortgage then a lien on the Leased Premises would by reason of any such contest or delay, in the reasonable judgment of Lessor, be in danger of being put in default. Lessor agrees that it shall cooperate with Lessee in any such contest to such extent as Lessee may reasonably request, it being understood, however, that Lessor shall not be subject to any liability for the payment of any cost and expense in connection with any proceeding brought by Lessee and Lessee covenants to indemnify and save Lessor harmless from any such cost and expense.

24. **No Abatement of Rental.**

Except to the extent specifically set forth herein, there shall be no abatement, diminution or reduction of the Basic Rent or other sums, costs, expenses, charges, payments or deposits payable by Lessee hereunder or of the other obligations of Lessee hereunder under any circumstances.

25. **Intentionally Omitted.**

26. **Invalidity of Certain Provisions.**

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

27. **Miscellaneous.**

A. The liability of Lessor hereunder for damages or other monetary amounts shall be limited to Lessor's interest in the Leased Premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies covering or relating to the Leased Premises, any awards payable in connection with any condemnation of the Leased Premises or any part thereof, and any other rights, privileges, licenses, franchises, claims, causes of action other interests, sums or receivables appurtenant to the Leased Premises. Neither Lessor nor any such person nor any of the members, directors, officers, employees, agents or servants of either shall have any liability (personal or otherwise) hereunder beyond Lessor's interest in the Leased Premises, and no other property or assets of Lessor or any such person or any of the members, directors, officers, employees, agents or servants of either shall be subject to levy, execution or other enforcement procedure for the satisfaction of Lessee's remedies hereunder.

B. This Lease cannot be changed or terminated orally, but only by an instrument in writing executed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

C. This agreement shall be governed by and construed in accordance with the laws of the State of New York.

D. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by Law.

E. This Lease, as modified by this Second Amendment, the agreement to be entered into pursuant to Article 4(B)(v), the Commercial Space Agreement, the Sponsor-RIOC Sublease the Retail Settlement Releases referred to in Article 30 and the ancillary agreements specifically required to be executed pursuant to such documents (such as, e.g. Subordination, Non-Disturbance and Attornment Agreement) represent the entire agreement of the parties with respect to the Leased Premises, and, accordingly, all prior understandings and agreements between the parties with respect to the Leased Premises are merged into these agreements, which alone fully and completely express the agreement of the parties.

F. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted.

28. **Notices.**

Article 11 of the Ground Lease is amended to substitute as the address for the giving of notices for all parties to the Ground Lease, as hereby modified by this Ground Lease Modification Agreement, the address for all such parties contained herein. Any notice may also be given by (i) nationally recognized overnight delivery service providing receipted confirmation of the delivery (including but not limited to Federal Express, UPS, USPS) in which case the notice shall be deemed given on the next business day, or (ii) receipted hand delivery, in which case the notice shall be deemed given when delivered. A copy of any notice provided to Lessee shall be simultaneously and in like manner given to David B. Hirschhorn, Esq., 138 Goodhill Road, Weston, CT 06883.

29. **Reimbursement for Lessor's Expenses.**

Lessee shall pay to Lessor the sum of $100,000.00, as reimbursement to Lessor for the expenses it has incurred in connection with the Affordability Plan and this Second Amendment of Ground Lease (the "Reimbursement".) The Reimbursement shall be paid to Lessor upon the earlier of (i) the Master Cooperative Closing, or (ii) the third anniversary of the date of this Second Amendment. The Reimbursement shall constitute additional rent under the Ground Lease and in the event of a Lessee's failure to pay the Reimbursement, Lessor shall have all rights as in connection with a default in the payment of Basic Rent under the Ground Lease.

30. **Retail Settlement Fee.**

In full settlement of any and all claims which the Housing Company or Sponsor may have against Lessor with respect to Lessor's use of the Retail Portion prior to the date hereof, as and to the extent more fully set forth in the "Retail Release Agreement" (as defined

below), Lessor shall pay to Sponsor the sum of One Million and 00/100 Dollars ($1,000,000.00)(the "Retail Settlement Fee".) The Retail Settlement Fee shall be paid to Sponsor solely by crediting such amount against the first Sponsor Transfer Fees which become due and payable hereunder by Sponsor, so that, after application of such credit, the total Sponsor Transfer Fee payable pursuant to Article 6 shall be reduced from $4,500,000 to $3,500,000. In no event shall Lessor be obligated to pay any other sums to Sponsor or Housing Company in payment of the Retail Settlement Fee, nor shall Sponsor or Lessee be entitled to any abatement, deduction or other reduction of any other amounts due and payable under the Ground Lease other than the Sponsor Transfer Fees. If the Master Cooperative Closing does not occur for any reason whatsoever, and if, as a result thereof, no Sponsor Transfer Fees are payable to Lessor, the Retail Settlement Fee shall be reduced to One Dollar ($1.00.)

The parties shall exchange releases in the form annexed hereto as **Exhibit F** (the "Retail Release Agreement") to evidence the settlement of the Housing Company's and Sponsor's claims with respect to the Retail Portion. Nothing contained herein shall be deemed to (i) be a waiver by Lessor of its claims to lawful occupancy of the Retail Portion, (ii) prevent Lessor from the continued use of the Retail Portion prior to the commencement of the Sponsor-RIOC Sublease, such use to be on the same terms and conditions as Lessor has been occupying the Retail Portion prior to the date hereof, or (iii) prevent the future use of the Retail Portion, pursuant to the Sponsor-RIOC Sublease, as defined in Article 11 above.

If there is any dispute between the parties as to the manner in which the credit referred to in this paragraph is to be applied, such dispute shall be subject to arbitration in accordance with the provisions of Article 33. In no event shall the amount of the Retail Settlement Fee, the releases referred to in **Exhibit F** or the subject matter of such releases be subject to arbitration.

31. **Community Facilities Payments.**

If Lessor hereafter assesses a community facilities charge or other assessment of a similar nature, however denominated, for services provided by Lessor to one or more projects on Roosevelt Island (a "New Assessment"), then in determining the proportionate share of the New Assessment to be allocated to the Leased Premises, Lessor shall take into account the current allocation for Public Safety Fees currently charged to the Leased Premises (and to the other WIRE Buildings on Roosevelt Island known as "Westview", "Rivercross" and "Eastwoods") and charged to the other projects on Roosevelt Island which pay Public Safety Fees. Lessor shall seek to equitably equalize, on an aggregate basis, the charges paid by Lessee for Public Safety Fees and New Assessments with the Public Safety Fees and New Assessments being paid by all other projects on Roosevelt Island and under the jurisdiction of RIOC, or its successors. In making such allocation, Lessor may take into account any differences in the services being provided by Lessor to this Project and other projects on Roosevelt Island and in connection therewith, Lessee may waive any additional services provided to the Leased Premises and not provided to other projects on Roosevelt Island. Any dispute arising under this Article 30 shall be subject to arbitration in accordance with the provisions of Article 33.

32. **Affordability Plan.**

Lessor is entering into this Second Amendment in reliance on Lessee's agreement to comply with the terms of the Affordability Plan. Lessee's failure to comply with the terms of the Affordability Plan shall constitute a material default under the terms of this Lease, subject to the provisions of Section 10 of the Ground Lease with respect to notice, grace or cure periods which is applicable to this Article. The Affordable Rental Restrictions set forth in the Affordability Plan shall remain in effect whether or not the Offering Plan becomes effective or the Master Cooperative Closing occurs. If the Offering Plan does not become effective, or if Sponsor fails to consummate the conversion for any reason whatsoever, Sponsor shall not thereafter convert the Project to a cooperative and/or condominium form of ownership on terms substantially different than those terms set forth in the Affordability Plan without the prior consent of Lessor, DHCR and ESD.

33. **Arbitration.**

In such cases where this Lease expressly provides for the settlement of a dispute or question by arbitration, and only in such cases, the same shall be resolved by arbitration conducted in New York, New York, in accordance with the rules then obtaining at the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The party desiring arbitration shall appoint a disinterested person as arbitrator on its behalf and give notice thereof to the other party who shall, within fifteen (15) days thereafter, appoint a second disinterested person as arbitrator on its behalf and give written notice thereof to the first party. The arbitrators thus appointed shall appoint a third disinterested person, and said three (3) arbitrators shall, as promptly as possible, determine the matter which is the subject of the arbitration. The decision of the majority of the arbitrators shall be conclusive and binding on all parties and judgment upon the award may be entered in any court having jurisdiction. If a party who shall have the right pursuant to the foregoing to appoint an arbitrator fails or neglects to do so, then and in such event the other party (or if the two arbitrators appointed by the parties shall fail within fifteen (15) days after the appointment of the second arbitrator to appoint a third arbitrator), then either party may apply to any court of competent jurisdiction to appoint such arbitrator. In the event an arbitrator resigns, dies or refuses to perform his duties, his successor shall be appointed within ten (10) days by the party who originally appointed him or in the event such party shall fail to so appoint such successor, or in the case of the third arbitrator, his successor shall be appointed by the two remaining arbitrators within ten (10) days, or, if they are unable to agree, then either party, on behalf of both, may apply to any court of competent jurisdiction to appoint such arbitrator. The expenses of arbitration shall be shared equally by Lessor and Lessee but each party shall be responsible for the fees of its own attorneys. Lessor and Lessee agree to sign all documents and to do all other things necessary to submit any such matter to arbitration and further agree to, and hereby do, waive any and all rights they or either of them may at any time have to revoke their agreement hereunder to submit to arbitration and to abide by the decision rendered thereunder. The arbitrators shall have no power to vary or modify any of the provisions of this Lease, and their jurisdiction is limited accordingly. If any dispute requiring arbitration hereunder shall involve subject matter of a technical or specialized nature, the arbitrators selected hereunder shall be professionals with at least ten (10) years' experience in the appropriate discipline (i.e., certified

public accountants to resolve accounting disputes, licensed engineers or architects to resolve discrepancies in plans and specifications, etc.).

34. **Change in or Curtailment or Discontinuance of Island Services.**

Landlord reserves the right to change, curtail or discontinue any or all of the Island services currently provided by Lessor provided Lessor, changes, curtails or discontinues such service for all of the residential projects on Roosevelt Island in a non-discriminatory manner, and with the same adjustments, credits and other provisions available to such other projects, being available to this project, and, subject to the provisions of such limitation and Article 5 with respect to the adjustment of Public Safety Fees, shall not be liable to Lessee or subtenants if Lessor elects not, refuses, or fails to furnish any of all of such services, or for any injury to any Person or damage to the leased Premises or any property caused by, or resulting from the furnishing, curtailment or discontinuance of, or changes in , or any failure to furnish such services. Notwithstanding the foregoing, except in the case of emergency, Lessor shall give Lessee reasonable advance notice of the curtailment or discontinuance of the Roosevelt Island Tram or substitute bus service and ninety (90) days' notice of the discontinuance of the central pneumatic collection system for the disposal and removal of refuse (aka "AVAC Service"). Nothing contained herein shall be deemed to relieve Lessor from liability to Lessee by reason of the negligence or wrongful acts of Lessor, its agents or employees.

35. **Definitions.**

A. As of the date the ESD Mortgage is paid off, all references in the Ground Lease to "Basic Documents" and compliance therewith shall be deemed omitted, except with respect to the Commercial Space Agreement which shall remain in effect, as modified by the Sponsor-RIOC Sublease. As of the date hereof, all references in the Ground Lease to "Public Facilities" shall be deemed omitted.

B. The terms defined in this Section shall have the meanings herein specified:

(i) "Adjusted for Inflation" shall mean, with respect to any sum, that there shall be added to such sum (as previously adjusted), on an annual or other indicated periodic basis (such annual or other period, the "Specified Interval"), an amount equal to the product of (a) such sum (as previously adjusted) and (b) a fraction (i) the numerator of which is the difference between (A) the Consumer Price Index for the calendar month in which the last day of the Specified Interval falls and (B) the Consumer Price Index for the calendar month immediately preceding the commencement of the Specified Interval, and (ii) the denominator of which is the Consumer Price Index for the calendar month immediately preceding the commencement of the Specified Interval; provided, however, (x) if for any Specified Interval the difference between the index numbers in clauses (A) and (B) above is less than zero (0), such numerator shall be deemed to be zero (0) for purposes of calculating the applicable adjustment, and (y) the applicable adjustment for the Specified Interval immediately following a Specified Interval in which the preceding clause (x) shall have been applicable shall be determined by replacing clause (B) above in its entirety with the following: "(B) the Consumer Price Index for the calendar month immediately preceding the commencement of the most recent Specified

Interval for which the difference between the index numbers in clauses (A) and (B) above was more than zero (0)."

(ii) "Building" shall mean all the buildings (including footings and foundations), Equipment (hereinafter defined) incorporated into the Buildings, utilities and other improvements and appurtenances of every kind and description now located or hereafter erected, constructed, or placed upon the Leased Premises, and any and all alterations and replacements thereof, additions thereto and substitutions therefor.

(iii) "Consumer Price Index" shall mean the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the United States Department of Labor, for New York-Northern N.J.-Long Island, NY-NJ-CT-PA, all items (1982¬84 = 100), or any successor index thereto, reasonably agreed upon by Lessor and Lessee as provided herein, appropriately adjusted. In the event that the CPI is converted to a different standard reference base or otherwise revised, the determination of adjustments provided for herein shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc., or any other nationally-recognized publisher of similar statistical information. If the CPI ceases to be published, and there is no successor thereto, such other index as Lessor and Lessee shall agree upon in writing shall be substituted for the CPI. If Lessor and Lessee are unable to agree as to such substituted index, election of such substituted index shall be resolved by Arbitration.

36. **Ground Lease Ratification.**

Except as expressly set forth herein, Lessor and Lessee each hereby ratify and confirm the terms and conditions of the Ground Lease and agree to be bound thereby.

37. **Non-Recourse.**

Nothing contained herein shall limit or modify the non-recourse provision of Section 5.4 of the Equity and Regulatory Agreement dated as of October 30, 1972 by and among UDC, North Town Phase II Houses, Inc. and North Town Phase II Associates, LP, which provisions are incorporated herein by reference for the benefit of the Lessee hereunder, and for the benefit of its partners, members, and their successors, heirs and representatives. Notwithstanding the foregoing, the final proviso in Section 5.4 of such document regarding personal liability shall not be so incorporated herein and shall not be applicable to Lessee, but in place thereof, shall be added the following new proviso: "provided, further, that nothing contained herein shall preclude Lessor from enforcing the obligations of the Sponsor to pay the Sponsor Transfer Fee as and to the extent so provided in Article 6 of this Second Amendment, including the commencement of an action against the individual partners and members of the Sponsor, who shall be personally liable for the disgorgement of any funds distributed to them in violation of the provisions of this Second Amendment to the extent that such funds were otherwise due and payable to RIOC on account of the Sponsor Transfer Fee and, provided further, that the Sponsor entity failed to cure such default following notice and expiration of the applicable cure period." Except as expressly set forth in this Article 37, no other provisions of

such Equity And Regulatory Agreement shall govern or affect the rights of Lessor and Lessee hereunder.

38. **Valet License.**

Lessor agrees that it shall not unreasonably withhold delay or condition its consent to a request by Lessee for itself and on behalf of its sublessees, licensees, and occupants of the non-residential portions of the Project, for consent to install, maintain, replace and operate a valet stand on the sidewalk adjacent to MainStreet in between the Good Shepherd Church and the Island House Property, for the purpose of providing valet parking services to the Commercial Portions of Island House. Vehicles consigned to the valet shall be parked in the Motorgate and valets shall be permitted to operate electric golf cart style vehicles to and from the Motorgate to the valet area. The installation and operation of the valet stand shall be without unreimbursed cost to Lessor and shall comply with all reasonable rules and regulations of general applicability then in effect on Roosevelt Island for public safety, provided, however, that Lessor shall not impose or enforce any rule or regulation which shall have the practical effect of preventing the installation and operation of the valet for the purposes intended in this Article. Operation of the valet stand shall comply with all applicable permitting rules and regulations of the City of New York and the valet operator shall maintain insurance in scope and amounts as typically provided by valet operators in New York City serving first class restaurants. At Lessee's request, Lessor and Lessee shall reasonably cooperate with one another to implement a valet operation consistent with the foregoing. Any dispute arising out of this Article 38 shall be resolved by Arbitration pursuant to Article 33.

Signature Page Follows

IN WITNESS WHEREOF the parties hereto have caused this Second Amendment to Ground Lease to be duly executed as of the date set forth above.

LESSOR:

ROOSEVELT ISLAND OPERATING CORPORATION

By:_____
Donald B. Lewis
Vice- President and General Counsel

LESSEE:

NORTH TOWN PHASE II HOUSES, INC.

By:_____
David B. Hirschhorn, President

CONSENTED TO:

NEW YORK STATE URBAN DEVELOPMENT CORPORATION, doing business as EMPIRE STATE DEVELOPMENT

By:_____
Name:
Title:

NEW YORK STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL

By:_____
Name: Richard McGann
Title: Assistant Commissioner

AGREED AND ACCEPTED:

NORTH TOWN PHASE II ASSOCIATES, LP

By: Island House, Inc,. Its Managing General Partner

By:_____
David B. Hirschhorn, President

IH PRESERVATION PARTNERS, LLC, As Sponsor

By:_____
David B. Hirschhorn, Manager

IN WITNESS WHEREOF the parties hereto have caused this Second Amendment to Ground Lease to be duly executed as of the date set forth above.

LESSOR:

ROOSEVELT ISLAND OPERATING CORPORATION

By:_____
Leslie Torres, President

LESSEE:

NORTH TOWN PHASE II HOUSES, INC.

By:_____
David B. Hirschhorn, President

CONSENTED TO:

NEW YORK STATE URBAN DEVELOPMENT CORPORATION, doing business as EMPIRE STATE DEVELOPMENT

By:_____
Name: Frances A. Walton
Title: Chief Financial and Administrative Officer

NEW YORK STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL

By:_____
Name:
Title:

AGREED AND ACCEPTED:

NORTH TOWN PHASE II ASSOCIATES, LP

By: Island House, Inc,. Its Managing General Partner

By:_____
David B. Hirschhorn, President

IH PRESERVATION PARTNERS, LLC, As Sponsor

By:_____
David B. Hirschhorn, Manager

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 27 day of Sept in the year 2012 before me, the undersigned, personally appeared Richmond McCurnin personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

EDWARD DIAZ
Notary Public, State of New York
No. 03-4827127
Qualified in Bronx County
Certificate Filed in Bronx County
Commission Expires 10/1/13

Signature and Office of individual taking acknowledgment

STATE OF NEW YORK)
Westchester : ss.:
COUNTY OF ~~NEW YORK~~)

On the 28 day of September in the year 2012 before me, the undersigned, personally appeared Donald N. Lewis personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Signature and Office of individual taking acknowledgment

KATHLEEN ALBANESE
Notary Public, State of New York
No. 01AL4943133
Qualified in Westchester County
Commission Expires October 17, 2014

STATE OF NEW YORK)
Westchester: ss.:
COUNTY OF ~~NEW YORK~~)

On the 28 day of September in the year 2012 before me, the undersigned, personally appeared David B. Hirschhorn personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Signature and Office of individual taking acknowledgment

KATHLEEN ALBANESE
Notary Public, State of New York
No. 01AL4943133
Qualified in Westchester County
Commission Expires October 17, 2014

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 20th day of September in the year 2012 before me, the undersigned, personally appeared Frances Walter personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

LISA LIM
Notary Public, State of New York
No. 02LI5020568
Qualified in New York County
Commission Expires 11/22/2013

Signature and Office of individual taking acknowledgment

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of ___in the year 2012 before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Signature and Office of individual taking acknowledgment

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of ___in the year 2012 before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Signature and Office of individual taking acknowledgment

EXHIBIT A

DESCRIPTION OF PROPERTY

Title No. MAC-137.25042-NYS

SCHEDULE "A"
Page 1 of 2

Island House - Roosevelt Island

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, being a tract of land located on Roosevelt Island (formerly Welfare Island) in the County of New York, State of New York and more particularly described as follows:

COMMENCING at a monument designated SJR-4 and located at N 14,673.40, E 17,962.39; thence South 40 degrees 43 minutes 12 seconds West 500.95 feet to the southwest corner of Parcel 2 and 3 combined and the point of beginning, said point being the intersection of the east line of the West Promenade and the south line of Parcel 2 and 3 combined and located at N 14,293.73, E 17,635.59;

RUNNING THENCE along the south line of Parcel 2 and 3 combined, South 55 degrees 49 minutes 22 seconds East 281.04 feet to the west line of the main street and the southeast corner of Parcel 2 and 3 combined, located at N 14,135.85, E 17,868.09;

THENCE along the west line of the main street, South 22 degrees 03 minutes 00 seconds West 333.65 feet to the north line of the Good Shepherd parcel located at N 13,826.60, E 17,742.83;

THENCE along the north line of the Good Shepherd parcel, North 55 degrees 49 minutes 22 seconds West 143.11 feet;

THENCE North 34 degrees 10 minutes 38 seconds East 18.00 feet;

THENCE North 55 degrees 49 minutes 22 seconds West 69.00 feet to the west line of the Good Shepherd parcel located at N 13,960.65, E 17,577.46;

THENCE along the west line of the Good Shepherd parcel, South 34 degrees 10 minutes 38 seconds West 37.50 feet;

THENCE North 55 degrees 49 minutes 22 seconds West 15.50 feet;

THENCE South 34 degrees 10 minutes 38 seconds West 135.92 feet to the north line of Parcel 6 located at N 13,825.88, E 17,467.22;

continued....

This is not an offering. An offering may only be made pursuant to an offering plan accepted for filing by the New York State Department of Law. This Affordability Plan is intended to describe the method for withdrawal of the property from the Mitchell Lama Law in accordance with the regulations of the Division of Housing and Community Renewal.

THENCE along the north line of Parcel 6, North 55 degrees 49 minutes 22 seconds West 110.92 feet to the east line of the West Promenade located at N 13,888.20, E 17,375.45;

THENCE along the east line of the West Promenade, North 30 degrees 48 minutes 41 seconds East 50.34 feet;

THENCE North 32 degrees 53 minutes 47 seconds East 431.48 feet to the point or place of BEGINNING.

The coordinates used herein are related to the U.S. Army Corps of Engineers coordinate system as follows:

USACE Coordinates	Description Coordinates
S 11,393.254	N 10,000.00
W 842.168	E 15,000.00

EXCEPTING THEREFROM so much of the above described leased premises as was surrendered and released pursuant to *School Property Release Agreement* dated as of June 9, 1980, made by and among New York State Urban Development Corporation; North Town Phase II Houses, Inc.; Sovereign Construction Company, Ltd.; and North Town Phase II Associates, and recorded in the Office of the City Register of the City of New York, New York County, on June 16, 1980, in Reel 527 Page 884.

This is not an offering. An offering may only be made pursuant to an offering plan accepted for filing by the New York State Department of Law. This Affordability Plan is intended to describe the method for withdrawal of the property from the Mitchell Lama Law in accordance with the regulations of the Division of Housing and Community Renewal.

EXHIBIT B

AFFORDABILITY PLAN

ISLAND HOUSE

A PLAN FOR PRESERVATION OF AFFORDABLE HOUSING

AND

WITHDRAWAL FROM THE MITCHELL-LAMA PROGRAM

(THE "AFFORDABILITY PLAN")

July 25, 2012

General Statement: The purpose of this Affordability Plan is to provide a structure for the withdrawal of Island House from the Mitchell-Lama Program on terms that will preserve Island House as an affordable housing project for both existing tenants and future occupants. This Affordability Plan embodies the collective input of the New York State Division of Housing and Community Renewal ("DHCR"), the New York State Empire State Development Corporation ("ESDC"), the Roosevelt Island Operating Corporation ("RIOC"), the Island House Tenants Association ("IHTA") and the owner, North Town Phase II Associates, LP (including any successor, collectively, "Sponsor"). This Affordability Plan provides, among other things, a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership, the opportunity for (i) existing tenants to purchase their apartments at below market purchase prices, (ii) non-purchasing tenants to remain in their apartments at below market rents with increases promulgated by the New York City Rent Guideline Board (the "RGB"), with adjustments to reflect tenant income, and (iii) second generation affordability by limiting the resale prices of cooperative apartments and establishing maximum income levels for second generation purchasers (and beyond).

Affordability Plan Effective Date: This Affordability Plan contemplates the execution of a formal Ground Lease Modification Agreement incorporating the terms of this Affordability Plan. All parties agree to cooperate with one another in a good faith effort to prepare and execute such Ground Lease Modification Agreement (and the Sponsor-RIOC Sublease herein described) on or before July 31, 2012. DHCR shall issue its written authorization for withdrawal/dissolution from the Mitchell Lama Program in connection with the execution and delivery of the Ground Lease Modification Agreement. The provisions of this Affordability Plan will become operative and effective (the "Affordability Plan Effective Date") upon (i) the execution and delivery by all parties of the Ground Lease Modification Agreement, as contemplated by this Affordability Plan, and (ii) DHCR issuance of its final authorization for withdrawal/dissolution of the property from the Mitchell-Lama Program. Not later than 6 months after the Affordability Plan Effective Date, the Sponsor shall submit an Offering Plan to the NYS Department of Law consistent with the terms of this Affordability Plan, and shall thereafter take customary and reasonable steps to cause the Offering Plan to be accepted for filing, and otherwise implement and comply with the provisions of this Affordability Plan.

1. Cond-Op Conversion

(i) Sponsor will create a Condominium consisting of (a) a "Residential Unit," comprised of all of the residential apartments, and common areas serving the residential apartments, (b) one or more "Commercial Units," comprised of all of the non-residential areas such as the former pool area, management offices and commercial spaces, and (c) a "Retail Unit" comprised of the Main Street retail spaces known by the street addresses of 549, 559, 563, 567 and 579 Main Street.

(ii) The Residential Unit will be converted to a residential cooperative and transferred to a cooperative apartment corporation at a closing (the "Master Cooperative Closing") to be held as soon as practicable.

(iii) Sponsor may retain ownership of the Commercial Unit(s) and develop and use the same for any lawful use consistent with the development. A list of pre-approved uses and prohibited uses is attached hereto as Exhibit A. Any deviation from Exhibit A will require Cooperative Board approval, not to be unreasonably withheld, delayed, or conditioned and the Cooperative By-Laws shall provide for an expedited method for dispute resolution should a dispute arise as to the materiality of such deviation or the Cooperative Board's withholding or conditioning of consent. Sponsor will report semi-annually to the Cooperative Board of Directors on the general status of re-development of the pool area. Sponsor may sell, lease and/or mortgage all or any portion of the Commercial Unit(s), without consent, provided that any such transferee or lessee shall be subject to the provisions of this Affordability Plan as to use.

(iv) Sponsor and RIOC shall memorialize the new terms upon which RIOC will occupy the Retail Unit by entering into an agreement (the "Sponsor-RIOC Sublease"), in the nature of a net lease, pursuant to which, Sponsor will lease the Retail Unit to RIOC. The form and content of the Sponsor-RIOC Sublease shall be mutually agreed upon by Sponsor and RIOC, but shall include terms customarily found in a net lease for this type of property, as well as the following principal terms and conditions:

(a) Term: to commence on the Affordability Plan Effective Date and to expire December 21, 2068;

(b) Basic Rent: $2.40 (increasing 10% every five years) per square foot where the square footage is the greater of (i) 15,418, or (ii) the

aggregate rentable square footage used by Hudson Related Retail, LLC ("HRR") for its space rentals pursuant to the Master Sublease Agreement (the "Master Retail Sublease");

(c) Additional Rent: (i) TEP assessed with respect to the Main Street retail space (the future Retail Unit), (ii) Commercial Ground Rent assessed with respect to the Main Street retail space (the future Retail Unit), which is currently $0.60 per square foot, plus any future increases, and (iii) condominium common charges and assessments which are imposed against the Retail Unit (not to exceed $30,000 per annum, increasing at 3% per annum);

(d) All space and other leases affecting the Retail Unit must be subordinated to the condominium declaration and by-laws which shall be senior to all leases other than the NYC Master Lease and Ground Lease, provided that the Condominium shall enter into a recognition agreement whereby it shall give RIOC notice of any default given to the Retail Unit Owner and an opportunity to cure any such default;

(e) The Condominium declaration shall not provide for more restrictive uses of the Retail Unit than the uses permitted under the Master Retail Sublease. Sponsor will execute an SNDA with HRR generally in the form as attached to the Master Retail Sublease with such reasonable changes as Sponsor shall require.

(f) The Sponsor–RIOC Sublease and the Master Retail Sublease shall be subordinated to any mortgage of the Retail Unit, provided that the mortgagee shall enter into a subordination and non-disturbance agreement with the holders of such leases.

(g) RIOC shall be responsible for all repairs, maintenance and replacements to the Retail Unit, including facades, storefronts, and HVAC systems;

(h) RIOC shall be responsible for all utilities, water and sewer charges utilized by or supplied to the Retail Unit, all of which shall be separately metered by RIOC;

(i) RIOC shall indemnify Sponsor and the cooperative housing corporation from all claims and liabilities arising out of the use of the

Retail Unit and shall maintain insurance in amounts and coverage as reasonably required by Sponsor;

(j) No alterations, additions or modifications may be made that affect building systems or are structural in nature without the prior approval of Sponsor not to be unreasonably withheld or delayed (with consent to be delivered within an agreed upon period of time or deemed granted if Sponsor does not respond within the agreed upon time);

(k) Food uses must provide ventilation, garbage containment, and extermination all as reasonably approved by Sponsor;

(l) RIOC shall be responsible for the maintenance and repair of the sidewalks adjoining the Retail Unit;

(m) If RIOC fails to cure any default within agreed upon time (as set forth in the Ground Lease Modification Agreement), Sponsor may use self-help to cure the default and deduct the cost of cure from amounts otherwise due to RIOC (including ground rent) and RIOC shall be responsible for all costs incurred by Sponsor, the Condominium or the Cooperative arising out of any such default;

(n) Sponsor shall recognize the Master Retail Sublease and reasonably cooperate with RIOC and HRR. The Master Retail Sublease expires on July 31, 2041 with HRR holding an option to renew for a period of ten (10) years through to July 31, 2051. Sponsor will have the option to enter into an agreement with RIOC with respect to the Retail Unit only for the remainder of the term of the Sponsor-RIOC sublease on the same terms and conditions set forth and then applicable under the Master Retail Sublease as HRR (with no capital investment required on the part of the Sponsor) beginning either as of August 1, 2041, if HRR does not exercise renewal option, or on August 1, 2051 if HRR exercises the renewal option (or any earlier date if the Master Retail Sublease is terminated prior to either of such dates pursuant to the terms thereof). RIOC shall not amend the terms of the Master Retail Sublease with respect to the Retail Unit in any manner that would increase the obligations of the sublesee thereunder or decrease the rights of such sublessee, in either case, other than in a de minimus manner.

2. Ground Lease Modification Agreement.

The Ground Lease Modification Agreement will include the following terms:

A. Term And Ground Rent Modifications

(i) Term of Ground Lease to be extended to December 22, 2068.

(ii) The existing residential ground rent will continue without adjustment until the date (the "First Ground Rent Adjustment Date") which shall be the later of (a) the first day of the project's fiscal year immediately following the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement), or (b) the date of the Ground Lease Modification Agreement if the Master Cooperative Closing does not occur within three years of the date of the Ground Lease Modification Agreement, in which case, the retroactive rent differential shall be paid to RIOC in equal monthly installments over the next 24 months retroactive to the date of the Ground Lease Modification Agreement.

(iii) On the First Ground Rent Adjustment Date, the Ground Rent shall increase to $236,000 per annum. The Ground Rent shall thereafter cumulatively increase by 10% on each 5th anniversary until the 30th anniversary of the First Ground Rent Adjustment Date (the "Affordability Expiration Date"), as provided in Exhibit B attached hereto. Commencing on the first day following the Affordability Expiration Date, if the Master Cooperative Closing (or other conversion to some form of cooperative/condominium ownership) has occurred, the Ground Rent shall be payable as provided in Exhibit C-1 attached hereto, if, however, the Master Cooperative Closing (or other conversion to some form of cooperative/condominium ownership) has not occurred as of the Affordability Expiration Date, the Ground rent shall be payable as provided in Exhibit C-2.

(iv) The commercial ground rent currently payable with respect to the Main Street retail area (the future Retail Unit) shall continue in effect as otherwise provided in the Ground Lease. No commercial ground rent shall be payable with respect to the (i) former pool area, (ii) former day care area, or (iii) existing management office area (collectively, the future Commercial Unit) until the Affordability Expiration Date at which time commercial ground rent shall be payable as otherwise provided for in the

Ground Lease. The commercial ground rent shall be computed by taking into account any increase in completed commercial space, and RIOC shall not unreasonably withhold or delay its consent to an expansion of the commercial areas, provided such expansion is done in accordance with applicable law.

B. TEP Modifications

(i) For those apartments that continue to be subject to the Affordable Resale Restrictions and the Affordable Rental Restrictions, the tax equivalent payment ("TEP"), which is currently computed on a shelter rent basis, will continue to be computed on a shelter rent basis until the date (the "Shelter Rent Expiration Date") which is the expiration of the 30-year period commencing from the later of (a) the first day of the project's fiscal year immediately following the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement), or (b) the date of the Ground Lease Modification Agreement if the Master Cooperative Closing does not occur within three years of the date of the Ground Lease Modification Agreement, and ending on the day prior to the first day of the project's fiscal year immediately following the end of such 30-year period. Following the Shelter Rent Expiration Date, the TEP for these apartments shall be adjusted annually and determined as otherwise provided in the Ground Lease for the adjustment of the TEP.

(ii) At such time as a cooperative apartment is vacated by a "Bona Fide Mitchell Lama Tenant" (as hereinafter defined) and thereafter sold free of the Affordable Resale Restrictions (i.e., designated by the Sponsor as a Market Apartment, as discussed in Paragraph 10) then commencing with the first day of the Project's fiscal year immediately following the date of such sale, there shall be a phase-in to a Market Based TEP over a 5 year period, provided however that such phase-in period shall not extend beyond the Shelter Rent Expiration Date, at which time the Project shall convert to 100% Market Based TEP. Market Based TEP shall mean a tax equivalent payment calculated using the lower of the transitional or actual taxable assessment from time to time announced by the City of New York and the applicable tax rate as from time to time assessed by the City of New York.

(iii) At such time as an apartment is vacated by a "Bona Fide Mitchell Lama Tenant" and thereafter rented free of the Affordable Rental Restrictions

(i.e., designated as a Market Apartment), then commencing from the first day of the Project's fiscal year immediately following the commencement of such apartment lease term, there shall be a phase-in to a Market Based TEP over a 5 year period, provided however that such phase-in period shall not extend beyond the Shelter Rent Expiration Date. The forgoing phase-in period shall not be applicable until the later of (a) the date of the Ground Lease Modification Agreement, or (b) the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement).

(iv) The commercial TEP currently payable with respect to the Main Street retail area (future Retail Unit) shall continue in effect as otherwise provided in the Ground Lease. No commercial TEP shall be payable with respect to the (i) former pool area, (ii) former day care area, or (iii) existing management office area (collectively, the future Commercial Unit) until the Shelter Rent Expiration Date at which time commercial TEP shall be payable as otherwise provided for in the Ground Lease.

3. Insider Purchase Price

(i) Shares have been assigned to each cooperative apartment based upon the Adjusted Apartment Area (110% of the apartment area) and relative value, taking into account location, view and height, consistent with IRC Section 216. The gross residential area in the buildings (414,381 sq. ft.) was adjusted by an industry standard factor of 10% to include an allocable portion of the common area, resulting in an aggregate saleable residential square footage of 455,819 sq. ft. (exclusive of terrace and balcony areas to be priced separately). The total number of shares is deemed to be 556,191.

(ii) The aggregate value of all cooperative apartments ($90,252,162) was determined by using an average price of $198 per sq. ft and the aggregate saleable residential area of 455,819 sq. ft. (exclusive of terraces and balconies). Based upon this aggregate valuation (exclusive of terraces and balconies), the per share price is $164.

(iii) The discounted price available to tenants for their cooperative apartment (the "Insider Price") was determined on the basis of the number of shares assigned to such cooperative apartment and a per share price of $164. Therefore, certain unit types such as studios and one bedrooms, are priced

at less than $198 per sq. ft., while other apartments are priced at more. Cooperative apartments with terraces and balconies will be priced higher.

(iv) The initial resale price per share pursuant to the Affordable Resale Restrictions will be $328 (twice the initial per share offering price to tenants).

(v) The Insider Price is available only to bona fide tenants in occupancy pursuant to a "New Lease" (as defined in paragraph 6(i)) on the date the Offering Plan is accepted for filing by the Attorney General (an "Insider") and must be exercised within 30 days of such date (unless the Offering Plan shall provide for a longer period as may be required by the Attorney General), and further provided that the Insider shall not be in default under his New Lease at the time a purchase agreement is executed. Apartments not purchased by an Insider during the exclusive purchase period may thereafter be sold subject to the Affordable Resale Restrictions or as Market Apartments (see Paragraph 10) at Sponsor's option.

(vi) No assignment of Insider rights (directly or indirectly).

(vii) In the schedule of offering prices to be included in the Offering Plan, the valuation attributable to the super's apartment will be allocated among all other cooperative apartments, on the basis of relative shares, thereby increasing incrementally, the offering price of all other cooperative apartments.

5. Budget and Maintenance

(i) Maintenance per share is projected (but is not warranted) at approximately $0.71 per share per month for the first year of cooperative operation (projected to commence September 1, 2013), based upon financial information currently available.

(ii) The projection of maintenance assumes that the apartments have been submetered for electricity (each shareholder will be individually responsible for the cost of electricity he consumes), a reduction in payroll and repairs and maintenance since interior apartment work will no longer be performed by the building, and a reduction in management fees and in the TEP since shelter rent will now be determined by using the aggregate maintenance charges.

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6. Non-Purchasing Tenants/New Leases/Initial Rents

(i) On or after the Affordability Plan Effective Date, the Sponsor shall provide each "Bona Fide Mitchell Lama Tenant" with a replacement lease (the "New Lease"), in a form to be prepared by the Sponsor incorporating the Affordable Rental Restrictions, otherwise consistent with the provisions of this Affordability Plan and containing such other provisions customary in non-regulated rental apartment leases in Manhattan as the Sponsor deems appropriate.

(ii) The New Lease shall be for a term of 1 year from the New Lease Commencement Date (defined in paragraph (iv) below), which term (subject to the qualifications of paragraph (x) below), may be renewed as long as the apartment is continuously used as the tenant's primary residence and the tenant is otherwise not in default under the New Lease.

(iii) A "Bona Fide Mitchell Lama Tenant" shall mean (i) the tenant named in the existing Mitchell Lama lease provided that such person is in actual physical possession and occupancy of the apartment as his primary residence and has so occupied the apartment continuously for the preceding 12 months (or the commencement of their Mitchell Lama lease term, whichever is less), or (ii) members of the named tenant's immediate family who resided in the apartment with the named tenant as their primary residence and thereafter continuously and without interruption continued to occupy the apartment as their primary residence and who would qualify for succession as of the Affordability Plan Effective Date under the Division's regulations (NYCRR 1727-8), and in both (i) and (ii), further provided that such tenant shall not be in default under his Mitchell Lama lease. Persons in possession of an apartment on the Affordability Plan Effective Date who are not Bona Fide Mitchell Lama Tenants (whose Mitchell Lama lease shall not have otherwise been terminated or received a Notice of Non-Renewal) shall receive a Notice of Non-Renewal stating the basis for not being provided a New Lease. Upon the expiration or sooner termination of such person's Mitchell Lama lease, the rights of such person to continued occupancy (after taking into account the provisions of the Affordability Plan) shall be determined in accordance with applicable law.

(iv) The initial rent and other occupancy terms under the New Lease will be subject to the "**Affordable Rental Restrictions**" set forth below:

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Prior to the Affordability Plan Effective Date, DHCR shall issue an order (i) increasing the rent under the existing Mitchell Lama leases to the "Initial New Lease Rent" which increase shall be effective as of the first day of the month following the Affordability Plan Effective Date (the "New Lease Commencement Date"), and (ii) directing the Sponsor to offer the New Lease to all Bona Fide Mitchell Lama Tenants. The "Initial New Lease Rent" will be the rent in effect pursuant to the DHCR Rent Order effective 3/15/09, including all applicable surcharges then in effect (the "DHCR Rent"), adjusted as follows (the "Income Adjustment):

- For tenants with Validated Income of less than 100% of the median income, as published from time to time by HUD for the New York, NY area, as adjusted for the applicable household size ("AMI"), an amount equal to the then 1 year lease renewal guideline increase rate as published from time to time by the New York City Rent Guidelines Board (the, "RGB increase"), (but not to exceed 7.5%);

- For tenants with Validated Income between 100% -150% of AMI, an amount equal to the then 1 year RGB increase, plus 2% (but not to exceed 7.5% in the aggregate);

- For tenants with Validated Income between 150% - 200% of AMI, an amount equal to the then 1 year RGB increase, plus 2% (no cap);

- For tenants with Validated Income above 200% of AMI, an amount equal to the then 1 year RGB increase, plus 5% (no cap)

"Validated Income" shall mean the gross annual income, from all sources, for each apartment occupant for the calendar year (or other appropriate period determined by Sponsor) coinciding with the lease renewal period, as determined by Sponsor's income validation process (the "Income Validation Process). Tenants who do not comply with the provisions of the Income Validation Process or who otherwise elect not to participate in the Income Validation Process shall be subject to the 1 year RGB increase, plus 5% without cap. If the Validated Income

process shall not have been completed as of the New Lease Commencement Date, the component of the Initial New Lease Rent attributable to the tenant's Validated Income may be imposed and collected retroactively to the New Lease Commencement Date when it is determined.

The applicable AMI income classification (for the Initial Rent and all subsequent renewals) will be based upon the greater of the actual family size/occupancy or on the assumption of family size/occupancy below:

Studios have 1 person
1BRs have 2 persons
2BRs have 3 persons
3BRs have 5 persons
4BRs have 6 persons

(v) The Initial New Lease Rent will be reset on the first anniversary of the New Lease Commencement Date, and the rent under the New Lease shall be annually adjusted thereafter on each subsequent anniversary of the New Lease Commencement Date, using as the renewal rent, the rent then in effect under the expiring lease term (in each case inclusive of the Income Adjustment) to be further adjusted based upon the then applicable Income Adjustment. For purposes of determining the Initial New Lease Rent, the RGB increase rate in effect for the current year plus the RGB increase rate in effect for the preceding year shall be aggregated to reflect that no rent increase has been implemented since March 2009. If during the term of the Affordability Period, the RGB shall no longer promulgate an annual rent increase rate, the parties shall agree upon a replacement standard that most closely approximates the RGB guidelines.

(vi) Units will not be subject to luxury decontrol.

(vii) Units will qualify for MCI like increases which increases shall be computed in like manner as a Major Capital Improvement increase would be computed under the Rent Stabilization Law (except that no increase will be sought with respect to any work done with the proceeds of the Sponsor's initial ($6MM) Reserve Fund Contribution.

(viii) Lease succession will not be permitted. Once the original named non-purchasing tenant(s) no longer occupies their apartment as their primary

residence, then upon the expiration of the lease term then in effect, the tenant will no longer be entitled to the benefits of the Affordable Rental Restrictions. Notwithstanding the foregoing, immediate family members of the original named tenant who resided in the Unit as their primary residence and continuously and without interruption continued to occupy the apartment as their primary residence and who would qualify for succession as of the Affordability Plan Effective Date under the Division's regulations (NYCRR 1727-8) will continue to be subject to and benefit from the Affordable Rental Restrictions as would the original named non-purchasing tenant.

(ix) Other regulations and protections to be determined.

(x) No sublets permitted, except by Sponsor.

(xi) Notwithstanding the provisions of paragraph (i) above, the Affordable Rental Restrictions shall expire on the Affordability Expiration Date, which is also the Shelter Rent Expiration Date.

(xii) Upon withdrawal/dissolution, the property is not subject to the Mitchell Lama Law, the rent stabilization law, the rent stabilization code or any other statutory framework for rent regulation; the Affordable Rental Restrictions, the New Lease and the Affordability Plan shall be the sole and exclusive provisions governing the tenancies, including the rents that may be charged to tenants who qualify for the Affordable Rental Restrictions.

(xiii) The provisions of this subparagraph (xiii) shall apply only to a Bona Fide Mitchell Lama Tenant who has not purchased his apartment and remains in possession of his original apartment upon the Affordability Expiration Date. Notwithstanding that the Affordable Rental Restrictions expire on the Affordability Expiration Date, any such non-purchasing Bona Fide Mitchell Lama Tenant shall be entitled to the further benefit of a phase-in over a period of 5 years to a market rent. Commencing with the first annual lease renewal period following the Affordability Expiration Date, and continuing for the next four annual lease renewals, the rent for such a tenant shall not exceed the greater of (a) the increase that would have been imposed under the Affordable Rental Restrictions, or (b) the difference between the then expiring rent and the then market rent times the remaining phase-in percentage (for example, in renewal year 3, the

remaining phase-in percentage would be 3/5 or 60%). For this purpose, market rent shall be as determined by Sponsor.

7. **Replacement Reserve/Reserve Fund**

(i) Sponsor shall establish and fund a single combined reserve fund to satisfy both the requirements of Mitchell Lama withdrawal and the NYC Administrative Code for sponsors generally, (collectively, the "Apartment Corporation's Reserve Fund").

(ii) Sponsor agrees to fund $6MM to the Apartment Corporation's Reserve Fund for the categories of work and/or the items of work set forth below ("Qualifying Reserve Work"). This contribution shall be established at the Master Cooperative Closing, provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement, or if the Master Cooperative Closing does not occur within such three year period, then the contribution to the Apartment Corporation's Reserve Fund shall be funded not later than the fifth (5^{th}) anniversary of the date of the Ground Lease Modification Agreement. The $6MM contribution to the Apartment Corporation's Reserve Fund shall be reduced by the cost of any "Qualifying Reserve Work" performed or amounts expended thereon prior to the applicable funding date. Sponsor is authorized to commence any or all Qualifying Reserve Work which shall include:

- Window Replacement: This will include replacement of all exterior apartment windows with insulated glass, and replacement/addition of the existing metal panels underneath the existing windows (with panels or glass).

- Elevator Modernization: This will include replacement and updating, as necessary, of all mechanical and control equipment as well as cab refurbishment.

- Electric Sub-Metering: This will include installation of individual apartment submetering equipment and building wide monitoring hub, consultant fees and PSC application fees. DHCR shall approve on an expedited basis with a rent reduction to be approved by DHCR. IHTA shall provide its consent to such application and rent reduction, if requested.

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- Plumbing: This will include, as necessary, the repair or replacement of backflow preventors, booster pumps, oil tank testing, boiler and burners, hallway ventilation systems and miscellaneous plumbing repairs, replacements and upgrades.

- Electrical: This will include, as necessary, repair or replacement, of electric baseboard radiators, apartment circuit breaker panels, transformers, public area lighting and public area circuit breaker panels and switchgear, aluminum wiring terminations, replace/install emergency and exit lighting, miscellaneous electrical repairs, replacements and upgrades.

- Security: This may include new card access systems, interior and exterior CCTV, and new apartment intercom systems.

- Miscellaneous: Such other building infrastructure upgrades and replacements as the Sponsor shall determine to be in the best interests of the building, including but not limited to exterior walkways, ramps and stairs, new entrance lobby and door station,

(iii) The first $6,000,000 of Flip Tax proceeds will be deposited into the Apartment Corporation's Reserve Fund account. Thereafter, the next Flip Tax proceeds will be distributed (a) 50% to the Sponsor, up to the difference between the Sponsor's initial Reserve Fund contribution, and the reserve fund required to be contributed by sponsors generally pursuant to the NYC Administrative Code, multiplied by the percentage of non-purchasing tenants, and (b) the remaining 50% shall be deposited into the Apartment Corporation's Reserve Fund account. All Flip Tax Proceeds thereafter shall be deposited into the Apartment Corporation's Reserve Fund account.

(iv) All Flip Tax Proceeds shall be deposited into the Apartment Corporation's Reserve Fund account. Interest on Flip Tax proceeds shall be used as determined by the Coop Board.

(v) Disbursements from the Apartment Corporation's Reserve Fund account during the first five years following the Master Cooperative Closing shall be determined jointly by the Sponsor and the Apartment Corporation Board, except that Apartment Corporation Board approval is deemed given for Qualifying Reserve Work.

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(vi) Sponsor shall receive a credit against its required contribution to the Apartment Corporation's Reserve Fund at the Master Cooperative Closing for Qualifying Reserve Work undertaken by Sponsor prior to the Master Cooperative Closing.

(vii) Interest on the Apartment Corporation's Reserve Fund shall be subject to the disbursement provisions of section (v) above.

8. Underlying Mortgage

(i) $27,800,000, anticipated to close on or about the Affordability Plan Effective Date.

(ii) The interest rate today would be approximately 4.75% with payments made in accordance with a 30 year amortization schedule for a 10 year term.

(iii) Sponsor shall have the right to borrow up to $43,000,000, provided that as of the Master Cooperative Closing, the Residential Unit shall only be subject to a mortgage in the amount of $27,800,000.

9. Resale of Units (Other Than By Sponsor)

The resale of Units (other than by the Sponsor), shall be subject to the following (the "**Affordable Resale Restrictions**):

(i) The resale of apartments by any shareholder (other than Sponsor) will be (i) limited to the "Affordable Resale Price," and (ii) made only to "Income Qualified Purchasers."

(ii) The "Affordable Resale Price" shall initially be $396 per square foot, which is $328 per share, to be increased annually by an amount equal to 7.5%.

(iii) Qualified selling, renovation and relocation fee costs, including for the Sponsor the allocable reserve fund contribution, shall be added to the Affordable Resale Price to determine same.

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(iv) "Income Qualified Purchasers" shall be purchasers whose income does not exceed[1]: (Annual Carrying Charges) + (6% Equity) + ($120 x the number of rental rooms) x 7 (for households of 1-3 persons) or x 8 (for households of four or more persons) except that:

- For 3 and 4 bedroom apartments the equity component is reduced from 6% to 4.5%;
- The increase factor of 7 will be applied to studio and 1 bedroom apartments (unless more than 3 persons are in the household), and the increase factor of 8 will be applied to all 2, 3 and 4 bedroom apartments (regardless of the actual number of household members); and
- All existing tenants entitled to purchase shall be deemed Income Qualified Purchasers.

(v) The Affordable Resale Restrictions shall expire on the Affordability Expiration Date, which is also the Shelter Rent Expiration Date.

10. Sale or Rental Of Unsold Units By Sponsor

(i) Subject to the exclusive right of the Insider to purchase their apartment during the initial exclusive offering period provided in the offering plan, the Sponsor may sell or rent up to the greater of 35% of the building, the equivalent of 140 apartments, or 642 rooms ("**Market Apartments**") at such prices or rents as Sponsor deems appropriate. The Sponsor shall determine which apartments shall be Market Apartments. Market Apartments are not subject to the Affordable Resale Restrictions or the Affordable Rental Restrictions upon resale by the purchaser thereof.

(ii) The sale or rental of apartments not designated as Market Apartments shall be subject to the Affordable Resale Restrictions or Affordable Rental Restrictions as applicable.

(iii) If Sponsor elects to rent vacated units (other than Market Apartments), the following terms will apply:

---

[1] DHCR Formula For Non-Federally Assisted Cooperative Developments

- 1 year Term

- Affordable Rental Restrictions would apply and the applicable maximum income limitations would be determined using the DHCR Formula for Non-Federally Regulated Cooperative Developments, except that the Equity component will be the applicable percentage of the Affordable Resale Price then in effect for that year.

- The initial rent will be the last rent in effect for the vacating non-purchasing tenant, to be increased by the applicable renewal rental amount under the Affordable Rental Restrictions, plus any vacancy or other applicable increase permitted by RGB.

11. Flip Tax

(i) 50% of the Gross Profit (Gross Profit to be defined to exclude qualified selling costs) (declining 5% per annum after the first four years to a minimum of 30%) shall be deposited into the Reserve Fund.

(ii) Not applicable to sale of Unsold Units by Sponsor.

(iii) Not applicable upon resale of Market Apartments.

12. Special Sponsor Contribution

The Sponsor will deposit into a special fund the sum of $3,600,000 to be used for the following purposes:

- Subsidize maintenance charges up to an annual limit to be jointly determined by the Board of Directors and the Sponsor;

- Reimbursement of IHTA legal fees incurred to date and to be incurred in connection with the conversion in the aggregate amount of up to $150,000;

- Reimbursement of IHTA engineering fees incurred to date and to be incurred in connection with the conversion in an amount of up to $30,000;

- Payment of appraisal fees for a bulk end-loan program initiated and supervised by Sponsor;

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- Addition to Reserve Fund as may be jointly approved by the Board of Directors and Sponsor; and

- Such additional uses as may be jointly approved by the Board of Directors and Sponsor.

After the Sponsor has paid the Sponsor Transfer Fee to RIOC, the special account will be funded from the proceeds of Sponsor unit sales at the rate of 10% of gross apartment sale proceeds, commencing after the earlier of (i) the sale of 75% of the total number of shares allocated to all apartments, or (ii) $70,000,000 in gross apartment sale proceeds (that is sale proceeds exclusive of the underlying mortgage), provided, however, that at least $500,000 will be funded at the Master Cooperative Closing.

13. Emergency Line of Credit

In order to provide a source of funding in case there is an unanticipated emergency capital need (defined below as an Emergency Capital Expense) and the Cooperative Corporation does not have adequate funds available (defined below as a Reserve Deficiency), Sponsor shall, at its option, either:

A. Arrange for a line of credit (secured or unsecured) in an amount of not less than $1MM, at the prevailing rate of interest and otherwise on the terms offered by institutional lenders for loans of like kind on similar properties to comparable borrowers (the "Credit Line"), OR

B. If, prior to the Second Anniversary of the Master Cooperative Closing, there occurs an Emergency Capital Expense which would cause a Reserve Deficiency and Sponsor is unable or otherwise elects not to arrange the Credit Line, then, Sponsor agrees to lend to the Cooperative Corporation the amount necessary to avoid a Reserve Deficiency (the "Sponsor Loan"), but in no event more than $1MM, at the prevailing rate of interest and otherwise on the terms then generally offered by institutional lenders for loans of like kind on similar properties to comparable borrowers. So long as any portion of the Sponsor Loan (principal or interest) shall be outstanding, Sponsor, at its election, shall be entitled to (i) receive 100% of the Flip Tax proceeds collected by the Cooperative Corporation, to be applied against the Sponsor Loan, and (ii) may elect to take a credit against the unfunded portion of the Special Sponsor Contribution provided in Section 12 hereof, up to the amount of the outstanding Sponsor Loan. Notwithstanding the foregoing, if and for so long as the Cooperative Corporation's Funds on Hand are less than the Minimum Reserve Fund, then Sponsor shall only be entitled to receive 50% of Flip Tax proceeds. The Sponsor

Loan may be prepaid by the Cooperative Corporation at any time, in whole or in part, with other funds of the Cooperative Corporation, provided, however, that no assessment or maintenance increase shall be permitted for the purpose of generating funds for any such prepayment.

The proceeds of the Credit Line and/or the Sponsor Loan shall only be used for an Emergency Capital Expense to the extent necessary to avoid a Reserve Deficiency.

All costs and expenses incurred in connection with the Credit Line or the Sponsor Loan shall be paid by the Cooperative Corporation.

As used herein, the following terms shall have the meanings herein set forth:

"Emergency Capital Expense" shall mean: the cost of replacement of a capital item, which if not immediately replaced or corrected would expose the Corporation, the shareholders or its property to the risk of imminent and material damage and provided that the Board of Directors (including Sponsor's designees) shall have unanimously resolved to expend the funds necessary to make such replacement.

"Reserve Deficiency" shall mean the amount by which the cost of the Emergency Capital Expense shall exceed the Cooperative Corporation's Funds on Hand plus $400,000 (the "Minimum Reserve Fund").

"Funds On Hand" shall mean: the then balance of the Reserve Fund contributed by Sponsor, Special Sponsor Contributions, all Flip Tax Proceeds, all proceeds of any sale or refinancing by the Cooperative Corporation (excluding the initial financing at or prior to the Master Cooperative Closing) or reserves of the Cooperative Corporation from any sources less Qualified Expenses, but exclusive of operating funds pursuant to the approved annual budget (excluding any portion thereof designated as a reserve), and payables for Qualified Expenses.

"Qualified Expenses" shall mean: those expenses for Qualified Capital Improvements or other expenses approved with the unanimous consent of the Board of Directors (including Sponsor's designees).

14. DHCR Supervision

During the period that the Affordable Resale Restrictions and the Affordable Rental Restrictions of the Affordability Plan are in effect (the "Supervisory Period"):

(i) DHCR shall supervise compliance by all parties hereto with their respective obligations under the Affordability Plan. DHCR shall have exclusive jurisdiction to determine all disputes between the Sponsor and tenants arising out of the interpretation and application of the provisions of this Affordability Plan, including without limitation, determination of the Initial New Lease Rent or subsequent rents under the New Lease, and the determination of the affordable resale prices and income qualifications.

(ii) The Sponsor shall in connection with each sale of a cooperative apartment (other than a Market Apartment or to a tenant at the Insider Price), obtain an affidavit (in a form to be reasonably approved by DHCR), executed by the Sponsor and the purchaser, certifying that the purchase price and the transferee's income level complies with the Affordable Resale Restrictions. DHCR shall have the right to review such affidavits and to audit one or more sale transactions in which case the Sponsor and the parties involved in the transaction shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Resale Restrictions.

(iii) The Sponsor shall in connection with each rental of an apartment (other than a Market Apartment), maintain records establishing how the rental amount was determined, which determination shall be consistent with the provisions of the Affordability Plan. DHCR shall have the right to review such records and to audit one or more rental transactions in which case the Sponsor and the parties involved in the transaction shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Rental Restrictions.

(iv) If a tenant shall dispute the amount of rent being charged by the Sponsor under the Affordable Rental Restrictions, the tenant shall apply to the DHCR Commissioner for a determination of whether the rent being charged by the Sponsor is in compliance with the Affordable Rental Restrictions. Pending the resolution of such complaint, the tenant shall pay the rent as determined by the Sponsor. If a person who has received a Notice of Non-Renewal shall dispute the withholding of a New Lease, such person shall apply to the DHCR Commissioner for a determination of whether such person is a Bona Fide Mitchell Lama Tenant under this Affordability Plan.

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(v) The Cooperative Corporation shall in connection with each sale of a cooperative apartment, obtain an affidavit (in a form to be reasonably approved by DHCR), executed by the transferor and transferee, certifying that the purchase price and the transferee's income level complies with the Affordable Resale Restrictions. DHCR shall have the right to review such affidavits and to audit one or more sale transactions in which case the Cooperative Corporation and the parties involved in the transaction shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Resale Restrictions.

15. Transaction And Other Fees Payable To RIOC

RIOC shall be paid the transaction fees, as and when set forth below:

A. Sponsor Transfer Fee.

In connection with the sale of each apartment by the Sponsor, Sponsor shall pay to RIOC, a transfer fee equal to 5% of the gross sales price received by Sponsor on account of such apartment sale (the "Sponsor Transfer Fee") up to a total amount of $4,500,000 in the aggregate. Such Sponsor Transfer Fee shall be paid to RIOC within five business days of the apartment closing and shall be accompanied by a closing statement reflecting the computation of the Sponsor Transfer Fee.

B. Shareholder Transfer Fee.

In connection with the sale of each Cooperative Apartment, other than the initial sale by the Sponsor, the selling shareholder shall pay to RIOC a transfer fee (the "Shareholder Transfer Fee") equal to 1% of the Gross Sales Proceeds. Following the computation of the Shareholder Transfer Fee, the Flip Tax shall be computed by deducting from the Gross Profits, the Shareholder Transfer Fee payable in connection with such sale. A Shareholder Transfer Fee shall not be payable in connection with a transfer to a "Family Member" (as defined in the DHCR Regulations (NYCRR 1700.2(a)(7)) for less than fair market value.

C. Actions By Apartment Corporation.

The Apartment Corporation shall implement and enforce closing procedures approved by Sponsor for the collection of Flip Taxes and Shareholder Transfer Fees at the closing of each Cooperative Apartment sale and such collections, in the

case of Flip Taxes, shall be properly deposited in a special segregated account, and in the case of Shareholder Transfer Fees, shall be remitted to RIOC within 15 days of the closing of each applicable sale.

D. Mortgage Recording Tax.

In connection with any subsequent financing, following the initial refinancing of the existing ESDC mortgage, if such subsequent financings are exempt from mortgage recording tax solely by reason of RIOC's participation and status, then RIOC shall be entitled to a payment equal to the mortgage recording tax that would have otherwise been due and payable in connection with such financing. Sponsor shall give RIOC 60 days written notice of its intent to obtain a mortgage that would not be exempt from the imposition of a mortgage recording tax (i.e., the refinancing of an existing mortgage without "new money" shall not require the giving of such notice). If RIOC obtains an advisory opinion from the NYS Department of Taxation and Finance and the NYC Department of Finance that would exempt the mortgage transaction from payment of mortgage recording taxes otherwise due solely by reason of RIOC's participation and status, then Sponsor agrees to name RIOC as a co-lender on such mortgage (which interest shall thereafter be immediately assigned to Sponsor's lender). The provisions of the immediately preceding sentence shall only be applicable if (i) Sponsor's lender consents, (ii) such structuring does not impact the interest rate or other terms of the loan transaction, and (iii) RIOC reimburses Sponsor at loan closing for all costs associated with such structuring, including reasonable attorneys fees. RIOC acknowledges notice of Sponsor's intent to refinance the ESDC held mortgage in accordance with the provisions of the Affordability Plan.

E. Real Property Transfer Tax.

Sponsor will endeavor to develop a structure whereby the transfer taxes in connection with the Residential Unit transfer to the cooperative apartment corporation may be exempt or reduced. The Offering Plan may provide for an adjustment to the Insider Price for the projected cost of such transfer taxes which transfer taxes will then be paid by Sponsor at the Master Cooperative Closing. Thereafter at the closing of each Insider apartment sale, the Sponsor will pay the transfer tax (using any credit available on account of the prior payment of transfer taxes at the Master Cooperative Closing) and the Inside purchaser shall not be required to pay the transfer taxes (or reimburse the Sponsor for any available transfer tax credit) as is typically done in offering plans.

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16. Miscellaneous.

Nothing herein shall be deemed to amend or otherwise affect the notice of intent dated December 8, 2011 or to toll any period with respect to the anticipated date of dissolution stated therein, it being the intention of Sponsor that until the Affordability Plan Effective Date occurs as and when contemplated herein, Sponsor shall retain all of its existing rights with respect to dissolution.

17. Public Safety Fee.

The current public safety fee in the amount of $161,454.36 per annum shall continue with an escalation of 3% compounded per year with escalation starting on the first day of the Project's fiscal year following the later of (i) the date of the Ground Lease Modification Agreement, or (ii) the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement).

18. Reimbursement.

Sponsor shall pay to RIOC the sum of $100,000 for reimbursement of all expenses incurred or to be incurred by RIOC in connection with the Affordability Plan and the Ground Lease Modification Agreement which shall be payable at the earlier of the Master Cooperative Closing or three years from the date of the Ground Lease Modification Agreement.

19. Retail Space Settlement Fee.

In full settlement of all claims that North Town Phase II Houses, Inc. or Sponsor may have against RIOC relating to RIOC's use and occupancy of the Retail space up to the effective date of the Ground Lease Modification Agreement, RIOC shall pay to Sponsor the sum of $1,000,000.00 by crediting such amount against the first Sponsor Transfer Fees otherwise payable to RIOC. If the Master Cooperative Closing does not occur and no Sponsor Transfer Fees are due to RIOC, then the Retail Space Settlement Fee shall be $1.00.

20. Community Facilities Payment.

If RIOC shall hereafter assess a community facilities charge or other assessment, however denominated, among one or more of the projects on Roosevelt Island, then in determining the proportionate share of such assessment to be allocated to the Project, there shall be taken into account, and appropriate adjustment made for the differences in

the manner of the existing allocation for Public Safety Fees as between the Project (and the other projects constituting the WIRE Buildings) and the other projects on Roosevelt Island so as to equalize, on an equitable aggregate basis, the community facilities charges, assessments and Public Safety Fees paid by all projects on Roosevelt Island under the jurisdiction of the RIOC or its successors.

21. **River Road Access.**

Sponsor, for itself and on behalf of its subtenants, licensees and occupants of the non-residential portions of the Project located adjacent to the promenade along the East River, a/k/a River Road, shall have the right for themselves, which shall also be exercisable by their respective contractors, agents, employees, licensees and invitees, to use River Road for the limited purposes of making deliveries to such portions of the Project. The use of River Road shall be in compliance with all reasonable rules and regulations of general applicability then in effect provided, however, that RIOC shall not impose or enforce any rule or regulation which shall have the practical effect of preventing use of River Road for the purposes intended by this paragraph.

EXHIBIT A

Permitted and Restricted Uses of Former Pool and Daycare Areas (Island House)

Permitted Uses: (to the extent otherwise permitted by applicable laws and codes): (i) a health or pool club or other athletic or recreational facility; (ii) a professional, commercial or other office use; (iii) an auditorium, meeting hall, church, prayer house or other place of public worship or assembly; (iv) a school, reading room, or other place of instruction; (v) use by a not-for-profit entity; (vi) a restaurant (whether providing table service, self-service, take out or a combination); (vii) retail sales; and (viii) any similar use not listed below as a Restricted Use.

Restricted Uses (i) a night club or discotheque; (ii) an off-track betting or other gambling establishment (exclusive of lottery sales if an adjunct to a Permitted Use); (iii) a billiard or pool hall; (iv) a game or video arcade (although video games and arcade games may be permitted as an adjunct to a Permitted Use); (v) an automobile sales or car wash or car rental agency; (vi) a flea market or swap show selling merchandise that is used, damaged or discontinued, (vii) a manufacturing facility or factory; (viii) a funeral or mortuary establishment; (ix) a pawn shop; (x) a gasoline station or auto repair, tire, muffler or other automobile related store; (xi) the sale of paraphernalia used in connection with illicit drugs; (xii) a business which produces, stores, disposes of or otherwise deals with any hazardous or toxic substance (other than in connection with a medical use or other Permitted Use, subject to compliance with law); (xiii) any establishment for any immoral, unethical, unlawful, or pornographic purpose, including, without limitation, any establishment which sells, affords or permits on-premises nude or semi-nude performances; and (xiv) any industrial use (including, without limitation, any manufacturing, smelting, rendering, brewing, refining, chemical manufacturing or processing, or other manufacturing use).

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EXHIBIT B

ISLAND HOUSE GROUND RENT SCHEDULE - POST AFFORDABILITY (WITH CONVERSION)

Calendar Year (Projected)	Plan Year	GROUND RENT
2044	31	$470,080
2045	32	$560,080
2046	33	$650,080
2047	34	$740,080
2048	35	$830,080
2049	36	$920,080
2050	37	$1,010,080
2051	38	$1,100,080
2052	39	$1,190,080
2053	40	$1,280,080
2054	41	$1,270,815
2055	42	$1,245,939
2056	43	$1,220,318
2057	44	$1,193,927
2058	45	$1,166,745
2059	46	$1,348,747
2060	47	$1,319,910
2061	48	$1,290,207
2062	49	$1,259,613
2063	50	$1,228,102
2064	51	$1,426,645
2065	52	$1,393,214
2066	53	$1,358,780
2067	54	$1,323,314
2068	55	$1,286,783

ISLAND HOUSE GROUND RENT SCHEDULE - POST AFFORDABILITY (NO CONVERSION)

Calendar Year (Projected)	Plan Year	GROUND RENT
2044	31	$1,750,000
2045	32	$2,487,272
2046	33	$2,487,272
2047	34	$2,487,272
2048	35	$2,487,272
2049	36	$2,735,999
2050	37	$2,735,999
2051	38	$2,735,999
2052	39	$2,735,999
2053	40	$2,735,999
2054	41	$3,009,599
2055	42	$3,009,599
2056	43	$3,009,599
2057	44	$3,009,599
2058	45	$3,009,599
2059	46	$3,310,559
2060	47	$3,310,559
2061	48	$3,310,559
2062	49	$3,310,559
2063	50	$3,310,559
2064	51	$3,641,615
2065	52	$3,641,615
2066	53	$3,641,615
2067	54	$3,641,615
2068	55	$3,641,615

EXHIBIT C-1

RESIDENTIAL GROUND RENT

MASTER COOPERATIVE CLOSING HAS OCCURRED

ISLAND HOUSE GROUND RENT SCHEDULE - POST AFFORDABILITY (WITH CONVERSION)

Calendar Year (Projected)	Plan Year	GROUND RENT
2044	31	$470,080
2045	32	$560,080
2046	33	$650,080
2047	34	$740,080
2048	35	$830,080
2049	36	$920,080
2050	37	$1,010,080
2051	38	$1,100,080
2052	39	$1,190,080
2053	40	$1,280,080
2054	41	$1,270,815
2055	42	$1,245,939
2056	43	$1,220,318
2057	44	$1,193,927
2058	45	$1,166,745
2059	46	$1,348,747
2060	47	$1,319,910
2061	48	$1,290,207
2062	49	$1,259,613
2063	50	$1,228,102
2064	51	$1,426,645
2065	52	$1,393,214
2066	53	$1,358,780
2067	54	$1,323,314
2068	55	$1,286,783

EXHIBIT C-2

RESIDENTIAL GROUND RENT

MASTER COOPERATIVE CLOSING HAS NOT OCCURRED

ISLAND HOUSE GROUND RENT SCHEDULE - POST AFFORDABILITY (NO CONVERSION)

Calendar Year (Projected)	Plan Year	GROUND RENT
2044	31	$1,750,000
2045	32	$2,487,272
2046	33	$2,487,272
2047	34	$2,487,272
2048	35	$2,487,272
2049	36	$2,735,999
2050	37	$2,735,999
2051	38	$2,735,999
2052	39	$2,735,999
2053	40	$2,735,999
2054	41	$3,009,599
2055	42	$3,009,599
2056	43	$3,009,599
2057	44	$3,009,599
2058	45	$3,009,599
2059	46	$3,310,559
2060	47	$3,310,559
2061	48	$3,310,559
2062	49	$3,310,559
2063	50	$3,310,559
2064	51	$3,641,615
2065	52	$3,641,615
2066	53	$3,641,615
2067	54	$3,641,615
2068	55	$3,641,615

EXHIBIT D

INSURANCE

Client#: 29233 NORTHTOWN

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/8/11

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
T&H Brokers Inc.
320 West 57th Street
New York, NY 10019
212 603-0200

CONTACT NAME: Alice Davis
PHONE (A/C, No, Ext): 212 603-0266 FAX (A/C, No): 212 262-9471
E-MAIL ADDRESS: davis@thgroup.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Tower Insurance	
INSURER B: Allied World Assurance Co	
INSURER C: CNA INSURANCE	
INSURER D: Philadelphia Insurance Co.	
INSURER E: Phoenix Insurance Company	
INSURER F:	

INSURED
Northtown Associates, etal
c/o RY Management
1619 Third Ave
New York, NY 10128

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY			CGL260221710	11/01/2011	11/01/2012	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$100,000
	CLAIMS-MADE X OCCUR						MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$2,000,000
	POLICY PRO-JECT X LOC						PRODUCTS - COMP/OP AGG	$
								$
E	AUTOMOBILE LIABILITY			BA8973P862	05/23/2011	05/23/2012	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	X ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
B	X UMBRELLA LIAB X OCCUR			03056927	11/01/2011	11/01/2012	EACH OCCURRENCE	$100,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$100,000,000
	DED X RETENTION $10000							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N						WC STATU-TORY LIMITS OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N/A						E.L. EACH ACCIDENT	$
	(Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
C	Property			2083566761	11/01/2011	11/01/2012	see below for details	
D.	Crime			PHSD456768	11/01/2011	11/01/2012	see below for details	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Additional Coverages:

Property (CNA Insurance, policy number 2083566761, 11/1/2011-2012): $176,426,655 BlanketBuilding, Business Income, Personal Property. AOP deductible-$10,000 Flood-$10,000,000 ($25,000 ded), Earthquake-$10,000,000 ($25,000), Coverage is 100% replacement cost.

(See Attached Descriptions)

CERTIFICATE HOLDER

Roosevelt Island Operating Corporation
591 Main Street
New York, NY 10044

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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DESCRIPTIONS (Continued from Page 1)

Crime (Philadelphia Ins. Co., policy number: PHSD285561, 11/1/2011-2012): Employee Dishonesty limit-$5,000,000, deductible-$25,000.

Evidence of Insurance for Northtown Phase II Associates, LP and Northtown Phase III Associates, LP. The certificate holder is included as additional insured.

EXHIBIT E

USES OF COMMERCIAL UNIT

Permitted and Restricted Uses of Former Pool and Daycare Areas
(Island House)

Permitted Uses: (to the extent otherwise permitted by applicable laws and codes): (i) a health or pool club or other athletic or recreational facility; (ii) a professional, commercial or other office use; (iii) an auditorium, meeting hall, church, prayer house or other place of public worship or assembly; (iv) a school, reading room, or other place of instruction; (v) use by a not-for-profit entity; (vi) a restaurant (whether providing table service, self-service, take out or a combination); (vii) retail sales; and (viii) any similar use not listed below as a Restricted Use.

Restricted Uses (i) a night club or discotheque; (ii) an off-track betting or other gambling establishment (exclusive of lottery sales if an adjunct to a Permitted Use); (iii) a billiard or pool hall; (iv) a game or video arcade (although video games and arcade games may be permitted as an adjunct to a Permitted Use); (v) an automobile sales or car wash or car rental agency; (vi) a flea market or swap show selling merchandise that is used, damaged or discontinued, (vii) a manufacturing facility or factory; (viii) a funeral or mortuary establishment; (ix) a pawn shop; (x) a gasoline station or auto repair, tire, muffler or other automobile related store; (xi) the sale of paraphernalia used in connection with illicit drugs; (xii) a business which produces, stores, disposes of or otherwise deals with any hazardous or toxic substance (other than in connection with a medical use or other Permitted Use, subject to compliance with law); (xiii) any establishment for any immoral, unethical, unlawful, or pornographic purpose, including, without limitation, any establishment which sells, affords or permits on-premises nude or semi-nude performances; and (xiv) any industrial use (including, without limitation, any manufacturing, smelting, rendering, brewing, refining, chemical manufacturing or processing, or other manufacturing use).

EXHIBIT F

RETAIL RELEASES

RELEASE AGREEMENT

This Release Agreement is entered into this ____ day of September 2012 by and among ROOSEVELT ISLAND OPERATING CORPORATION, a public benefit corporation and subdivision of the State of New York, having its principal office at 591 Main Street, Roosevelt Island, New York 10044 ("Lessor"), NORTH TOWN PHASE II HOUSES, INC., a corporation organized under Article 2 of the Private Housing Finance Law of the State of New York, having an office c/o RY Management, 545 Main Street, New York, New York 10044, attention: David B. Hirschhorn ("Housing Company") and NORTH TOWN PHASE II ASSOCIATES, LP, a New York Limited Partnership, having an office c/o RY Management, 545 Main Street, New York, New York 10044, attention: David B. Hirschhorn (the "Partnership").

WHEREAS, the New York State Urban Development Corporation ("UDC"), as lessor, and the Housing Company, as lessee, entered into a Ground Lease dated October 30, 1972, which was recorded in the Office of the City Register, New York County on November 11, 1972, in Reel 259 at page 170, as amended by First Amendment To Ground Lease dated as of December 20, 1996, recorded in said Register's Office on February 7, 1997, in Reel 259, at Page 234 (collectively, the "Lease") with respect to a residential project located on Roosevelt Island and known as both North Town Phase II Houses, or Island House ("Island House");

WHEREAS, by Assignment and Assumption Agreement dated as of July 21, 1988 (the "Ground Lease Assignment"), UDC (which is now doing business as Empire State Development ("ESD") assigned its interest in and to the Lease to Lessor, reserving, however, certain rights for itself, as provided in the Ground Lease Assignment;

WHEREAS, simultaneously herewith, Lessor and Housing Company are entering into a Sponsor-RIOC Sublease spelling out the terms of Lessor's continued use and occupancy of the portion of Island House defined in the Sponsor-RIOC Sublease as the Retail Portion, which space Lessor has occupied since the Initial Occupancy Date as defined in the Sponsor-RIOC Sublease pursuant to the Commercial Space Agreement (as defined in the Second Amendment referred to in the following paragraph);

WHEREAS, simultaneously herewith, Lessor and Housing Company are also entering into a Second Amendment to Ground Lease to further amend the Lease (the "Second Amendment"; the Second Amendment, together with the Lease, is referred to collectively as the "Ground Lease"); and

WHEREAS, a dispute has arisen between the parties with respect to Lessor's use of the Retail Portion for the period prior to date of this Release Agreement, and in the Second Amendment, the parties set forth the terms of their agreement settling any and all such disputes which the Housing Company or the Partnership might have against Lessor as a result of such use and, in connection with such settlement, Housing Company and the Partnership agreed to release Lessor from all such claims which they may have with respect thereto.

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual promises and covenants, and other good and valuable consideration recited and set forth herein, the receipt and sufficiency of which is hereby acknowledged, the parties to this Release Agreement hereby agree as follows:

1. Capitalized Terms. Capitalized terms used herein shall have the meaning ascribed to them in the Second Amendment, unless otherwise set forth herein.

2. Retail Settlement Fee. Lessor shall pay to the Partnership (or its designee which is acting as sponsor with respect to any Offering Plan submitted to the New York State Department of Law in accordance with the Second Amendment) the Retail Settlement Fee, which shall be payable in the amount and in the manner set forth in the Second Amendment.

3. Mutual Releases. (a) Except as set forth in Paragraph 5 of this Release Agreement, upon execution of this Agreement, each of Housing Company and the Partnership, for and on behalf of themselves and their predecessors and successors in interest, designees, officers, directors, shareholders, agents, members, successors and assigns (collectively, the "Housing Company Releasor") hereby forever releases and discharges Lessor and ESD and their officers, directors, attorneys, affiliates, subsidiaries, agents, employees, representatives, affiliates, or other related entities, successor and assigns (collectively, the "RIOC Releasee"), of and from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, which against the RIOC Releasee, the Housing Company Releasor, Housing Company Releasor's heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Release Agreement arising out of or relating to the RIOC Releasees' use and occupancy of the Retail Portion of Island House pursuant to the Commercial Space Agreement.

(b) Upon execution of this Agreement, each of Lessor and ESD, for and on behalf of themselves and their predecessors and successors in interest, designees, officers, directors, shareholders, agents, members, successors and assigns (collectively, the "RIOC Releasor") hereby forever releases and discharges Housing Company and the Partnership and their officers, directors, attorneys, affiliates, subsidiaries, agents, employees, representatives, affiliates, or other related entities, successor and assigns (collectively, the " Housing Company Releasee"), of and from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, which against the Housing Company Releasee, the RIOC Releasor, RIOC Releasor's heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Release Agreement arising out of or relating to RIOC's use and occupancy of the Retail Portion of Island House pursuant to the Commercial Space Agreement.

4. Continued Occupancy of Retail Portion. Nothing contained herein shall be deemed in any way to (i) be an admission of liability by Lessor or ESD of any liability of any kind or nature arising from or related to its use and occupancy of the Retail Portion, (ii) be a waiver by Lessor of its claim to lawful occupancy of the Retail Portion, (iii) prevent Lessor from the continued use of the Retail Portion following the date of this Release Agreement and prior to the commencement of the Sponsor-RIOC Sublease, such use to be on the same terms and conditions as Lessor had been using occupying the Retail Portion prior to the date hereof, or (iv) prevent Lessor's future use of the Retail Portion pursuant to the terms of the Sponsor-RIOC Sublease.

5. Sponsor-RIOC Sublease. Nothing contained herein shall be deemed to release or in any way limit or preclude any claim that Housing Company Releasor may have against RIOC, or that RIOC Releasor shall have against Housing Company under the Sponsor RIOC Sublease, any such claim being expressly reserved hereby, including without limitation, any indemnification obligation of RIOC set forth in the Sponsor RIOC Sublease from and after Initial Occupancy Date.

6. Complete Agreement. This Release Agreement contains the complete agreement between the parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

7. Counterparts. This Release Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

8. Governing Law. This Release Agreement shall be governed by the laws of the State of New York, without reference to conflicts of laws principles. Venue for any legal action to enforce or interpret this Agreement shall be vested exclusively in the state and federal courts located in New York, New York.

9. Successors and Assigns. This Release Agreement shall bind and inure to the benefit of the parties hereto and their respective successors, assigns and designees.

10. Severability. If any provision of this Release Agreement shall be determined to be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions, and of such provision in other jurisdictions, shall not be affected or impaired thereby.

11. Authorized Signatory. Each of the parties to this Release Agreement represent that the person signing this Release Agreement on its behalf is duly authorized to execute and deliver this Release Agreement on its behalf, and to bind such party to the terms hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Release Agreement as of the date set forth above.

ROOSEVELT ISLAND OPERATING CORPORATION

By:_____
Donald D. Lewis
Vice-President and General Counsel

NORTH TOWN PHASE II HOUSES, INC.

By:_____
David B. Hirschhorn, President

NORTH TOWN PHASE II ASSOCIATES, LP

By: Island House, Inc., It's General Partner

By:_____
David B. Hirschhorn, President

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of _____ in the year 2012 before me the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____

Notary Public

(Notarial Seal)

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of _____ in the year 2012 before me the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____

Notary Public

(Notarial Seal)

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the ____ day of _____ in the year 2012 before me the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____

Notary Public

(Notarial Seal)

EXHIBIT G

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

This **SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT** (this "**Agreement**"), dated as of _____, 2012, between ORITANI FINANCE COMPANY, a New York banking corporation, having its office and principal place of business at c/o Oritani Bank, 370 Pascack Road, P.O. Box 1329, Township of Washington, New Jersey 07676-1329 (the "**Lender**") and ROOSEVELT ISLAND OPERATING CORPORATION, a public benefit corporation of the State of New York, with offices at 591 Main Street, New York, New York 10044 (the "**Tenant**").

RECITALS:

WHEREAS, Tenant has entered into a Retail Sublease Agreement, dated as of _____, 20__ (the "**Lease**"), with North Town Phase II Houses, Inc., a _____ corporation organized under Article 2 of the Private Housing Finance Law of the State of New York (the "**Landlord**"), covering certain premises more fully described in the Lease (the "**Premises**"), which Premises are a part of that the real property known as Island House (the "**Property**"), which Property is more fully described on Schedule A attached hereto; and

WHEREAS, Lender is making a mortgage loan (the "**Loan**") to Landlord, as borrower in the original principal amount of $27,800,000.00, which Mortgage Loan is evidenced by an Amended and Restated Mortgage Note dated _____, 2012 (the "**Note**"), and is secured by those certain consolidated mortgages evidenced by that certain Consolidation, Extension and Modification Agreement (the "**Mortgage**") and an Absolute Assignment of Leases and Rents (the "**Assignment**"), each dated as of _____, 2012;

WHEREAS, Lender requires as a condition of the making of the Loan that the Mortgage shall unconditionally be and remain at all times a lien or charge upon the Property, prior and superior to the Lease and the leasehold estate created thereby; and

WHEREAS, Tenant has agreed to the subordination of the Lease to the Mortgage on the condition that it is assured of continued occupancy of the Premises under the terms of the Lease and this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein contained, the parties hereto, intending to be legally bound hereby, promise, covenant and agree as follows:

1. The Lease and all estates, rights, options, liens and charges therein contained or created under the Lease are and shall be subject and subordinate to the lien and effect of the Mortgage insofar as it affects the real and personal property of which the Premises form a part, and to all renewals, modifications, consolidations, replacements and extensions thereof, and to all advances made or to be made thereunder, to the full extent of amounts secured thereby and interest thereon.

2. In the event Lender takes possession of the Property, as mortgagee-in-possession or otherwise, or forecloses the Mortgage or otherwise causes the Property to be sold pursuant to the Mortgage, Lender agrees not to affect, terminate or disturb Tenant's (or its permitted successors or assigns) right to quiet enjoyment and possession of the Premises under the terms of the Lease or any of Tenant's other rights under the Lease in the exercise of Lender's rights under the Mortgage so long as Tenant is not then in default beyond the expiration of any applicable grace, notice and cure period under any of the terms, covenants or conditions of the Lease or this Agreement.

3. In the event that Lender succeeds to the interest of Landlord under the Lease and/or Landlord's leasehold interest in the Property, or if anyone else acquires Landlord's leasehold interest in the Property or the right to possession of the Property upon the foreclosure of the Mortgage or by other sale pursuant to the Mortgage, or upon the sale of the leasehold interest in the Property by Lender or its successors or assigns after foreclosure or other sale pursuant to the Mortgage or acquisition of title in lieu thereof or otherwise, Lender or its successors or assigns or the then owner or holder of Landlord's leasehold interest in the Property after foreclosure or other sale pursuant to the Mortgage (hereinafter collectively referred to in this paragraph as "**Successor Landlord**") and Tenant hereby agrees to recognize one another as landlord and tenant, respectively, under the Lease and to be bound to one another under all of the terms, covenants and conditions of the Lease, and Successor Landlord shall assume all of the obligations of Landlord under the Lease. Accordingly, from and after such event, Successor Landlord and Tenant shall have the same remedies against each other for the breach of an agreement contained in the Lease as Tenant and Landlord had before Successor Landlord succeeded to the interest of the Landlord; provided, however, that Successor Landlord shall not be:

(a) liable for any act or omission of any prior landlord (including Landlord) arising prior to the date Lender takes possession of Landlord's interest in the Lease or becomes a mortgagee in possession, except to the extent such act or omission is of a continuing and curable nature, of which Lender has written notice and an opportunity to cure pursuant to paragraph 5(d) of this Agreement prior to succeeding to Landlord's interest under the Lease; or

(b) subject to any offsets or defenses that Tenant might have against any prior landlord (including Landlord) except for offsets or defenses relating to any continuing and curable default of Landlord under the Lease of which Lender has received written notice and an opportunity to cure pursuant to paragraph 5(d) of this Agreement prior to succeeding to Landlord's interest under the Lease; or

(c) bound by any rent or additional rent that Tenant might have paid for more than one month in advance to any prior landlord (including Landlord), unless such prepayment was expressly approved in writing by Lender; or

(d) bound by any amendment or modification of the Lease made after the date of this Agreement without Lender's prior written consent; or

(e) liable for return of any security deposit, except to the extent such security deposit is actually received by Lender.

4. Although the foregoing provisions of this Agreement shall be self-operative, Tenant agrees to execute and deliver to Lender or to any person to whom Tenant herein agrees to attorn, such other instrument or instruments as Lender or such other person shall from time to time request in order to confirm such provision.

5. Tenant hereby warrants and represents, covenants and agrees to and with Lender:

(a) not to alter or modify the Lease in any respect without prior written consent of Lender;

(b) to deliver to Lender at the addresses provided for in this Agreement a duplicate of each notice of default delivered to Landlord at the same time as such notice is given to Landlord;

(c) that Tenant is the sole owner of the leasehold estate created by the Lease and shall not hereafter transfer the Lease except as permitted by the terms thereof; notwithstanding the foregoing, the parties hereto acknowledge that Tenant has further sublet the Premises to Hudson Related Retail LLC pursuant to a Master Sublease Agreement dated as of August 1, 2011 (the "Master Retail Sublease") and the Property has been further sub-sublet to various sub-subtenants, and except as set forth herein, Tenant is the sole owner of the leasehold estate created by the Lease and shall not hereafter transfer the Lease except as permitted by the terms thereof;

(d) not to seek to terminate the Lease by reason of any default of Landlord without prior written notice thereof to Lender and the lapse thereafter of such time as under the Lease was offered to Landlord in which to remedy the default, and the lapse of 30 days after the expiration of such time as Landlord was permitted to cure such default; provided, however, that with respect to any default of Landlord under the Lease which cannot be remedied within such time, if Lender commences to cure such default within such time and thereafter diligently proceed with such efforts and pursues the same to completion, Lender shall have such time as is reasonably necessary to complete curing such default. Notwithstanding the foregoing, in the event either Lender or Landlord do not cure or commence curing such default within the time provided to Landlord under the Lease and the nature of the default threatens Tenant's ability to conduct its daily business or threatens to materially or adversely damage tenant's property located on the Leased Premises, Tenant shall be permitted to exercise its right under the Lease;

(e) not to pay any rent or other sums due or to become due under the Lease more than 30 days in advance of the date on which the same are due or to become due under the Lease;

(f) to certify promptly in writing to Lender in connection with any proposed assignment of the Mortgage, whether or not, to the best knowledge of Tenant, any default on the part of Landlord then exists under the Lease; and

(g) upon receipt from Lender of notice of any default by Landlord under the Mortgage or the Assignment, to pay to Lender directly all rent and other sums due under the Lease. Landlord hereby expressly authorizes Tenant to make such payments to Lender and

hereby releases and discharges Tenant of and from any liability to Landlord on account of any such payments.

6. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns.

7. This Agreement shall be governed by and construed in accordance with the laws of the jurisdiction in which the Property is located.

8. Tenant agrees that:

(a) neither the officers, nor the directors, employees, agents or shareholders of Lender shall be personally liable hereunder; and

(b) Tenant and all others shall look solely to the interest of Lender in the Property for the payment of any claim hereunder or for the performance of any obligation, agreement, contribution or term to be performed or observed by it hereunder or under the Security Instrument of any other agreement or document securing or collateral to the Security Instrument.

9. Lender's address for notices shall be:

ORITANI FINANCE COMPANY
c/o Oritani Bank, 370 Pascack Road,
P.O. Box 1329
Township of Washington, New Jersey 07676-1329
Attention: Joseph J. Laquidara

with a copy to:

Greenberg Traurig, LLP
445 Hamilton Avenue, 9th Floor
White Plains, New York 10601
Attention: Kenneth P. Addeo, Esq.

Tenants address for notices shall be:

Roosevelt Island Operating Corporation
591 Main Street
New York, New York 10044
Attention: President

with a copy to:

Roosevelt Island Operating Corporation
591 Main Street
New York, New York 10044
Attention: General Counsel

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year first above written.

LENDER:

ORITANI FINANCE COMPANY,
a New York banking corporation

By:_____
Name: Joseph Laquidara
Title: Vice President

[SIGNATURE PAGE CONTINUES ON NEXT PAGE]

TENANT:

_____

By:_____
Name:
Title:

[SIGNATURE PAGE CONTINUES ON NEXT PAGE]

With respect to the provisions of Paragraph 5(g) only:

NORTH TOWN PHASE II HOUSES, INC.

By: _____
Name:
Title:

ACKNOWLEDGMENT

STATE OF _____ :
ss:
COUNTY OF _____ :

On the ___ day of _____ in the year 2012, before me, the undersigned, personally appeared JOSEPH LAQUIDARA, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

ACKNOWLEDGMENT

STATE OF _____ :
ss:
COUNTY OF _____ :

On the ___ day of _____ in the year 2012, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

ACKNOWLEDGMENT

STATE OF _____ :
ss:
COUNTY OF _____ :

On the __ day of _____ in the year 2012, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

SCHEDULE A

Legal Description

EXHIBIT H

PUBLIC SERVICE LETTER

EXHIBIT I

SUBORDINATION AGREEMENT

After recording please return to:
Greenberg Traurig, LLP
445 Hamilton Avenue, 9th Floor
White Plains, New York 10601
Attention: Kenneth P. Addeo, Esq.
Reference: 133448.010500

SPACE ABOVE LINE FOR RECORDER'S USE ONLY

[_____], a [_____] ("**Prime Leasehold Lender**"),

ROOSEVELT ISLAND OPERATING CORPORATION,
a public benefit corporation and subdivision of the State of New York ("**Landlord**"),

NORTH TOWN PHASE HOUSES II, INC.,
a corporation organized under Article 2 of the Private
Housing Finance Law of the State of New York ("**Tenant**")

and

ORITANI FINANCE COMPANY,
a New York banking corporation ("**Leasehold Lender**")

MORTGAGE SUBORDINATION AGREEMENT

Dated: [_____, 20__]

Location:	Island House 551, 555 and 575 Main Street New York, New York 10044
Block:	1373
Lot:	P/O Lot 1
County:	New York
City:	New York

MORTGAGE SUBORDINATION AGREEMENT

THIS MORTGAGE SUBORDINATION AGREEMENT (this "**Agreement**") is made as of [_____, 20__], by and among [_____], a [_____] (together with its successors and assigns, "**Prime Leasehold Lender**"), having an address at [_____], **ROOSEVELT ISLAND OPERATING CORPORATION**, a public benefit corporation and subdivision of the State of New York (together with its successors and assigns, "**Landlord**"), having an address at 591 Main Street, Roosevelt Island, New York 10044, **NORTH TOWN PHASE HOUSES II, INC.**, a corporation organized under Article 2 of the Private Housing Finance Law of the State of New York (together with its successors and assigns, "**Tenant**") having an address at c/o RY Management, 545 Main Street, New York, New York 10044, attention David B. Hirschhorn, and **ORITANI FINANCE COMPANY**, a national banking association (hereinafter, together with its successors and assigns, referred to as the "**Sub-Leasehold Lender**"), having an address c/o Oritani Bank, 370 Pascack Road, P.O. Box 1329, Township of Washington, New Jersey 07676-1329.

WITNESSETH:

WHEREAS, Prime Leasehold Lender made a loan to Landlord (the "**Prime Leasehold Loan**"), which Prime Leasehold Loan is secured by, among other things, that certain **[Mortgage, Security Agreement and Assignment of Leases and Rents]**, dated as of **[**_____**]**, by and between Prime Leasehold Lender and Landlord, and **[intended to be]** recorded as **[Instrument No.** _____**]** in the Office of Land Records of the New York City Register's Office, New York County (the "**Recorder's Office**") **[on** _____**]** (together with all amendments, renewals, increases, modifications, replacements, substitutions, extensions, spreaders and consolidations thereof and all re-advances thereunder and additions thereto, the "**Prime Leasehold Mortgage**"), covering Landlord's leasehold interest pursuant to that certain Lease dated December 23, 1969 by and between The City of New York, as lessor, the New York State Urban Development Corporation, as lessee and Welfare Island Development Corporation (the "**Prime Lease**") in that certain real property legally described on Exhibit A attached hereto and made a part hereof (the "**Property**");

WHEREAS, Tenant is the record owner of (i) a sub-leasehold estate (the "**Sub-Leasehold Estate**") in the Property created by virtue of that certain Ground Lease dated October 30, 1972, between the New York State Urban Development Corporation ("**UDC**"), as predecessor in interest to Landlord, and Tenant, as amended pursuant to that certain First Amendment to Ground lease dated as of December 20, 1996 by and between the UDC and Tenant, as further amended pursuant to that certain Second Amendment to Ground lease dated as of **[**_____**, 2012]**, by and between Landlord, as successor in interest to UDC pursuant to that certain Assignment and Assumption Agreement dated as of July 21, 1988, and Tenant (as amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Sub-Lease**") and all rights and privileges created thereunder; and (ii) title to the Improvements (as hereinafter defined) located thereon (collectively, the "**Premises**"); and

WHEREAS, Sub-Leasehold Lender is about to make a loan to Tenant (the "**Sub-Leasehold Mortgage Loan**") secured by, among other things, a mortgage on Tenant's leasehold estate under the Sub-Lease (such mortgage, together with all amendments, renewals, increases, modifications, replacements, substitutions, extensions, spreaders and consolidations thereof and all re-advances thereunder and additions thereto, the "**Sub-Leasehold Mortgage**"); and

WHEREAS, Prime Leasehold Lender has agreed that the Prime Leasehold Mortgage shall be subject and subordinate to the Sub-Lease, the Sub-Leasehold Mortgage and the Sub-Leasehold Mortgage Loan Documents (as defined below).

NOW, THEREFORE, in consideration of the premises, the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which Prime Leasehold Lender acknowledges, Prime Leasehold Lender, Landlord and Sub-Leasehold Lender agree as follows:

1. *Subordination.* Notwithstanding (a) the order in which the Prime Leasehold Mortgage, the Sub-Lease and the Sub-Leasehold Mortgage were executed, delivered, recorded, filed, granted, attached, or perfected, (b) anything to the contrary in the Prime Leasehold Mortgage or any other document evidencing, governing or securing the Prime Leasehold Loan (the "**Prime Leasehold Loan Documents**"), or (c) any other fact or circumstance; the Prime Leasehold Mortgage, the estate and interest created thereby and all claims and rights of Prime Leasehold Lender under the Prime Leasehold Mortgage and/or the Prime Leasehold Loan Documents are, shall be, and shall at all times remain, completely, absolutely, unconditionally, and irrevocably junior, subject, and subordinate in all respects, including as to priority, time, and right to payment, to the Sub-Lease and the Sub-Leasehold Mortgage and any other document evidencing, governing or securing the Sub-Leasehold Mortgage Loan (the "**Sub-Leasehold Mortgage Loan Documents**"), all rights and remedies of Landlord and Tenant under the Sub-Lease and of Sub-Leasehold Lender under the Sub-Leasehold Mortgage and/or the Sub-Leasehold Mortgage Loan Documents, and Tenant's leasehold estate created in the Premises.

2. *Possible Changes in Lease.* The subordination of the Prime Leasehold Mortgage as described in this Agreement shall remain fully effective even if the Sub-Lease is assigned, amended, modified, supplemented, extended, renewed, replaced, or restated at any time, including the entering into of a new lease in accordance with Section 16(H) of the Sub-Lease.

3. *Other Documentation.* This Agreement shall be self-operative and effective without the execution of any confirmatory document or instrument by any party hereto.

4. *No Limitation of Subordination.* Prime Leasehold Lender acknowledges that the subordination of the Prime Leasehold Mortgage as described in this Agreement shall in no way be limited, diminished, impaired or otherwise affected by any event, condition, occurrence, circumstance, proceeding, action or failure to act whatsoever, including: (1) any waiver, consent, indulgence, forbearance, lack of diligence, action, or inaction by Landlord in enforcing the Sub-Lease or by Sub-Leasehold Lender in enforcing the Sub-Leasehold Mortgage and/or the Sub-Leasehold Mortgage Loan Documents; (2) any default by Tenant under the Sub-Lease or the

Sub-Leasehold Mortgage and/or the Sub-Leasehold Mortgage Loan Documents; or (3) any assignment, conveyance, extinguishment, or other transfer, voluntary or involuntary (whether by operation or law or otherwise), of all or any part of Landlord's interest in the Property or Prime Leasehold Lender's interest in the Prime Leasehold Mortgage or any Prime Leasehold Loan Document.

5. *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns. All references to "**Prime Leasehold Lender**" shall be deemed to include any subsequent holder of the Prime Leasehold Mortgage. All references to "**Sub-Leasehold Lender**" shall be deemed to include any subsequent holder of the Sub-Leasehold Mortgage.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have set their hands effective the date first written above.

PRIME LEASEHOLD LENDER:

[_____],
a _____

By:_____
Name:
Title:

ACKNOWLEDGMENT

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

On the ___ day of _____, in the year 20___, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Signature and Office of Individual
taking acknowledgment

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

LANDLORD:

ROOSEVELT ISLAND OPERATING CORPORATION,
a public benefit corporation and subdivision of the State of New York

By:_____
Name:
Title:

ACKNOWLEDGMENT

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

On the ___ day of _____, in the year 20___, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Signature and Office of Individual
taking acknowledgment

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

TENANT:

NORTH TOWN PHASE II HOUSES, INC.,
a New York corporation

By:_____
Name: David B. Hirschhorn
Title: President

ACKNOWLEDGMENT

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

On the ___ day of _____, in the year 20___, before me, the undersigned, personally appeared DAVID B. HIRSCHHORN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Signature and Office of Individual
taking acknowledgment

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

SUB-LEASEHOLD LENDER:

ORITANI FINANCE COMPANY,
a New York banking corporation

By:_____
Name: Joseph Laquidara
Title: Vice President

ACKNOWLEDGMENT

STATE OF NEW JERSEY :
ss:
COUNTY OF BERGEN :

On the ___ day of _____ in the year 20___, before me, the undersigned, personally appeared JOSEPH LAQUIDARA, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

_____
Notary Public

EXHIBIT A

Description of Real Property

(attached)