ORIGINAL DOCUMENT

Manhattan Park OR Starrett Corp.

AGREEMENT OF LEASE

among

NEW YORK STATE URBAN DEVELOPMENT CORPORATION,

Landlord,

and

ROOSEVELT ISLAND ASSOCIATES,

Tenant,

and

ROOSEVELT ISLAND OPERATING CORPORATION.

Premises

Northtown Phase II
Roosevelt Island
County and State of New York

As of August 4, 1986

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AGREEMENT OF LEASE made as of the 4th day of August, 1986, among NEW YORK STATE URBAN DEVELOPMENT CORPORATION ("UDC"), a corporate governmental agent of the State of New York, constituting a political subdivision and public benefit corporation, having an office at 1515 Broadway, New York, New York ("Landlord"), and ROOSEVELT ISLAND ASSOCIATES ("Tenant"), a New York general partnership having an office c/o Starrett Housing Corporation, 909 Third Avenue, New York, New York 10022 and ROOSEVELT ISLAND OPERATING CORPORATION ("RIOC"), a body corporate and politic constituting a political subdivision of the State of New York and a public benefit corporation having an office at 591 Main Street, Roosevelt Island, New York, New York 10044 .

W I T N E S S E T H :

It is hereby mutually covenanted and agreed by and between the parties hereto that this Lease (hereinafter defined) is made upon the agreements, terms, covenants and conditions hereinafter set forth.

ARTICLE 1

DEFINITIONS

The terms defined in this Article 1 shall, for all purposes of this Lease and all agreements supplemental hereto, have the meanings herein specified.

"Accounting Principles" shall mean generally accepted accounting principles (GAAP) consistently applied.

"Actual Gross Income" shall have the meaning provided in Section 3.02(b).

"Additional Payments" shall have the meaning provided in Section 3.01.

"Adjusted for Inflation" shall mean adjusted by the inflation rate for an adjustment period commencing on the date of this Lease and ending on the date of the particular event or for such other period that may be provided. The adjustment shall equal the percentage increase, if any, in the Consumer Price Index during the adjustment period.

"Affiliate" shall mean (i) any Person that has, directly or indirectly, an ownership interest in Tenant or any Person in which Tenant, any partner of Tenant or any

stockholder of any Person that is a partner of Tenant, has an ownership interest, and (ii) any individual who is a member of the immediate family (whether by birth or marriage) of an individual who is an Affiliate, which includes for purposes of this definition a spouse; a brother or sister of the whole or half blood of such individual or his spouse; a lineal descendant or ancestor (including an individual related by or through legal adoption) of any of the foregoing or a trust for the benefit of any of the foregoing.

"Anniversary Date" shall have the meaning provided in Section 3.08 (a).

"Applicable Percentage" shall have the meaning provided in Section 3.04(b).

"Appraisal Date" shall have the meaning provided in Section 3.04(b).

"Appraisal Period" shall have the meaning provided in Section 3.04(b).

"Appraised Rent" shall have the meaning provided in Section 3.04(b).

"Appraised Value" shall have the meaning provided in Section 3.04(b).

"Architect" shall mean a joint venture of the Gruzen Partnership and Philip Birnbaum, Architect P.C., or a successor who shall have been approved by Landlord provided, however, that the Architect for Motorgate II shall be a joint venture of Kallman, McKinnell & Wood, Architects, Inc. and Dyer/Brown Associates, Inc., Architects or a successor who shall have been approved by Landlord.

"Assignee" shall have the meaning provided in Section 10.01(a).

"Assignment" shall have the meaning provided in Section 10.01(a).

"AVAC" shall have the meaning provided in Section 40.01(a).

"Average Unit Charge" shall have the meaning provided in Section 23.07(d).

"Base Rent" shall have the meaning provided in Section 3.01.

"Bridge" shall mean the Roosevelt Island bridge which connects Roosevelt Island to the Borough of Queens at 36th Avenue in Queens.

"Building(s)" shall mean all the buildings (including footings and foundations), Equipment, landscaping, utilities and other improvements and appurtenances of every kind and description now located or hereafter erected, constructed, or placed upon the Land, and any and all alterations and replacements thereof, additions thereto and substitutions therefor.

"Business Days" shall mean any day which is not a Saturday, Sunday or a day observed as a holiday by either the State of New York or the federal government.

"Capital Improvement" shall have the meaning provided in Section 13.01(a).

"Capital Transaction Proceeds" shall have the meaning provided in Section 10.01(a).

"Certified Public Accountant" shall mean a public accounting firm with recognized expertise in housing (including governmental supervised housing) reasonably approved by Landlord.

"Cessation Date" shall have the meaning provided in Section 23.06(c).

"Close Affiliate" shall have the meaning provided in Section 10.01(a).

"Cohen Brothers" shall mean (i) Sherman Cohen, Edward Cohen, Charles Steven Cohen or any combination of the foregoing or (ii) any corporation wholly-owned by Sherman Cohen, Edward Cohen, Charles Steven Cohen or any combination of the foregoing.

"Combined Motorgate Revenue" shall have the meaning provided in Section 23.05(b).

"Commencement of Construction" shall mean the date upon which on-site construction of any of the Residential Buildings, the Community Facilities Building or Motorgate II shall commence, including any demolition, excavation or pile driving.

"Commencement Date" shall mean the date on which this Lease is made.

"Community Facilities" shall have the meaning provided in Section 11.01(a).

"Community Facilities Building" shall mean the one story Building to be constructed on the Land as a community building.

"Completed Units" shall mean dwelling units in the Buildings as to which there shall have been issued by the City of New York a temporary or permanent certificate of occupancy.

"Completion of the Buildings" shall have the meaning provided in Section 11.04(c).

"Construction Agreements" shall mean agreements for the construction, Restoration, rehabilitation, alteration, repair or demolition performed pursuant to this Lease.

"Construction Commencement Date" shall mean the date which is thirty (30) days after the Initial Endorsement Date.

"Construction Payments" shall have the meaning provided in Section 3.08(a).

"Construction Site" shall mean all or any portion of the Premises under construction at any time throughout the Term and all site and utility work on the Premises (including the Community Facilities), and any area outside of the Premises that is reasonably adjacent to the area under construction and which may include with the consent of Landlord the site to the immediate south of the Premises which was formerly proposed for a school.

"Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, New York, New York - Northeastern New Jersey Area, All Items (1967 = 100), or any successor index thereto, appropriately adjusted; provided that if there shall be no successor index and the parties shall fail to agree upon a substitute index within thirty (30) days, or if the parties shall fail to agree upon the appropriate adjustment of such successor or substitute index within thirty (30) days, a substitute index or the appropriate adjustment of such successor or substitute index, as the case may be, shall be determined by arbitration pursuant to Article 35.

"Default" shall mean any condition or event which constitutes or would, after notice or lapse of time, or both, constitute an Event of Default.

"Deficiency" shall have the meaning provided in Section 24.03(b)(ii).

"Demolition" shall have the meaning provided in Section 9.05(d).

"Depositary" shall mean Landlord, acting as a fiduciary, or any other Person designated by Landlord with the reasonable approval of Tenant.

"DHCR" shall mean the New York State Division of Housing and Community Renewal or any successor agency thereto.

"Due Date" shall mean, with respect to an Imposition, the last date on which such Imposition can be paid without any fine, penalty, interest or cost being added thereto or imposed by law for the non-payment thereof.

"Equipment" shall mean all fixtures incorporated in the Premises, including, without limitation, (i) all machinery, engines, dynamos, boilers, heating and lighting equipment, pumps, tanks, motors, air conditioning compressors, ventilating and communications apparatus, other heating, ventilating and air conditioning equipment, elevators, escalators, incinerators, garbage compactors, antennas, computers, sensors, security systems, and (ii) laundry equipment and refrigerators, stoves, ranges, dishwashers and other major kitchen appliances except to the extent any of the foregoing shall be owned by Subtenants, concessionaires or contractors engaged in maintaining the same.

"Event of Default" shall have the meaning provided in Section 24.01.

"Event of Default Notice" shall have the meaning provided in Section 33.03(a).

"Existing Section 8 Tenant" shall have the meaning provided in Section 23.06(c).

"Expiration Date" shall mean the 22nd day of December, 2068 (which is one day prior to the expiration of the Master Lease) or on such earlier date upon which this Lease may be terminated as provided herein.

"Federal Housing Commissioner" shall mean the Assistant Secretary for Housing-FHA Commissioner, HUD, or the successor thereto.

"FHA" shall mean the Federal Housing Administration or any successor thereof.

"FHA Mortgage Insurance" shall mean insurance provided for mortgages under the mortgage insurance program administered by HUD.

"First Mortgage" shall mean the Mortgage given to HDC and insured with FHA Mortgage Insurance, as security for the amount of proceeds of Multi-Family Mortgage Revenue Bonds, 1985 Series A, issued by HDC and lent to Tenant.

"First Mortgagee" shall mean the holder of the First Mortgage.

"First Period" shall have the meaning provided in Section 3.02(a).

"First Period Estimated Installment" shall have the meaning provided in Section 3.02(b).

"First Period Fixed Payment" shall have the meaning provided in Section 3.02(a).

"First Period Minimum Installment" shall have the meaning provided in Section 3.02(b).

"First Period Percentage Payment" shall have the meaning provided in Section 3.02(a).

"Garage Management Agreement" shall mean the agreement between Landlord and an operator providing for the operation and maintenance of Motorgate II and which may also include the operation and maintenance of Motorgate I, entered into pursuant to Section 23.05.

"Governmental Authority (Authorities)" shall mean the United States of America, the State of New York, New York City and any agency, department, corporation, commission, board, bureau, instrumentality or political subdivision of any of the foregoing, now existing or hereafter created, having or exercising jurisdiction over the Premises or any portion thereof.

"Gross Motorgate II Revenue" shall mean, in accordance with Accounting Principles, any and all gross rentals,

receipts, fees, proceeds and amounts of any kind (and anything else of value) directly or indirectly received by the operator pursuant to the Garage Management Agreement in connection with the operation of Motorgate II, but excluding parking or similar taxes and Other Motorgate Revenue.

"Gross Income" shall mean, in accordance with Accounting Principles, on a cash basis, any and all gross rentals, receipts, finder's fees and all other fees, brokerage commissions, and all other commissions, proceeds and amounts of any kind (and anything else of value) received, directly or indirectly, by or for the account of Tenant or any Affiliate from Subtenants, occupants, users or concessionaires, in connection with or directly or indirectly arising out of the Premises, any part thereof, any right or interest therein or in respect thereof, or the leasing, use, occupation or operation of the Premises or any part thereof, including without limitation amounts received from or in respect of (A) Subleases, such amounts including, without limitation, fixed rental, minimum rental, rental computed on the basis of sales or other criteria, additional rental, escalation rental, and tenant security deposits applied in payment of any rental, and/or (B) the providing of goods or services of any kind to any Subtenants, or to any persons or entities on the Premises or in connection with the use, occupation or operation of the Premises, even if such goods or services are provided from a location off the Premises, including, without limitation, concessions, licenses or agreements granted to third parties in connection with the providing of any such goods or services; and including (x) the fair market value of any of the above if the use, right, goods or services or otherwise are provided by an Affiliate (but not including the fair market value of space provided solely for the purposes of providing management, security and maintenance services to the Premises) and (y) the proceeds of insurance paid in lieu of rental and business interruption insurance; provided, however, that Gross Income shall not include (1) amounts received from any Transaction (other than rental under a Major Sublease), (2) amounts received by an Affiliate of Tenant from Tenant for goods or services provided to Subtenants in connection with the use, occupation or operation of the Premises, (3) amounts received as security deposits from Subtenants or the interest thereon, or administrative charges assessed in connection therewith, except for any security or interest as and when retained by Tenant and not applied to the repair of the premises for which such security deposit was made, (4) amounts received for any Federal, New York State, New York City sales tax, compensating use tax, commercial occupancy tax, parking tax, or other tax collected or received by Tenant on behalf of and

paid to such governmental taxing entities, (5) amounts received from any Community Facilities Building fees charged pursuant to Section 40.06(a), (6) amounts received from electrical submetering paid to or for the account of Tenant pursuant to Section 23.07 (excluding any administrative charges permitted thereunder), (7) proceeds of insurance (except insurance paid in lieu of rental or business interruption insurance) received as a result of casualties or other causes, or condemnation awards (unless in excess of the cost of Restoration), (8) proceeds of Federal, state or local government grants (except the Section 8 Unit subsidies, subsidies under a Substitute Subsidy Program or similar governmental subsidies other than electrical usage amounts in (6) above) received by Tenant for the direct benefit of one or more Subtenants, (9) the value of any work order or improvement provided with respect to an apartment and of any rent concession granted by Tenant to a Subtenant (to the extent the same are usual and customary in comparable buildings), (10) Gross Motorgate II Revenue or Other Motorgate Revenue, (11) any contributions to Tenant from a partner in Tenant acting in the capacity of a partner, (12) any loans to Tenant, (13) any refund of taxes or insurance premiums, or (14) amounts received by Tenant or an Affiliate in accordance with Section 40.06(c) in connection with the operation of the daycare facilities required to be provided by Tenant in the Section 8 Building.

"Gross Proceeds" shall have the meaning provided in Section 10.01(a).

"Ground Rent" shall have the meaning provided in Section 3.01.

"HDC" shall mean the New York City Housing Development Corporation or any successor corporation or agency thereto.

"HUD" shall mean the United States Department of Housing and Urban Development.

"Imposition" or "Impositions" shall have the meaning provided in Section 4.01(b).

"Initial Endorsement Date" shall mean the date the Federal Housing Commissioner shall have made the initial endorsement of the note which is secured by the First Mortgage.

"Initial Endorsement Delays" shall mean a delay of the Initial Endorsement Date; provided that, in each in-

stance, Tenant shall have notified Landlord not later than ten (10) days after Tenant knows or should have known of the occurrence of same and the effects of which a prudent Person in the position of Tenant could not have reasonably prevented, provided, further, that such delay is caused by: (i) the failure to issue, or any delay in the issuance to Tenant of, any necessary permits, approvals or certificates by New York City required for Tenant to commence construction of the Buildings, (ii) a formal demand by a Governmental Authority of New York State directing Tenant not to commence, or to delay in the commencement of, construction of the Buildings, (iii) the issuance of an injunction restraining Tenant from commencing construction of the Buildings, provided Tenant has promptly commenced and is diligently and continuously prosecuting the removal of such injunction or (iv) litigation seeking the invalidation of the Final Environmental Impact Statement and the findings adopted in connection therewith.

"Initial Partner" shall have the meaning provided in Section 10.01(a).

"Initial Partner's Exchange" shall have the meaning provided in Section 10.01(a).

"Initial Partner's Equity" shall have the meaning provided in Section 10.01(a).

"Institutional Lender" shall mean HDC or:

(a) any federal, state or municipal agency or public benefit corporation or public authority advancing or insuring mortgage loans or making payments which, in any manner, assist in the financing, development, operation and maintenance of improvements, or

(b) a savings bank, a savings and loan association, a commercial bank or trust company (whether acting individually or in a fiduciary capacity), an insurance company organized and existing under the laws of the United States or any state thereof, a religious, educational or eleemosynary institution, an employee's welfare, benefit, pension or retirement fund, a commercial credit corporation such as General Electric Credit Corporation, a corporation or other entity which is wholly owned by any other Institutional Lender or any combination of Institutional Lenders and no other; provided, that each of the entities described in (b) above shall qualify as an Institutional Lender only if it shall (i) be subject to (x) the jurisdiction of the courts of the State of New York and (y) the supervision

of the Comptroller of the Currency of the United States or the Insurance Department or the Banking Department or the Comptroller of the State of New York, or the Board of Regents of the University of the State of New York, or the Comptroller of the City of New York and (ii) each such entity, or combination of such entities, shall have individual or combined assets, as the case may be, of not less than Five Hundred Million ($500,000,000) Dollars.

"Involuntary Rate" shall mean the Prime Rate plus five percent (5%) per annum but, in no event, in excess of the maximum permissible interest rate then in effect in the State of New York.

"Island Services" shall have the meaning provided in Section 40.01.

"Land" shall mean the parcels of land described in Exhibit A.

"Landlord", on the date as of which this Lease is made, shall mean UDC, but thereafter "Landlord" shall mean only the tenant under the Master Lease at the time in question.

"Lease" shall mean this Agreement of Lease including all Exhibits hereto and all amendments, modifications and supplements thereof.

"Lease Year" shall mean the twelve-month period beginning on the Commencement Date and each succeeding twelve-month period until the Rent Commencement Date and then each succeeding twelve-month period beginning on the Rent Commencement Date.

"Legended" shall mean the requirement provided in Section 31.05.

"Major Sublease" shall have the meaning provided in Section 10.01(a).

"Major Subtenant" shall have the meaning provided in Section 10.01(a).

"Management Plan and Management Agent's Agreement" shall mean, collectively, the plan and the agreement approved by Landlord and the Federal Housing Commissioner for the operation and management of the Premises as the same may be amended from time to time.

"Marketing and Rental Agreement" shall mean the agreement dated as of the date hereof between Landlord and Tenant, as the same may be amended, modified or supplemented.

"Marketing and Rental Plan" shall mean the Affirmative Fair Housing Marketing Plan submitted by Tenant and approved by the Federal Housing Commissioner for the renting of Residential Units in the Premises.

"Market Rate Building(s)" shall mean one or more of the twenty-one story Residential Buildings to be constructed on the Land and to contain the Market Rate Rental Units.

"Market Rate Rental Units" shall mean all residential units in the Market Rate Buildings.

"Master Landlord" shall mean the landlord under the Master Lease at the time in question.

"Master Lease" shall mean the Agreement of Lease of Roosevelt Island by and among New York City, UDC, and UDC's subsidiary, Welfare Island Development Corporation, now known as Roosevelt Island Development Corporation, dated December 23, 1969, as heretofore and hereafter amended, modified or supplemented.

"Material Capital Improvement" shall have the meaning provided in Section 13.01(a).

"Material Restoration" shall have the meaning provided in Section 8.05.

"Material Specifications" shall have the meaning provided in Section 11.02(b).

"Minimum Gross Income" shall have the meaning provided in Section 3.02(b).

"Mortgage" shall mean any mortgage which constitutes a lien on Tenant's interest in this Lease and the leasehold estate created hereby, provided such mortgage is held by any Person other than a Prohibited Person.

"Mortgagee" shall mean the holder of any Mortgage.

"Motorgate I" shall have the meaning provided in Section 11.01(a).

"Motorgate II" shall have the meaning provided in Section 11.01(a).

"Net Motorgate II Revenue" shall have the meaning provided in Section 23.05.

"New Tenant" shall have the meaning provided in Section 23.06(c).

"New York City" shall mean The City of New York, a municipal corporation of the State of New York.

"Operating Expenses" shall have the meaning provided in Section 10.01(a).

"Operating Loan" shall have the meaning provided in Section 10.01(a).

"Operating Losses" shall have the meaning provided in Section 10.01(a).

"Operating Profits" shall have the meaning provided in Section 10.01(a).

"Other Motorgate Revenue" shall mean any revenue derived from any source in connection with Motorgate II, other than Gross Motorgate II Revenue.

"Ownership Interest" shall have the meaning provided in Section 10.01(a).

"Person" shall mean and include an individual, corporation, partnership, joint venture, estate, trust, unincorporated association, any Federal, State, County or municipal government, bureau, department or agency thereof, and any other entity.

"Plans and Specifications" shall mean the plans and specifications for construction of the Buildings, sealed by the Architect and reviewed, approved and initialed by Landlord, Tenant and HDC.

"Premises" shall mean the Land and Buildings and all easements appurtenant thereto, whether presently existing or hereafter granted, for the benefit of the Land or the Buildings.

"Prime Rate" shall mean the rate announced from time to time by Citibank, N.A. or its successors at its principal office as its "base rate." Any interest payable under this Lease with reference to the Prime Rate shall be adjusted on a daily basis, based upon the Prime Rate in

effect at the time in question, and shall be calculated on the basis of a 360-day year of twelve thirty-day months.

"Private Syndication" shall have the meaning provided in Section 10.01(a).

"Prohibited Person" shall have the meaning provided in Section 10.01(a).

"Projected Gross Income" shall have the meaning provided in Section 3.02(b).

"Promenade" shall mean the promenade along the western boundary of the Land, as more particularly described in Exhibit A hereto.

"Pro Rata Share" shall mean an amount determined by dividing (i) the aggregate number of rooms comprising Completed Units by (ii) the aggregate number of rooms comprising Completed Units and completed dwelling units, from time to time, everywhere on Roosevelt Island.

"Public Purpose Payments" shall have the meaning provided in Section 3.07(a).

"Public Syndication" shall have the meaning provided in Section 10.01(a).

"Refinancing" shall have the meaning provided in Section 10.01(a).

"Rent Commencement Date" or "RCD" shall mean the first day of the month following the earlier of (i) the second anniversary of the date upon which temporary or permanent certificates of occupancy have been issued or could have been issued (if Tenant had diligently proceeded to Completion of the Buildings in accordance with Article 11) for ninety-five percent (95%) of the Residential Units or (ii) the fifth anniversary of the Initial Endorsement Date.

"Rental" shall have the meaning provided in Section 3.10.

"Requirements" shall have the meaning provided in Section 14.01.

"Residential Buildings" shall mean the Market Rate Buildings and the Section 8 Building.

"Residential Units" shall mean the Market Rate Rental Units and the Section 8 Units.

"Restoration" shall have the meaning provided in Section 8.01.

"Restore" shall have the meaning provided in Section 8.02.

"RIOC Act" shall mean Chapter 899 of the 1984 Laws of the State of New York.

"Roosevelt Island" shall mean the premises demised under the Master Lease.

"Roosevelt Island Associates" shall mean Roosevelt Island Associates, a New York general partnership whose sole general partners, as of the date hereof, are HSC Corp., a New York corporation and Cohen Roosevelt Associates, a New York limited partnership.

"Rules and Regulations" shall mean the rules and regulations, from time to time in effect, issued by Landlord or Landlord's agents and which are applicable generally to Roosevelt Island and do not conflict with this Lease.

"Second Period" shall have the meaning provided in Section 3.03(a).

"Second Period Estimated Installment" shall have the meaning provided in Section 3.03(b).

"Second Period Fixed Monthly Installment" shall have the meaning provided in Section 3.03(c).

"Section Period Fixed Payment" shall have the meaning provided in Section 3.03(b).

"Section Period Minimum Installment" shall have the meaning provided in Section 3.03(b).

"Second Period Motorgate Installment" shall have the meaning provided in Section 3.03(c).

"Second Period Percentage Payment" shall have the meaning provided in Section 3.03(b).

"Section 8" shall mean Section 8 of the United States Housing Act of 1937, and the rules and regulations

promulgated thereunder applicable to new construction, as the same may be amended from time to time.

"Section 8 Agreement" shall have the meaning provided in Section 23.06(c).

"Section 8 Building" shall mean the fourteen story Residential Building to be constructed on the Land and to contain the Section 8 Units.

"Section 8 Contract" shall have the meaning provided in Section 23.06(c).

"Section 8 Units" shall mean all residential units in the Section 8 Building.

"Secured Loan" shall have the meaning provided in Section 10.01(a).

"Security Charge Adjustment" shall have the meaning provided in Section 40.01(c).

"Starrett Housing Corporation" shall mean Starrett Housing Corporation, a New York corporation, having its principal corporate office at 909 Third Avenue, New York, New York, 10022 and any successors thereto.

"Streets" shall have the meaning provided in Article 37.

"Subleases" shall have the meaning provided in Section 10.06(a).

"Substantially all of the Premises" shall have the meaning provided in Section 9.01(b).

"Substitute Subsidy Program" shall have the meaning provided in Section 23.06(c).

"Subtenants" shall have the meaning provided in Section 10.06(a).

"Syndication" and "Syndicate" shall have the meanings provided in Section 10.01(a).

"Taxes" shall have the meaning provided in Section 4.03(a).

"Tenant", on the date as of which this Lease is made, shall mean Roosevelt Island Associates, and thereafter

"Tenant" shall mean the holder of the leasehold interest created under this Lease.

"Tenant's Equity" shall have the meaning provided in Section 10.01(a).

"Tenant's Net Investment" shall have the meaning provided in Section 10.01(a).

"Term" shall mean the term of this Lease as set forth in Article 2.

"Third Period" shall have the meaning provided in Section 3.04(a).

"Third Period Fixed Payment" shall have the meaning provided in Section 3.04(a).

"Third Period Percentage Payment" shall have the meaning provided in Section 3.04(a).

"Title Matters" shall mean the various matters mentioned in Article 2 hereof and set forth in Exhibit B hereto.

"Transaction" shall have the meaning provided in Section 10.01(a).

"Transaction Payment" shall have the meaning provided in Section 10.05(a).

"Transaction Proceeds" shall have the meaning provided in Section 10.01(a).

"Transfer" shall have the meaning provided in Section 10.01(a).

"Transferee" shall have the meaning provided in Section 10.01(a).

"UDC" shall mean New York State Urban Development Corporation, its successors and assigns.

"Unavoidable Delays" shall mean (i) with respect to Tenant, Initial Endorsement Delays and delays incurred by Tenant due to (A) strikes, lockouts, work stoppages due to labor jurisdictional disputes, acts of God, inability to obtain labor or materials due to governmental restrictions (other than any Rules and Regulations which Tenant is bound to observe pursuant to the terms of this Lease), the wrongful

failure of Landlord to comply with the provisions of Section 11.09 or to grant any consent or approval to Tenant, as determined pursuant to Section 31.02, delays resulting from Landlord's construction activities, enemy action, civil commotion, fire, casualty or other similar causes beyond the control of Tenant, (B) the failure of any utility company to provide and maintain utilities, services, water and sewer lines and power transmission lines to the Premises which are required for the construction of the Buildings or for other obligations of Tenant, (C) any unforeseeable subsurface condition at a Construction Site which shall prevent or require a redesign or change in the construction of, or affect the completion schedule for, the Buildings, or (D) the failure of any subcontractor or supplier to furnish labor, services, materials or equipment on the dates agreed to if such failure is caused by an Unavoidable Delay and Tenant is not reasonably able to obtain substitute labor, services, materials or equipment on the agreed-upon dates (but not including Tenant's insolvency or financial condition), and (ii) with respect to Landlord, delays incurred by Landlord due to strikes, lockouts, work stoppages due to labor jurisdictional disputes, acts of God, inability to obtain labor or materials due to governmental restrictions (other than any governmental restrictions which Landlord is bound to observe pursuant to the terms of this Lease), enemy action, civil commotion, fire, casualty or other similar causes beyond the control of Landlord (but not including Landlord's insolvency or financial condition); in each case provided such party shall have notified the other party not later than fourteen (14) days after such party knows or should have known of the occurrence of same and the effects of which a prudent Person in the position of the party asserting such delay could not have reasonably prevented.

"Withdrawn Condemnation Premises" shall have the meaning provided in Section 9.05.

"Zoning Resolution" shall mean the Zoning Resolution of the City of New York.

"Zoning Waiver" shall mean the override of certain specific provisions of the Zoning Resolution exercised by Landlord and/or RIOC.

ARTICLE 2

PREMISES AND TERM OF LEASE

Landlord does hereby demise and lease to Tenant, and Tenant does hereby let, hire and take from Landlord (a) all that certain plot, piece or parcel of land located in the Borough of Manhattan, County of New York, State of New York, more particularly described in Exhibit A hereto and denominated "Legal Description of Land" thereon, together with all easements and other rights pertaining thereto, whether presently existing or hereafter created, and (b) all Buildings thereon, together with all easements and other rights pertaining thereto, whether presently existing or hereafter created, reserving unto Landlord those reservations set forth in Exhibit A hereto and subject to those easements and other matters set forth in Exhibit B hereto (the "Title Matters").

TO HAVE AND TO HOLD unto Tenant, its successors and assigns, for a term of years (the "Term") which shall commence on the Commencement Date and shall expire on the Expiration Date.

ARTICLE 3

RENT

Section 3.01. Base Rent. Commencing on the Rent Commencement Date, Tenant shall pay to Landlord an annual rent (the "Base Rent"), consisting of a ground rent component in the amount of One Hundred Thousand Dollars ($100,000) (the "Ground Rent") and the payments as provided in Sections 3.02, 3.03 and 3.04 for the applicable time periods referred to therein (the "Additional Payments"). Anything contained herein to the contrary notwithstanding, except as provided in Section 23.06(d), under no circumstances shall the Base Rent for any Lease Year be less than the Base Rent of the previous Lease Year.

Section 3.02. Determination of Additional Payment and Payment of Base Rent for First Period.

(a) Determination. From the Rent Commencement Date until the day prior to the twenty-first (21st) anniversary of the Rent Commencement Date (the "First Period"), the Additional Payment shall consist of a fixed payment (the "First Period Fixed Payment") and a percentage payment (the "First Period Percentage Payment") as follows:

(i) First Period Fixed Payment. The First Period Fixed Payment shall be as follows:

(A)	From RCD until 1st anniversary of RCD:	$1,900,000
(B)	From 1st anniv. of RCD until 2nd anniv.:	$2,100,000
(C)	From 2nd anniv. of RCD until 3rd anniv.:	$2,200,000
(D)	From 3rd anniv. of RCD until 4th anniv.:	$2,300,000
(E)	From 4th anniv. of RCD until 5th anniv.:	$2,400,000
(F)	From 5th anniv. of RCD until 6th anniv.:	$2,500,000
(G)	From 6th anniv. of RCD until 7th anniv.:	$2,600,000
(H)	From 7th anniv. of RCD until 8th anniv.:	$2,700,000
(I)	From 8th anniv. of RCD until 9th anniv.:	$2,800,000
(J)	From 9th anniv. of RCD until 10th anniv.:	$2,900,000
(K)	From 10th anniv. of RCD until 11th anniv.:	$3,000,000
(L)	From 11th anniv. of RCD until 12th anniv.:	$3,100,000
(M)	From 12th anniv. of RCD until 13th anniv.:	$3,200,000
(N)	From 13th anniv. of RCD until 14th anniv.:	$3,300,000
(O)	From 14th anniv. of RCD until 15th anniv.:	$3,400,000
(P)	From 15th anniv. of RCD until 16th anniv.:	$3,500,000
(Q)	From 16th anniv. of RCD until 17th anniv.:	$3,600,000
(R)	From 17th anniv. of RCD until 18th anniv.:	$3,700,000
(S)	From 18th anniv. of RCD until 19th anniv.:	$3,800,000
(T)	From 19th anniv. of RCD until 20th anniv.:	$3,900,000
(U)	From 20th anniv. of RCD until 21st anniv.:	$4,000,000.

(ii) First Period Percentage Payment. The First Period Percentage Payment for each Lease Year during the First Period shall be in an amount equal to the sum of (A) twenty percent (20%) of Gross Income for such Lease Year in excess of Twenty-Two Million Five Hundred Thousand Dollars ($22,500,000) but less than Thirty-Five Million Dollars ($35,000,000) and (B) ten percent (10%) of the amount by which Gross Income exceeds Thirty-Five Million Dollars ($35,000,000).

(b) Payments. Payment of Base Rent for the First Period shall be made as follows:

(i) Ground Rent: The Ground Rent for each Lease Year shall be payable in advance, in equal monthly installments, on the first day of each month during such Lease Year.

(ii) First Period Fixed Payment: The First Period Fixed Payment for each Lease Year shall be payable in advance, in equal monthly installments, on the first day of each month during such Lease Year.

(iii) First Period Percentage Payment: The First Period Percentage Payment for the Lease Year commencing on the Rent Commencement Date shall be paid, in full, on the first day of the fifth month in the Lease Year immediately following such Lease Year. The First Period Percentage Payment for each Lease Year following the Lease Year referred to in the preceding sentence shall be payable as follows:

(A) On the first day of each of the first four months in each Lease Year commencing on the first anniversary of the Rent Commencement Date, Tenant shall pay an amount equal to the First Period Estimated Installment. "First Period Estimated Installment" shall mean an estimated installment of the First Period Percentage Payment equal to one twelfth (1/12) of the sum of (x) the amount, if any, by which Projected Gross Income (as hereinafter defined) exceeds Twenty-Two Million Five Hundred Thousand Dollars ($22,500,000) but is less than Thirty-Five Million Dollars ($35,00,000), times twenty percent (20%), and (y) the amount,

if any, by which Projected Gross Income exceeds Thirty-Five Million Dollars ($35,000,000), times ten percent (10%). "Projected Gross Income" shall mean (with respect to any Lease Year in the First Period or the Second Period) a projected amount of Gross Income for the Lease Year prior to the Lease Year in question equal to the amount of Gross Income as reported in the third quarterly statement required pursuant to Section 26.01(a) with respect to the first nine (9) months of such prior Lease Year, times four-thirds (4/3).

(B) On the first day of each of the fifth through twelfth months in such Lease Year, Tenant shall pay an amount equal to the First Period Minimum Installment. "First Period Minimum Installment" shall mean an installment of the First Period Percentage Payment equal to one twelfth (1/12) of the sum of (x) the amount, if any, by which Minimum Gross Income (as hereinafter defined) exceeds Twenty-Two Million Five Hundred Thousand Dollars ($22,500,000) but is less than Thirty-Five Million Dollars ($35,000,000), times twenty percent (20%), and (y) the amount, if any, by which Minimum Gross Income exceeds Thirty-Five Million Dollars ($35,000,000), times ten percent (10%). "Minimum Gross Income" shall mean (with respect to any Lease Year in the First Period or the Second Period) the amount of Gross Income for the Lease Year prior to the Lease Year in question as reported in the annual statement required pursuant to Section 26.01(b) with respect to such prior Lease Year, provided, that Minimum Gross Income shall, in no event, be less than it was in the Lease Year prior to the Lease Year in question, except as a consequence of the application of the proviso contained in the last sentence of Section 3.01.

(C) In the event the First Period Minimum Installment exceeds the First Period Estimated Installment, Tenant shall pay,

on the first day of the fifth month in such Lease Year, an amount equal to four (4) times the difference. In the event the First Period Estimated Installment exceeds the First Period Minimum Installment, Tenant shall receive a credit against the next subsequent installments of the First Period Minimum Installment in an amount equal to four (4) times the difference.

(D) In the event Actual Gross Income (as hereinafter defined) for such Lease Year exceeds Minimum Gross Income for such Lease Year, the First Period Percentage Payment for such Lease Year shall be readjusted based upon such Actual Gross Income and Tenant shall pay such adjustment on the first day of the fifth month in the Lease Year immediately following such Lease Year. "Actual Gross Income" shall mean the Gross Income for such Lease Year, as reported on the annual statement required pursuant to Section 26.01(b). If Actual Gross Income is less than or equal to Minimum Gross Income, there shall be no adjustment to the Base Rent payable hereunder.

(E) In the event it shall be finally determined, as provided in Section 26.03(d) hereof, that Gross Income was understated, the payments required to be made by Tenant pursuant to Section 3.02(b)(iii)(B), (C), and (D) shall be appropriately adjusted.

Section 3.03. Determination of Additional Payment and Payment of Base Rent for Second Period.

(a) Determination. From the twenty-first (21st) anniversary of the Rent Commencement Date until the day prior to the thirty-sixth (36th) anniversary of the Rent Commencement Date (the "Second Period"), the Additional Payment for each Lease Year shall consist of (i) the Second Period Fixed Payment and (ii) the Second Period Percentage Payment (each as hereinafter defined).

(b) Definitions: As used herein:

(i) "Second Period Fixed Payment" shall mean an amount equal to the sum of (A) Four Million Dollars ($4,000,000) and (B) the First Period Percentage Payment, as finally determined, for the Lease Year from the twentieth (20th) anniversary of the Rent Commencement Date until the day prior to the twenty-first (21st) anniversary of the Rent Commencement Date.

(ii) "Second Period Percentage Payment" shall mean (A) for the Lease Year from the twenty-first (21st) anniversary of the Rent Commencement Date until the day prior to the twenty-second (22nd) anniversary of the Rent Commencement Date, the amount, if any, by which sixteen percent (16%) of Gross Income for such Lease Year plus ten percent (10%) of the amount by which Gross Income for such Lease Year exceeds Thirty-Five Million Dollars ($35,000,000) plus sixteen percent (16%) of Gross Motorgate II Revenue for such Lease Year less One Hundred Thousand Dollars ($100,000) exceeds the Second Period Fixed Payment, and (B) for each Lease Year from the twenty-second (22nd) anniversary of the Rent Commencement Date and continuing for the remainder of the Second Period, the greater of (x) the amount, if any, by which sixteen percent (16%) of Gross Income for such Lease Year plus ten percent (10%) of the amount by which Gross Income for such Lease Year exceeds Thirty-Five Million Dollars ($35,000,000) plus sixteen percent (16%) of Gross Motorgate II Revenue for such Lease Year less One Hundred Thousand Dollars ($100,000) exceeds the Second Period Fixed Payment, or (y) the Second Period Percentage Payment for the prior Lease Year.

(c) Payments. Payment of Base Rent for the Second Period shall be made as follows:

(i) Ground Rent: The Ground Rent for each Lease Year shall be payable in advance, in equal monthly installments, on the first day of each month during such Lease Year.

(ii) Second Period Fixed Payment: The Second Period Fixed Payment for each Lease Year shall be payable in advance, in equal monthly installments (the "Second Period Fixed Monthly Installment"), on the first day of each month during such Lease Year.

(iii) Second Period Percentage Payment: The Second Period Percentage Payment for each Lease Year shall be payable as follows:

(A) The portion of the Second Period Percentage Payment which is based on Gross Motorgate II Revenue shall be withheld by Landlord in monthly installments as provided in Section 23.05(b) (the "Second Period Motorgate Installment").

(B) On the first day of each of the first four months in such Lease Year, Tenant shall pay an amount equal to the Second Period Estimated Installment. "Second Period Estimated Installment" shall mean an estimated installment of the Second Period Percentage Payment equal to the amount, if any, by which (x) one twelfth (1/12) of the sum of (I) Projected Gross Income, times sixteen percent (16%), (II) the amount, if any, by which Projected Gross Income exceeds Thirty-Five Million Dollars ($35,000,000), times ten percent (10%), and (III) the Second Period Motorgate Installment exceeds (y) the Second Period Fixed Monthly Installment.

(C) On the first day of each of the fifth through twelfth months in such Lease Year, Tenant shall pay an amount equal to the Second Period Minimum Installment. "Second Period Minimum Installment" shall mean an installment of the Second Period Percentage Payment equal to the amount, if any, by which (x) one twelfth (1/12) of the sum of (I) Minimum Gross Income, times sixteen percent (16%), (II) the amount, if any, by which Minimum Gross Income exceeds Thirty-Five Million Dollars ($35,000,000), times ten percent (10%), and (III) the Second Period Motorgate Installment exceeds (y) the Second Period Fixed Monthly Installment.

(D) In the event the Second Period Minimum Installment exceeds the Second Period Estimated Installment, Tenant shall pay, on the first day of the fifth month in such Lease Year, an amount equal to four

(4) times the difference. In the event the Second Period Estimated Installment exceeds the Second Period Minimum Installment, Tenant shall receive a credit against the next subsequent installments of the Second Period Minimum Installment in an amount equal to four (4) times the difference.

(E) In the event Actual Gross Income for such Lease Year exceeds Minimum Gross Income for such Lease Year, the Second Period Percentage Payment for such Lease Year shall be re-adjusted based upon such Actual Gross Income and Tenant shall pay such adjustment on the first day of the fifth month in the Lease Year immediately following such Lease Year. If Actual Gross Income is less than or equal to Minimum Gross Income, there shall be no adjustment to the Base Rent payable hereunder.

(F) If, based upon Actual Gross Income, the Second Period Percentage Payment shall be less than the Second Period Percentage Payment for the prior Lease Year, Tenant shall pay an amount equal to such deficiency on the first day of the fifth month in the Lease Year immediately following such Lease Year.

(G) In the event it shall be finally determined, as provided in Section 26.03(d) hereof, that Gross Income was understated, the payments required to be made by Tenant pursuant to Section 3.03(c)(ii)(C), (D) and (E) shall be appropriately adjusted.

Section 3.04. Determination of Additional Payment and Payment of Base Rent for Third Period.

(a) Determination. From the thirty-sixth (36th) anniversary of the Rent Commencement Date until the expiration of the term of this Lease (the "Third Period"), the Additional Payment for each Lease Year shall consist of (i) a fixed payment (the "Third Period Fixed Payment") in an amount equal to the Appraised Rent, less One Hundred Thousand Dollars ($100,000), and (ii) a percentage payment (the "Third

Period Percentage Payment") in an amount equal to fifty percent (50%) of the Gross Motorgate II Revenue for such Lease Year.

(b) Definitions. As used herein:

(i) "Appraised Rent" for each Lease Year during any Appraisal Period shall mean the product derived by multiplying the Appraised Value times the Applicable Percentage (each as hereinafter defined). In no event shall Appraised Rent in any Lease Year be less than Taxes for such Lease Year. "Taxes" shall mean, with respect to the Section 8 Building, an amount equal to ten percent (10%) of Annual Shelter Rent (as such term is defined in the Master Lease).

(ii) "Appraised Value" shall mean the fair market value of the Land and Buildings, based upon the highest and best use of the Land and Buildings (exclusive of Motorgate II) as of the Appraisal Date. Appraised Value shall be determined by appraisal made in accordance with Article 35, which appraisal shall be instituted at least one (1) year prior to the commencement of such Appraisal Period, unless at last thirteen (13) months prior to the commencement of such Appraisal Period, Landlord and Tenant shall have agreed upon such Appraised Value.

(iii) "Applicable Percentage" shall mean a percentage that provides a market rate of return to Landlord throughout the Appraisal Period.

(iv) "Appraisal Date" shall mean the thirty-sixth (36th) anniversary of the Rent Commencement Date and each fifteenth (15th) anniversary thereof.

(v) "Appraisal Period" shall mean the period commencing with each Appraisal Date and ending on the day prior to the next Appraisal Date or the Expiration Date, and shall equal fifteen (15) years except in the case of the last such Appraisal Period.

(c) Payments. Payment of Base Rent for the Third Period shall be made as follows:

(i) Ground Rent: The Ground Rent for each Lease Year shall be payable in advance, in equal

monthly installments, on the first day of each month during such Lease Year.

(ii) Third Period Fixed Payment. The Third Period Fixed Payment for each Lease Year shall be payable in advance, in equal monthly installments, on the first day of each month during such Lease Year.

(iii) Third Period Percentage Payment. The Third Period Percentage Payment shall be withheld by Landlord in monthly installments as provided in Section 23.05(b); provided, however, if fifty percent (50%) of Gross Motorgate II Revenue in any Lease Year shall exceed one hundred percent (100%) of Net Motorgate II Revenue for such Lease Year, Tenant shall only be required to pay in such Lease Year an amount equal to the greater of (A) one hundred percent (100%) of Net Motorgate II Revenue or (B) sixteen percent (16%) of Gross Motorgate II Revenue, and the difference shall be paid by Tenant, without interest, in subsequent Lease Year(s) from Net Motorgate II Revenue received by Tenant after payment to Landlord of the Third Period Percentage Payment for such Lease Year(s).

Section 3.05. Currency. Rental shall be paid in currency which at the time of payment is legal tender for public and private debts in the United States of America, without notice or demand (except as otherwise specifically provided for herein), and shall be payable at the office of Landlord as set forth above or at such other place as Landlord shall direct by notice to Tenant. Any check tendered in payment of Rental shall be drawn on a bank that is a member of the New York Clearing House.

Section 3.06. Net Lease. It is the purpose and intention of Landlord and Tenant, and Landlord and Tenant agree, that Rental shall be absolutely net to Landlord without any abatement, deduction, counterclaim, set-off or offset whatsoever, except as provided in Sections 3.02, 3.03, 3.07, 3.08, 4.03(b), 11.11(b) and 23.05(b) hereof, so that this Lease shall yield, net to Landlord, Base Rent in each year during the Term and that Tenant shall pay all costs, expenses and charges of every kind and nature relating to the Premises, except Taxes, if any, and as provided in Section 4.03 hereof, which may arise or become due or payable during or after (but attributable to a period falling within) the Term, and that Landlord shall be indemnified by Tenant against, and held harmless by Tenant from, the same.

Section 3.07. (a) Public Purpose Payments. Tenant acknowledges that by reason of this Lease and the ownership of the Buildings by Landlord, certain sales and compensating use taxes will not be incurred in connection with the construction, Restoration and improvement of the Buildings. Tenant shall pay to Landlord, in lieu of such sales and compensating use taxes, all amounts which would have been so incurred had such sales and compensating use taxes been payable ("Public Purpose Payments"), and Tenant guarantees the payment, during the period commencing on the Construction Commencement Date and ending upon Completion of the Buildings, of Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000) as a minimum amount of Public Purpose Payments in connection with the construction of the Buildings. To the extent permitted by FHA and HDC, Tenant shall use its best efforts to pay Public Purpose Payments in the aggregate amount of One Million Dollars ($1,000,000) within one year of the Construction Commencement Date, of which Two Hundred and Fifty Thousand Dollars ($250,000) shall be paid within six (6) months of the Construction Commencement Date and an additional Three Hundred Thousand Dollars ($300,000) shall be paid within eight (8) months of the Construction Commencement Date. The remainder of the Public Purpose Payments payable during the period commencing on the Construction Commencement Date and ending upon Completion of the Buildings shall be payable (after deducting amounts previously paid) on a percentage of construction work completed basis for equipment and materials as evidenced by requisitions for construction advances approved by the First Mortgagee, copies of which shall be promptly delivered to Landlord. Tenant shall also make Public Purpose Payments to Landlord whenever Tenant shall make any Equipment replacement, Restoration or Capital Improvement during the Term, provided the cost of any single component thereof exceeds Ten Thousand Dollars ($10,000). Tenant shall make all Public Purpose Payments to an escrow account at a commercial bank designated by Landlord. Landlord shall use all Public Purpose Payments for public improvements for the enhancement of Roosevelt Island and such other needs of Roosevelt Island as Landlord may determine, except that Landlord shall not use Public Purpose Payments to pay normal operating expenses of Landlord.

(b) Public Purpose Payment Credit. In the event Tenant is compelled by any Governmental Authority to pay any sales or compensating use tax in respect of materials incorporated (or to be incorporated) in the Buildings and with respect to which Tenant previously has made Public Purpose Payments to Landlord, Tenant shall receive a credit against the next installment(s) of Base Rent in an amount equal to the amount of such taxes (including interest and penalties)

which Tenant has been compelled to pay, provided that (i) each Construction Agreement shall contain the provision set forth in Section 11.07(b), (ii) Tenant shall have notified Landlord prior to the payment of such taxes that a claim has been made therefor and Landlord shall have had the opportunity to contest the imposition of same, provided that, by reason thereof, Tenant would not be subject to any criminal liability, and (iii) in no event shall the credit allowed to Tenant hereunder exceed the amount of Public Purpose Payments paid to Landlord with respect to such materials. In connection with any payment to be made to Landlord pursuant to this Section 3.07, Landlord, upon request by Tenant and at no cost or expense to Landlord, shall cooperate with any effort by Tenant to establish that, by reason of ownership of the Buildings by Landlord, no sales or compensating use tax is payable in respect of materials incorporated (or to be incorporated) in the Buildings. Tenant shall reimburse Landlord, within ten (10) days after demand, for any and all costs or expenses which Landlord may sustain or incur while acting pursuant to this Section.

Section 3.08 (a) Construction Payments. Tenant shall make the following payments (collectively, the "Construction Payments") to Landlord: (i) $87,500 on the date which is six months after the Initial Endorsement Date; (ii) $87,500 on the date (the "Anniversary Date") twelve months after the Initial Endorsement Date; (iii) $175,000 on each anniversary of the Anniversary Date occurring prior to the Rent Commencement Date; and (iv) $480 per day from the anniversary of the Anniversary Date immediately prior to the Rent Commencement Date to the Rent Commencement Date payable on the Rent Commencement Date.

(b) Offset Against First Period Fixed Payment. Tenant shall have the right to offset the Construction Payments actually made by Tenant against the first installments of First Period Fixed Payments.

Section 3.09. Discharge of Certain Liens. Notwithstanding the foregoing, if, at any time during the Term, Landlord shall fail to discharge a lien placed upon the Premises which Landlord is obligated to discharge as a matter of law and under the terms of this Lease, and such failure shall subject Tenant to an obligation to discharge such lien or subject Tenant to criminal penalties or forfeiture of its interest under this Lease, then Tenant may pay such lien and set off the amount so paid against Base Rent thereafter payable, provided Landlord shall have received notice of such lien from Tenant, shall have been obligated to discharge such lien, and thereafter shall have been given a reasonable

opportunity to pay or contest such lien but shall have failed to do so.

Section 3.10. Rental. All of the amounts payable by Tenant pursuant to this Lease, including, without limitation, Base Rent, Public Purpose Payments, Construction Payments Impositions, Transaction Payments, amounts payable by Tenant to Landlord, if any, as a result of Tenant receiving a portion of Gross Motorgate II Revenue and a portion thereof being payable to Landlord pursuant to Section 23.05 or the Garage Management Agreement for operating Motorgate II, payments made to Landlord pursuant to Article 40, and any other sums, costs, expenses or deposits which Tenant in any of the other provisions of this Lease assumes or agrees to pay and/or deposit, shall constitute rental under this Lease (collectively, "Rental"), and, in the event of Tenant's failure to pay Rental, Landlord (in addition to all other rights and remedies provided herein) shall have all of the rights and remedies provided for by law in the case of non-payment of rent.

ARTICLE 4

IMPOSITIONS

Section 4.01. Payment of Impositions.

(a) Obligation to Pay Impositions. Tenant shall pay, as provided in Section 4.01(c), all Impositions that at any time are, or, if the Premises or any part thereof or the owner thereof were not exempt therefrom, would be assessed, levied, confirmed, imposed upon, or would grow out of, become due and payable out of, or in respect of, or would be charged with respect to (i) the Premises, or (ii) the sidewalks or streets in front of or adjoining the Premises, or (iii) any vault, bridge, passageway or space in, over or under such sidewalk or street, or (iv) any other appurtenances of the Premises, or (v) any personal property or other facility used in the operation thereof, or (vi) the Rental (or any portion thereof) payable by Tenant hereunder, or (vii) any document to which Tenant is a party creating or transferring an interest or estate in the Premises, or (viii) the use and occupancy of the Premises, or (ix) this transaction.

(b) Definition.

"Imposition" or "Impositions" shall mean:

(i) real property, general and special assessments (including, without limitation, any special assessments for business improvements or imposed by any special assessment district),

(ii) personal property taxes,

(iii) occupancy and rent taxes,

(iv) water, water meter and sewer rents, rates and charges,

(v) excises,

(vi) license and permit fees,

(vii) any New York City imposed service charges with respect to police protection, fire protection, street and highway construction, maintenance and lighting, sanitation and water supply,

(viii) any fines, penalties and other similar governmental charges applicable to the foregoing,

together with any interest or costs with respect to the foregoing, and

(ix) any other governmental levies, fees, rents, assessments or taxes and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind whatsoever, together with any fines and penalties and any interest or costs with respect thereto;

provided, however, that the term "Impositions" shall not include (i) Taxes or (ii) charges imposed by Landlord that do not encompass sufficient area other than the Premises, to more likely than not negate any reasonable inference that the purpose of the charge is to increase Rental paid by Tenant.

(c) Payments of Impositions. Subject to the provisions of Section 4.05 hereof, each Imposition or installment thereof shall be paid not later than the Due Date thereof. However, if by law, any Imposition, at the taxpayer's option, may be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the Imposition in such installments and shall be responsible for the payment of such installments with interest. If Tenant fails to make any payment of an Imposition (or installment thereof) on or before the Due Date thereof, Tenant shall, at Landlord's request, pay all Impositions or installments thereof thereafter payable by Tenant not later than ten (10) days before the Due Date thereof.

Section 4.02. Evidence of Payment. Tenant, upon request of Landlord, shall furnish to Landlord, within thirty (30) days after the date when an Imposition is due and payable under this Lease (except that Tenant shall have sixty (60) days in respect of water charges and sewer rents), official receipts of the appropriate taxing authority, or other proof reasonably satisfactory to Landlord, evidencing the payment thereof.

Section 4.03. Taxes.

(a) "Taxes" shall mean the real property taxes that would be assessed and levied against the Premises pursuant to the provisions of Chapter 58 of the Charter of the City of New York and Chapter 17, Title E, of the Administrative Code of the City of New York or any statute in lieu thereof if New York City (as the owner of the Land) or the Premises or any part thereof or the owner thereof were not exempt therefrom.

(b) If New York City or any Person except UDC, any subsidiary thereof, the State of New York, or a bureau or department of the State of New York, or a public benefit corporation, or an agency or authority of the State of New York which is, or whose real property is exempt from the payment of Taxes, shall become Landlord hereunder, and if Taxes become payable on the Premises, Landlord shall pay the Taxes on or before the due date thereof. Notwithstanding the foregoing, or any provision of Article 3 hereof, if, at any time during the Term, Landlord is required by law to pay Taxes, but fails to pay same, or the Premises or any part thereof is not exempted from the payment of Taxes, then Tenant, in addition to any other rights it may have by reason of such failure of Landlord to pay Taxes, may pay Taxes and set off the amount so paid against Base Rent thereafter payable under the provisions of this Lease.

(c) Landlord shall have the right, at its own cost and expense, to contest the imposition of Taxes, and pending such contest Landlord shall not be required to pay the Taxes being so contested, unless failure to pay same shall result in the imminent loss or forfeiture of the Premises and the termination of Tenant's interest under this Lease or Tenant would by reason thereof be subject to any criminal liability. If Landlord shall exercise its right to contest the imposition of Taxes, Landlord shall promptly notify Tenant of such contest, and shall deliver to Tenant copies of all applications, protests and other documents submitted by Landlord to any Governmental Authority. If Landlord shall have failed to pay the Taxes as required hereunder and shall not have timely commenced a procedure to contest same, or shall have timely commenced a procedure to contest the Taxes but failure to pay the Taxes will result in the imminent loss or forfeiture of the Premises and the termination of Tenant's interest under this Lease or Tenant would by reason thereof be subject to any criminal liability, then Tenant may pay such unpaid Taxes together with any interest or penalties and deduct such payment together with interest on such payment at the Involuntary Rate from the next installment of Base Rent payable under this Lease. Nothing contained herein shall be construed to release Tenant from its obligation to pay Impositions other than Taxes as provided in this Article 4.

(d) Nothing contained in this Lease shall require Tenant to pay municipal, state or federal income, gross receipts, excise, rental, inheritance, estate, succession, excess profit or revenue tax, transfer or gift taxes imposed on Landlord, or any capital levy, transfer or corporate franchise tax imposed upon Landlord, or any other tax,

assessment, charge or levy payable by Landlord upon the Rental payable by Tenant under this Lease.

Section 4.04. Apportionment of Imposition. Except as provided in Section 4.01 hereof, any Imposition, relating to a fiscal period of the taxing authority, a part of which period is included within the Term and a part of which is included in a period of time after the Expiration Date shall be apportioned between Landlord and Tenant as of the Expiration Date (unless the Expiration Date has occurred as a result of an Event of Default, in which case Tenant is not entitled to repayment for any Imposition paid by Tenant) so that Tenant shall pay that portion of such Imposition which that part of such fiscal period included in the period before the Expiration Date bears to the fiscal period of the taxing authority.

Section 4.05. Right to Contest Impositions.

(a) Tenant, or any Mortgagee if it shall be acting as attorney-in-fact for Tenant, shall have the right at Tenant's or such Mortgagee's own expense to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith, in which event, notwithstanding the provisions of Section 4.01 hereof, payment of such Imposition shall be postponed if and only as long as:

(i) neither the Premises nor any part thereof, would by reason of such postponement or deferment be, in the reasonable judgment of Landlord, in danger of being forfeited or lost;

(ii) Tenant or such Mortgagee, as the case may be, shall have deposited with Landlord or Depositary a bond issued by a bonding company reasonably acceptable to Landlord or other security reasonably acceptable to Landlord in the amount so contested and unpaid which would be payable by Tenant pursuant to Sections 4.01 and 4.04 hereof, together with all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Premises or any part thereof in such proceedings; and

(iii) Landlord is, in Landlord's reasonable judgment, in no danger of being subjected to criminal liability or penalty or civil liability or penalty in excess of the amount for which Tenant has furnished security as provided in Section 4.05(a)(ii) and (b) hereof by reason of nonpayment thereof.

(b) Upon the termination of such proceedings, Tenant shall pay the amount of such Imposition or part thereof as finally determined in such proceedings which would be payable by Tenant pursuant to Sections 4.01 and 4.04 hereof, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith, and upon such payment, Landlord or Depositary shall return, without interest, any security deposited with it with respect to such Imposition as aforesaid; provided, however, that Landlord or Depositary, at Tenant's or such Mortgagee's request, or upon Tenant's and such Mortgagee's failure to so request in a timely manner, at Landlord's request, shall disburse any moneys on deposit with it directly to the imposing authority to whom such Imposition is payable. If at any time during the continuance of such proceedings Landlord in its reasonable judgment shall deem the amount of security deposited as aforesaid insufficient, Tenant or any Mortgagee, as the case may be, within ten (10) days after demand, shall make an additional deposit of such additional sums or other acceptable security as Landlord reasonably may request, and upon failure of Tenant or any Mortgagee, as the case may be, to do so, the security theretofore deposited, together with any interest thereon, may be applied by Landlord to the payment, removal and discharge of such Imposition which would be payable by Tenant pursuant to Sections 4.01 and 4.04 hereof and the interest and penalties in connection therewith and any costs, fees (including attorneys' fees and disbursements) or other liability accruing in any such proceedings, and the balance, if any, shall be returned to Tenant or any Mortgagee, as the case may be, or the deficiency, if any, which would be payable by Tenant pursuant to Sections 4.01 and 4.04 hereof shall be paid by Tenant or any Mortgagee, as the case may be, to Landlord within ten (10) days after demand. Nothing contained in this Section 4.05 or elsewhere in this Lease shall be deemed to limit Tenant's obligation to make the deposits provided for in Article 5 hereof.

Section 4.06. Landlord Participation in Contest Proceedings. Landlord shall not be required to join in any proceedings referred to in Section 4.05 hereof unless 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 Landlord, in which event, Landlord shall join and cooperate in such proceedings or permit the same to be brought in its name but shall not be liable for the payment of any costs or expenses in connection with any such proceedings and Tenant shall reimburse Landlord, within ten (10) days after demand for any and all costs or expenses

which Landlord may reasonably sustain or incur in connection with any such proceedings. In the event Tenant institutes a proceeding referred to in Section 4.05 hereof and no law, rule or regulation in effect at the time required that such proceeding be brought by and/or in the name of Landlord, Landlord nevertheless shall cooperate with Tenant in such proceeding; provided that Tenant shall, at Landlord's election, either directly pay Landlord's costs and expenses incurred in connection with such proceeding or promptly reimburse Landlord for such costs and expenses which reimbursement shall be deemed to be Rental. If the provisions of such law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Master Landlord, Landlord shall use its best efforts to cause Master Landlord to join and cooperate in such proceedings or permit the same to be brought in the name of Master Landlord, provided Master Landlord shall not be liable for the payment of any costs or expenses in connection with any such proceedings and Tenant shall reimburse Master Landlord for any and all costs and expenses which Master Landlord may reasonably sustain or incur in connection with any such proceedings provided, however, if Landlord is Master Landlord, Landlord shall so join and cooperate in such proceedings or permit the same to be brought in its name.

Section 4.07. Evidence of Non-Payment. Any certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Imposition, of non-payment of such Imposition, shall be prima facie evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill, at the time or date stated therein.

ARTICLE 5

DEPOSITS FOR IMPOSITIONS AND INSURANCE PREMIUMS

Section 5.01. Deposits.

(a) Tenant's Obligation to Make Deposits. Upon Landlord's demand, made at any time after Tenant shall have failed to pay when due any Impositions or insurance premiums, Tenant shall deposit with Depositary on the first day of each month during the remainder of the Term, subject to the provisions of Section 5.01(e), an amount equal to (i) in the case of Impositions, one-twelfth (1/12) of the amount of annual Impositions as reasonably estimated by Landlord, and (ii) in the case of insurance premiums, one-twelfth (1/12) of the annual premiums for the insurance coverage required to be carried or caused to be carried by Tenant pursuant to the provisions of Article 7 hereof. If, at any time, the monies so deposited by Tenant shall be insufficient to pay in full the next installment of Impositions or insurance premiums, Tenant shall, within ten (10) days after demand by Landlord, deposit the amount of the insufficiency with Depositary.

(b) Depositary's Obligations. Depositary shall place all moneys deposited pursuant to the provisions of Section 5.01(a) hereof in a special interest-bearing account in the name of Landlord in obligations of the United States Government maturing in not more than 90 days and certificates of deposit maturing in not more than 90 days issued by commercial banks organized under the laws of the United States or any political subdivision thereof having capital and surplus in excess of $50,000,000 or, subject to applicable law or regulation, any money market fund to the extent insured by the Federal Deposit Insurance Corporation; provided, however, Depositary shall have the right at any time prior to the maturity date or dates of such obligations or certificates to liquidate such obligations or certificates as required to make payments therefrom as provided in this Article 5. The deposited amounts shall be used by Depositary to pay the Impositions and insurance premiums for which such amounts were deposited. Subject to the provisions of Section 4.05, Depositary shall apply the amounts deposited and the interest earned thereon to pay (i) such Impositions not later than the last day on which any such Imposition may be paid without penalty or interest, and (ii) such premiums not later than the last day on which such premiums may be paid without penalty, interest or cancellation of the subject policies. Upon any termination of this Lease, at the request and direction of Landlord, Depositary shall apply these deposits

to the payment of any of Tenant's obligations under this Lease.

(c) Increase of Deposits. If the amount of any Imposition or insurance premium is increased, Tenant shall, within ten (10) days of receipt of notice of such increase, increase the amount of such deposits so that sufficient moneys for the payment of such Imposition or insurance premium shall always be available to pay such Imposition or insurance premium at least thirty (30) days before the Imposition or insurance premium becomes due and payable.

(d) Determination of Sufficiency of Deposits. For the purpose of determining whether Depositary has on hand sufficient moneys to pay an Imposition or insurance premium, deposits for each category of Imposition or insurance premium shall be treated separately. Depositary may, but shall not be obligated to, use moneys deposited for the payment of a category of Imposition or an insurance premium not yet due and payable for the payment of any other category of Imposition or another insurance premium that is due and payable.

(e) Return of Deposits. Provided Tenant shall have timely paid all amounts required to be paid by Tenant pursuant to this Section 5.01 for a period of twenty-four (24) consecutive months following Landlord's demand, then, at any time after the expiration of such twenty-four (24) month period, upon demand by Tenant and provided no Default or Event of Default then exists, Landlord shall cause Depositary to return to Tenant all unexpended moneys then held by Depositary pursuant to the provisions of this Section 5.01. Thereafter, Tenant shall not be required to make any deposits required by this Article unless and until a subsequent failure by Tenant to pay, when due, any Imposition or insurance premiums occurs and Landlord has demanded of Tenant to make such deposits.

(f) Deposits with First Mortgagee. In the event that the First Mortgagee shall require Tenant to deposit funds to insure payment of Impositions or insurance premiums, any amounts so deposited by Tenant shall be credited against the amounts which Tenant would otherwise be required to deposit under this Article.

Section 5.02. Effect of Sale or Transfer of Premises by Landlord. In the event of Landlord's sale or transfer of the Premises, Depositary shall continue to hold any moneys deposited with it pursuant to the provisions of Section 5.01(a) and (c) hereof and shall transfer them to a

special account established in the name of the Person who acquires the Premises and becomes Landlord.

Section 5.03. Depositary Fees. Tenant shall pay any and all charges of Depositary (other than Landlord acting as Depositary) in connection with any services rendered by Depositary pursuant to the provisions of this Lease. If Landlord acts as Depositary, Landlord shall be entitled to reimburse itself from the amounts deposited with it Landlord's reasonable out-of-pocket expenses, if any, incurred by it in acting as Depositary.

ARTICLE 6

LATE CHARGES

In the event that any payment of Rental or any portion thereof shall become overdue for twenty (20) days beyond the date on which it is due and payable as in this Lease provided, a late charge equal to the Involuntary Rate (computed on a 360 day year) on the sums so overdue from the date on which payment was originally due shall become immediately due and payable to Landlord as liquidated damages for Tenant's failure to make prompt payment and said late charges shall be payable by Tenant, within ten (10) days after demand. No failure by Landlord to insist upon the strict performance by Tenant of Tenant's obligations to pay late charges shall constitute a waiver by Landlord of its right to enforce the provisions of this Article 6 in any instance thereafter occurring. The provisions of this Article 6 shall not be construed in any way to extend the grace periods or notice periods provided in Article 24 of this Lease.

ARTICLE 7

INSURANCE

Section 7.01. Insurance Requirements.

(a) From and after the date of Completion of the Buildings, Tenant, at its sole cost and expense, at all times during the remaining Term shall:

(i) keep the Premises insured against loss or damage by fire, windstorm, tornado and hail and all other hazards covered by the usual extended coverage and "all risk" endorsements including, without limitation, damage by water, if available, as required from time to time by the Federal Housing Commissioner, and in an amount sufficient to prevent Landlord and Tenant from becoming co-insurers under provisions of applicable policies of insurance, but in any event in an amount not less than one hundred percent (100%) of the full insurable value thereof (i.e., actual replacement value including the cost of debris removal but excluding foundations and excavation), such insurable value to be determined from time to time, but not less frequently than once in any twenty-four (24) consecutive calendar months, at the request of Landlord, by one of the insurers or, at the option of Landlord, by an appraiser, architect or contractor chosen by Landlord and approved by Tenant, which approval shall not be unreasonably withheld;

(ii) provide and keep in force insurance against liability for bodily injury and death and property damage and boiler explosion insurance (should steam boilers be installed), it being agreed that all such insurance shall be in such amounts as may from time to time be reasonably required by Landlord, that such liability insurance shall be comprehensive general public liability insurance containing the so-called "occurrence clause", that it shall include specifically the Premises and all areas, including sidewalks, adjoining or appurtenant to the Premises, and that

(x) the insurance against liability for injury and death shall be not less than Seven Million Dollars ($7,000,000) combined single

limit of liability for bodily injury and/or property damage, and

(y) the boiler explosion insurance (should steam boilers be installed) shall be in an amount not less than One Million Dollars ($1,000,000) and shall be in such form as Landlord may reasonably require;

(iii) provide and keep, or require to be provided and kept, in force worker's compensation insurance providing statutory New York State benefits for all persons employed by Tenant at the Premises;

(iv) if a sprinkler system shall be located in any portion of the Premises, provide and keep in force sprinkler leakage insurance in amounts and forms approved by Landlord which approval shall not be unreasonably withheld (the foregoing to be required only if same is excluded from the insurance required to be provided and kept in force pursuant to Section 7.01(a)(i)); and

(v) provide and keep in force such other insurance in such amounts as may from time to time reasonably be required by Landlord against such other insurable hazards as at the time are commonly insured against in the case of premises similarly situated.

(b) From and after the Rent Commencement Date, Tenant, at its sole cost and expense, at all times during the remaining Term shall provide and keep in force rent insurance with "all risk" coverage in an amount equal to one (1) year's current Base Rent.

(c) All insurance provided by Tenant, as required by this Section 7.01, shall be carried in favor of Landlord, Tenant, Roosevelt Island Development Corporation (if so requested by Landlord) and Master Landlord, as their respective interests may appear, and the coverage provided by Tenant as required by Section 7.01(a)(i) hereof also shall name each Mortgagee as an insured under a standard mortgagee clause.

(d) If this Lease is subject to a Mortgage insured, reinsured or held by the Federal Housing Commissioner, then in addition to the approvals required to be obtained hereunder by Tenant from Landlord with respect to insurance,

all insurance required by any provision of this Lease shall be in such amounts, in such form and issued by such companies, and shall insure against such risks and hazards, as shall be approved and/or required by the First Mortgagee and/or the Federal Housing Commissioner.

Section 7.02. Application of Proceeds and General Requirements Applicable to Policies.

(a) The loss under all policies required by any provision of this Lease insuring against damage to the Premises by fire or other casualty shall be payable to Tenant, as trustee, if the amount thereof is less than Two Hundred and Fifty Thousand Dollars ($250,000), or to Depositary, if the amount thereof is Two Hundred and Fifty Thousand Dollars ($250,000) or more. Such amount shall be Adjusted for Inflation. If a loss shall be payable to Tenant, as trustee as aforesaid, Tenant shall (i) hold such proceeds, in trust, for the purpose of paying the cost of the Restoration of the Premises by Tenant and (ii) apply the same first to the payment of the Restoration before using any part of the same for any other purpose. Rent insurance required by any provision of this Lease shall be carried in favor of Landlord, Tenant and Master Landlord, as their respective interests appear, but the proceeds thereof shall be paid to Depositary and shall be applied to the Base Rent payable by Tenant under this Lease until Restoration of the Premises is completed. All insurance required by any provision of this Lease shall be subject to Landlord's reasonable approval in order to determine if such insurance complies with the requirements of this Lease, and shall be in such form and shall be issued by such responsible companies authorized to do business in the State of New York as are reasonably acceptable to Landlord and as are acceptable to the First Mortgagee and/or the Federal Housing Commissioner. Any company acceptable to the First Mortgagee shall be deemed acceptable to Landlord. All policies referred to in this Lease shall be procured, or caused to be procured, by Tenant, at no expense to Landlord and for periods of not less than one (1) year, to the extent available. The originals of such policies shall be delivered to Landlord immediately upon receipt from the insurance company or companies unless such originals are required to be held by the First Mortgagee, in which event duplicate copies of original policies thereof shall be so delivered to Landlord together with proof satisfactory to Landlord that full premiums thereon have been paid. New or renewal policies replacing any policies expiring during the Term or duplicate copies thereof, as aforesaid, shall be delivered to Landlord on the execution of this Lease and at least thirty (30) days before the date of

expiration of such policies, together with proof satisfactory to Landlord that the full premiums have been paid. Premiums on policies shall not be financed in any manner whereby the lender, on default or otherwise, shall have the right or privilege of surrendering on or cancelling the policies, provided, however, that premiums may be paid in annual installments.

(b) Tenant and Landlord shall cooperate in a prompt manner in connection with the collection of any insurance moneys that may be due in the event of loss and Tenant and Landlord shall execute and deliver such proofs of loss and other instruments which may be required for the purpose of obtaining the recovery of any such insurance moneys.

(c) Tenant shall not carry separate insurance (other than personal injury liability insurance) concurrent in form or contributing in the event of loss with that required by this Lease to be furnished by Tenant, unless Landlord is included therein as a named insured and each Mortgagee is included as an additional insured with loss payable as provided in this Lease. Tenant immediately shall notify Landlord of the carrying of any such separate insurance and shall cause the policies therefor or certificates thereof to be delivered as required in this Lease. Landlord shall not carry separate insurance (other than personal injury liability insurance) concurrent in form or contributing in the event of loss with that required by this Lease to be furnished by Tenant to the Mortgagee; provided, however, that Landlord shall have the right, at its own expense, to carry separate insurance which is not concurrent in form or not contributing in the event of loss with that required to be furnished by Tenant.

(d) All casualty insurance policies as required by this Lease shall provide that all adjustments for claims with the insurers in excess of Two Hundred Fifty Thousand Dollars ($250,000) (as such amount shall be increased, as provided in Section 7.02(a)) shall be made with Landlord and Tenant and the First Mortgagee. In the event that (i) the amount offered by Tenant's insurer in adjustment of a claim covered by the preceding sentence equals or exceeds the estimated cost of the Restoration as determined in accordance with Section 8.02 with respect to the loss, damage or destruction which is the basis of such claim or (ii) any such Restoration is completed prior to the adjustment of the applicable claim, Landlord shall consent to such adjustment. Any adjustments for claims with the insurers involving sums of Two Hundred Fifty Thousand Dollars ($250,000) (as such amount shall be

increased, as provided in Section 7.02(a)) or less shall be made with Tenant.

(e) All rent insurance shall provide in substance that all adjustments for claims with the insurers shall be made with Landlord and Tenant as their interests may appear.

(f) Tenant shall not violate or permit to be violated any of the conditions or provisions of any such policy, and Tenant shall so perform and satisfy or cause to be performed and satisfied the requirements of the companies writing such policies.

(g) Each policy of insurance required to be obtained by Tenant as herein provided and each certificate therefor issued by the insurer shall contain (i) a provision that no act or omission of Tenant shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained and (ii) an agreement by the insurer that such policy shall not be cancelled or modified without at least thirty (30) days' prior written notice to Landlord, the First Mortgagee and the Federal Housing Commissioner. Notwithstanding the foregoing, such insurer shall have no obligation to renew any insurance policy.

Section 7.03. Blanket and/or Umbrella Policies. The insurance required by this Lease, at the option of Tenant, may be effected by blanket and/or master or umbrella policies issued to Tenant insuring Landlord and Tenant, as their interests may appear, and covering the Premises and other properties owned or leased by Tenant or Affiliates of Tenant, provided that the policies otherwise comply with the provisions of this Lease and allocate to the Premises the specified coverage, without possibility of reduction or coinsurance by reason of, or damage to, any other premises named therein, and if the insurance required by this Lease shall be effected by any such blanket, master, or umbrella policies, Tenant shall furnish to Landlord certified copies or duplicate originals of such policies in place of the originals, with schedules thereto attached showing the amount of insurance afforded by such policies applicable to the Premises. Landlord agrees that such policies and the schedules attached thereto shall not be furnished or disclosed to anyone except as required by the Master Lease, law or any order of a court of competent jurisdiction.

Section 7.04. Compliance with Master Lease, Etc. Anything contained in this Article 7 to the contrary notwithstanding, Tenant shall provide such insurance as shall be sufficient to comply with the requirements of the Master

Lease prorated as applicable to the Premises and the First Mortgage.

Section 7.05. Insurance on Motorgate II. Notwithstanding anything contained in this Article 7 to the contrary, Tenant shall not be required to maintain any insurance with respect to Motorgate II so long as such insurance is maintained by the operator under the Garage Management Agreement; provided such insurance maintained by the operator satisfies the requirements provided in this Article 7.

ARTICLE 8

USE OF INSURANCE PROCEEDS

Section 8.01. Notice. If all or any part of any of the Buildings shall be destroyed or damaged in whole or in part by fire or other casualty (including any casualty for which insurance was not obtained or obtainable) of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, Tenant shall give to Landlord immediate notice thereof, except that no notice shall be required if the estimated cost of repairs, alterations, restorations, replacements and rebuilding (collectively, "Restoration") shall be less than Two Hundred Thousand Dollars ($200,000) Adjusted for Inflation (from the date hereof to the date of such event).

Section 8.02. Obligation to Restore. Tenant, at its sole cost and expense, whether or not the damage or destruction referred to in Section 8.01 shall have been insured, and whether or not insurance proceeds, if any, shall be sufficient for the Restoration and whether or not any Mortgagee shall permit such insurance proceeds to be used for the Restoration, promptly shall repair, alter, restore, replace and rebuild (collectively, "Restore") the same, so as to make the Buildings at least as nearly as possible equal to the condition, quality, character and class of the Buildings existing immediately prior to such occurrence with such changes or alterations as Tenant, with the prior consent of Landlord, shall elect to make, and Landlord, in no event, shall be called upon to Restore any Buildings now or hereafter existing or any portion of any thereof or to pay any of the costs or expenses thereof. If Tenant shall fail or neglect to Restore with reasonable diligence the Buildings or the portion of any thereof so damaged or destroyed, or having so commenced such Restoration shall fail to complete the same with reasonable diligence in accordance with the terms of this Lease, or if prior to the completion of any such Restoration by Tenant, this Lease shall expire or be terminated by reason of an Event of Default or the exercise by Tenant of any option to terminate contained herein, Landlord may complete the same at Tenant's expense. All such Restoration work shall be done in accordance with the provisions of this Lease.

Section 8.03. Payment Method.

(a) Subject to the provisions of this Section 8.03 and Sections 8.04 and 8.06 hereof, Depositary shall pay over to Tenant from time to time, upon the following terms, any moneys which may be received by Depositary from insurance

provided by Tenant, other than rent insurance, but in no event to any extent or in any sum exceeding the amount actually collected by Depositary upon the loss after reimbursing itself therefrom, as well as Landlord, Tenant and Master Landlord, to the extent, if any, of the necessary and proper expenses paid or incurred by Depositary, Landlord, Tenant and Master Landlord in the collection of such moneys. Depositary shall pay to Tenant, as hereinafter provided, the aforesaid insurance proceeds, for the purpose of Restoration to be made by Tenant to Restore the Buildings so as to make the Buildings at least as nearly as possible equal to the condition, character and class of the Buildings existing immediately prior to such fire or other casualty.

(b) Prior to the making of any Restoration, Tenant shall furnish Landlord with an estimate of the cost of such Restoration, prepared by a licensed architect approved by Landlord, which approval shall not be unreasonably withheld. Such insurance moneys shall be paid to Tenant from time to time thereafter in installments as the Restoration progresses, upon application to be submitted by Tenant to Landlord (with a copy to Depositary) showing the cost of labor and materials incorporated in the Restoration, or incorporated therein since the last previous application. If any vendor's, mechanic's, laborer's or materialman's lien is filed against the Premises, or any part thereof, or if any public improvement lien is filed against Landlord or any asset of or fund appropriated to Landlord, and which lien was created or permitted to be created by Tenant and arose from Restoration except such as will be discharged upon payment of the installment which is then the subject of an application, Tenant shall not be entitled to receive any further installment until such lien is satisfied, otherwise discharged or the collection of which from the Premises is bonded or insured against by a title insurance company reasonably satisfactory to Landlord.

(c) The amount of any installment to be paid to Tenant shall be such proportion of the total insurance moneys received by Depositary that is equal to the proportion which the cost of labor and materials theretofore incorporated by Tenant in the Restoration bears to the total estimated cost of the Restoration by Tenant, less (i) all payments theretofore made to Tenant out of said insurance proceeds, and (ii) ten percent (10%) of the amount so determined.

(d) Upon completion of and payment for the Restoration by Tenant, the balance of any and all insurance proceeds held by Depositary, subject to the rights of the First Mortgagee, shall be paid over to Tenant. If the

insurance proceeds are insufficient for the purpose of paying for the Restoration (or if there shall be no insurance proceeds), Tenant shall nevertheless be required to make the Restoration and provide the deficiency in funds necessary to complete the Restoration as provided in Section 8.06 hereof.

(e) Notwithstanding the foregoing, if Landlord makes the Restoration at Tenant's expense as provided in Section 8.02 hereof, then Depositary shall pay over to Landlord, upon request, all moneys which may be received by Depositary from insurance provided by Tenant, and, upon completion and payment for the Restoration, the balance of any and all insurance proceeds then held by Landlord, subject to the rights of the First Mortgagee, shall be paid over to Tenant. Upon completion of the Restoration, Landlord shall deliver to Tenant a certificate, in reasonable detail, setting forth the expenditures made by Landlord for such Restoration.

Section 8.04. Conditions Precedent to Disbursements. The following shall be conditions precedent to each payment made to Tenant as provided in Section 8.03 above:

(a) Certificate of Architect. There shall be submitted to Depositary and Landlord the certificate of the aforesaid architect stating (i) that the sum then requested to be withdrawn either has been paid by Tenant and/or is justly due to contractors, subcontractors, materialmen, engineers, architects or other Persons (whose names and addresses shall be stated), who have rendered or furnished certain services or materials for the work and, for purposes of Landlord's information, giving brief description of such services and materials and the principal subdivisions or categories thereof and the several amounts so paid or due to each of said Persons in respect thereof, and stating in reasonable detail the progress of the work up to the date of said certificate; (ii) that no part of such expenditures has been or is being made the basis, in any previous or then pending request by such architect, for the withdrawal of insurance money or (to the best knowledge of such architect) has been made out of the proceeds of insurance received by Tenant previously pursuant to the provisions of this Article 8; (iii) that the sum then requested does not exceed that portion of the contract attributable to the services performed and materials provided, as described in the certificate; (iv) that the work has been performed in accordance with the plans and specifications for such Restoration; (v) that the total insurance proceeds received by the Depositary and available to Tenant for such Restoration will be suffi-

cient to complete the Restoration in accordance with the plans and specifications; and (vi) in the case of the final payment to Tenant, that the Restoration has been completed in accordance with the plans and specifications.

(b) Certificate of Title Insurance. There shall be furnished to Landlord an official search, or a certificate of a title insurance company or other evidence reasonably satisfactory to Landlord, showing that there has not been filed any vendor's, mechanic's, laborer's, or materialman's statutory or other similar lien affecting the Premises, or any part thereof, or any public improvement lien created or permitted to be created by Tenant arising from Restoration and affecting Landlord or the assets of or funds appropriated to Landlord, which has not been discharged of record, except such as will be discharged upon payment of the amount then requested to be withdrawn or which has been bonded or as to which such title insurance company shall insure against collection of the same out of the Premises.

(c) No Default. At the time of making such payment, Tenant shall not be in Default in the payment of Rental and there is no existing and uncured Event of Default on the part of Tenant under Article 24 hereof.

Section 8.05. Material Restoration. If any loss, damage or destruction occurs to the Buildings which (a) involves a Material Specification, or (b) would cost in excess of Five Hundred Thousand Dollars ($500,000) Adjusted for Inflation (from the date hereof to the date of such event) in the aggregate to Restore (any Restoration contemplated in (a) or (b) of this Section 8.05 shall be referred to herein as a "Material Restoration"), Tenant shall furnish to Landlord the following:

(i) at least twenty (20) days before the commencement of any work necessary for a Material Restoration, all plans and specifications for the Material Restoration prepared by an architect whose qualifications shall meet with the reasonable satisfaction of Landlord and which plans and specifications shall meet with the reasonable approval of Landlord, together with any required approval of, and permits issued by, any governmental board, bureau or body then exercising jurisdiction with regard to such work, plans and specifications, which plans and specifications shall be and become the sole and absolute property of Landlord in the event that for any reason this Lease shall be terminated (Landlord shall not unreasonably refuse to join in

or otherwise cooperate in the application for any approval required hereunder, provided such application is made without cost or expense to Landlord);

(ii) at least ten (10) days before the commencement of any work necessary for a Material Restoration, a stipulated sum contract, unless relative cost or efficiency justifies another form of contract, reasonably satisfactory to Landlord, in form assignable to Landlord (subject to any prior assignment to the First Mortgagee), made with a reputable and responsible contractor approved by Landlord, which approval shall not be unreasonably withheld, providing for (x) the completion of the Material Restoration in accordance with said plans and specifications, and (y) payment and performance bonds in forms and amounts (not to exceed the cost of construction less the amount of insurance proceeds, if any, held by Depositary, net of its reasonable out-of-pocket expenses as provided in Section 8.03) and by sureties reasonably satisfactory to Landlord, naming the contractor as obligor and Landlord and Tenant and First Mortgagee as obligees or, in lieu thereof, such other security reasonably satisfactory to Landlord; and

(iii) at least ten (10) days before the commencement of any work necessary for a Material Restoration, an assignment to Landlord (subject to any prior assignment to the First Mortgagee), of the contract so furnished and the bonds or other security provided thereunder, such assignment to be duly executed and acknowledged by Tenant and by its terms to be effective upon any termination of this Lease or upon Landlord's re-entry upon the Premises following an Event of Default prior to the complete performance of such contract, such assignment also to include the benefit of all payments made on account of said contract including payments made prior to the effective date of such assignment.

Section 8.06. Tenant Deficiency Deposit. If the estimated cost of any Restoration required by the terms of, or made pursuant to, this Article 8 exceeds the net insurance proceeds, then prior to the commencement of any such Restoration, or at any time after commencement of such Restoration if it is reasonably determined by Landlord that the cost to complete such Restoration exceeds the unapplied portion of the funds held by Depositary, Tenant shall, within ten (10)

days of Landlord's request, deposit with Depositary a bond, cash or other security reasonably satisfactory to Landlord in the amount of such excess, to be held and applied by Depositary in accordance with the provisions of Section 8.03 hereof.

Section 8.07. Non-Effects of Casualty. This Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable hereunder, by reason of damage to or total, substantial or partial destruction of any of the Buildings or any part thereof or by reason of the untenantability of the same or any part thereof, for or due to any reason or cause whatsoever, and Tenant, notwithstanding any law or statute present or future, waives any and all rights to quit or surrender any part of the Premises therefor. Tenant expressly agrees that its obligations hereunder, including the payment of Rental by Tenant hereunder, shall continue as though the Buildings had not been damaged or destroyed and without abatement, suspension, diminution or reduction of any kind by reason of such damage or destruction. The existence of any present or future law notwithstanding, Tenant waives all rights to quit or surrender all or any part of the Premises by reason of any casualty whatsoever to the Premises. It is the intention of Landlord and Tenant that the foregoing is an "express agreement to the contrary" as provided in Section 227 of the Real Property Law of the State of New York. Nothing in this Section 8.07 shall be deemed to reduce or limit Tenant's rights under Article 34 hereof.

ARTICLE 9

CONDEMNATION

Section 9.01. Substantial Taking. (a) Effect of Substantial Taking. If at any time during the Term, the whole or substantially all of the Premises shall be taken (excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking, Tenant's rights under this Lease are not affected) for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among Landlord, Tenant and those authorized to exercise such right, this Lease and the Term hereby granted shall terminate and expire on the date of such taking and the Rental payable by Tenant hereunder shall be apportioned and paid to the date of such taking. Except as provided in Section 9.05 hereof, in the event of a taking which is less than the whole or substantially all of the Premises, this Lease and the Term shall continue without abatement of the Rental or diminution of any of Tenant's obligations hereunder.

(b) Substantiality Defined. The term "substantially all of the Premises" shall be deemed to mean such portion of the Premises as, when so taken, would leave remaining a balance of the Premises which would not under economic conditions, applicable zoning laws, building regulations then existing or prevailing and after performance by Tenant of all covenants, agreements, terms and provisions contained herein or by law required to be observed or performed by Tenant, permit the Restoration of the Buildings thereon so as to constitute a complete, rentable building or buildings capable of producing a proportionately fair and reasonable net annual income. The average net annual income produced by the Buildings on the portion of the Premises so taken during (i) the period commencing on the date of Completion of the Buildings and ending on the last anniversary of that date which preceded the taking, or (ii) the five (5) year period immediately preceding such taking, whichever is shorter, shall be deemed to constitute a fair and reasonable net annual income for the purpose of determining what is a fair and reasonable net annual income. If there be any dispute as to whether or not "substantially all of the Premises" has been taken, such dispute shall be resolved by a court of law.

(c) Allocation of Proceeds. If the whole or substantially all of the Premises shall be taken or condemned as provided in Section 9.01(a) hereof, then the proceeds of the

condemnation award shall be payable, after payment to Landlord, Tenant and Master Landlord of all necessary and proper expenses incurred in the collection of such award, as follows: (i) to Master Landlord for amounts due under the Master Lease, if any, (ii) to the First Mortgagee, so much of the balance of such award as shall equal the then unpaid principal balance of the First Mortgage with unpaid interest thereon at the rate specified therein to the date of such payment, (iii) to Landlord for or attributable to the value of Landlord's interest in the Premises under the Master Lease and this Lease, and (iv) subject to the rights of any Mortgagee, the balance of the award, if any, to Tenant. Each of the parties shall execute any and all documents that may be required in order to facilitate collection by them of such awards.

Section 9.02. Date of Taking. For purposes of this Article 9, the date on which a taking shall occur shall be deemed to be the earlier of (i) the date on which actual possession of the whole or substantially all of the Premises, or a part thereof, as the case may be, is acquired by any lawful power or authority pursuant to the provisions of the applicable federal or New York State law or (ii) the date on which title to the Premises or the aforesaid portion thereof shall have vested in any lawful power or authority pursuant to the provisions of the applicable federal or New York State law.

Section 9.03. Taking Which Allows Withdrawal of Premises. (a) If less than substantially all of the Premises shall be taken or condemned, and, if the estimated cost of Restoration of any one or more of the Buildings exceeds the award or awards available to Tenant by more than Two Million Dollars ($2,000,000) Adjusted for Inflation (to the date of such taking) for any reason whatsoever beyond Tenant's control, Tenant may notify Landlord by notice given not later than the sixtieth (60th) day following such taking that it elects to withdraw such Building or Buildings and that portion of the Land upon which such Building or Buildings are or were located from the Premises, pursuant to the provisions of Section 9.05 hereof.

(b) If, during the last ten (10) years of the Term, less than substantially all of the Premises shall be taken or condemned and, if the estimated cost of Restoration of any one or more of the Buildings exceeds Two Million Dollars ($2,000,000) Adjusted for Inflation (to the date of such taking), Tenant may notify Landlord by notice given not later than the sixtieth (60th) day following such taking that it elects to withdraw such Building or Buildings and that

portion of the Land upon which such Building or Buildings are or were located from the Premises, pursuant to the provisions of Section 9.05 hereof.

Section 9.04. Less Than A Substantial Taking. In the event of a taking which is less than substantially all of the Premises and in the event Tenant shall not elect, or shall fail to notify Landlord that it elects, to withdraw from the Premises all or any part thereof in accordance with the provisions of Section 9.03 hereof, or in the event Tenant shall not then have the right under Section 9.03 hereof to withdraw from the Premises all or any part thereof, Tenant, at its sole cost and expense, whether or not the award or awards, if any, shall be sufficient for Restoration and whether or not any Mortgagee shall permit the award or awards to be used for such Restoration, shall proceed diligently (subject to Unavoidable Delays) to Restore any remaining part of the Buildings not so taken, so that the latter shall be complete, rentable, self-contained architectural units in as good condition and repair as required for such part of the Buildings immediately prior to the taking pursuant to the terms of this Lease. In the event of any taking or condemnation as in this Section 9.04 provided, then the entire award, i.e., the aggregate of the separate awards to Landlord and Tenant, as the case may be, shall be paid to Depositary. Prior to paying over any proceeds of the award, Depositary shall be entitled to reimburse itself therefrom, as well as Landlord, Tenant and Master Landlord, to the extent, if any, of the necessary and proper expenses paid or incurred by Depositary, Landlord, Tenant and Master Landlord in the collection of such proceeds. Depositary shall pay over the balance of the proceeds of the condemnation award as follows:

(i) first, to Tenant to the extent of any portion of the award as may be necessary to pay the cost of Restoration of the parts of the Buildings remaining,

(ii) second, to Master Landlord for amounts due under the Master Lease, if any,

(iii) third, to the First Mortgagee, if any, in an amount equal to the then unpaid principal balance of the First Mortgage with unpaid interest thereon at the rate specified therein to the date of such payment,

(iv) fourth, to Landlord for or attributable to the value of Landlord's interest in the Premises under the Master Lease and this Lease, and

(v) fifth, subject to the rights of any Mortgagee, the balance of the award, if any, to Tenant. Such Restoration shall be done in accordance with and subject to the provisions of Articles 8 and 13 hereof. Payments to Tenant as aforesaid shall be disbursed in the manner set forth in Article 8 hereof. If there be any dispute as to the division of the award, such dispute shall be resolved by the appropriate court of law having jurisdiction thereof, each party to be responsible for its own expenses incurred in connection with any such litigation. Each of the parties shall execute any and all documents that may be required in order to facilitate collection by them of their respective awards. Subject to the provisions of Section 9.03 hereof, if the portion of the award made available by Depositary, as aforesaid, is insufficient for the purpose of paying for the Restoration, Tenant shall be required nevertheless to make the Restoration and pay any additional sums required for the Restoration. Anything contained in this Section 9.04 to the contrary notwithstanding, if the entire award as described above is less than Five Hundred Thousand Dollars ($500,000) (as such amount shall be increased as provided in Section 7.02(a)), such award shall be paid to Tenant, as trustee, and Tenant covenants and agrees that (a) it shall hold such award, in trust, for the purpose of paying the cost of the Restoration of the Premises by Tenant, (b) it shall apply the same first to the payment of the Restoration before using any part of the same for any other purpose, and (c) if it shall exercise any of its rights under Section 9.03 hereof, it shall pay such proceeds to Depositary and not use any part of the same for any purpose.

Section 9.05. Withdrawal of Premises/Allocation of Proceeds. If Tenant elects, as provided in Section 9.03(a) or (b) hereof, to withdraw any Building or Buildings and that portion of the Land upon which such Building or Buildings are or were located (the "Withdrawn Condemnation Premises") from the Premises, then and in such event:

(a) The entire award i.e., the aggregate of the separate awards to Landlord and Tenant, as the case may be, with respect to the Withdrawn Condemnation Premises shall be paid to Depositary.

(b) Prior to paying over any proceeds of such award, Depositary shall be entitled to reimburse itself therefrom, as well as Landlord, Tenant and Master Landlord, to the extent, if any, of the necessary and proper expenses

paid or incurred by Depositary, Landlord, Tenant and Master Landlord in the collection of such proceeds.

(c) Unless Landlord otherwise directs, such direction to be made by notice to Tenant given within ninety (90) days of receipt by Landlord of Tenant's withdrawal notice, Tenant shall remove all Subtenants from the Withdrawn Condemnation Premises.

(d) Unless, within ninety (90) days of receipt of Tenant's withdrawal notice Landlord otherwise directs, Tenant promptly and with due diligence shall demolish to street grade the Buildings comprising a part of the Withdrawn Condemnation Premises, remove all debris therefrom and erect a fence around same (all of the foregoing being hereinafter collectively called "Demolition").

(e) Subject to the provisions and limitations set forth in this Section 9.05, Depositary shall pay over the balance of the proceeds of such condemnation award as follows:

(i) first, to Tenant, to the extent of any remaining portion of such award as may be necessary to pay the cost of removal of Subtenants and Demolition,

(ii) second, to Master Landlord for amounts due under the Master Lease, if any,

(iii) third, to the First Mortgagee, if any, in an amount equal to that portion of the then unpaid principal balance of the First Mortgage allocable to the Withdrawn Condemnation Premises, with interest thereon at the rate specified therein to the date of such payment,

(iv) fourth, to Landlord for or attributable to the value of Landlord's interest in the Withdrawn Condemnation Premises under the Master Lease and this Lease, and

(v) fifth, subject to the rights of any Mortgagee, the balance of the award, if any, to Tenant.

(f) To the extent Tenant shall be required to perform Demolition, Tenant shall furnish to Landlord at least ten (10) days before the commencement of Demolition, the following:

(i) a stipulated sum contract, unless relative cost or efficiency justifies another form of contract, reasonably satisfactory to Landlord, in form assignable to Landlord (subject to any prior assignment to the First Mortgagee), made with a reputable and responsible contractor approved by Landlord, which approval shall not be unreasonably withheld, providing for (x) the completion of the Demolition, and (y) payment and performance bonds in forms and amounts (not to exceed the cost of Demolition less the amount therefor, if any, held by Depositary) and by sureties reasonably satisfactory to Landlord, naming the contractor as obligor and Landlord, Tenant and the First Mortgagee as obligees or, in lieu thereof, such other security reasonably satisfactory to Landlord; and

(ii) an assignment to Landlord (subject to any prior assignment to the First Mortgagee), of the contract so furnished and the bonds or other security provided thereunder, such assignment to be duly executed and acknowledged by Tenant and by its terms to be effective upon any termination of this Lease or upon Landlord's re-entry upon the Premises following an Event of Default prior to the complete performance of such contract, such assignment also to include the benefit of all payments made on account of said contract including payments made prior to the effective date of such assignment.

(g) (i) Subject to Tenant's obligations under Section 9.05(c) and (d), as of the date of taking, the Withdrawn Condemnation Premises shall no longer be deemed a part of the Premises, Tenant shall quit and surrender the Withdrawn Condemnation Premises, the Base Rent payable hereunder shall be reduced for the remainder of the Term by an amount equal to that portion of the Base Rent and any increases therein allocable to the Withdrawn Condemnation Premises (as agreed upon by Landlord and Tenant), Tenant shall not have any further obligations with respect to the Withdrawn Condemnation Premises, all references in this Lease to the Premises shall be deemed to relate to the Premises, exclusive of the Withdrawn Condemnation Premises, and that portion of the Base Rent allocable to the Withdrawn Condemnation Premises, shall be apportioned and paid to such date. Disputes under this Section 9.05(g) as to the portion of the Base Rent and any increases therein

allocable to the Withdrawn Condemnation Premises, shall be resolved by a court of law.

(ii) If, pursuant to Section 9.05(d), Landlord elects not to have Tenant perform Demolition, Depositary shall pay over to Landlord an amount equal to the cost of Demolition as estimated by Landlord. Disputes under this Section 9.05(g)(ii) as to the estimated cost of Demolition shall be resolved by a court of law.

Section 9.06. Temporary Taking. If the temporary use of the whole or any part of the Premises shall be taken at any time during the Term by any lawful power or authority, by the exercise of the right of condemnation or eminent domain, or by agreement between Tenant and those authorized to exercise such right, the party receiving notice of such taking shall give prompt notice thereof to the other party and the Term shall not be reduced or affected in any way and, subject to the terms of the Master Lease, Tenant shall continue to pay in full the Rental payable by Tenant hereunder without reduction or abatement, and Tenant shall be entitled to receive for itself any award or payments for such use provided, however, that:

(a) if the taking is for a period not extending beyond the Term and if (i) such award or payment is made in advance of such use less frequently than every four (4) months or (ii) Tenant is in Default in the payment of Rental, the same shall be paid to and held by Depositary, to the extent of the Rental for such period of advance payment or the amount of Rental for which Tenant is in Default, as the case may be, as a trust fund to be held or invested in accordance with the provisions of Article 5 hereof and which Depositary shall apply from time to time to the Rental payable by Tenant hereunder, and the balance, if any, promptly shall be paid to Tenant, except that, if such taking results in changes or alterations in the Buildings which would necessitate an expenditure to Restore such Buildings to their former condition, then, subject to the provisions of the Master Lease, a portion of such award or payment considered by Landlord in its judgment, reasonably exercised, as appropriate to cover the expenses of the Restoration shall be retained by Depositary without application as aforesaid, and applied and paid (x) toward the Restoration of such Buildings to their former condition, substantially in the same manner and subject to the same conditions as those provided in Section 9.04 hereof and (y) subject to the provisions of the Master Lease, promptly to Tenant to the extent of any balance remaining after payment of the cost of

Restoration; Depositary shall pay all interest earned on such fund to Tenant semi-annually; or

(b) if the taking is for a period extending beyond the Term, Tenant may elect to withdraw the Building or Buildings and that portion of the Land upon which such Building or Buildings are or were located from the Premises as provided in Section 9.03 hereof, in which event such award or payment shall be paid to Depositary and applied as provided in Section 9.05 hereof; if Tenant shall not elect, or shall fail to notify Landlord that it elects, to withdraw from the Premises all or any part thereof, such award or payment shall be apportioned between Landlord and Tenant as of the Expiration Date and Tenant's share thereof shall be paid to Depositary and applied in accordance with all of the foregoing provisions of this Section 9.06, provided, however, that the amount of any award or payment allowed or retained for Restoration of the Buildings shall remain the property of Landlord if this Lease shall expire prior to the Restoration of the Buildings to their former condition.

Section 9.07. Other Compensable Government Action. Subject to the provisions of the Master Lease, in case of any governmental action, not resulting in the taking or condemnation of any portion of the Premises but creating a right to compensation therefor, such as the changing of the grade of any street upon which the Premises abut, this Lease shall continue in full force and effect without reduction or abatement of Rental and the award shall be paid to Landlord, except that Tenant shall be entitled to that portion of the compensation allocable to the amount by which the value of the Buildings has been diminished. If there be any dispute as to the division of the compensation between Landlord and Tenant, such dispute shall be resolved by the appropriate court of law having jurisdiction thereof, each party to be responsible for its own expenses incurred in connection with any such litigation.

Section 9.08. Sale-in-lieu of Condemnation. In the event of a negotiated sale or assignment of all or a portion of the Premises in lieu of condemnation, the proceeds shall be distributed as provided in cases of condemnation.

Section 9.09. Trade Fixtures. Notwithstanding anything to the contrary contained in this Article 9, in the event of any permanent or temporary taking of all or any part of the Premises, Tenant and its Subtenants shall have the exclusive right to assert claims for any trade fixtures and personal property so taken which were the property of Tenant or its Subtenants (but not including any Equipment) and for

relocation expenses of Tenant or its Subtenants, and all awards and damages in respect thereof shall belong to Tenant and its Subtenants; 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 Tenant and its Subtenants against such awards or damages, shall be subordinate to Landlord's claims under this Article 9.

ARTICLE 10

ASSIGNMENT, TRANSFERS AND SUBLETTING; TRANSACTION PAYMENTS

Section 10.01. (a) Definitions.

(i) "Assignee" shall mean an assignee under an Assignment or a lender under a Refinancing.

(ii) "Assignment" shall mean the sale, exchange, assignment or other disposition of all or any portion of Tenant's interest in this Lease or the leasehold estate created hereby (whether by operation of law or otherwise).

(iii) "Capital Transaction Proceeds" shall mean aggregate Transaction Proceeds less all Transaction Payments paid in connection therewith.

(iv) "Close Affiliate" shall mean (A) with respect to HSC Corp., a corporation in which one hundred percent (100%) of the issued and outstanding shares are owned by Starrett Housing Corporation, (B) with respect to Cohen Roosevelt Associates, a corporation in which one hundred percent (100%) of the issued and outstanding shares are owned by Cohen Brothers, and (C) with respect to Tenant a corporation or partnership, the Ownership Interest in which is held by HSC Corp., or its Close Affiliate, and Cohen Roosevelt Associates, or its Close Affiliate, in the same percentage interest as each held in Tenant immediately prior to the Transaction.

(v) "Gross Proceeds" shall mean the aggregate consideration paid in connection with a Transaction, including but not limited to cash, the principal amount of any note (excluding interest) or other instrument evidencing the obligation to make future payments for the interest transferred and the fair market value of any other property. In the case of a Major Sublease, Gross Proceeds shall mean the aggregate consideration paid by Major Subtenant in consideration of Tenant's entering into such Major Sublease, but shall not include periodic rental thereunder or other payments made for the use and occupancy of the Premises.

(vi) "Initial Partner" shall mean HSC Corp. or Cohen Roosevelt Associates.

(vii) "Initial Partner's Equity" shall mean the product obtained by multiplying (x) Tenant's Equity times (y) the Initial Partner's percentage in Tenant as of the Commencement Date, times (z) one-half.

(viii) "Initial Partner's Exchange" shall mean a Transfer from an Initial Partner or its Close Affiliate to the other Initial Partner or its Close Affiliate.

(ix) "Major Sublease" shall mean a Sublease of (A) ten (10) or more apartments in one or more of the Market Rate Buildings or in the Section 8 Building or (B) the Community Facilities Building or (C) Motorgate II or (D) all of the foregoing.

(x) "Major Subtenant" shall mean a Subtenant under a Major Sublease.

(xi) "Operating Expenses" shall mean, for the applicable period, as determined in accordance with Accounting Principles (A) costs and expenses paid by, or on behalf of, Tenant properly allocable to and in connection with the use, maintenance or operation of the Premises during such Lease Year (excluding the costs paid by, or on behalf of, Tenant properly allocable to and in connection with the construction of the Buildings) including, without limitation, the following: (1) Impositions; (2) insurance premiums and the deductible amount of any claim that Tenant may have during such Lease Year pursuant to an insurance policy required pursuant to the provisions of Article 7 hereof; (3) wages, salaries and fringe benefits; (4) fuel, gas, electricity, steam and other utilities; (5) management fees, but only to the extent such fees do not exceed those customarily and reasonably paid in arms-length transactions for management fees for improvements situated in New York City of a size and nature comparable to the size and nature of the Buildings; (6) brokerage commissions, advertising expenses and other costs incurred in connection with the entering into of any Sublease, but, with respect to leasing commissions, only to the extent such commissions do not exceed those customarily and reasonably paid in arms-length transactions for leasing commissions for improvements situated in New York City of a size and nature comparable to the size and nature of the Buildings; (7) costs and expenses directly connected with the lease up of the Buildings; (8) fees, costs and expenses for accounting and legal services which are intended to benefit the revenue producing capabilities

of the Premises or to minimize the expenses thereof or otherwise required to be performed by the provisions of this Lease; (9) fees for the services of Depositary, which services are required pursuant to the provisions of this Lease or any Mortgage; (10) reasonable administration and overhead expenses which are properly allocable to the Premises; (11) the costs incurred in connection with ordinary repair of the Buildings; and (12) debt service on any Mortgage; and (B) Base Rent for such Lease Year; but excluding (C)(1) depreciation and amortization of previously capitalized expenditures or expenditures which, under Accounting Principles, should have been capitalized, (2) the cost of any items for which Tenant is reimbursed by insurance proceeds or condemnation awards, and (3) any amount paid to any Affiliate for, or with respect to, items or services that would otherwise constitute Operating Expenses, to the extent that such amount exceeds that which is customarily and reasonably paid to unaffiliated third persons in arms-length transactions for comparable items or services in a business operation of a size and nature as that being operated on the Premises by Tenant.

(xii) "Operating Loan" shall mean any loan made to Tenant to fund Operating Losses.

(xiii) "Operating Losses" shall mean the amount, if any, by which (A) Operating Expenses incurred through the date of the Refinancing in question exceeds (B) the aggregate, for the same period, of (x) Gross Income, (y) the portion of Gross Motorgate II Revenue received by Tenant, and (z) Operating Losses which have been previously used as a deduction in the calculation of Transaction Proceeds in connection with a Refinancing.

(xiv) "Operating Profits" shall mean the amount, if any, by which (A) the aggregate, through the date of the Refinancing in question, of (x) Gross Income, (y) the portion of Gross Motorgate II Revenue received by Tenant, and (z) Operating Losses which have been previously used as a deduction in the calculation of Transaction Proceeds in connection with a Refinancing, exceeds (B) Operating Expenses incurred through the date of the Refinancing in question.

(xv) "Ownership Interest" shall mean any right (which right may be evidenced by stock, partnership interest, voting or other trust), to (A) participate in the management of the business of, and/or (B) receive

the economic benefit from, any corporation, partnership, joint venture, trust or any other entity.

(xvi) "Private Syndication" means a Syndication which qualifies as a transaction which is exempt from the registration provisions of the Securities Act of 1933 either pursuant to Section 4(2) thereof or pursuant to Regulation D promulgated thereunder.

(xvii) "Prohibited Person" means

(A) Any Person, on the date of the Transaction in question, to the actual knowledge of Tenant, after exercise of due diligence by Tenant, (x) that is in default or in breach of its obligations under any material written agreement with Landlord (including but not limited to any ground lease, any loan agreement or mortgage, or regulatory agreement), or (y) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach of its obligations under any material written agreement with Landlord, unless this default or breach has been waived in writing by Landlord, as the case may be.

(B) Any Person, on the date of the Transaction in question, to the actual knowledge of Tenant, after exercise of due diligence by Tenant, (x) that has been convicted in a criminal proceeding of a felony for any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (y) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding of a felony for any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure. The determination as to whether any Person is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure or directly or indirectly controls, is controlled by, or is under common control with a Person that is an

organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure shall be within the sole discretion of Landlord.

(C) Any government, or any Person which to the actual knowledge of Tenant, after exercise of due diligence by Tenant, on the date of the Transaction in question, is controlled directly or indirectly (rather than only regulated) by a government, the effects of the activities of which (at the time thereof) are regulated or controlled pursuant to regulations of the United States Treasury Department or executive orders of the President of the United States of America issued pursuant to the Trading with the Enemy Act of 1917, as amended.

(xviii) "Public Syndication" means a Syndication registered with the Securities and Exchange Commission as a "public" syndication.

(xix) "Refinancing" shall mean any Mortgage other than (A) the First Mortgage, (B) any increase in the First Mortgage provided the proceeds of such increase are used exclusively for hard and soft costs and other related costs for development of the Buildings, (C) any Mortgage made by an Institutional Lender, or restructuring of such Mortgage, for the purpose of capitalizing interest accrued on an existing Mortgage, (D) any restructuring of a Mortgage provided the principal indebtedness is not increased, (E) any Mortgage made by an Assignee concurrently with an Assignment, or (F) a Mortgage, the proceeds of which are used exclusively for hard and soft costs for repairs or capital improvements to the Buildings.

(xx) "Secured Loan" means any loan secured in whole or part by (A) any Ownership Interest in Tenant; or (B) any Ownership Interest in any Person holding, directly or through one or more subsidiaries, any Ownership Interest in Tenant excluding, however, for purposes of this clause (B) any loan made to (x) Starrett Housing Corporation other than a loan the security for which is only (aa) the Ownership Interest in a Person, holding directly or indirectly, any Ownership Interest in Tenant, and (bb) other insubstantial assets of Starrett Housing Corporation (y) Levitt Corporation or a Close Affiliate of HSC Corp., payment of which loan is

guaranteed by Starrett Housing Corporation and the security for which guarantee is other than (cc) the Ownership Interest in a Person holding, directly or indirectly, any Ownership Interest in Tenant and (dd) other insubstantial assets of Starrett Housing Corporation.

(xxi) "Syndication" or "Syndicate" means (A) if Tenant is a partnership, the admission of additional limited partners to Tenant (including the issuance of additional limited partnership interests in Tenant), or (B) if Tenant is a corporation, the issuance or sale of additional shares of stock or of treasury shares.

(xxii) "Tenant's Equity" shall mean sums paid by Tenant for hard and soft costs and other related costs for development of the Buildings until Completion of the Buildings less the aggregate amount of the First Mortgage and any other Mortgage as of the date of Completion of the Buildings (other than a Mortgage granted to an Affiliate of Tenant for which no cash is advanced by such Affiliate as Mortgagee). In the event of a Refinancing or Initial Partner's Exchange prior to the date when Tenant's Equity has been determined, Tenant's Equity shall be deemed to be Fourteen Million Dollars ($14,000,000).

(xxiii) "Tenant's Net Investment" shall mean (A) Tenant's Equity, if any, plus Operating Losses, if any, less (B) Capital Transaction Proceeds from previous Transactions, if any, plus Operating Profits, if any.

(xxiv) "Transaction" shall mean an Assignment, Refinancing, Transfer, Syndication, Secured Loan, Initial Partner Exchange or Major Sublease.

(xxv) "Transaction Proceeds" shall mean

(A) in connection with an Assignment, the excess of (x) Gross Proceeds from the Assignment, less (y) the unpaid principal amount of all Mortgages, but excluding (I) the unpaid principal amount of any Mortgage held by an Affiliate of Tenant and (II) the unpaid principal amount of a Mortgage for which a Transaction Payment should have been made and was not.

(B) in connection with a Refinancing, (x) the aggregate of (I) Gross Proceeds from the Refinancing and (II) proceeds advanced or credited

to Tenant from an Operating Loan, less (y) the aggregate of (I) the principal amount of any Mortgage satisfied out of the Refinancing (which for purposes hereof shall include a Mortgage assigned in lieu of satisfaction), (II) Tenant's Net Investment and (III) Tenant's reasonable and necessary expenses of such Refinancing; and

(C) in connection with an Initial Partner Exchange, Gross Proceeds from an Initial Partner Exchange less Initial Partner's Equity.

(D) in connection with a Transfer, Syndication, Secured Loan and Major Sublease, Gross Proceeds from each such Transaction.

(xxvi) "Transfer" means the transfer, sale or assignment of all or any part of the Ownership Interest of, or issuance of additional Ownership Interests in (A) Tenant, or (B) any Person holding, directly or through one or more subsidiaries, any Ownership Interest in Tenant; but excluding a sale or transfer of any Ownership Interest in Starrett Housing Corporation, a Syndication and an Initial Partner Exchange.

(xxvii) "Transferee" means (A) a Person to which a Transfer is made, (B) the purchaser of an Ownership Interest in a Syndication, and (C) the Initial Partner acquiring the other Initial Partner's Ownership Interest in Tenant.

Section 10.02. Transactions with respect to which Landlord's Consent is Required. Tenant shall not, without the consent of Landlord, enter into or permit or suffer to be entered into (i) an Assignment, (ii) a Transfer, (iii) a Secured Loan or (iv) a Major Sublease. Notwithstanding such prohibition, Landlord shall approve an Assignment to a Close Affiliate provided (i) Tenant delivers to Landlord evidence that the Assignee is a Close Affiliate and (ii) the Close Affiliate assumes the obligations of the Tenant hereunder. In addition, Tenant may, without the consent of Landlord, (x) obtain a Secured Loan from, a Close Affiliate of Tenant or permit a Transfer by an Initial Partner to its Close Affiliate, or (y) transfer a nominal general partner interest in Tenant to an institutional syndicator in connection with a Syndication, or (z) after Completion of the Buildings, enter into one or more Transfers of an Ownership Interest in Tenant provided that the aggregate Ownership Interest in Tenant transferred, sold or assigned in all such Transfers does not

exceed twenty-five percent (25%) of the Ownership Interest in Tenant.

Section 10.03. Consent.

(a) Notice to Landlord. Tenant shall provide Landlord with notice of any proposed Transaction, together with a summary of the proposed Transaction reasonably acceptable to Landlord, not less than forty-five (45) days before the proposed effective date of such Transaction; provided, however, that Tenant will promptly advise Landlord of all material changes in the Transaction. The notice sent in connection with an Assignment, Transfer, Secured Loan or Major Sublease shall also contain a request for Landlord's consent and the following information:

(i) in the case of a proposed corporate Assignee, Transferee or Major Subtenant, or in the case of a corporate general partner of a partnership that is the proposed Assignee, Transferee or Major Subtenant (other than any publicly traded corporation), a certificate of an authorized officer of such corporation giving the names and addresses of all directors and officers of the corporation and Persons having more than a ten percent (10%) Ownership Interest in such Assignee, Transferee or Major Subtenant;

(ii) in the case of a proposed partnership Assignee, Transferee or Major Subtenant, a certificate of the managing general partner or other authorized general partner of the proposed Assignee, Transferee or Subtenant giving the names and addresses of all general partners of the partnership and all limited partners thereof with a five percent (5%) or greater Ownership Interest in the partnership; and

(iii) certifications by an authorized officer, managing general partner, or other authorized general partner, whichever shall be applicable, of Tenant and any Assignee, Transferee, Lender in a Secured Loan or Major Subtenant, to the effect that, after reasonable inquiry, such person knows of no facts that could reasonably constitute a basis to believe that the Assignment, Transfer, Secured Loan or Major Sublease, as the case may be, violate the provisions of this Article 10.

(b) Consent Time Period and Waiver. Landlord shall give Tenant notice of its consent or refusal thereof, in accordance with provisions of this Section 10.03 within

twenty (20) days after receipt of notice from Tenant in accordance with the provisions of Section 10.03(a) hereof. Landlord shall be deemed to have waived its objections to the Assignment, Transfer, Secured Loan or Major Sublease if Landlord fails to so notify Tenant as provided in this Section 10.03(b).

(c) Identity of Transferees in a Private Syndication. Tenant shall not consummate a Private Syndication unless Tenant shall have delivered to Landlord, at least twenty (20) days before the proposed closing of the Private Syndication, a true and complete list of all Transferees that purchase an Ownership Interest in connection with such Private Syndication.

(d) No Waiver of Further Consents. Any consent by Landlord under this Section 10.03 shall apply only to the specific Transaction thereby authorized and shall not relieve Tenant from the requirement of obtaining the prior consent of Landlord to any further or other Assignment, Transfer, Secured Loan or Major Sublease.

Section 10.04. Conditions to All Transactions.

(a) General Limitations. Tenant shall not enter into a Transaction:

(i) Default or Event of Default. If on the effective date of such Transaction there is a Default or Event of Default unless the Default is cured simultaneously with the consummation of the Transaction;

(ii) Prohibited Person. If the proposed Assignee, Transferee, Major Subtenant, Mortgagee or Lender in a Secured Loan is a Prohibited Person, provided, however, that (A) one or more Prohibited Persons may purchase Ownership Interests in Tenant pursuant to a Public Syndication, and (B) Prohibited Persons may purchase an Ownership Interest in Tenant pursuant to a Private Syndication provided that the aggregate Ownership Interest in Tenant held by Prohibited Persons shall never exceed in the aggregate, ten percent (10%) of the Ownership Interests in Tenant; or

(iii) Transaction Payments and Other Agreed Upon Payments. Unless Tenant shall have (A) complied with the provisions of Section 26.01(d) or (e), as the case may be, and (B) and concurrently therewith makes the Transaction Payment in accordance with the terms hereof,

together with any other agreed upon payment required to be made hereunder.

(b) Delivery of Instruments. Tenant shall deliver to Landlord, or shall cause to be delivered to Landlord:

(i) in the case of an Assignment, an executed counterpart of the instrument of assignment and an executed counterpart of the instrument of assumption by the Assignee, such assumption to be in form and substance reasonably satisfactory to Landlord, within thirty (30) days after the execution thereof;

(ii) in the case of a Transfer, an executed counterpart of the instrument of Transfer within thirty (30) days after the execution thereof including the names and addresses of all Transferees;

(iii) in the case of a Syndication, copies of all documents executed or delivered in connection with the Syndication within thirty (30) days after the execution thereof including the names and addresses of all Transferees;

(iv) in the case of a Secured Loan, copies of all documents executed or delivered in connection with the Secured Loan within thirty (30) days after the execution thereof;

(v) in the case of an Initial Partner Exchange, copies of all documents executed or delivered in connection with the Initial Partner Exchange within thirty (30) days after the execution thereof; and

(vi) in the case of a Major Sublease, an executed counterpart of the Major Sublease within thirty (30) days after the execution thereof.

(c) Starrett As General Partner. Notwithstanding anything in this Article 10 to the contrary, HSC Corp. or its Close Affiliate shall remain as managing general partner of Tenant for not less than fifteen (15) years commencing on the Commencement Date; thereafter HSC Corp. may withdraw as a general partner provided that a new general partner is admitted and such new general partner is, in Landlord's judgment reasonably exercised, (i) experienced and competent in the operation of projects of scope similar to the Premises, (ii) financially able to operate the Premises and (iii) not a Prohibited Person.

(d) Cooperative or Condominium Submission. Tenant acknowledges that the Base Rent required to be paid to Landlord hereunder consists, in part, of payments based upon Gross Income. Tenant shall not submit its leasehold estate in the Premises or any part thereof to cooperative or condominium ownership without the prior consent of Landlord, which consent may be withheld by Landlord in its sole discretion.

Section 10.05. Transaction Payments.

(a) Determination. In connection with any Transaction, Tenant shall pay or cause to be paid to Landlord an amount (a "Transaction Payment") equal to:

(i) in the case of the first Transaction (other than an Initial Partner Exchange or a Refinancing), One Million Five Hundred Thousand Dollars ($1,500,000) plus an amount, if any, equal to ten percent (10%) of the amount by which the Transaction Proceeds exceed Forty-Five Million Dollars ($45,000,000); and

(ii) in the case of each subsequent Transaction (other than an Initial Partner Exchange or a Refinancing), an amount, if any, by which (A) ten percent (10%) of the amount, if any, by which (x) the aggregate of Transaction Proceeds from the pending Transaction and Transaction Proceeds from all previous Transactions (including Transaction Proceeds from an Initial Partner Exchange and a Refinancing) exceeds (y) Forty-Five Million Dollars ($45,000,000) exceeds (B) the amount by which (x) the aggregate of all Transaction Payments previously paid to Landlord (excluding Transaction Payments made on Transaction Proceeds from a Refinancing) exceeds (y) $1,500,000.

Notwithstanding the foregoing, (i) Tenant shall not be obligated to make a Transaction Payment on any Transfer not made by an Initial Partner unless (A) the Transfer results in the transfer, sale or assignment of twenty (20%) percent or more of the Ownership Interest in Tenant, (B) the Transfer results in a transfer of the control of a Person holding, directly or through one or more subsidiaries, a twenty (20%) percent or greater Ownership Interest in Tenant (C) the Transfer is one in a series of Transactions in which a Person and/or the Affiliates of such Person become the holder, directly or through one or more subsidiaries, of twenty (20%) percent or more of the Ownership Interest in Tenant and

(ii) in connection with an Initial Partner Exchange, Tenant shall pay or cause to be paid to Landlord a Transaction Payment equal to the aggregate of (A) five percent (5%) of the first $45,000,000 of Transaction Proceeds from an Initial Partner Exchange but in no event more than $1,500,000, plus (B) ten percent (10%) of Transaction Proceeds from an Initial Partner Exchange in excess of $45,000,000; and (iii) in connection with each Refinancing, Tenant shall pay or cause to be paid to Landlord a Transaction Payment equal to ten percent (10%) of the Transaction Proceeds from the Refinancing. Any Transaction Payment made by Tenant to Landlord in connection with an Initial Partner Exchange and a Refinancing shall be credited against Tenant's obligation to make the $1,500,000 payment required by Section 10.05(a)(i).

(b) Payment. The Transaction Payment shall be made concurrently with the consummation of such Transaction, provided, however, that in the case of a Syndication or an Assignment, if any part of Gross Proceeds are to be paid to Tenant over time in installments, and if a Transaction Payment is required, the Transaction Payment shall be paid as follows: (i) Concurrently with the consummation of the Transaction, Tenant shall pay a portion of the Transaction Payment equal to the product derived by multiplying the Transaction Payment by a fraction, the numerator of which shall be the portion of Gross Proceeds not paid over time in installments and the denominator of which shall be the total Gross Proceeds; and (ii) Tenant shall pay the balance of the Transaction Payment to Landlord in installments, each in an amount equal to such balance of the Transaction Payment multiplied by a fraction, the numerator of which shall be the amount of the installment received by Tenant and the denominator of which shall be the part of the Gross Proceeds payable over time in installments, but in no event shall the total amount payable to Landlord be paid over more than six (6) annual installments; provided, further, that Tenant shall pay to Landlord interest on the unpaid portion of the Transaction Payment at a rate equal to the rate of interest paid on the unpaid portion of the Gross Proceeds, such interest payments to be paid to Landlord as Tenant receives interest on the unpaid portion of Gross Proceeds.

(c) Disputes. In the event that Landlord disagrees with Tenant's determination of Gross Proceeds, as set forth in Tenant's statement referred to in Section 26.01(d) or (e), Landlord shall so notify Tenant, in respect of the Section 26.01(d) notice, within ten (10) days of the receipt thereof and in respect of the Section 26.01(e) notice within forty-eight (48) hours of the receipt thereof. If such dispute is not resolved as of the proposed closing date

of the Transaction, such dispute shall not prevent Tenant from consummating the proposed Transaction or invalidate the proposed Transaction upon its completion, provided that Tenant pays to Landlord, in the manner hereinabove provided, the amount of the Transaction Payment not in dispute and deposits with Depositary cash, a letter of credit or other security reasonably satisfactory to Landlord in an amount equal to the amount in dispute. For purposes of this Section 10.05(c) other security reasonably satisfactory to Landlord shall be deemed to include a guarantee of payment of the disputed amount executed by Starrett Housing Corporation, Sherman Cohen, Charles Steven Cohen or Edward Cohen.

Section 10.06. (a) Subleases. Tenant may, without Landlord's prior consent, but subject to the provisions of this Section, enter into agreements for the rental of residential and non-residential space in the residential Buildings, or the occupancy of such space pursuant to licenses or concessions for a period shorter than the remainder of the Term at the time of such agreements (all of such agreements being herein referred to collectively as "Subleases", and the occupants pursuant to Subleases as "Subtenants"); provided, however, any Sublease which is a Major Sublease shall comply with other provisions of this Lease applicable thereto. Each Sublease shall obligate the Subtenant pursuant thereto to occupy and use the premises included therein for purposes consistent with this Lease and the Requirements. Tenant shall promptly and diligently enforce all of its rights as the landlord under all Subleases in accordance with the terms thereof unless Landlord shall have consented to the contrary, which determination shall be made in Landlord's sole discretion.

(b) Sublease Compliance. In connection with and in furtherance of the standards, conditions, purposes and procedures of the Marketing and Rental Plan and Marketing and Rental Agreement, Landlord understands and agrees that Tenant will enter into Subleases for portions of the Buildings. Tenant agrees that in entering into such Subleases it shall comply with the provisions of the Marketing and Rental Plan and Marketing and Rental Agreement. Prior to entering into any such Subleases, Tenant shall submit to Landlord the form or forms of Subleases which Tenant proposes to use in the Buildings for Landlord to determine whether the provisions of such Sublease conflict with this Lease. If there is a conflict between any term or provision contained in the form or forms of Subleases approved by Landlord and a similar term or provision contained in the form or forms of Subleases required by a Substitute Subsidy Program or by the Federal Housing Commissioner, the term or provision in question

contained in the form or forms of Subleases required by the Substitute Subsidy Program or the Federal Housing Commissioner, as the case may be, shall take precedence over and be inserted in the form or forms of Subleases approved by Landlord; provided, however, that the terms or provisions required by the Federal Housing Commissioner shall take precedence only so long as the First Mortgage is still outstanding. If Tenant shall fail to comply with any of the provisions of the Marketing and Rental Plan or the Marketing and Rental Agreement, Landlord may exercise any and all rights and remedies granted to it under this Lease or by law by reason of Tenant's failure to comply with a material obligation under this Lease, except the right to terminate this Lease by reason of an Event of Default.

Section 10.07. Subtenant Violations. The fact that a violation or breach of any of the terms, provisions or conditions of this Lease results from or is caused by an act or omission by any of the Subtenants shall not relieve Tenant of Tenant's obligation to cure the same. Tenant shall take all lawful necessary steps to prevent any such violation or breach.

Section 10.08. Assignment of Sublease. To secure the prompt and full payment by Tenant of the Rental and the faithful performance by Tenant of all the other terms and conditions herein contained on its part to be kept and performed, Tenant hereby assigns, transfers and sets over unto Landlord, subject to the conditions hereinafter set forth, all of Tenant's right, title and interest in and to all Subleases and hereby confers upon Landlord, its agents and representatives a right of entry in, and sufficient possession of, the Premises to permit and insure the collection by Landlord of the rentals and other sums payable under the Subleases, and further agrees that the exercise of said right of entry and qualified possession by Landlord shall not constitute an eviction of Tenant from the Premises or any portion thereof and that should said right of entry and possession be denied Landlord, its agent or representative, Landlord, in the exercise of said right, may use all lawful requisite force to gain and enjoy the same without responsibility or liability to Tenant, its servants, employees, guests or invitees, or any Person whatsoever; provided, however that such assignment and such right of entry shall become operative and effective only in the event that this Lease and the Term shall be cancelled or terminated pursuant to the terms, covenants and conditions hereof, or in the event of repossession under a dispossess warrant or other re-entry or repossession by Landlord under the provisions hereof, or if an Event of Default by Tenant shall occur

hereunder, and then only as to such of the Subleases that Landlord may elect to take over and assume.

Section 10.09. Collection of Subrent. Landlord, after an Event of Default by Tenant, may collect subrent and all other sums due under Subleases and apply the net amount collected to the Rental payable by Tenant hereunder. No such collection shall be, or be deemed to be, a waiver of any agreement, term, covenant or condition of this Lease or the acceptance by Landlord of any Subtenant as Tenant hereunder, or a release of Tenant from performance by Tenant of its obligations under this Lease.

Section 10.10. Schedule of Subleases. At any time and from time to time upon Landlord's demand and at Landlord's expense (unless at the time such request is made Tenant is in Default, in which event Landlord shall not be obligated for the payment therefor) Tenant shall promptly deliver to Landlord a schedule of all Subleases setting forth the names of all Subtenants, the space rented and the expiration date of the Sublease, together with a photostatic copy of each of the Subleases. Upon the request of Landlord, Tenant shall permit Landlord, its agents or representatives to inspect all Subleases affecting the Premises.

Section 10.11. Required Sublease Clauses. Each Sublease shall provide that (i) it is subordinate and subject to this Lease and the Master Lease, (ii) the Subtenant shall not pay rent or other sums (except security deposits and insurance premiums) under the Sublease for more than three (3) months in advance and (iii) at Landlord's option, on the termination of this Lease pursuant to Article 24 hereof, the Subtenant will attorn to, or enter into a direct lease, occupancy, license or concession agreement on identical terms with Landlord for the balance of the term of the Sublease.

ARTICLE 11

CONSTRUCTION OBLIGATIONS

Section 11.01. (a) Improvements. Tenant covenants and agrees, at its sole cost and expense, promptly to commence and diligently undertake the demolition or provide facility replacement as provided herein of any existing improvements on the Premises which are not to be incorporated into the Buildings and to construct, in accordance with the Plans and Specifications, the following: (i) approximately 1,108 Residential Units, consisting of (A) approximately 224 Section 8 Units and (B) approximately 884 Market Rate Rental Units; (ii) a parking facility containing approximately 700 parking spaces ("Motorgate II") built as an addition to the existing parking facility located on Roosevelt Island ("Motorgate I"); (iii) the Community Facilities Building; (iv) ancillary community rooms and facilities within the Section 8 Building, including the day-care center, indoor and outdoor recreational facilities and plazas, the Promenade and landscaping (collectively the "Community Facilities"); and (v) ancillary infrastructure.

(b) Permits and Easements. Tenant shall obtain all necessary permits, consents, certificates and approvals for the construction of the Buildings from the New York City governmental authorities having jurisdiction over the Premises and/or existing improvements, except to the extent that exclusive jurisdiction is asserted by another agency of the State of New York; except that notwithstanding anything contained in this Lease to the contrary, except as provided in Section 11.13, the Building Code of New York City shall govern the construction of the Buildings, repairs, Restorations and Capital Improvements. Subject to the provisions of Article 14 and consistent with the foregoing, Tenant shall comply with (i) all applicable laws, regulations or rules of Governmental Authorities, including the Zoning Resolution, as overridden by the Zoning Waiver, (ii) the Building Code of New York City in connection with the construction of the Buildings and (iii) standards issued by the New York Board of Fire Underwriters or any successor thereto as to policies of insurance. Tenant shall also obtain the approval of either (at Tenant's option) the New York Board of Fire Underwriters or the New York City Bureau of Electrical Control for electrical installations. Tenant shall perform all required borings, soil tests and environmental and other reviews and studies in connection with the construction of the Buildings as are required by applicable law. Landlord shall, within ten (10) days after receipt of request from Tenant, join in any and all applications for permits, li-

censes or other authorizations required by any governmental or other body, other than Landlord having jurisdiction in connection with any work which Tenant may undertake hereunder. Landlord also will join in any grants of easements for electric, telephone, gas, water, sewer, AVAC and such other public utilities and facilities as may be reasonably necessary for the operation of the Premises if the provisions of any law, rule, or regulation at the time in effect shall require or contain an apparent requirement that Landlord join and cooperate in such application and/or grant. Landlord shall not be subject to any liability for the payment of any costs or expenses actually incurred by Landlord in connection with any such application and/or grant, and Tenant shall assume the payment of, and hereby indemnifies Landlord for, any such costs or expenses actually incurred by Landlord.

Section 11.02. (a) Preconditions to Commencement. Commencement of Construction shall not occur until (i) Tenant shall have obtained and accepted (A) a commitment, issued by HDC, for the First Mortgage, and (B) a firm commitment for FHA Mortgage Insurance for the First Mortgage, including the financing of the Market-Rate Rental Units, approved by HDC, (ii) the Federal Housing Commissioner shall have either (A) consented to Tenant's "Request for Permission to Commence Construction Prior to Initial Endorsement for Mortgage Insurance" or (B) made the initial endorsement of the note secured by the First Mortgage, (iii) Landlord shall have received One Hundred and Fifty Thousand ($150,000) Dollars from Tenant for the repair of the spiral ramp and entrance plaza at the Roosevelt Island end of the Bridge, which monies shall be expended by Landlord for such purposes, (iv) Tenant shall have obtained, paid for, and submitted to Landlord payment and performance bonds in penal sums equal to one hundred percent (100%) of the final construction cost of the Buildings, (v) Tenant shall have obtained a building permit from New York City and the insurance required under Section 11.03, and (vi) Landlord shall have approved the Plans and Specifications to the extent provided herein.

(b) Plans and Specifications. Tenant covenants and agrees, at its sole cost and expense, to construct the Buildings in accordance with the Plans and Specifications. No changes shall be made in the Plans and Specifications insofar as such changes relate to site plans and elevations (as such site plans and elevations relate to the exterior of the Buildings, plazas and landscaping), the exterior of the Buildings, the energy system for the Buildings, Motorgate II, the Community Facilities, the Community Facilities Building, and the number of Residential Units and the bedroom mix within the Buildings (the "Material Specifications") without

the prior approval of Landlord, which approval shall not be unreasonably withheld. Each review by Landlord shall be carried out within twenty (20) days of the date of submission of such changes by Tenant and if Landlord shall not have notified Tenant of its determination within such twenty (20) day period, such changes shall be deemed approved. The Plans and Specifications, including any amendments, modifications and supplements thereto, shall comply with the Building Code of New York City. The responsibility to assure such compliance shall be Tenant's; Landlord's approval, to the extent provided herein, of the Plans and Specifications or any amendments, modifications or supplements thereto shall not be, nor shall it be construed to be or relied upon as, a determination that the Plans and Specifications or any amendments, modifications or supplements thereto comply with the Building Code of New York City.

Section 11.03. Construction Insurance.

(a) Prior to Commencement of Construction, Tenant shall provide, or cause to be provided, and thereafter shall keep in full force and effect, or cause to be kept in full force and effect, until Completion of the Buildings, the following at no cost to Landlord:

(i) contractor's comprehensive general and automobile liability insurance in an amount not less than Ten Million Dollars ($10,000,000) combined single limit of liability for bodily injury and/or property damage, such insurance to include operations-premises liability, contractor's protective liability on the operations of all subcontractors, completed operations, contractual liability (designating the indemnity provisions of the Construction Agreements), and automobile liability (owned, non-owned and hired), and if the contractor is undertaking foundation, excavation or demolition work, an endorsement that such operations are covered and that the "XCU Exclusions" have been deleted;

(ii) worker's compensation and disability insurance providing statutory New York State benefits for all persons employed by any general contractor engaged by Tenant in connection with the construction of the Premises other than employees of Landlord and its agents;

(iii) owner's protective insurance naming Landlord and Tenant, as their respective interests may appear, in an amount not less than Five Million Dollars

($5,000,000) combined single limit for bodily injury and/or property damage; and

(iv) builder's risk insurance (All Risks) written on a completed value (nonreporting) basis with limits as provided in Section 7.01(a)(i) hereof, naming any general contractor engaged by Tenant and also naming Landlord and naming the First Mortgagee as an insured under a standard mortgagee clause. In addition, such insurance (x) shall contain an endorsement stating that "permission is granted to complete and occupy", and (y) if any off-site storage location is used, shall cover, for full insurable value, all materials and equipment on or about any such off-site storage location intended for use with respect to the Premises.

(b) Tenant further covenants and agrees that

(i) no construction shall be commenced until Tenant shall have delivered to Landlord the original policies, or duplicate originals thereof, as required by this Section 11.03 and as more fully provided in Section 7.02(a) hereof, and

(ii) Tenant shall comply with the provisions of Section 7.02 hereof with respect to the policies required by this Section 11.03.

(c) From and after the time permanent certificates of occupancy are issued as provided in Section 11.04 hereof, Tenant covenants and agrees to procure other appropriate insurance as more fully provided in Article 7 and Section 13.01(f) hereof.

Section 11.04. (a) General Contractor and Construction Manager. Tenant shall engage as the general contractor or construction manager for the construction of the Buildings: (i) Starrett Housing Corporation or a wholly-owned subsidiary of Starrett Housing Corporation or (ii) subject to Landlord's approval, which approval shall not be unreasonably withheld, Cohen Brothers Realty Corporation, a New York corporation, or a wholly-owned subsidiary of Cohen Brothers Realty Corporation or (iii) subject to Landlord's approval, such other firm as may be proposed by Tenant. No general contractor or construction manager shall be engaged or substituted except in accordance with this Section 11.04(a).

(b) Commencement and Prosecution. Commencement of Construction shall occur not later than the Construction

Commencement Date, subject to Unavoidable Delays, and construction of the Buildings shall proceed in a logical construction sequence. The construction of all of the Buildings shall be prosecuted with all reasonable diligence and without interruption, subject to Unavoidable Delays, and completed in a good and workmanlike manner, in accordance with the Plans and Specifications. Construction of the Section 8 Building, Motorgate II and the Community Facilities Building, and completion thereof, shall not vary materially in timeliness from that of the Market Rate Buildings, and in no event shall a temporary or permanent certificate or certificates of occupancy for (i) all of the Residential Units in the Section 8 Building or Motorgate II be obtained later (subject to Unavoidable Delays) than the date temporary or permanent certificates of occupancy have been obtained for any three of the Market Rate Buildings and (ii) the Community Facilities Building be obtained later (subject to Unavoidable Delays) than thirty (30) days following the date temporary or permanent certificates of occupancy have been obtained for 95% of the Market Rate Rental Units.

(c) Completion. Completion of the Buildings and all site and utility work on the Premises (including all Community Facilities) shall occur no later than five (5) years following the Construction Commencement Date, subject to Unavoidable Delays. Upon Completion of the Buildings, Tenant shall furnish Landlord with (i) a certificate from the Architect addressed to Landlord certifying that construction of the Buildings has been completed in accordance with the Plans and Specifications, (ii) true copies of all currently available temporary or permanent certificates of occupancy for the Premises, (iii) a complete set of "as built" plans, and (iv) a survey prepared by a licensed surveyor showing all of the Buildings and location of any infrastructure constructed by Tenant and easements on the Premises. "Completion of the Buildings" shall mean the date of the issuance by New York City for ninety-five (95%) percent of the Residential Units and for Motorgate II and the Community Facilities Building of temporary certificates of occupancy, or if no temporary certificates of occupancy are issued, of permanent certificates of occupancy. Subject to Unavoidable Delays, Tenant shall furnish Landlord, within nine (9) months of the date of Completion of the Buildings, with permanent certificates of occupancy issued by New York City for all space in all of the Buildings. Tenant shall deliver to Landlord within one hundred and twenty (120) days after Completion of the Buildings a lien search issued by a title insurance company reasonably satisfactory to Landlord.

(d) FHA Documents, etc., and Cost Certification. Tenant shall furnish Landlord with copies of all requisitions for construction advances submitted by Tenant to the First Mortgagee, such other documents as may be reasonably necessary for determining the Public Purpose Payments and all material documents relating to the Section 8 Contract or Section 8 Agreement simultaneously with the transmission of such documents to FHA, HDC, New York City and other public or supervisory agencies. Tenant shall also furnish Landlord, within ten (10) months following Completion of the Buildings, or as soon thereafter as is reasonably practicable, the audited cost certification required to be furnished to the Federal Housing Commissioner, prepared and reported upon by the Certified Public Accountant setting forth all construction costs of the Buildings.

Section 11.05. Proper Conditions. Tenant agrees that, throughout the course of construction at the Premises, Tenant shall:

(a) maintain a reasonably clean, securely enclosed Construction Site with fencing and lighting;

(b) store all equipment and park all vehicles within the Construction Site;

(c) refill and restore as soon as feasible any Streets or other existing facilities which shall remain but which Tenant has excavated or otherwise disturbed;

(d) keep the Streets, the spiral ramp and entrance plaza, and the Bridge reasonably free from dirt and debris resulting from the construction, and take all action to limit airborne dirt and dust in accordance with standard New York City construction standards and applicable laws, rules, regulations and orders;

(e) prohibit construction equipment, trailers, trucks, automobiles, construction vehicles, delivery trucks, employee automobiles and other equipment and vehicles from standing or parking on the Streets;

(f) require construction workers and employees to park either in Motorgate I or within the Construction Site provided that Tenant shall not permit the number of vehicles parked within the Construction Site at any one time to exceed that number of vehicles which may from time to time be reasonably approved by Landlord;

(g) include or cause to be included a provision in the general contract and all subcontracts requiring all construction workers and employees to park either in Motorgate I or within the Construction Site, and specifying that the number of vehicles parked within the Construction Site at any one time shall not exceed that number of vehicles which may be approved by Landlord as provided in Section 11.05(f), including therein a warning that vehicles in violation of such provision will be towed;

(h) provide competent watchmen for the Construction Site in accordance with New York City Requirements during all hours when construction operations are not in progress;

(i) conduct or permit blasting only between the hours of 8 a.m. and 5 p.m., Mondays through Fridays, except holidays, or during times for which a special permit may be obtained from New York City and in strict compliance with applicable codes and regulations with respect to the size of charges and coordinate with blasting being undertaken for the water tunnel north of the Premises;

(j) comply with all applicable noise control laws and regulations, and take additional actions to minimize and control noise in accordance with New York City construction standards;

(k) promptly restore and repair any damage caused by Tenant or resulting from the construction of the Buildings by Tenant to the Streets, Motorgate I and the Bridge (to the extent Landlord may be required to restore the Bridge under the provisions of the Master Lease), and for a period of two (2) years after Completion of the Buildings make such repairs to the Streets as are necessitated by any settling caused by Tenant or resulting from the construction of the Buildings by Tenant; and

(l) comply with the New York City Building Code and Rules and Regulations not in conflict or inconsistent therewith with respect to the Construction Site, load limitations on the Bridge and other construction matters, including, without limitation, the location of cranes and construction elevators.

Section 11.06. Survey.

Tenant shall reimburse Landlord, within ten (10) days after demand, for the cost of a photographic survey of the Land, such reimbursement not to exceed Six Hundred Dollars ($600).

Section 11.07. Title to Buildings.

(a) Tenant agrees that the materials to be incorporated into the Buildings at any time during the Term shall, upon purchase of same and at all times thereafter, constitute the property of Landlord, and that upon construction of the Buildings or the incorporation of such materials therein, title thereto shall continue in Landlord, provided, however, that (i) Landlord shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any such materials, (ii) Landlord shall have no obligation to pay any compensation to Tenant by reason of its acquisition of title to such materials and Buildings and (iii) that any refunds, credits or other proceeds which may be obtained in respect of such materials shall be the property of Tenant.

(b) Tenant covenants and agrees that all contracts and subcontracts relating to the construction of the Buildings, any Restoration or Capital Improvement shall provide substantially as follows: "[contractor] [subcontractor] [materialman] hereby agrees that immediately upon the purchase by [contractor] [subcontractor] [materialman] of any building materials to be incorporated in the Buildings (as said term is defined in the lease pursuant to which the owner acquired a leasehold interest in the property) such materials shall be and become the sole property of [Landlord], a body corporate and politic of the State of New York constituting a public benefit corporation and a political subdivision thereof, notwithstanding that such materials have not been incorporated in, or made a part of, such Buildings at the time of such purchase".

Section 11.08. Publicity. Upon request of Landlord, Tenant, at its sole cost and expense, shall furnish and install Landlord's customary project sign at a location on the Premises satisfactory to Landlord. In no event shall the cost to Tenant for such project sign exceed $600.00. Tenant also shall extend to Landlord, RIOC, New York State and New York City the privilege of participating in ground-breaking and opening ceremonies to be held at such time and in such manner as Landlord and Tenant shall agree.

Section 11.09. Landlord Cooperation. Tenant shall comply with Landlord's design and construction requirements contained in Exhibit C. Landlord shall, at no out of pocket expense to Landlord and without increasing any of Landlord's obligations under this Lease with respect to the following items, (a) reasonably cooperate with Tenant in all matters relating to the construction of the Buildings and the obtaining of electric, telephone, gas, sewer, water, AVAC and other public utilities as may be reasonably necessary in the operation of the Premises and of the Buildings, and (b) attempt to cause prompt action to be taken on any applications made for any required consents, approvals or other action related thereto.

Section 11.10. Utilities.

(a) Water Main and Hydrants. Tenant shall construct a water main which shall run from the northern terminus of the existing water main beneath the west Promenade on the Premises, continuing north along the length of the Premises and then turning east to connect with the existing water main located beneath Main Street. If required by applicable law or by the New York City Fire Department, Landlord or Tenant, in either case at Tenant's expense, also shall install or require Tenant to install, in accordance with the standards of the New York City Fire Department, fire hydrants on Main Street in the area of the Premises and along the Promenade and the loop road as may be required by the New York City Fire Department. The construction of said water main shall be coordinated with the construction of the Buildings to ensure that said water main and all required hydrants have been constructed and are in place by the date of any occupancy or use of the Buildings by residents.

(b) Construction of Utilities. Tenant, at Tenant's expense, shall perform the following:

(i) connect all utilities from the Premises to utilities located on or adjacent to the Premises;

(ii) if required in Tenant's reasonable opinion for adequate storm drainage, construct private storm drainage sewer line from the Premises to the west channel of the East River (not connected to the existing storm drain located beneath Main Street) and secure all approvals required for discharge into the East River;

(iii) construct all connections to the existing AVAC line located beneath the Premises, and relocate, if

Tenant determines it is necessary, the existing AVAC line, subject to the reasonable approval of Landlord;

(iv) relocate, with the reasonable approval of Landlord, the existing storm drainage line presently located beneath the Land in the area of the proposed Buildings or take such alternate action as may be approved by Landlord; and

(v) construct all other utilities required by Tenant.

Subject to Landlord's obligations under Section 11.10(c), Tenant acknowledges that it has investigated the Premises and made a determination that the existing utilities available to the Premises and the capacities thereof are sufficient for Tenant's purposes under this Lease.

(c) Maintenance of Municipal Utilities. Landlord shall be responsible for the maintenance and repair of the following utilities servicing the Premises to the extent that New York City would be so responsible as the local municipal government as a matter of law if NYC had, in the absence of any contractual or lease obligations whatsoever, constructed same in a public street, right of way, or in other public areas and agreed to assume control and management of same:

(i) the existing sewer main and pumping stations located on Roosevelt Island which serve the Premises;

(ii) the existing water mains located on Roosevelt Island which serve the Premises;

(iii) the water main and fire hydrants described in Section 11.10(a);

(iv) the existing storm drainage line or replacement thereof described in Section 11.10(b)(iv); and

(v) the existing sea wall located on or adjacent to Roosevelt Island along the East River.

If Landlord shall fail to maintain and repair the utilities as set forth in this Section 11.10(c), Tenant, in addition to any other rights it may have by reason of such failure of Landlord, may obtain such utilities from another source. Landlord's obligations, if any, with respect to each of such utilities shall terminate as of the respective date or dates

upon which (or to the extent that) responsibility for such maintenance and repair shall be assumed by New York City.

(d) Sea Wall. Tenant shall not make any holes in the sea wall without the consent of Landlord.

Section 11.11. Off Premises Construction. Tenant, at Tenant's expense, shall also construct or cause to be constructed, on sites to be designated by Landlord after consultation with Tenant, and pursuant to plans and specifications to be provided by Tenant and approved by Landlord, which approval shall not be unreasonably withheld:

(i) one or more outdoor on grade parking fields to accommodate 350 to 400 automobiles,

(ii) two baseball fields appropriate for Little League use;

(iii) site preparation for a community garden;

(iv) if required by the Fire Department of New York City, asphalt roadway from the northern terminus of the Promenade which roadway shall connect to the existing roadway; and

(v) two tennis courts.

Provided Landlord shall have timely designated the sites therefor in accordance with this Section 11.11, items (i) and (iii) shall, subject to seasonal considerations and weather conditions, be completed and usable prior to the time corresponding existing facilities within the Land are no longer usable in whole or in part for parking or gardening, respectively, as a result of the activities of Tenant or its agents; one baseball field referred to in item (ii) shall be completed and usable within forty (40) days of the time that the existing baseball field can no longer be used in the manner it has been used and the other baseball field shall be completed and useable at such time as ten percent (10%) of the Residential Units shall have received temporary or permanent certificates of occupancy, whichever shall first occur; item (iv) shall be completed and usable not later then the date of Completion of the Buildings; and item (v) shall be completed and usable at such time as ten percent (10%) of the Residential Units shall have received temporary or permanent certificates of occupancy, whichever shall first occur.

Section 11.12. Landlord's Construction Activities.

Tenant acknowledges that it is aware that construction activities of Landlord are contemplated within Roosevelt Island. Tenant shall coordinate its construction activities at the Premises with Landlord's construction activities taking place in Roosevelt Island. In no event shall Landlord be liable for any delays in Tenant's construction of the Buildings attributable to Landlord's construction activities in Roosevelt Island.

Section 11.13. Handicapped Provisions.

(a) Market Rate Rental Units. For the period commencing on the Commencement Date and expiring on the third (3rd) anniversary of the date of Completion of the Buildings, Tenant shall, at its sole cost and expense and without charge to such Subtenants (whether upon commencement, expiration or earlier termination of such Subtenant's Sublease), perform the work identified in Exhibit D hereto if requested to do so by a handicapped person leasing a Market Rate Rental Unit, provided, however, Tenant shall have no obligation to perform such work in more than two percent (2%) of the Market Rate Rental Units.

(b) Market Rate Buildings. All Buildings shall be handicapped accessible in accordance with the applicable provisions of the Building Code of New York City.

ARTICLE 12

REPAIRS

Section 12.01. Tenant's Obligation to Maintain and Repair Premises. Subject to the provisions of Section 11.10(c) hereof, Tenant, at its sole cost and expense, throughout the Term, shall keep and maintain the Premises in good and safe order and condition, including without limiting the generality of the foregoing, the Buildings, roofs, foundations and appurtenances thereto, all sidewalks, vaults, sidewalk hoists, railings, gutters and curbs in front of or adjacent to the Premises, water, sewer and gas connections on or adjacent to and directly servicing the Premises, AVAC valves and connections on or adjacent to and directly servicing the Premises (unless such valves and connections are maintained by New York City), pipes and mains on or adjacent to and directly servicing the Premises (except to the extent and only as long as such pipes and mains are maintained by Landlord pursuant to Section 11.10(c) hereof), and all other fixtures, machinery and Equipment 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 Tenant's obligations with respect to Restoration resulting from a casualty or condemnation shall be as provided in Articles 8 and 9 hereof. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent waste, damage, or injury to the Premises. When used in this Section 12.01 the term "repairs" shall include all required replacements and alterations. All repairs made by Tenant shall be equal in quality and class to the original work and shall be made in compliance with the laws, regulations and rules applicable generally to Roosevelt Island and with the laws, regulations, codes, and rules of New York City and all other Governmental Authorities having jurisdiction over the Premises, and as to policies of insurance, the New York Board of Fire Underwriters or any successor thereto.

Section 12.02. Tenant's Obligation to Keep Premises Clear. Tenant, at its sole cost and expense, also shall repair, and keep clean and free from dirt, snow, ice, rubbish, obstructions and encumbrances, the Premises and the sidewalks, vaults, sidewalk hoists, gutters, railings and curbs in front of or adjacent to the Premises (but specifically excluding all Streets not within the Premises).

Section 12.03. Tenant's Assumption of the Maintenance and Management of the Premises. Landlord shall have no duty or obligation to make any alteration, change, improvement, replacement, Restoration or repair to, or to demolish, the Buildings, except as provided in Sections 11.10(c) and 40.07 hereof. Except as provided in Section 12.02 and this Section 12.03, Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the Premises. Particularly, but without limitation of the immediately foregoing covenant, Tenant shall not clean nor require, permit, suffer nor allow any window in the Buildings 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.

ARTICLE 13

CHANGES, ALTERATIONS AND ADDITIONS

Section 13.01. Capital Improvements.

(a) From and after Completion of the Buildings, Tenant shall not demolish, replace or materially alter the Buildings, or any part thereof (but not including Equipment, which shall be governed by the provisions of Article 15), or make any addition thereto or construct any additional Buildings on the Premises or make any alteration of any kind to the Material Specifications, 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 Tenant shall comply with the requirements set forth in this Section 13.01 and, if applicable, with the additional requirements set forth in Section 13.02. As to any single Capital Improvement with respect to (i) the Buildings, 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 Commencement Date), or (ii) a Material Specification (any Capital Improvement contemplated in (i) or (ii) of this paragraph (a) shall be collectively referred to herein as a "Material Capital Improvement"), Tenant shall furnish to Landlord a complete set of plans and specifications for the Material Capital Improvement and shall furnish to any Governmental Authority any plans and specifications which may be required by any Governmental Authority in connection with its enforcement of the applicable Requirements.

(b) No Material Capital Improvement shall be undertaken until Tenant shall have procured the consent of Landlord, which consent shall not be unreasonably withheld. No Capital Improvement shall be undertaken until Tenant shall have procured and paid for, insofar as the same may be required from time to time, all permits and authorizations of all Governmental Authorities having jurisdiction. Landlord shall not unreasonably refuse to join in the application for such permit or authorization, provided same is made without cost or expense to Landlord. Copies of all required permits and authorizations certified to be true copies thereof by Tenant shall be delivered to Landlord prior to the commencement of any Capital Improvement.

(c) Any Capital Improvement, when completed, shall be of such a character as not to reduce the value of the Premises below its value immediately before construction of such Capital Improvement was commenced.

(d) Any Capital Improvement shall be made promptly, subject to Unavoidable Delays, and in a good and workmanlike manner and in compliance with all applicable permits and authorizations, building codes and the Zoning Resolution, as modified by the Zoning Waiver, and codes and with all other laws, ordinances, orders, rules, regulations and requirements of any Governmental Authority applicable generally to Roosevelt Island and in accordance with the approved plans and specifications therefor and the orders, rules, regulations and requirements of any Board of Fire Underwriters having jurisdiction or any similar body exercising similar functions.

(e) The cost of any Capital Improvement shall be paid in cash or its equivalent, so that the Premises and the assets of and funds appropriated to Landlord shall at all times be free of liens for labor and materials supplied or claimed to have been supplied to the Premises except as provided in Section 16.02.

(f) No Capital Improvement shall be undertaken until Tenant shall have delivered to Landlord insurance policies or certificates therefor issued by responsible insurers, bearing proof of the payment of premiums or accompanied by other evidence satisfactory to Landlord of such payments, for worker's compensation and employer liability insurance covering all persons employed by any general contractor engaged by Tenant in connection with the Capital Improvement other than employees of Landlord and its agents and with respect to whom death or bodily injury claims could be asserted against Landlord, Master Landlord, Tenant or the Premises, and, unless the liability insurance then in effect with respect to the 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 in Articles 7 and 11 with respect to the liability insurance required thereunder. If under the provisions of any fire, liability or other insurance policy or policies then covering the Premises or any part thereof any consent to such Capital Improvement by the insurance company or companies issuing such policy or policies shall be required to continue and keep such policy or policies in full force and effect, Tenant shall obtain such consent and pay any additional premiums or charges therefor that may be imposed by said insurance company or companies.

(g) Landlord shall notify Tenant of Landlord's determination with respect to any request for consent

required under this Section 13.01 within thirty-five (35) days of Landlord's receipt of the plans and specifications and such other drawings, information or samples which Landlord shall have requested in accordance with Section 13.01(a). Landlord's failure so to notify Tenant within said time period shall be deemed to constitute consent to such request.

Section 13.02. Material Capital Improvements.

In addition to complying with the requirements of Section 13.01, at least fifteen (15) days before the commencement of any work in connection with a proposed Material Capital Improvement, Tenant shall furnish to Landlord the following:

(a) a contract for the construction of the Material Capital Improvement and payment and performance bonds or other assurances satisfying the requirements of Section 8.05(a)(ii) hereof; and

(b) an assignment to Landlord (subject to any prior assignment to the First Mortgagee) of the aforesaid contract and bonds satisfying the requirements of Section 8.05(a)(iii) hereof.

Section 13.03. Selection of Architect.

All Capital Improvements shall be carried out under the supervision of an architect selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld. The estimates of cost made by such architect shall be binding upon both parties for the purposes of Section 13.02 hereof.

Section 13.04. Title.

Title to all additions, alterations, improvements and replacements made to the Buildings, including without limitation the Capital Improvements shall forthwith vest in Landlord, as provided in Section 11.07 hereof, without any obligation by Landlord to pay any compensation therefor to Tenant.

ARTICLE 14

REQUIREMENTS OF PUBLIC AUTHORITIES AND OF INSURANCE UNDERWRITERS AND POLICIES

Section 14.01. Compliance With Requirements. Except as otherwise specifically provided herein, Tenant, at its sole cost and expense, promptly shall comply with any and all present and future acts, laws, rules, orders, ordinances, regulations, statutes, requirements, codes (including, without limitation, the applicable accessibility requirements relating to the handicapped as provided in the New York City Building Code) and executive orders which are generally applicable or applicable to areas sufficient in size to more likely than not negate any reasonable inference that it is intended only for the Premises (including the Zoning Resolution, as overridden by the Zoning Waiver) (hereinafter collectively called "Requirements") irrespective of the nature of the work required to be done, extraordinary as well as ordinary, of any Governmental Authority, of any applicable Fire Rating Bureau or other body exercising similar functions with respect to policies of insurance, affecting the Premises, sidewalks comprising a part of or in front thereof or adjacent thereto and/or any vault in or under the same, or requiring the removal of any encroachment, or affecting the construction, maintenance, use or occupation of the Premises, whether or not the same involves or requires any structural changes or additions in or to the Premises, and irrespective of whether or not such changes or additions are required on account of any particular use to which the Premises, or any part thereof, may be put. Notwithstanding anything contained herein to the contrary, Tenant shall not be required to comply with the Requirements of Landlord that are in conflict with the express provisions of this Lease (other than New York City, should it become Landlord under this Lease, where such Requirements are imposed solely in its governmental capacity). Tenant 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 Premises (not owned, leased or occupied by Tenant), which conditions (a) do not affect the use or occupancy of the Premises, (b) do not result from the use, non-use or misuse of the Premises or (c) do not result from work performed or actions taken by Tenant. Tenant shall also comply with any and all provisions and requirements of any fire, liability or other insurance policy required to be carried by Tenant under the provisions of this Lease. In the event that performance by Tenant of, or compliance by Tenant with, any covenant, agreement, term or condition contained in this Lease shall cause Tenant to

violate one or more Requirements, the Requirement(s) shall govern and this Lease shall not govern.

Section 14.02. Contesting Validity of Requirements. Tenant shall have the right to contest the validity of any Requirements or the application thereof at Tenant's sole cost and expense. During such contest, compliance with any such contested Requirements may be deferred by Tenant upon condition that, before instituting any such proceedings, if Tenant is not an Institutional Lender, Tenant shall furnish to Landlord a surety company bond or other security, in either case reasonably satisfactory to Landlord, securing compliance with the contested Requirements and payment of all interest, penalties, fines, fees and expenses in connection therewith; provided, however, that if Tenant shall be an Institutional Lender the foregoing condition shall not apply. Any such proceeding instituted by Tenant 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 or security, Tenant shall promptly comply with any such Requirements and compliance shall not be deferred if at any time the Premises, or any part thereof, shall be in danger of being forfeited or lost or if Landlord shall be in danger of being subjected to civil and/or criminal liability or penalty by reason of noncompliance therewith, or if by reason of any contest or delay, Landlord, in its reasonable judgment, shall be in danger of being in default under the Master Lease. Landlord shall cooperate with Tenant in any such contest to such extent as Tenant may reasonably request, and use its best efforts to cause Master Landlord to cooperate if required by applicable law, it being understood, however, that Landlord shall not be subject to any liability for the payment of any costs or expense actually incurred by Landlord in connection with any proceeding brought by Tenant.

ARTICLE 15

EQUIPMENT

Tenant shall keep all Equipment in good order and repair. Tenant shall not have the right, power or authority to, and will not, remove any Equipment from the Premises, except for repairs, cleaning or other servicing without the prior consent of Landlord, which consent shall not be unreasonably withheld, unless the same is promptly replaced (subject to Unavoidable Delays) by Equipment of generally similar utility and quality. Notwithstanding the foregoing, Tenant shall not be required to replace any Equipment which performed a function which has become obsolete or otherwise is no longer necessary or desirable in connection with the use or operation of the Premises.

ARTICLE 16

DISCHARGE OF LIENS; BONDS

Section 16.01. No Impairment of Landlord's Interests. Subject to the provisions of Section 16.02 hereof, except as otherwise expressly provided in this Lease, Tenant shall not do anything whereby the rights and interest of Landlord in the Premises or any part thereof might be impaired.

Section 16.02. Discharge of Liens. If any mechanic's, laborer's or materialman's lien at any time shall be filed against the Premises or any part thereof, or if any public improvement lien created or permitted to be created by Tenant and arising out of Tenant's tenancy hereunder shall be filed against any asset of or fund appropriated to Landlord, Tenant, within thirty (30) days after notice of the filing thereof, shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Tenant shall deliver to Landlord, within ten (10) days after its receipt of same, a copy of any such notice of lien. If Tenant shall fail to cause such lien to be discharged within the period aforesaid, and if such lien shall continue for an additional thirty (30) days after notice by Landlord to Tenant, then in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings, and in any such event Landlord shall be entitled, if Landlord so elects, to compel the prosecution of an action for the foreclosure of such lien by the lienor and to pay the amount of judgment in favor of the lienor with interest, costs and allowances. Any amount so paid by Landlord with all costs and expenses incurred by Landlord in connection therewith, together with interest thereon at the Involuntary Rate from the respective dates of Landlord's making of the payment or incurring of the costs and expenses, shall constitute Rental payable by Tenant under Article 3 of this Lease and shall be paid by Tenant to Landlord within ten (10) days after demand. Notwithstanding the foregoing provisions of this Section 16.02, Tenant shall not be required to discharge any such lien if such lien arises by reason of a debt or liability of Landlord for which Tenant is not otherwise liable under the provisions of this Lease or if Tenant is in good faith contesting the same and has furnished a security bond or other such security reasonably satisfactory to Landlord in an amount sufficient to pay such lien with interest and penalties.

Section 16.03. Contractors. Nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration to or repair of the Premises or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of materials that would give rise to the filing of any lien against the Premises or any part thereof or any asset of or fund appropriated to Landlord. Notice is hereby given, and Tenant shall cause all Construction Agreements to provide, that Landlord shall not be liable for any work performed or to be performed at the Premises for Tenant or any Subtenant whatsoever or for any materials furnished or to be furnished at the Premises for any of the foregoing, and that no mechanic's or other lien for such work or materials shall attach to or affect the estate or interest of Landlord in and to the Premises or any part thereof or any asset of or fund appropriated to Landlord.

Section 16.04. No Power to Affect Landlord Interests. Tenant shall have no power to make any contract which may create, or to do any act which shall cause, any lien, mortgage or other encumbrance which affects the leasehold estate of or assets of or funds appropriated to Landlord, or of any fee interest in the Premises.

ARTICLE 17

REPRESENTATIONS

Section 17.01. Tenant Representations.

(a) Tenant represents that Tenant is fully familiar with the Master Lease, the Premises and the physical condition thereof, the status of title to the Premises and the Title Matters. Tenant accepts the Premises in the existing condition and state of repair.

(b) Tenant represents that, as of the date hereof, (i) HSC Corp. is a wholly owned subsidiary of Starrett Housing Corporation and Sherman Cohen and Edward Cohen are the sole general partners of Cohen Roosevelt Associates and Charles Steven Cohen, Richard Cohen, Robin K. Cohen, Andrew B. Cohen and Myron J. Berman are the sole limited partners of Cohen Roosevelt Associates and (ii) true, correct and complete copies of the partnership agreements of Tenant and Cohen Roosevelt Associates, together with all amendments thereto, have been delivered to Landlord.

Section 17.02. No Landlord Representations and Warranties. Except as expressly provided in this Lease,

(a) Tenant warrants that, except as otherwise set forth in this Lease, no representations, statements or warranties, express or implied, have been made by or on behalf of Landlord with respect to the status of title to the Premises, the Title Matters, Taxes, the physical condition (including subsurface condition) of the Premises, Roosevelt Island, the occupants thereof, the utilities, infrastructure or subway thereon or connecting thereto, any laws, regulations, rules or orders applicable thereto, the Island Services, or the Master Lease, that Tenant has relied on no such representations, statements or warranties, and that Landlord shall in no event whatsoever be liable by reason of any such representations, statements or warranties or for any latent or patent defects in the Premises.

(b) Tenant further warrants that, except as set forth in Section 17.03 hereof, no representations, statements or warranties, express or implied, have been made by or on behalf of Landlord, with respect to the transaction pursuant to which Landlord has leased the Premises under the Master Lease and leased the same to Tenant, or the laws applicable to this transaction, that Tenant has relied on no such representations, statements or warranties and that Landlord

shall in no event whatsoever be liable by reason of any such claimed misrepresentations or breach of warranties.

Section 17.03. Landlord Representations. Notwithstanding the foregoing, Landlord represents that a true and complete copy of the Master Lease has been provided to Tenant and that the Master Lease is in full force and effect on the date as of which this Lease is made.

ARTICLE 18

LANDLORD NOT LIABLE FOR INJURY OR DAMAGE, ETC.

Section 18.01. No Liability of Landlord For Injury. Landlord shall not in any event whatsoever be liable for any injury or damage to any property or to any person happening on, in or about the Premises and its appurtenances, nor for any injury or damage to the Premises or to any property belonging to Tenant or any other person which may be caused by any fire or breakage, or by the use, misuse or abuse of any of the elevators, hatches, openings, installations, stairways or hallways, or which may arise from any other cause whatsoever unless caused by the wrongful acts or negligence of Landlord, or its agents or employees in their capacities as agents or employees of Landlord.

Section 18.02. No Liability of Landlord For Leaks, Etc. Landlord shall not be liable for any failure of water supply, gas or electric current, nor for any injury or damage to any property or person or to the Premises caused by or resulting from gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain or snow which may leak or flow from the street, sewer, gas mains or subsurface area or from any part of the Premises, or leakage of gasoline or oil from pipes, appliances, sewer or plumbing works therein, or from any other place, nor for interference with light or other incorporeal hereditaments by anybody, or caused by any public or quasi-public work, unless any of the foregoing results from the negligence or wrongful acts of Landlord, or its agents or employees in their capacities as agents or employees of Landlord. Nothing in this Section shall relieve Landlord of its obligations set forth in Section 11.10(c) hereof and Section 40.07 hereof.

ARTICLE 19

INDEMNIFICATION OF LANDLORD

Section 19.01. Obligation to Indemnify. Tenant shall indemnify and save harmless Landlord against and from all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including without limitation, architects' and attorneys' fees and disbursements, which may be imposed upon or asserted against or reasonably incurred by Landlord or The City of New York, RIOC, the State of New York or any agency or subdivision thereof by reason of any of the following occurring during the Term unless caused by the negligence or wrongful acts of Landlord or The City of New York, RIOC, the State of New York or any agency or subdivision thereof, or their respective assigns, agents or employees:

(a) Construction. Construction of the Buildings or any other work or thing done in, on or about the Premises or any part thereof;

(b) Operation. Any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance or management of the Premises or any part thereof attributable to the negligent or wrongful acts of Tenant or its agents or employees, including, without limitation, the AVAC, any street, alley, sidewalk, curb, vault or passageway comprising a part of the Premises or adjacent thereof;

(c) Acts of Tenants. Any act or failure to act on the part of Tenant or any Subtenant or any of its or their respective agents, contractors, servants, employees, licensees or invitees;

(d) Injury. Any accident, injury (including death) or damage to any person or property occurring in, on or about the Premises or any part thereof or in, on or about any street, alley, sidewalk, curb, vault or passageway (including the Promenade) comprising a part thereof or adjacent thereto, which accident, injury or damage is attributable to Tenant's acts or failure to act or its agents or employees;

(e) Liens. Any lien or claim which may be alleged to have arisen against or on the Premises, or any lien or claim created or permitted to be created by Tenant and which arises out of Tenant's tenancy hereunder, against any assets of or funds appropriated to Landlord under the laws of the State of New York or of any other governmental entity or any

liability asserted against Landlord with respect thereto not arising by reason of a debt or liability of Landlord for which Tenant is not otherwise liable under the provisions of this Lease;

(f) Tax. Any tax attributable to the execution, delivery or recording of this Lease; provided, however, that Landlord shall complete, execute and file all documents reasonably required to obtain exemptions from any such tax to the extent available;

(g) Contest. Any contest permitted pursuant to the provisions of Articles 4, 14 and 27 hereof, except as provided therein;

(h) Sublease. Any and all liabilities, claims, and causes of action arising under the terms and conditions of any Subleases affecting the Premises or any part thereof;

(i) Tenant Default. Any failure on the part of Tenant to keep, observe and perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in Construction Agreements, the Subleases or other contracts and agreements affecting the Premises, on Tenant's part to be kept, observed or performed;

(j) Rental. Any failure on the part of Tenant to pay Rental or to perform or comply with any of the covenants, agreements, terms or conditions contained in this Lease, or on its part to be performed or complied with and the exercise by Landlord of any remedy provided in this Lease with respect thereto; or

(k) Brokerage. Any claim for brokerage commissions, fees or other compensation by any Person who alleges to have acted or dealt with Tenant in connection with this Lease or the transactions contemplated by this Lease.

Section 19.02. Survival. The provisions of this Article 19 and all other indemnity provisions elsewhere contained in this Lease shall survive the Expiration Date, but only in respect of acts and occurrences arising on or prior to the later of the Expiration Date or the date upon which possession of the Premises is surrendered to Landlord.

Section 19.03. Tenant Obligations Not Affected By Failure To Insure. The obligations of Tenant under this Article 19 shall not in any way be affected by the absence in any case of covering insurance or by the failure or refusal

of any insurance carrier to perform any obligation on its part under insurance policies affecting the Premises.

Section 19.04. Tenant Shall Defend Actions Against Landlord. If any claim, action or proceeding is made or brought against Landlord by reason of any event as to which Tenant is indemnifying Landlord pursuant to Section 19.01 hereof, then, upon demand by Landlord, Tenant, at its sole cost and expense, shall resist or defend such claim, action or proceeding in Landlord's name, if necessary, by the attorneys for Tenant's insurance carrier (if such claim, action or proceeding is covered by insurance), otherwise by such attorneys as Landlord shall approve, which approval shall not be unreasonably withheld or delayed. Landlord agrees that in the event Landlord is named as a party to an action, Landlord will reasonably cooperate with Tenant in the conduct of the proceedings. In such event Tenant shall control all decisions in respect of the litigation and settlement of such claims. Notwithstanding the foregoing, Landlord may engage its own attorneys to defend it or to assist in its defense at their own cost and expense. The indemnification obligations imposed upon Tenant under Section 19.01 shall not apply to any settlement separately agreed to by Landlord without Tenant's written consent, nor if Landlord retains its own attorneys and such retention will materially impair or materially diminish Tenant's insurance coverage and Landlord has been so advised in writing by Tenant's insurer.

Section 19.05. No Third Party Rights. Nothing in this Article 19 shall imply or provide a greater right on the part of third persons against Tenant than exists at law and no person who is not a party to this Lease shall have any rights pursuant to this Article 19.

ARTICLE 20

RIGHT OF ENTRY AND INSPECTION

Section 20.01. Entry. Tenant shall permit Landlord and its agents or representatives to enter the Premises at all reasonable times, upon two Business Days' notice (except in cases of emergency or during construction of the Buildings when no notice shall be required), for the purpose of (a) inspecting the same, (b) inspecting the construction or repairs to (i) the utilities referred to in Section 11.10 hereof, (ii) AVAC, or (iii) the Promenade, and (c) making any necessary repairs thereto and performing any work therein, after the date of completion, of each of (i) the residential Buildings, (ii) any of the utilities referred to in Section 11.10 hereof, (iii) the Promenade, (iv) Motorgate II, or (v) the Community Facilities Building that may be necessary by reason of Tenant's failure to make any such repairs or perform any such work, provided that, except in an emergency, Landlord shall have given Tenant a notice specifying such repairs or work and Tenant shall have failed to make said repairs or to do such work within thirty (30) days after the giving of such notice (subject to Unavoidable Delays including actions of Landlord), or if said repairs or such work cannot reasonably be completed during such thirty (30) day period, to have commenced and be diligently pursuing the same (subject to Unavoidable Delays including actions of Landlord).

Section 20.02. Repair. Nothing in this Article 20 or elsewhere in this Lease (other than as specifically provided in Section 11.10(c) and Section 40.07 hereof) shall imply any duty upon the part of Landlord to do any work; and performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform the same. Landlord, during the progress of any such work, may keep and store at the Premises all necessary materials, tools, supplies and equipment. Landlord shall use reasonable efforts to minimize damage and interference with the conduct of business in or use of such space in connection with Landlord's exercise of its rights under this Article 20. Landlord shall not be liable for inconvenience, annoyance, disturbance, loss of business or other damage of Tenant or any Subtenant, by reason of making such repairs or the performance of any work pursuant to Section 20.01, or on account of bringing materials, tools, supplies and equipment into the Premises during the course thereof and the obligations of Tenant under this Lease shall not be affected thereby. If Landlord undertakes such work or repairs, such work or repairs shall be commenced and completed in a good

and workmanlike manner and with reasonable diligence, subject to Unavoidable Delays.

ARTICLE 21

LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS

Section 21.01. Failure To Pay An Imposition, Etc. If Tenant shall at any time fail (a) to pay any Imposition in accordance with the provisions of Article 4 hereof, or (b) to take out, pay for, maintain or deliver any of the insurance policies provided for herein, or (c) to pay any Rental hereunder, or (d) to perform any other act on its part to be made or performed, then Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to):

(i) pay any Imposition required to be paid by Tenant pursuant to the provisions hereof, or

(ii) take out, pay for and maintain any of the insurance policies provided for herein, or

(iii) after notice to Tenant and continuance of such failure by Tenant for thirty (30) days after the giving of such notice, pay any Rental or deposits payable by Tenant hereunder, or perform any other act on Tenant's part to be made or performed as in this Lease provided, and may enter upon the Premises for the purpose and take all such action thereon as may be necessary therefor.

Section 21.02. No Waiver. All reasonable sums so paid by Landlord and all reasonable costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the Involuntary Rate from the respective dates of Landlord's making of each such payment, shall be paid out of available insurance proceeds and if not available or there is a deficiency, by Tenant to Landlord within ten (10) days after demand. Any payment or performance by Landlord pursuant to the foregoing provisions of this Article 21 shall not be nor be deemed to be a waiver or release of the breach or default of Tenant with respect thereto or of the right of Landlord to terminate this Lease, institute summary proceedings and/or take such other action as may be permissible hereunder if an Event of Default by Tenant shall have occurred. Landlord shall not be limited, in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid, but Landlord also shall be entitled to recover, as damages for such breach, the amount of any loss and damages that were required to have been insured pursuant to the provisions of

this Lease plus all costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to or destruction of the Premises.

ARTICLE 22

RENT ABATEMENT

Except as otherwise expressly provided in this Lease, there shall be no abatement, diminution or reduction of Rental payable by Tenant hereunder or of the other obligations of Tenant hereunder under any circumstances.

ARTICLE 23

USE AND MANAGEMENT OF PREMISES

Section 23.01. Permitted Use. Subject to the provisions of this Lease, Tenant (a) shall use the Premises solely for residential dwelling units and as community facilities providing safe, sanitary and sound housing for the occupants thereof and incidental commercial, recreational and community space, in accordance with the certificate of occupancy therefor, (b) shall observe and comply with the Rules and Regulations, (c) shall not use the Premises in any manner or for any purpose other than as permitted by this Lease and the Master Lease, and (d) shall not permit any commercial space in the Premises to be used in any manner or for any purpose which would violate restrictive covenants binding on Landlord under any other lease presently in effect made by Landlord with respect to Roosevelt Island or any part thereof of which Tenant shall have received actual written notice prior to the date of this Lease.

Section 23.02. No Illegal or Hazardous Use. Tenant shall not use or occupy, nor permit or suffer the Premises or any part thereof to be used or occupied for any unlawful or illegal business, use or purpose, or for any disreputable, dangerous, noxious or extra hazardous business, use or purpose, or in such manner as to constitute a nuisance of any kind (public or private) that Landlord deems offensive by reason of odors, fumes, dust, smoke, noise or other pollution, or for any purpose or in any way in violation of the certificate of occupancy or of any present or future governmental laws, ordinances, requirements, orders, directions, rules or regulations, or which may make void or voidable any insurance then in force on the Premises. Upon the discovery of any such unlawful, illegal, disreputable or extra hazardous use, Tenant shall immediately take all necessary steps, legal and equitable, to compel the discontinuance of such use and to oust and remove any subtenants, licensees, concessionaires or other occupants guilty of such unlawful, illegal, disreputable or extra hazardous use. Nothing in this Section shall be deemed to prevent Tenant from contesting the validity of any Requirement or the application thereof in accordance with the provisions of Section 14.02 hereof.

Section 23.03. No Adverse Possession. Tenant shall not suffer or permit the Premises or any portion thereof to be used by the public without restriction or in such manner as might reasonably tend to impair title to the Premises or any portion thereof, or in such manner as might reasonably make possible a claim or claims of adverse usage

or adverse possession by the public, as such, or of implied dedication of the Premises or any portion thereof. Tenant shall not be deemed to have breached the provisions of this Section by reason of Tenant's compliance with the provisions of Sections 40.06(a) and 40.06(b) hereof.

Section 23.04. Management of Premises. Tenant shall operate the Premises, other than Motorgate II, in accordance with this Lease, the Management Plan and Management Agent's Agreement, the Marketing and Rental Plan and the Marketing and Rental Agreement. Tenant shall engage a management company approved by Landlord to implement the Management Plan and Management Agent's Agreement, and Landlord shall have the right to approve any replacement of such management company. If, at any time during the Term, Landlord reasonably determines that the management company engaged by Tenant has repeatedly and materially breached the standards, conditions, purposes and procedures set forth in the Management Plan and Management Agent's Agreement, provided Landlord shall have notified Tenant of each such breach within a reasonable time after the occurrence thereof, then, in such event, Landlord may give Tenant a further notice directing that Tenant dismiss such management company, and, if Landlord gives such further notice and said management company fails to so comply with the Management Plan and Management Agent's Agreement to the reasonable satisfaction of Landlord not later than the date which is thirty (30) days after the giving of such further notice, Tenant shall dismiss such management company and engage another management company selected by Tenant, subject to this Section 23.04.

Section 23.05. Motorgate II.

(a) Motorgate II Operator. During the term of this Lease, Motorgate I and Motorgate II shall be operated jointly unless Landlord and Tenant shall otherwise agree. Landlord and Tenant shall jointly select the Motorgate II operator and negotiate with the proposed Motorgate II operator in the preparation of the Garage Management Agreement, provided, that Tenant's failure to approve, or to reasonably disapprove with a detailed explanation, a proposed Garage Management Agreement submitted to Tenant by Landlord, within fifteen (15) days of such submission, shall be deemed to be an approval. Upon the expiration or prior termination of the Garage Management Agreement, Landlord and Tenant shall select a new Motorgate II operator (if necessary or advisable) and negotiate a new Garage Management Agreement in the same manner as provided in this Section for the initial Garage Management Agreement.

(b) Motorgate II Revenue. Unless Landlord and Tenant shall otherwise agree, Gross Motorgate II Revenue shall be paid by the operator directly to Landlord. Commencing on the date upon which a temporary certificate of occupancy shall have been issued with respect to Motorgate II, Landlord shall pay to Tenant, at the time and in the manner hereinafter provided, the Gross Motorgate II Revenue less (i) the portion of Gross Motorgate II Revenue retained by the operator pursuant to the Garage Management Agreement, (ii) expenses of Landlord, if any, incurred by Landlord in performing its obligations under the Garage Management Agreement (the "Net Motorgate II Revenue"), and (iii) (x) during the Second Period, the Second Period Motorgate Installment, and (y) during the Third Period, the Third Period Percentage Payment installment and any payments to Landlord pursuant to Section 3.04(c)(iii), such payment to be made by Landlord to Tenant within ten (10) days of receipt of same by Landlord from the operator. If any such payment shall become overdue for twenty (20) days beyond the date on which it is due and payable as hereinabove provided, a late charge equal to the Involuntary Rate (computed on a 360 day year) for the sums so overdue from the date on which payment was originally due shall become immediately due and payable to Tenant as liquidated damages. In addition thereto, Tenant shall have the right to off-set such payment and the late charge, if any, applicable thereto, from the next installment(s) of Base Rent. In the event that Motorgate I and Motorgate II are managed jointly and Net Motorgate II Revenue is not separately provided for or determined in the Garage Management Agreement, Net Motorgate II Revenue shall be equal to the combined revenue derived from Motorgate I and Motorgate II less the portion thereof retained by the operator pursuant to the Garage Management Agreement and the expenses of Landlord, if any, incurred by Landlord in performing its obligations under the Garage Management Agreement (the "Combined Motorgate Revenue") multiplied by a fraction, the numerator of which shall be the number of parking spaces contained in Motorgate II, and the denominator of which shall be the total number of parking spaces contained in Motorgate I and II. Notwithstanding the foregoing, for each of the first sixty (60) months following the date upon which a temporary certificate of occupancy shall have been issued with respect to Motorgate II, the amount which Tenant would otherwise be entitled to receive pursuant to the first sentence of this Section shall be reduced by the amount, if any, by which the average monthly net revenue received by Landlord with respect to Motorgate I during the twelve (12) month period immediately preceding such date exceeds the difference between Combined Motorgate Revenue and Net Motorgate II Revenue for such month. Other Motorgate Revenue

should be retained by Landlord or, if received by Tenant, promptly paid to Landlord, and Tenant shall have no right to Other Motorgate Revenue or any portion thereof.

Section 23.06. Section 8 Building.

(a) Prior to the Cessation Date. Prior to the Cessation Date, Tenant shall comply with Section 8, the Section 8 Agreement and the Section 8 Contract in connection with leasing and operating the Section 8 Building.

(b) After the Cessation Date.

(i) No Substitute Subsidy Program. From and after the Cessation Date, if a Substitute Subsidy Program is not in effect for the Section 8 Building, then Tenant shall lease and otherwise operate the Section 8 Building as if the Section 8 Contract continues in full force and effect as it exists on the Cessation Date, except that Tenant shall lease those Section 8 Units which are vacant on the Cessation Date or become vacant thereafter to tenants (i) who meet the Section 8 income eligibility criteria as they exist on the Cessation Date and (ii) at rents not to exceed the percentage, as provided in Section 8 on the Cessation Date, of such tenant's income as such income may increase or decrease from time to time.

(ii) Substitute Subsidy Program. From and after the Cessation Date, Tenant shall use its best efforts to keep a Substitute Subsidy Program continuously in effect for the Section 8 Building. If a Substitute Subsidy Program is in effect for the Section 8 Building then:

(A) in respect of Existing Section 8 Tenants, Tenant shall lease and otherwise operate the Section 8 Building in accordance with the Substitute Subsidy Program, provided that Existing Section 8 Tenants shall not be required to pay a greater percentage of their income for rent than they would have if the Section 8 Contract had continued in full force and effect; and

(B) in respect of New Tenants, Tenant shall lease and otherwise operate the Section 8 Building in accordance with the Substitute Subsidy Program.

(iii) Determination of Substitute Subsidy Program. Before Tenant makes any application for a Substitute

Subsidy Program, Tenant shall notify the President of HDC (so long as the First Mortgage is outstanding and thereafter such notification shall be made to the Commissioner of DHCR) of the Substitute Subsidy Program it intends to apply for. The notification shall be submitted not earlier than twenty-four (24) months, nor if practicable later than twelve (12) months, prior to the Cessation Date or the expiration date of an existing Substitute Subsidy Program. Within ninety (90) days of receipt of Tenant's notice, the President of HDC (if the First Mortgage is outstanding), after consultation with the Commissioner of DHCR, and thereafter the Commissioner of DHCR shall notify Tenant of the acceptance or rejection of the proposed Substitute Subsidy Program. In the event the President of HDC or, if the First Mortgage has been satisfied, the Commissioner of DHCR has not accepted a Substitute Subsidy Program proposed by Tenant twelve (12) months prior to the Cessation Date or the expiration date of an existing Substitute Subsidy Program, then Tenant may seek arbitration in accordance with Section 35.01.

(c) Definitions. As used herein:

(i) "Cessation Date" shall mean the date on which the Section 8 Contract expires or is terminated by HUD.

(ii) "Existing Section 8 Tenant" shall mean any tenant occupying or having a lease for a Section 8 Unit on the Cessation Date.

(iii) "New Tenant" shall mean any tenant who obtains a lease for a Section 8 Unit after the Cessation Date.

(iv) "Section 8 Agreement" shall mean the Agreement to Enter into Housing Assistance Payments Contract in effect between the appropriate Governmental Authority and Tenant on the Initial Endorsement Date, as amended from time to time.

(v) "Section 8 Contract" shall mean the Housing Assistance Payments Contract in effect between the appropriate Governmental Authority and Tenant, on the date of final endorsement by the Federal Housing Commissioner of the note which is secured by the First Mortgage, as amended from time to time.

(vi) "Substitute Subsidy Program" shall mean the federal, state or local program which, in the reasonable judgment of Tenant and the President of HDC, or Tenant

and the Commissioner of DHCR after satisfaction of the First Mortgage, best satisfies each of the following requirements:

(A) a program that (i) meets the goals of New York State, as they exist on the Commencement Date, to provide housing to very low income tenants, lower income tenants and other tenants, to the extent economically feasible for Tenant; and (ii) will retain the percentages of very low income tenants, low income tenants and other tenants as actually exists in the Section 8 Building on the Cessation Date or expiration date of the Substitute Subsidy Program, as the case may be, to the extent economically feasible for Tenant; and

(B) of all programs satisfying the requirements set forth in (A) above, the program providing the greatest benefits to very low income tenants.

(d) Effect of Termination of Section 8 Subsidy. Notwithstanding the provisions of Section 3.01, provided Tenant complies with the provisions of this Section 23.06, if (i) the Section 8 Contract is terminated or curtailed (provided such termination or curtailment was not the result of a failure by Tenant to comply with the provisions of the Section 8 Contract) or (ii) a Substitute Subsidy Program is terminated or curtailed (provided such termination or curtailment was not the result of a failure by Tenant to comply with the provisions of such Substitute Subsidy Program), the following provisions shall be applicable:

(A) The requirement that the Base Rent for a Lease Year not be less than the Base Rent for the prior Lease Year shall not be applicable for the Lease Year immediately following the Lease Year in which such termination or curtailment occurs;

(B) For each Lease Year thereafter, the Base Rent shall not be less than the Base Rent for the prior Lease Year; and

(C) The provisions of this Section 23.06(d) shall only be applicable during the First Period and the Second Period.

Section 23.07. Charges for Electricity. In the event that Tenant seeks to charge Subtenants for electricity Tenant shall

(a) Prior to billing any Subtenants therefor, have established a grievance procedure that is either

(i) approved and administered by the New York State Public Services Commission, or

(ii) approved by Landlord and if there is a failure to approve Tenant may seek arbitration in accordance with Article 35.

(b) Not make any profit from such charges.

(c) Charge Subtenants of Market Rate Rental Units or any Subtenants of non-residential space for actual usage determined by submetering and actual billing charges received by Tenant, plus an allocated portion of Tenant's administrative charge for meter reading and billing permitted by the New York State Public Services Commission, and for no other charges.

(d) Charge Subtenants of the Section 8 Units for actual usage, determined by individual unit submetering, without any administrative or other charges, subject to adjustment as follows: every six (6) months, Tenant shall deliver to Landlord a certified statement, in reasonable detail, setting forth the total charges to all Subtenants of the Section 8 Units and the personal benefit expense credited to all Subtenants of the Section 8 Units by HUD for the preceding six (6) month period. In the event the charges to all Subtenants of the Section 8 Units exceeds the personal benefit expense credited to all Subtenants of the Section 8 Units by HUD by more than twenty-five percent (25%), Tenant shall reimburse those Subtenants of the Section 8 Units who, based upon the following formula, would be entitled to reimbursement: such reimbursement shall equal the difference between (i) the actual charges to such Subtenant or the Average Unit Charge (as hereinafter defined), whichever is less, and (ii) one hundred and twenty-five percent (125%) of the personal benefit expense credited to such Subtenant by HUD. As used herein, "Average Unit Charge" shall mean the quotient obtained by dividing the total charges to all Subtenants of Section 8 Units by the total number of Section 8 Units. For purposes of calculating reimbursement to Subtenants under this paragraph (d), the component of actual usage attributable to air conditioning shall be deducted from the actual aggregate usage.

(e) The amount of the air conditioning deduction for a Section 8 Unit shall be equal to the surcharges or allowance for air conditioning to Subtenants of Section 8

Units who shall have installed air conditioners in their units in accordance with the then current HUD guidelines, provided if no such guidelines shall be in existence, such surcharges or allowance shall be determined by an electrical survey made by Tenant, subject to a right of such Subtenant to contest the results thereof.

(f) Reimburse or credit Subtenants any amounts due them as a result of the resolution of disputed amounts or reimbursements or credits received by Tenant.

(g) Not charge Subtenants for any other utilities including without limitation, gas heating of water, but excluding charges for water usage as may be required by New York City.

ARTICLE 24

EVENTS OF DEFAULT, CONDITIONAL LIMITATIONS, REMEDIES, ETC.

Section 24.01. Events of Default. Each of the following events shall be an "Event of Default" hereunder:

(a) if Tenant shall fail to pay any installment of Base Rent or any part thereof and such failure shall continue for ten (10) days after notice thereof from Landlord to Tenant;

(b) if Tenant shall fail to make any other payment of Rental required to be paid by Tenant hereunder for a period of twenty (20) days after notice thereof from Landlord to Tenant;

(c) if (i) Commencement of Construction shall not have occurred on or before the Construction Commencement Date (subject to Unavoidable Delays) and such failure shall continue for ten (10) days after notice thereof from Landlord to Tenant or (ii) Completion of the Buildings shall not have occurred within five (5) years of the Construction Commencement Date (subject to Unavoidable Delays) and such failure shall continue for ten (10) days after notice thereof from Landlord to Tenant or (iii) the Initial Endorsement Date shall not have occurred within one (1) year of the Commencement Date (subject to Initial Endorsement Delays) and such failure shall continue for ten (10) days after notice thereof from Landlord to Tenant;

(d) if Tenant shall fail to observe or perform (subject to Unavoidable Delays) one or more of the other terms, conditions, covenants or agreements of this Lease, and such failure shall continue for a period of thirty (30) days after notice thereof by Landlord to Tenant specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot by their nature reasonably be performed, done or removed, as the case may be, within such thirty (30) day period, in which case no Event of Default shall be deemed to exist as long as Tenant shall have commenced curing the same within such thirty-day period and shall diligently and continuously prosecute the same to completion);

(e) if any of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation shall admit, in writing, that it

is unable to pay its debts as such become due or shall make an assignment for the benefit of creditors;

(f) if any of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation shall file a voluntary petition in bankruptcy or any of Tenant any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of any of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation or of all or any substantial part of its properties or of the Premises or any interest of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation therein;

(g) if within ninety (90) days after the commencement of any proceeding against any of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, such proceeding shall not have been dismissed, or if, within ninety (90) days after the appointment, without the consent or acquiescence of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation of any trustee, receiver or liquidator of any of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation or of all or any substantial part of any of their properties or of the Premises or any interest of Tenant, any general partner of Tenant, Starrett Housing Corporation, Cohen Brothers or Cohen Brothers Realty Corporation therein, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, within thirty (30) days after the expiration of any such stay, such appointment shall not have been vacated;

(h) if Tenant shall abandon the Premises and such abandonment shall continue for a period of thirty (30) days;

(i) if this Lease or the estate of Tenant hereunder shall be assigned, subleased, transferred, mortgaged or encumbered without any approval of Landlord required by this Lease or the approval of the Federal Housing Commissioner or without compliance with the provisions of this Lease applicable thereto and such transaction shall not be made to comply or voided ab initio within thirty (30) days after notice thereof from Landlord to Tenant;

(j) if a levy under execution or attachment shall be made against Tenant or its property and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of sixty (60) days;

(k) if Landlord is in default under the Master Lease by reason of any failure by Tenant to comply with its obligations hereunder; or

(l) if, subsequent to the Commencement Date, Tenant shall default in the observance or performance of any material term, covenant or condition on Tenant's part to be observed or performed under the provisions of any agreement, if any, entered into between Tenant and Landlord simultaneously with the execution of this Lease.

Section 24.02. Termination of Lease in Event of Default. If an Event of Default shall occur, Landlord, at any time thereafter, at its option, may give notice to Tenant stating that this Lease and the Term shall expire and terminate on the date specified in such notice, which date shall be not less than twenty (20) days after the giving of such notice with respect to any Event of Default other than that set forth in Section 24.01(a), (b), (c) or (d) hereof, and if on the date specified in such notice Tenant shall have failed to cure the Default which was the basis for the Event of Default, then this Lease and the Term and all rights of Tenant under this Lease shall expire and terminate as if that date were the date herein definitely fixed for the termination of the Term, and Tenant shall quit and surrender the Premises but Tenant shall remain liable as hereinafter provided.

Section 24.03. Re-entry By Landlord in Event of Default.

(a) If an Event of Default shall occur, or this Lease shall be terminated as provided in Section 24.02 hereof or by summary proceedings, or otherwise, Landlord may without notice re-enter and repossess the Premises using such lawful force for that purpose as may be necessary without being

liable to indictment, prosecution or damages therefor. If Landlord shall so re-enter, Landlord may, at its option, repair and alter the Premises in such manner as to Landlord may seem necessary or advisable without relieving Tenant of any liability under this Lease or otherwise affecting any such liability, and/or let or relet the Premises or any part thereof for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name or as agent of Tenant, and out of any rent and other sums collected or received as a result of such reletting Landlord shall: (i) first, pay to itself the reasonable cost and expense of terminating this Lease, re-entering, retaking, repossessing, repairing and/or altering the Premises, and the reasonable cost and expense of removing all persons and property therefrom, including in such reasonable costs legal expenses and attorneys' fees and disbursements; (ii) second, pay to itself the reasonable cost and expense sustained in securing any new tenants and other occupants, including in such reasonable costs brokerage commissions, legal expenses and attorneys' fees and disbursements and other expenses of preparing the Premises for reletting, and if Landlord shall maintain and operate the Premises the reasonable cost and expense of operating and maintaining the Premises; and, (iii) third, pay to itself any balance remaining on account of the liability of Tenant to Landlord. No re-entry by Landlord, whether had or taken under summary proceedings or otherwise, shall absolve or discharge Tenant from liability hereunder. Landlord in no way shall be responsible or liable for any failure to relet the Premises or any part thereof, or for any failure to collect any rent due on any such reletting, and no such failure to relet or to collect rent shall operate to relieve Tenant of any liability under this Lease or to otherwise affect any such liability.

(b) If this Lease and the Term shall expire and come to an end as provided in Section 24.02, or by or under any summary proceeding or any other action or proceeding relating to a Default hereunder, or if Landlord shall re-enter the Premises as provided in paragraph (a) of this Section, or by or under any summary proceeding or any other action or proceeding, then, in any of said events:

(i) Tenant shall pay to Landlord all Rental payable under this Lease by Tenant to Landlord to the date upon which this Lease and the Term shall have expired and come to an end or to the date of re-entry upon the Premises by Landlord, as the case may be; and

(ii) Tenant also shall be liable for and shall pay to Landlord, as damages, any deficiency (referred to as

"Deficiency") between the Rental reserved in this Lease for the period which otherwise would have constituted the unexpired portion of the Term and the net amount, if any, of rents collected by Landlord from the Subtenants and under any reletting effected pursuant to the provisions of paragraph (a) of this Section for any part of such period (first deducting from the rents collected from Subtenants and under any such reletting all of the payments to Landlord described in paragraph (a) of this Section); any such Deficiency shall be paid in installments by Tenant on the days specified in this Lease for payment of installments of Rental, Landlord shall be entitled to recover from Tenant each Deficiency installment as the same shall arise, and no suit to collect the amount of the Deficiency for any installment period shall prejudice Landlord's right to collect the Deficiency for any subsequent installment period by a similar proceeding.

Section 24.04. Lien Against Tenant's Interests. The Rental payable by Tenant hereunder and each and every installment thereof, and all reasonable costs, attorneys' fees, disbursements and other expenses which may be incurred by Landlord in enforcing the provisions of this Lease or on account of any delinquency of Tenant in carrying out the provisions of this Lease, shall be and they hereby are declared to constitute a valid lien upon the interest of Tenant in this Lease and in the Premises.

Section 24.05. Suits By Landlord. Suit or suits for the recovery of damages, or for a sum equal to any installment or installments of Rental payable hereunder, or any Deficiencies or other sums payable by Tenant to Landlord pursuant to this Article 24, may be brought by Landlord from time to time at Landlord's election, and nothing herein contained shall be deemed to require Landlord to await the date whereon this Lease or the Term would have expired by limitation had there been no such Event of Default by Tenant and termination.

Section 24.06. Liquidated Damages. Nothing in this Article 24 contained shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding an amount equal to the maximum allowed by a statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount due be greater, equal to or less than the amount of the damages referred to in any of the preceding Sections.

Section 24.07. No Waiver By Landlord. No receipt of moneys by Landlord from Tenant after termination of this Lease, or after the giving of any notice of termination of this Lease (unless such receipt cures the Event of Default which was the basis for the notice), shall reinstate, continue or extend the Term or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rental payable by Tenant hereunder or thereafter falling due, or operate as a waiver of the right of Landlord to recover possession of the Premises by proper remedy, except as herein otherwise expressly provided, it being agreed that after the service of notice to terminate this Lease or the commencement of suit or summary proceedings, or after final order or judgment for the possession of the Premises, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Premises or, at the election of Landlord, on account of Tenant's liability hereunder.

Section 24.08. Tenant Waivers. After an Event of Default, and except as expressly provided herein or as prohibited by applicable law, Tenant hereby expressly waives the service of any notice of intention to re-enter provided for in any statute, or of the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all right of redemption provided by any law or statute now in force of hereafter enacted or otherwise, or re-entry or repossession or to restore the operation of this Lease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in case of any expiration or termination of this Lease, and Landlord and Tenant waive and will waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, or any claim of injury or damage. The terms "enter", "re-enter", "entry" or "re-entry", as used in this Lease are not restricted to their technical legal meaning.

Section 24.09. No Waiver By Tenant or Landlord. No failure by either party to insist upon the strict performance by the other of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial Rental by Landlord during the continuance of any such

breach (unless such receipt by Landlord cures such breach), shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by either party hereto, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the other party. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 24.10. Actions By Non-breaching Party. Subject to the provisions of Sections 41.05 and 41.07, hereof, in the event of any breach or threatened breach by either party of any of the covenants, agreements, terms or conditions contained in this Lease, the other party shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any rights and remedies allowed at law or in equity or by statute or otherwise as though reentry, summary proceedings, and other remedies were not provided for in this Lease.

Section 24.11. Rights and Remedies are Cumulative. Subject to the provisions of Sections 41.05 and 41.07 hereof, each right and remedy of Landlord and Tenant, respectively, provided for in this Lease shall be cumulative and not singular or exclusive and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by either party of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

Section 24.12. Reimbursable Expenses of Landlord. Tenant shall pay to Landlord all reasonable costs and expenses, including without limitation reasonable attorneys' fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant. Tenant also shall pay to Landlord all costs and expenses, including without limitation reasonable attorneys' fees and disbursements, incurred by Landlord in successfully enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions here-

of, and all such costs, expenses, and attorneys' fees and disbursements may be included in and form a part of any judgment entered in any proceeding brought by Landlord against Tenant on or under this Lease. All of the sums paid or obligations incurred by Landlord as aforesaid with interest at the involuntary Rate and costs shall be paid by Tenant to Landlord within fifteen (15) days after demand by Landlord.

Section 24.13. First Mortgagee. Anything contained in this Article 24 to the contrary notwithstanding, the provisions of Article 33 with respect to the rights of the First Mortgagee upon the occurrence of any Event of Default shall prevail.

Section 24.14. Funds Held by Depositary. If this Lease terminates as a result of an Event of Default, as provided in Section 24.02 hereof, any funds held by Depositary shall be paid to Landlord, which Landlord may keep as liquidated damages free of any claim by Tenant, or any Person claiming through Tenant.

ARTICLE 25

NOTICES

Section 25.01. Notice Procedure. Whenever it is provided herein that notice, demand, request or other communication shall or may be given to or served upon either of the parties by the other, and whenever either of the parties shall desire to give or serve upon the other any notice, demand, request or other communication with respect hereto or to the Premises, each such notice, demand, request or other communication shall be in writing and, any law or statute to the contrary notwithstanding, shall be effective for any purpose if given or served as follows:

(a) If by Landlord, by mailing the same to Tenant by registered or certified mail postage prepaid, return receipt requested, addressed to Tenant c/o Starrett Housing Corporation, 909 Third Avenue, New York, New York 10022, Att: Mr. Richard Bassuk; Cohen Brothers Realty Corporation, 805 Third Avenue, New York, New York 10022, Att: Charles Cohen or to such other address(es) and attorneys as Tenant may from time to time designate by notice given to Landlord by certified mail as aforesaid.

(b) If by Tenant, by mailing the same to Landlord by registered or certified mail, postage prepaid, return receipt requested, addressed to Landlord, at 1515 Broadway, New York, New York 10036, Attention: Senior Vice President, Legal; or to such other address(es) and attorneys as Landlord may from time to time designate by notice given to Tenant by certified mail as aforesaid.

Section 25.02. Deemed Receipt. Every notice, demand, request or other communication hereunder shall be deemed to have been given or served when delivered, or if mailed, three (3) days after the date that the same shall have been deposited in the United States mails, postage prepaid, in the manner aforesaid (except that a notice designating the name or address of a person to whom any notice or other communication, or copy thereof, shall be sent shall be deemed to have been given when same is received).

ARTICLE 26

FINANCIAL REPORTS

Section 26.01. Statements. Tenant shall furnish to Landlord the following:

(a) as soon as practicable after the end of the first three (3) quarterly fiscal periods in each Lease Year, but in any event within thirty (30) days thereafter, a statement, in reasonable detail, of Gross Income, setting forth separate totals for Gross Income attributable to residential, commercial, concessionary and other sources for the period commencing with the first (1st) day of the current Lease Year and ending on the last day of such quarterly period, certified as complete and correct in all material respects in accordance with Accounting Principles by the chief operating officer or managing general partner of Tenant or the designee of such chief operating officer or managing general partner; and

(b) as soon as practicable after the end of each Lease Year, but in any event within one hundred twenty (120) days thereafter, financial statements of Tenant and of the operations of the Premises, including, without limitation, balance sheets, income statements, and the amount of (and components of) Gross Income for the Lease Year, all in detail reasonably satisfactory to Landlord and examined and reported upon by a Certified Public Accountant in accordance with generally accepted auditing standards who shall render a written report thereon to Landlord; and

(c) at Landlord's request, (i) such reports as may be reasonably necessary in connection with computing and determining Appraised Rent and (ii) such information as is reasonably required by Landlord in determining the rent payable by Landlord under the Master Lease provided such information is normally maintained by Tenant in the ordinary course of its business; and

(d) at least fifteen (15) days prior to the consummation of any Transaction, a statement in reasonable detail of the estimated Gross Proceeds to be received in connection therewith and the calculation thereof, determined in accordance with Accounting Principles and certified by the chief operating officer or managing general partner of Tenant or the designee of such chief operating officer or managing general partner; and

(e) at least three (3) days prior to the consummation of any Transaction, a statement in reasonable detail of the actual Gross Proceeds to be received in connection therewith and the calculation thereof, certified as complete and correct in all material respects in accordance with Accounting Principles by the chief operating officer or managing general partner of Tenant or the designee of such chief operating officer or managing general partner.

Section 26.02. Maintenance of Books and Records. Tenant shall keep and maintain at an office in New York City complete and accurate books and records of accounts of the operations of the Premises from which Landlord may determine for each Lease Year the items to be shown or set forth on the statements to be delivered to Landlord pursuant to Section 26.01 hereof and in accordance with any applicable provision of any Mortgage and shall preserve, for a period of at least six (6) years after the end of each applicable period of time, such books and records. However, if, at the expiration of such six (6) year period, Landlord is seeking to contest or is contesting any matter relating to such records or any matter to which such records may be relevant, Tenant shall preserve these until one (1) year after the final adjudication, settlement or other disposition of any such contest.

Section 26.03. Books and Records.

(a) Inspection and Audits of Books and Records. Landlord or Landlord's agent or designee shall have the right from time to time during regular business hours, upon two (2) Business Days' notice, to inspect, audit and, at its option, duplicate, at Landlord's expense, all of Tenant's books and records and all other papers and files of Tenant relating in any manner to the Premises or to this Lease. Tenant shall produce them upon request of Landlord, Landlord's agent or designee. Subject to applicable law, Landlord shall hold in confidence, and shall cause all of Landlord's agents and designees to hold in confidence, all information obtained from Tenant's books, records, papers and files, except as may be necessary for the enforcement of Landlord's rights under this Lease.

(b) Inspection By The City of New York. To the extent provided in the Master Lease, New York City or its designee shall have the right to examine all of said records, books of account and material information relating to the operation of the Premises and maintained by Tenant and any other person within the control of Tenant and also shall have such other rights with respect to examination of infor-

mation relating to the Premises as are reserved to it under the Master Lease.

(c) Confidentiality. At any time at which Tenant shall make records and books of account available for inspection, it may inform Landlord of its belief that the public disclosure of the information contained therein or any part thereof would cause substantial injury to the competitive position of Tenant's enterprise and request that to the extent permitted by law Landlord attempt to avoid such disclosure. In the event Tenant makes such request, Landlord shall use all reasonable efforts to avoid such disclosure (but shall incur no liability to Tenant if Landlord complies with any provision of applicable law requiring such disclosure).

(d) Notice to Tenant of Underpayments of Rental. Should any audit performed by Landlord, Landlord's agent or designee disclose that any payment of Rental was understated, Landlord shall notify Tenant of the amount of the underpayment by a statement showing in reasonable detail the reasons why such payment of Rental was understated. Within ten (10) days after Tenant has received notice of such underpayment from Landlord, Tenant shall either pay to Landlord the amount by which such payment of Rental was understated, with interest to the extent provided below, or deliver to Landlord a statement contesting Landlord's determination of underpayment and giving the reasons therefor in reasonable detail. If Landlord and Tenant shall fail to agree as to the existence or amount of an underpayment the matter shall be submitted to arbitration pursuant to Article 35 hereof. Within ten (10) days after it is determined by agreement between Landlord and Tenant or by arbitration that a payment of Rental was understated, Tenant shall pay to Landlord the amount of the deficiency with interest to the extent provided below. Any payment of a deficiency pursuant to this Section shall bear interest at the Involuntary Rate from the date of the underpayment to the date of the payment of the deficiency.

(e) Tenant's Payment of Audit Costs. If an audit reveals that Base Rent, a Transaction Payment or a Public Purpose Payment was understated by more than two and one half percent (2-1/2%), Tenant shall pay the reasonable cost of the audit within ten (10) days of submission to Tenant of such audit findings.

Section 26.04. Survival Clause. The obligations of Tenant hereunder shall survive the Expiration Date.

ARTICLE 27

STREET WIDENING

Section 27.01. Proceedings for Widening Street. If any proceedings are instituted or orders made for the widening or other alteration of any street contiguous to the Premises requiring removal of any projection or encroachment on, under or above any such street, or any changes or alterations upon the Premises, or in the sidewalks, grounds, parking facilities, plazas, areas, vaults, gutters, alleys, curbs or appurtenances, Tenant shall comply promptly with such requirements.

Section 27.02. Contest of Proceedings. Tenant is permitted to contest in good faith any proceedings or orders for street widening or any changes or alterations resulting therefrom or necessitated thereby, provided that such contest shall be brought in accordance with the provisions of Section 14.02 hereof as though Tenant were contesting a Requirement thereunder.

Section 27.03. Distribution of Award. Any award made in connection with such proceedings shall be deemed to be an award made in connection with a taking of less than all or substantially all of the Premises and shall be paid, distributed and applied in accordance with the provisions set forth in Section 9.04 hereof.

ARTICLE 28

SUBORDINATION; MASTER LEASE

Section 28.01. Subordination of Lease. This Lease and all rights of Tenant hereunder are, and shall remain, subject and subordinate in all respects to the Master Lease. Except as otherwise provided in this Lease, Landlord's interest in this Lease shall not be subject or subordinate to (a) any Mortgage placed on Tenant's interest or (b) any other liens or encumbrances hereafter affecting Tenant's interest in this Lease. Tenant covenants and agrees that except as expressly provided herein, Tenant shall not do anything or omit to do anything that Tenant is obligated to do under the terms of this Lease so as to cause Landlord to be in default under the Master Lease.

Section 28.02. Master Lease. Landlord covenants and agrees that it shall not enter into or cause there to be entered into any amendment or supplement to the Master Lease, which:

(a) increases or materially affects Tenant's obligations under this Lease,

(b) decreases or materially affects Tenant's monetary rights under this Lease,

(c) limits the permitted uses of the Premises,

(d) limits Tenant's rights under this Lease to dispose of or assign its interest in, the Premises, or

(e) alters the rights of a Mortgagee;

unless such amendment or supplement is consented to by Tenant (or, in the case of (e), by each Mortgagee), or is made subject and subordinate to this Lease and to the rights of such Mortgagee.

ARTICLE 29

EXCAVATIONS AND SHORING

If any excavation shall be made or contemplated to be made for construction or other purposes upon property adjacent to the Premises, Tenant, shall at its option do either (a) or (b):

(a) afford to the Person causing or authorized to cause such excavation the right to enter upon the Premises in a reasonable manner for the purpose of doing such work as such Person shall consider to be necessary, to preserve any of the walls or structures of the Premises from injury or damage and to support the same by proper foundations provided that (i) such work shall be done promptly, in a good and workmanlike manner, so as not to unreasonably interfere with the conduct of business in or use of the Premises, subject to the applicable Requirements and without reimbursed cost to Tenant, (ii) Tenant shall have an opportunity to have appropriate and necessary representation present during all such work at reasonable cost, (iii) such Person shall have delivered to Tenant a letter of credit, a surety bond or other security reasonably satisfactory to Tenant, and (iv) Tenant shall be indemnified by such Person against any injury or damage to the Buildings which may result from any such work, but shall not have any claim against Landlord for suspension, diminution, abatement or reduction of Rental payable by Tenant hereunder, or;

(b) shall do or cause to be done all such work, at such Person's expense, as may be necessary to preserve any of the walls or structures of the Premises from injury or damage and to support the same by proper foundations; provided that such Person shall have delivered to Tenant a letter of credit, a surety bond or other security reasonably satisfactory to Tenant and Tenant shall not, by reason of any such excavation or work, have any claim against Landlord for damages (unless Landlord is performing or causing to be performed such excavation or work and causes such damage) or for indemnity or for suspension, diminution, abatement, or reduction of Rental payable by Tenant hereunder.

ARTICLE 30

CERTIFICATES BY LANDLORD AND TENANT

Section 30.01. Tenant Certificates. Tenant agrees at any time and from time to time upon not less than ten (10) days' prior notice by Landlord to execute, acknowledge and deliver to Landlord or any other party specified by Landlord, any Mortgagee or the Federal Housing Commissioner a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the Rental payable by Tenant hereunder has been paid and stating whether or not to the best knowledge of the signer of such certificate Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge.

Section 30.02. Landlord Certificates. Landlord agrees at any time and from time to time upon not less than ten (10) days' prior notice by Tenant to execute, acknowledge and deliver to Tenant a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there shall have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the Rental payable by Tenant hereunder has been paid and stating whether or not to the best knowledge of the signer of such certificate Tenant is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which the signer may have knowledge. Upon Tenant's request and at Tenant's expense, Landlord shall use its best efforts to obtain for Tenant such a certificate in respect of the Master Lease from Master Landlord. If Master Landlord fails to deliver such a certificate, then at Tenant's expense, in lieu thereof, Landlord shall execute, acknowledge and deliver to Tenant a statement in writing certifying that Landlord has not executed and delivered to Master Landlord any instrument modifying the Master Lease (or if Landlord has executed such an instrument, stating the modifications made by such instrument) and that, to the best of Landlord's knowledge, the Master Lease is in full force and effect.

ARTICLE 31

CONSENTS AND APPROVALS

Section 31.01. No Waiver. All consents and approvals which may be given under this Lease shall, as a condition of their effectiveness and except where otherwise expressly provided in this Lease, be in writing. It is understood and agreed that the granting of any consent or approval by Landlord to Tenant to perform any act of Tenant requiring Landlord's consent or approval under the terms of this Lease, or the failure on the part of Landlord to object to any such action taken by Tenant without Landlord's consent or approval, shall not be deemed a waiver by Landlord of its right to require such consent or approval for any further similar act by Tenant, and Tenant hereby expressly covenants and warrants that as to all matters requiring Landlord's consent or approval under the terms of this Lease, Tenant shall secure such consent or approval for each and every happening of the event requiring such consent or approval, and shall not claim any waiver on the part of Landlord of the requirement to secure such consent or approval.

Section 31.02. General Consents. If, pursuant to the terms of this Lease, any consent or approval by Landlord or Tenant is required, then (i) unless expressly provided otherwise in this Lease, if the party who is to give its consent or approval shall not have notified the other party within thirty (30) Business Days or such other period as expressly specified in this Lease after receiving such other party's request for a consent or approval that such consent or approval is granted or denied, and if the latter, the reasons therefor in reasonable detail, such consent or approval shall be deemed granted, and (ii) if upon notice that a consent or approval is denied, the notified party contests such denial in accordance with this Lease and a final determination that the consent or approval was unreasonably withheld or that such specified standard has been met so that the consent or approval should have been granted, the consent or approval shall be deemed granted and such granting of the consent or approval shall be the only remedy to the party requesting or requiring the consent or approval.

Section 31.03. Repeat Approval. Whenever Landlord shall have the right to approve the architect, engineer or accountant to be employed by Tenant, any architect, engineer or accountant so approved by Landlord at any time during the Term shall be deemed to be acceptable to Landlord for employment by Tenant at any time thereafter, unless Landlord shall

have good cause for refusing to allow the continued employment of such consultant. Whenever Tenant is required to obtain Landlord's approval of an architect, engineer or accountant, Tenant shall notify Landlord if it intends to employ an architect, engineer or accountant previously approved. In the event that Landlord shall refuse to approve the continued employment of such consultant, it shall so notify Tenant, specifying the reason therefor. All references in this Section 31.03 or any other section of this Lease to architects, engineers or accountants shall mean a professional architect, engineer or accountant who is licensed or registered, as the case may be, by the State of New York or any successor licensing body or authority.

Section 31.04. Federal Housing Commissioner Requirements. It is understood and agreed that all consents and approvals required by the Federal Housing Commissioner under the terms of this Lease shall be required only as long as the First Mortgage is insured, reinsured or held by the Federal Housing Commissioner or the Federal Housing Commissioner is the tenant under this Lease as a result of a default by Tenant under the First Mortgage. It is further understood and agreed that if the First Mortgage is insured by FHA Mortgage Insurance, all consents and approvals required by the First Mortgagee under the terms of this Lease shall be deemed to include consents and approvals by the Federal Housing Commissioner, all references in this Lease to the First Mortgagee shall be deemed to include the Federal Housing Commissioner for all purposes hereof, and Landlord shall recognize the First Mortgagee rather than the Federal Housing Commissioner as the party having priority with respect to any rights and privileges afforded to both the First Mortgagee and the Federal Housing Commissioner by this Lease.

Section 31.05. Legend Requirement. Whenever the consent or approval of Landlord is required within a specifically provided period of time in accordance with either Section 31.02 or any other Section of this Lease, then Tenant shall place on the envelope containing the request for such consent or approval the words "URGENT - IMMEDIATE RESPONSE CONTRACTUALLY REQUIRED" in capitalized letters large enough to be clearly distinct.

Section 31.06. No Unreasonable Delay. If it is provided that a particular consent or approval by Landlord or Tenant is not to be unreasonably withheld, such consent or approval also shall not be unreasonably delayed.

Section 31.07. Period of Approvals. Whenever this Lease shall provide (i) that Landlord shall have the right to

approve an architect, engineer, accountant or contractor and (ii) that such approval shall not be unreasonably withheld, Landlord shall notify Tenant of its determination within fifteen (15) days after receipt by Landlord of Tenant's request for approval and if Landlord shall not have notified Tenant of its determination within such fifteen (15) day period, such architect, engineer, accountant or contractor shall be deemed approved.

ARTICLE 32

SURRENDER AT END OF TERM

Section 32.01. Condition of Premises. On the last day of the Term or upon any earlier termination of this Lease, or upon a re-entry by Landlord upon the Premises pursuant to Article 24 hereof, Tenant shall well and truly surrender and deliver up to Landlord, without any payment or allowance whatever by Landlord, the Premises in good order, condition and repair, reasonable wear and tear excepted, damage by fire or other casualty excepted, free and clear of all lettings, occupancies, liens and encumbrances other than those, if any, (a) existing at the date hereof, or (b) created by Landlord, or (c) created by Tenant with Landlord's approval, or (d) resulting from any taking or condemnation of all or any part of the Premises. Tenant hereby waives any notice now or hereafter required by law with respect to vacating the Premises on any such termination date.

Section 32.02. Delivery of Agreements, Certificates, Warranties and Records. On the last day of the Term or upon any earlier termination of the Lease, or upon re-entry by Landlord upon the Premises pursuant to Article 24 hereof, Tenant shall deliver to Landlord Tenant's executed counterparts of all Subleases and any service and maintenance contracts then affecting the Premises, true and complete maintenance records for the Premises, all original licenses and permits then pertaining to the Premises, permanent or temporary certificates of occupancy then in effect for the Buildings, and all warranties and guarantees then in effect which Tenant has received in connection with any work or services performed or Equipment installed in the Buildings, together with a duly executed assignment thereof to Landlord, all financial reports, books and records required by Article 26 hereof and other documents of every kind and nature whatsoever relating to the Premises.

Section 32.03. Survival. The obligations of Tenant under this Article 32 shall survive the Expiration Date, except that Tenant shall have no obligation to furnish information relating to the Premises for periods which follow the Expiration Date.

ARTICLE 33

MORTGAGES

Section 33.01. Effect of Mortgages. Subject to the provisions of this Article 33, Tenant may mortgage its interest in the Premises and grant a security interest in personal property situated thereon, provided the holder of such mortgage shall not be a Prohibited Person. No Mortgage shall extend to, affect, or be a lien or encumbrance upon, the estate and interest of Landlord in the Premises or any part thereof.

Section 33.02. Mortgagee's Rights.

(a) Mortgagee's Rights Generally. With the exception of the rights granted to a Mortgagee pursuant to the provisions of Sections 33.03, 33.04, 33.06 and 33.08 hereof, the execution and delivery of a Mortgage does not give nor shall be deemed to give any Mortgagee any greater rights against Landlord than those granted to Tenant hereunder.

(b) First Mortgagee Includes Federal Housing Commissioner. All references to the First Mortgagee shall be deemed to include the Federal Housing Commissioner.

Section 33.03. Right to Cure Tenant's Defaults.

(a) Notice. If Tenant shall mortgage Tenant's interest in this Lease, Tenant shall give Landlord prompt notice of such Mortgage and furnish Landlord with a complete and correct copy of such Mortgage, certified as such by Tenant and, except with respect to the First Mortgage, by such Mortgagee, together with the name and address of such Mortgagee. After receipt of the foregoing, Landlord shall give to each Mortgagee, at the address of the Mortgagee stated in the certification hereinabove referred to, or in any subsequent notice given by the Mortgagee to Landlord, and otherwise in the manner provided in Article 25 hereof, a copy of each notice of Default at the same time as it gives notice of Default to Tenant, and no such notice of Default shall be deemed effective unless and until a copy thereof has been so given to each Mortgagee. If Tenant fails to cure any Default within the applicable grace period, Landlord shall promptly give notice of same (an "Event of Default Notice") to each Mortgagee.

(b) Right and Time to Cure. Except as otherwise provided in Section 33.03(e) hereof, and subject to the

provisions of Section 33.05 hereof, if an Event of Default Notice shall have been given, each Mortgagee (other than the First Mortgagee) shall have a period of (i) ten (10) days in the case of a Default in the payment of Rental, and (ii) twenty (20) days in the case of any other Default (each of such periods to begin to run upon the giving of the Event of Default Notice) within which to remedy such Default. The First Mortgagee shall have a period of forty (40) days in addition to that provided above to other Mortgagees within which to remedy such Default.

(c) Mortgagee's Performance. Subject to the provisions of Section 33.05 hereof, Landlord shall accept performance by a Mortgagee of any covenant, condition or agreement on Tenant's part to be performed hereunder with the same force and effect as though performed by Tenant.

(d) Non-Rental Defaults. No Event of Default (other than an Event of Default arising from the non-payment of Rental) shall be deemed to have occurred if, within the period set forth in Section 33.03(b) hereof, a Mortgagee has remedied the Default, caused it to be remedied, or in the case of a Default under Section 24.01(c) or (d) commenced to remedy and prosecuted such remedy to completion with diligence and continuity; provided that in the case of a Default where possession of the Premises is required in order to cure the Default, or is a Default which is otherwise not susceptible of being cured by a Mortgagee, if a Mortgagee has instituted foreclosure proceedings, and is continuously prosecuting the foreclosure proceedings with diligence and continuity to obtain possession, the cure periods referred to in Section 33.03(b) shall not begin to run until the Mortgagee so obtains possession. The rights of a Mortgagee under this Section 33.03(d) shall not apply unless such Mortgagee shall have delivered to Landlord, in writing, its agreement (i) to take the action required, and (ii) that during the period in which such action is being taken (and any foreclosure proceedings are pending), all of the other obligations of Tenant under this Lease, to the extent they are susceptible of being performed by the Mortgagee, are being duly performed. However, at any time after the delivery of the aforementioned agreement, the Mortgagee may notify Landlord, in writing, that it has relinquished possession of the Premises or that it will not institute foreclosure proceedings or, if such proceedings have been commenced, that it has discontinued them, or that it deems that the Default has been cured, and in such event such Mortgagee shall have no further liability under such agreement from and after the date it delivers such notice to Landlord (except for any obligations accruing prior to the date it delivers such notice), and if such Mortgagee

delivers such notice, unless the Default has been cured, Landlord shall have the unrestricted right to terminate this Lease and to take any other action it deems appropriate by reason of any Default by Tenant, and upon any such termination the provisions of Section 33.04 shall be applicable.

(e) Non-curable Defaults. Notwithstanding anything herein contained to the contrary, provided such Mortgagee shall have otherwise complied with the provisions of this Section 33.03, such Mortgagee shall have no obligation to cure any Defaults which are not susceptible to being cured by such Mortgagee.

Section 33.04. Execution of New Lease.

(a) Notice of Termination. If this Lease is terminated by reason of an Event of Default, Landlord shall give prompt notice thereof to each Mortgagee.

(b) Request for and Execution of New Lease. If, within thirty (30) days of the giving of the notice referred to in Section 33.04(a) hereof, a Mortgagee requests a new lease, then subject to the provisions of Sections 33.04(c) and 33.05 hereof, within sixty (60) days after Landlord has received such request, Landlord shall execute and deliver a new lease of the Premises for the remainder of the Term to the Mortgagee, or any designee or nominee of the Mortgagee approved by Landlord. The new lease shall contain all of the covenants, conditions, limitations and agreements contained in this Lease.

(c) Conditions Precedent to Landlord's Execution of New Lease. The provisions of Section 33.04(b) hereof notwithstanding, Landlord shall not be obligated to enter into a new lease with a Mortgagee unless the Mortgagee pays to Landlord, concurrently with the execution and delivery of the new lease, all Rental due under this Lease up to and including the date of the commencement of the term of the new lease and all expenses, including, without limitation, reasonable attorneys' fees and disbursements and court costs incurred in connection with the Event of Default, the termination of this Lease and the preparation of such new lease. If at the time Landlord enters into a new lease with a Mortgagee any portion of the Premises shall have been subjected to a condemnation, then Landlord's obligation to enter into a new lease with such Mortgagee shall be only for the Premises as reduced.

(d) No Waiver of Default. The execution of a new lease shall not constitute a waiver of any Default existing

immediately before termination of this Lease and, except for a Default which is not susceptible of being cured by the Mortgagee, the tenant under the new lease shall cure, within the applicable periods set forth in Section 24.01 hereof, all Defaults existing under this Lease immediately before its termination.

(e) Assignment of Depositary Proceeds. Concurrently with the execution and delivery of a new lease pursuant to the provisions of Section 33.04(b) hereof, Landlord shall assign to the tenant named therein all of its right, title in and interest to moneys (including insurance proceeds and condemnation awards), if any, then held by, or payable to, Landlord or Depositary that Tenant would have been entitled to receive but for the termination of this Lease. Any sums then held by, or payable to, Depositary shall be deemed to be held by, or payable to, Depositary as depositary under the new lease.

(f) Assignment of Subleases. Upon the execution and delivery of a new lease pursuant to the provisions of Section 33.04 hereof, all Subleases that may have been assigned to Landlord and all direct leases between Landlord and any occupants of the Premises shall be assigned and transferred, without recourse, by Landlord to the tenant named in the new lease. Between the date of termination of this Lease and the date of the execution and delivery of the new lease, if a Mortgagee or its designee or nominee has requested a new lease as provided in Section 33.04(b) hereof, Landlord shall not cancel any Sublease or accept any cancellation, termination or surrender thereof (unless such termination is effected as a matter of law upon the termination of this Lease or terminated by the terms of the Sublease) or enter into any amendments thereto which materially adversely affect the landlord thereunder without the consent of the Mortgagee, except for the purpose of permitting Landlord to enter into Subleases for at least the remainder of the unexpired terms of the cancelled Subleases with other tenants who will occupy not less than the same amount of space demised by the cancelled Subleases and pay the same rental rate provided for in the cancelled Subleases.

Section 33.05. Recognition by Landlord of Mortgage Most Senior in Lien. If more than one Mortgagee has exercised or has the right to exercise any of the rights afforded by this Article 33, only that Mortgagee, to the exclusion of all other Mortgagees, whose Mortgage shall have been first recorded shall be recognized by Landlord as having exercised or having the right to exercise such right unless such Mortgagee has designated another Mortgagee to exercise

such right and has given notice of such designation to Landlord.

Section 33.06. Mortgagee Participation.

(a) Arbitration Participation. Under any circumstances in which arbitration (including appraisal arbitration) is provided for herein, Tenant shall give each Mortgagee notice of the demand for arbitration, and Landlord shall recognize each Mortgagee as a proper party to participate in the arbitration.

(b) Participation at Condemnation Proceedings. A Mortgagee has the right to appear in any condemnation proceedings and to participate in any and all hearings, trials and appeals in connection with a taking referred to in Article 9 hereof.

Section 33.07.

(a) Application of Subrents. Wherever in this Lease Landlord is permitted to collect Subrents, such right shall not limit the right of a Mortgagee to collect rents and other sums pursuant to a collateral assignment of the Subleases, provided that such sums shall be held in trust and employed first to pay Rental due hereunder.

(b) Application of Insurance or Condemnation Proceeds. To the extent that this Lease requires that insurance proceeds paid in connection with any damage or destruction to the Buildings, or the proceeds of an award paid in connection with a taking referred to in Article 9 hereof, be applied to restore any portion of the Buildings, no Mortgagee has the right to apply the proceeds of insurance or awards toward the payment of the sum secured by its Mortgage.

Section 33.08. Amendments and Modifications to Lease. No adverse modification of or amendment to, or termination or cancellation of this Lease (a "change") shall be effective as against a Mortgagee unless the proposed change shall have been delivered to such Mortgagee and such Mortgagee shall have either: (a) approved the change in writing or (b) failed to disapprove the change in writing within thirty (30) days after receipt of a copy thereof.

ARTICLE 34

QUIET ENJOYMENT

Landlord covenants that, if and as long as Tenant shall faithfully perform the agreements, terms, covenants and conditions hereof, Tenant shall and may (subject, however, to the exceptions, reservations, terms and conditions of this Lease) peaceably and quietly have, hold and enjoy the Premises for the term hereby granted without molestation or disturbance by or from Landlord or its assigns, successors or agents.

ARTICLE 35

ARBITRATION AND APPRAISAL

Section 35.01. Procedure for 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 determined 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. The expenses of arbitration shall be shared equally by Landlord and Tenant but each party shall be responsible for the fees of its own attorneys. Landlord and Tenant 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.

Section 35.02. Procedure for Appraisal. In each instance under this Lease where it shall become necessary to resort to appraisal, such appraisal shall be conducted as follows:

(a) The party desiring such appraisal shall give notice to that effect to the other party, specifying therein the name and address of the person designated to act as

appraiser on its behalf. Within fifteen (15) days after the service of such notice, the other party shall give notice to the first party specifying the name and address of the person designated to act as appraiser on its behalf. If either party fails to notify the other party of the appointment of its appraiser, as aforesaid, within or by the time above specified, then the appointment of the second appraiser shall be made in the same manner as hereinafter provided for the appointment of a third appraiser in a case where the two appraisers appointed hereunder and the parties are unable to agree upon such appointment.

(b) The appraisers so chosen shall meet within ten (10) days after the second appraiser is appointed and if, within sixty (60) days after such first meeting, the said two appraisers shall be unable to agree upon the valuation they themselves shall appoint a third appraiser who shall be a competent and impartial person. Within a period of sixty (60) days after the appointment of such third appraiser, such third appraiser shall be required to choose between the two appraisals previously given.

(c) In the event the two appraisers are unable to agree upon the appointment of a third appraiser within fifteen (15) days after the time aforesaid, such third appraiser shall be selected by the parties themselves if they can agree thereon within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both, may apply to the Presiding Justice of the highest court in the county in which the Premises are located, for the appointment of such third appraiser, and the other party shall not raise any question as to the court's full power and jurisdiction to entertain the application and make the appointment.

(d) Any appraiser selected or appointed pursuant to this Section shall be a member of the American Institute of Real Estate Appraisers (or a successor organization), shall be an appraiser, and shall have been doing business as such in the county in which the Premises are located for a period of at least fifteen (15) years before the date of his appointment. All appraisers chosen or appointed pursuant to this Section shall be sworn fairly and impartially to perform their duties as such appraiser. In the event of the failure, refusal or inability of any appraiser to act, his successor shall be appointed within ten (10) days by the party who originally appointed him or in the event such party shall fail so to appoint such successor, or in case of the third appraiser, his successor shall be appointed as hereinabove provided.

(e) Each party shall pay the fees and expenses of its respective appraiser and both shall share the fees and expenses of the third appraiser, if any. Each party shall be responsible for the fees and expenses of its own attorney and other representatives.

ARTICLE 36

INVALIDITY OF CERTAIN PROVISIONS

If a court of competent jurisdiction shall make a final determination that 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.

ARTICLE 37

EASEMENTS; AMENDMENT OF LEGAL DESCRIPTION

Section 37.01. Easements. Subject to the provisions of Article 40 hereof, Landlord hereby grants to Tenant during the Term, the following non-exclusive licenses, easements and rights-of-way:

(a) easement and right-of-way for the passage of pedestrian traffic over all streets, roads or avenues (collectively the "Streets") running between the Premises and other improvements constructed on Roosevelt Island which are open;

(b) easement and right-of-way for the passage of bicycles, baby carriages, shopping carts, velocipedes, strollers, and other non-motorized items of a similar nature, over all Streets or rights-of-way subject to the Rules and Regulations;

(c) a license, such license to terminate automatically upon Completion of the Buildings, over such portion of the land covered by the Master Lease as is (i) necessary for use in construction of the Buildings and (ii) not covered by any other lease, sublease or license.

(d) a license over such portion of the land covered by the Master Lease as is (i) necessary for use in maintenance of the Buildings, and (ii) not covered by any other lease, sublease or License.

(e) easement, right-of-way and right of access for the passage of vehicular traffic, subject to the Rules and Regulations, (i) over all streets, roads, or avenues on Roosevelt Island and (ii) through Motorgate I for ingress and egress to Motorgate II.

Section 37.02. Amendment of Legal Description.

(a) After the Plans and Specifications have been approved by Landlord, upon request of Landlord or Tenant, at Tenant's expense, Landlord and Tenant shall enter into an amendment to this Lease, which shall be in recordable form, modifying Exhibit A hereto by (i) inserting a metes and bounds description for the area shown on the Plans and Specifications to be the area to be occupied by columns and footings for the Residential Buildings and Motorgate II in place of the existing description of such area, and (ii) inserting a specific description of the air space adjacent to

certain boundaries of the Land shown on the Plans and Specifications to be the area to be occupied by the Residential Buildings and Motorgate II in place of the existing description of such air space.

(b) After Completion of the Buildings, upon request of Landlord or Tenant, Landlord and Tenant shall enter into an amendment to this Lease, which shall be in recordable form, modifying Exhibit A hereto by (i) inserting a metes and bounds description for the area actually occupied by columns and footings for the Residential Buildings and Motorgate II in place of the then existing description of such area, and (ii) inserting a specific description of the air space adjacent to certain boundaries of the Land actually occupied by the Residential Buildings and Motorgate II in place of the then existing description of such air space.

ARTICLE 38

RECORDING OF MEMORANDUM

Either Landlord or Tenant may record this Lease. Landlord and Tenant, upon the request of the other, shall join in the execution of a memorandum of lease or a memorandum of any amendment or modification of this Lease in proper form for recordation.

ARTICLE 39

NON-DISCRIMINATION AND AFFIRMATIVE ACTION PROGRAM

Section 39.01. Statement of Purpose. This Affirmative Action Program (this "Program") has been adopted by Landlord in order to assist Tenant in developing the Premises (the "Project") and its contractors, subcontractors and suppliers (collectively, "Contractors") and all other persons participating in the development, construction, operation and maintenance of that portion of the Project to comply with their respective affirmative action obligations relating to the Project, to permit Landlord to carry out its affirmative action policies, and to redress partially the effects of past discrimination in the construction industry.

Section 39.02 Definitions. For purposes of this Article 39, the following terms shall have the meanings set forth below. All capitalized terms not otherwise defined herein shall have the meanings provided in Article 1 hereof.

(a) "Affirmative Action Office": The Affirmative Action Department of Landlord or Landlord's designee.

(b) "Affirmative Action Office": The Officer of Landlord and his/her designees authorized to conduct affirmative action matters on behalf of the Landlord.

(c) "Affirmative Action Program": The program and policy of Landlord implementing Executive Order 21 signed by the Governor of New York on August 3, 1983, and any rules, regulations and guidelines issued thereunder and any subsequent executive order addressing a subject matter similar to the one addressed by Executive Order 21.

(d) "Approved MBE and WBE Contract": Each contract between Tenant or its contractors and an MBE or WBE (as hereinafter defined) approved by Landlord and which has been entered into in accordance with this Article 39.

(e) "Contract": Construction contract or other instrument (collectively, "Contract") pursuant to which such Contractor furnishes materials or services for the Project.

(f) "Contractor": A person, partnership, incorporated or unincorporated business, that is a party or proposed party to a contract with the Tenant and all levels of contractors and all levels of subcontractors including construction manager or any other entity, exercising supervisory or

managerial control over any portion of construction or other contract activities on behalf of or for the benefit of Tenant.

(g) "Construction Period": The period from Commencement of Construction through Completion of the Buildings.

(h) "MBE/WBE Assistance Fund": Monies to be made available by Tenant to be used to facilitate MBE/WBE participation in the project.

(i) "Minority or Minorities": Shall mean,

a. Black persons having origins in any of the Black African racial groups not of Hispanic origin;

b. Hispanic persons of Mexican, Dominican, Puerto Rican, Cuban, Central or South American descent of either Indian or Hispanic origin, regardless of race;

c. Asian and Pacific Islander persons having origins in any of the Far East, Southeast Asia, the Indian subcontinent or the Pacific Islands; or

d. American Indian or Alaskan Native persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification.

(j) "Minority Business Enterprise" or MBE": A business enterprise which is at least fifty-one percent (51%) owned by, or in the case of publicly owned business, at least fifty-one percent (51%) of the stock which is owned by citizens of the United States or permanent resident aliens who are minority persons, has been in operation under the existing ownership for at least one year, and such ownership interest must be real, substantial and continuing. The ownership interest must have, and exercise the authority to independently control the business decisions of the enterprise.

(k) "Women-Owned Business Enterprise" or "WBE": A business enterprise which is at least fifty-one percent (51%) owned by, or in the case of a publicly owned business, at least fifty-one percent (51%) of the stock of which is owned by citizens' of the United States or permanent resident ali-

ens who are women, has been in operation under the existing ownership for at lest one year, and such ownership interest must be real, substantial and continuing. The ownership interest must have, and exercise, the authority to independently control the business decisions of the enterprise.

(l) "Minority Workforce Participation" (MWF) or "Female Workforce Participation (FWF)": The aggregate number of person-hours worked by minorities or women (including trainees and supervisory personnel) with respect to any construction work in connection with the construction of the Buildings.

(m) "Monthly Employment Utilization Report": A report submitted by all prime and sub-contractors to the Landlord on a monthly basis concerning minority and female employment.

(n) "Tenant's Affirmative Action Officer": Tenant's executive level representative and his/her designees authorized to conduct affirmative action matters on behalf of Tenant.

(o) "Tenant's Affirmative Action Program": Tenant's program as approved by Landlord to encourage minority and female workforce participation and MBE/WBE participation by establishing employment and contracting goals in: (i) the construction of the Buildings, (ii) Tenant's use of the Premises and (iii) Tenant's business operations.

(p) "Total Construction Cost": The total contract price of all contracts awarded by Tenant for the construction of the Buildings including all materials or services for inclusion in the Buildings plus the cost of all general conditions work applicable to the Buildings and not included in such contracts. Such costs shall include Tenant's costs as set forth below provided such costs are allocable to the Project:

(i) architectural and engineering fees and reimbursable expenses;

(ii) technical consultant fees and reimbursable expenses;

(iii) demolition and excavation costs;

(iv) project supervision and administration costs;

(v) material costs for construction and labor costs for construction; and

(vi) insurance and bonding fees.

(q) "Total Workforce Participation": The aggregate number of person-hours worked by all workers in the building trades (including trainees and supervisory personnel) performing the construction work in connection with the construction of the Buildings.

Section 39.03. MBE/WBE Participation. Tenant shall observe the following procedures throughout the Construction Period and until such time as Tenant has fulfilled (or has been deemed to have fulfilled) its obligations. Tenant shall be bound by and shall require its Contractors to adhere to the following provisions (a) through (f) of this Section 39.03 in all design, pre-construction and construction contracts to which it is a party in such a manner that the contract provisions shall be binding upon all contractors and sub-contractors:

(a) Tenant and its contractors shall use good faith efforts to enter into a sufficient number of Approved MBE and WBE Contracts in connection with the construction of the Buildings to ensure that there is a good faith effort to achieve a total dollar value of the construction work performed by MBEs and WBEs equal to at least fifteen percent (15%) of the Total Construction Cost. The goals for awards of contracts shall be no less than the following percentages of Total Construction Cost: to MBEs 12% and to WBEs 3%. In any event, if the individual MBE and WBE goals are not separately achieved, Tenant and its contractors shall use good faith efforts to achieve the overall goal of fifteen percent (15%). Tenant shall, after achieving the aggregate contract value of fifteen percent (15%) of the Total Construction Cost specified in the Lease/Program, make a good faith effort to award contracts to qualified MBEs/WBEs to carry out additional portions of the construction work for the Project.

(b) Tenant and Landlord shall observe the following procedures throughout the design, pre-construction and construction periods:

(i) Tenant shall advise Landlord promptly of Tenant's proposed design and construction schedule for the

Project as it becomes available and afford the Affirmative Action Officer a reasonable opportunity to become familiar with the proposed scope, nature and scheduling of Tenant's Contracts which exceed fifteen thousand dollars ($15,000) and shall furnish Landlord with a list of "General Conditions" items to be awarded in contracts. As promptly as practicable, Tenant shall furnish Landlord with a projected schedule (the "Contract Schedule") of all such Contracts, including contracts and subcontracts projecting the intended utilization of MBEs and WBEs broken down by trade and any amendments or proposed changes thereto. Tenant will update or amend the Contract Schedule as required to reflect any changes in such contracts or subcontracts. The Contract Schedule will set forth the anticipated times at which invitations to bid or requests for proposals are to be issued as well as the contract schedule for items which have been bid prior to lease execution, for work in each trade, the scope of such work and the estimated contract value or range of values of such work.

(ii) In formulating the Contract Schedule, Tenant will confer with Landlord to identify those portions of the work which can be divided into separate contract packages or which can be subcontracted, so as to maximize opportunities for participation in the work by MBEs/WBEs. To the extent practicable and consistent with good construction practice, Tenant shall prepare separate contract packages for such work which shall be bid and let separately by Tenant or which shall not be bid or let as part of any other work.

(c) Landlord shall review the Contract Schedule as promptly as practicable and will provide to Tenant a list of qualified MBEs/WBEs for all or portions of the work. Within five (5) Business Days after Tenant's receipt of such list, Tenant and Landlord shall agree on those MBEs/WBEs on such list which Tenant shall contact regarding the work identified by Tenant and Landlord as work to be separately bid and let or subcontracted. Tenant shall then promptly notify Landlord in writing that the MBEs/WBEs selected by Landlord and Tenant pursuant to the preceding sentence have been contacted.

(d) The determination of whether a business enterprise is an eligible MBE/WBE hereunder shall be made by Landlord, in the reasonable exercise of its discretion, in accordance with MBE/WBE guidelines issued pursuant to E.O.21.

(e) Concurrently, Landlord and Tenant will review the qualifications and availability of eligible MBEs/WBEs to

determine the extent to which MBEs/WBEs are qualified and available to perform all or portions of the work identified in the contract packages. In general, an MBE/WBE will be deemed to be qualified to perform work if its personnel have successfully performed work of a similar nature in the past and demonstrate the present ability, after giving effect to the assistance which Tenant may provide under Sub-Section (g) of this Section 39.03 to organize, supervise and perform work of the kind and quality contemplated for the Project. In determining whether MBE/WBE meets these standards, Landlord and Tenant shall consider reputation in the construction community, experience in the trade, technical competence, organizational and supervisory ability and general management capacity. An MBE/WBE shall not be considered unqualified to perform work on the Project solely (i) because such MBE/WBE (A) cannot obtain bonding or (B) cannot obtain commercial credit or cannot obtain such credit on normal terms, except because of fraudulent conduct, previous defaults or other acts which demonstrate the credit unworthiness of an MBE/WBE or (ii) solely because such MBE/WBE (A) does not have the capacity to perform work of the nature and scope required without the assistance which may be made available by Tenant under this Section (provided such MBE/WBE will have such capacity if it receives such assistance from Tenant) or (B) has not previously performed work equal in scope or magnitude to such work. In the event that Landlord and Tenant cannot agree on whether an eligible MBE/WBE is qualified and available hereunder, Landlord's determination on those issues shall be final and conclusive for the purposes of this Program.

(f) Tenant shall invite those MBEs/WBEs found qualified and available hereunder and selected by Tenant and Landlord pursuant to Sub-Section (e) above to submit proposals for work required to be performed under Tenant's contract packages (including both contracts and subcontracts). Prior to the award of any Contract by Tenant, Tenant shall notify Landlord in writing of all responses or bids in connection with Tenant's request for proposals or invitation to bid.

(g) Where recommended to by Landlord and concurred with by Tenant, Tenant will provide assistance to an MBE/WBE to which a contract or subcontract is to be awarded and which MBE/WBE is unable to obtain credit or financing on terms reasonable to perform the Contract by, (i) guaranteeing payment to suppliers, subject to obtaining an appropriate security interest in the materials paid for, (ii) making progress payments more frequently than on one-month cycles for work certified by the Architect to be complete, or (iii) such other assistance as may be useful for the performance of the

Contract. Tenant may also (iv) waive bonds where MBEs/WBEs, after using their good faith efforts, are unable to obtain the same, (v) make available to MBEs/WBEs technical assistance to conform to the method of construction of the Project, (vi) provide supervision consistent with the MBEs'/WBEs' experience and capacity and (vii) conduct periodic job meetings with each MBE/WBE at reasonable intervals to review the progress of such MBE's/WBE's job performance and suggest appropriate action to remedy any deficiency in such performance. Also, where recommended to by Landlord and concurred with by Tenant, Tenant will offer to provide the foregoing assistance to MBEs/WBEs prior to their submission of bid proposals and, at the time of Tenant's request for such proposals.

(h) Tenant and its contractors shall seek to achieve the results in (a) above through measures which may include, but shall not be limited to, the following:

(i) Dividing the construction work to be performed in connection with the construction of the Buildings into smaller subcontract portions, where economically and technically feasible;

(ii) Actively and affirmatively soliciting bids for sub-contractors from qualified MBEs and WBEs including circulation of solicitations to Minority contractor associations and Women contractor associations. Contractor shall maintain records detailing the efforts made to provide for meaningful MBE and WBE participation in the construction of the Buildings, including the names and addresses of all MBEs and WBEs contacted and, if any such MBE or WBE is not selected as a joint venturer or subcontractor, the reasons for such decisions;

(iii) Making plans and specifications for prospective construction work to be performed in connection with the construction of the Buildings available to MBEs and WBEs in sufficient time for thorough review before the required time for submission of proposals;

(iv) Utilizing the services and cooperating with those organizations providing technical assistance to Landlord in connection with MBE and WBE participation in the project;

(v) Utilizing the qualified MBEs and WBEs referred by Landlord to Tenant and/or contractor for the purpose of soliciting bids for sub-contractors; and

(vi) Encouraging the formation of joint ventures, partnerships or other similar arrangements among sub-contractors where appropriate to insure that contractor will meet its obligations hereunder.

(i) Until such time as Tenant has fulfilled, or is deemed to have fulfilled its obligations, but for no longer than seven (7) years from the Completion of the Buildings, Tenant shall maintain complete and accurate written records of:

(i) its efforts to identify and contract with MBEs/WBEs;

(ii) the reasons, if applicable, for any determination by Tenant that an MBE/WBE is not qualified or available to perform work on the Project;

(iii) the assistance offered or provided to MBEs in accordance with Sub-Section (g) hereof; and

(iv) the reasons why contracts or subcontracts were not awarded to MBEs/WBEs found qualified hereunder. Tenant shall also maintain complete and accurate written records of the total Contracts and approved MBE/WBE Contracts awarded during the design, pre-construction and construction of the Project, including without limitation, the dollar value of such awards and a description of the scope of work awarded. Such records shall be furnished to Landlord monthly and at such other times as Landlord may reasonably request. Notwithstanding the foregoing provisions of this subparagraph (i), only aggregate amount of the contract prices and a summary description of the scope of work need be furnished to Landlord by Tenant for non-MBE/WBE Contracts. Tenant shall, within forty-five (45) days after issuance of certificates of occupancies of the Buildings, provide a final Affirmative Action Program Report to Landlord, including Tenant's total construction costs less liens,

law suits, etc. Tenant shall also provide to Landlord a copy of the certified cost figure submitted to FHA simultaneously with the FHA submission.

(j) Prior to the issuance by Tenant of any notice of award to a Contractor, Tenant will advise Landlord of its intent to enter into a Contract with a Contractor. Thereafter, Tenant shall provide to Landlord a written list of specific affirmative action measures which the Contractor has agreed to undertake in performing work on the Project, including a list of MBEs/WBEs to which subcontracts are to be let.

(k) Tenant shall not enter into any contract, or permit its Contractors to enter into any Contract, except in accordance with the requirements of this Program. After award of a Contract, Tenant shall not enter into, or permit its Contractors to enter into, any modification or amendment of such Contract which will reduce materially the scope of work to be performed by an MBE/WBE or diminish the contract price of any Contract (including subcontracts) awarded to an MBE without the prior written consent of Landlord. Each Contract entered into by Tenant shall:

(i) contain such non-discrimination provisions as are required by the lease;

(ii) require the Contractor thereunder to comply with the applicable Minority Workforce requirements of this Program; and

(iii) Where contemplated for the contract package for such Contract, require such Contractor to comply with the applicable provisions of the Program with respect to any Contracts awarded by such Contractor. Tenant shall promptly furnish Landlord with the name of each party to whom Tenant (or its contractors) awards a Contract, together with, in the case of each Approved MBE/WBE Contract, a summary of the scope of services to be performed under such contract and the contract price thereof, as the same may be amended from time to time.

(l) Tenant shall designate an affirmative action officer, satisfactory to Landlord, with full authority to act on behalf of and to represent Tenant in all matters relating to this Program contained in this Article 39.

Section 39.04. Tenant Obligations with Respect to the Minority Workforce Participation. At all times during the design, pre-construction and construction of the Buildings,

(a) Tenant shall:

(i) comply with the Affirmative Action program and the provisions of Executive Order No. 21 of the Governor of the State of New York (August 3, 1983) and any successor executive orders and regulations issued thereunder (collectively, the "Executive Orders"), implemented by Landlord, and shall, inter alia, treat all employees and applicants for employment without unlawful discrimination as to race, creed, color, national origin, sex, age, physical disability, or marital status in all employment decisions, including but not limited to recruitment, recruitment advertising, hiring, compensation, training and apprenticeship, promotion, upgrading, demotion, downgrading, transfer, lay-off and termination, and all other terms and conditions of employment except as provided by law; and

(ii) require its contractors to afford priority in the construction of the Project to minority/female group workers, to achieve an overall minority workforce participation goal of thirty percent (30%) and a female workforce goal of six and nine tenths percent (6.9%), pursuant to federal requirements of the Office of Contract Compliance of the United States.

(b) Tenant shall, and shall cause its Contractors to, participate in an on-the-job training program of the type known as the "New York Plan," or such other successor program as shall be generally applicable to public construction in New York and approved by Landlord.

(c) Tenant shall cause its Contractors to make monthly submissions of weekly employment reports on the composition of Contractors' workforce on the Project and payroll reports by person-hours to Landlord.

(d) Tenant shall require its Contractor to attempt in good faith to provide each trainee with continuous employ-

ment upon the completion of such construction work to enable such trainees to complete the Training Program as well as to employ each trainee upon the conclusion of the Training Program.

(e) Tenant shall require its Contractor to take action to enforce the training requirements as directed by the Tenant and/or Landlord.

(f) Furthermore, Tenant shall:

(i) submit, and cause each construction contractor or sub-contractor to submit, to Landlord a completed employment report, in form and substance approved by the Landlord, prior to award of the contract and the commencement of construction on each phase of the Buildings; and

(ii) file, and cause each construction contractor or sub-contractor to submit payroll records for this Project, and other information as required, and to provide access to books and records in such form and frequency as Landlord may direct to determine whether Tenant is in compliance with the requirements of the Governor of New York State's Executive Orders or any successor executive orders and the regulations thereunder and to make construction sites available for periodic on-site review.

(g) Tenant shall use good faith efforts to ensure that all of its contractors and subcontractors employ minorities and women throughout the various skilled construction trades and crafts and at the journey person and apprentice level as well as trainee levels, according to labor market availability; and Tenant shall use good faith efforts to ensure that minorities and women are not disproportionately employed as laborers and trainees and apprentices.

Section 39.05. Training Requirements. Tenants shall be bound by and include the following provisions (a) through (f) of this Section 39.05 and any additional contract provisions which may be required by the Affirmative Action Office in all construction contracts to which it is a party in such a manner that the contract provisions shall be binding upon all contractors and subcontractors:

(a) Contractor agrees to make a good faith effort to employ trainees. Contractor will obtain trainees from Training Program(s) approved by Landlord. The New York Plan for Training is one such approved program.

(b) Contractor shall be considered to employ four (4) journey-level employees in a particular trade when it employs any number of journey-level employees used in that craft whose aggregate work hours equal the number of hours for full-time journey-level employees would have worked in a work week as defined by the prevailing practice in the industry for the particular craft, e.g., 40 hours, 37 1/2 hours, 35 hours, etc. For example in a craft where time is a forty hour work week, the employment of 4 journey-level employees results in 160 hours of employment (4x40). Hence, any number of journey-level employees which results in 160 hours of work is considered, for purposes of the training program, to equal 4 journey-level employees, e.g., 3 journey-level employees who work 3x53 1/3=160.

(c) Contractor shall hire trainees in any trade in which the employment of 4 or more journey-level employees and trainees shall be for 4 or more consecutive weeks of full time work as defined by the prevailing practice in the industry for the particular craft, e.g., 160 hours (4 weeks x 40 hours), 146 hours (4 weeks x 36 1/2 hours), 140 hours (4 weeks x 35 hours), etc. Trainees must be employed for the same period as journey-level workers.

(d) Failure by the Contractor to make a good faith effort to provide training to the required number of trainees for the required number of weeks, shall render the Contractor in non-compliance with the training requirements and the Landlord shall recover from the Tenant an amount equal to the difference between the wages and fringe benefits paid by the Contractor to actually employed trainees, and the wages and fringe benefits which would have been paid to the trainees had the number and duration of the positions been as required. Any funds so collected shall be added to the Landlord's Fund established pursuant to Section 39.09. The wages and fringes deducted will be whatever a first term trainee would have received under the prevailing wage schedule in effect at the time the trainees should have been employed.

A good faith effort includes at least:

a) documented efforts to secure trainee candidates from approved training programs;

b) documented outreach efforts to New York State Employment Service, the New York City Department of Employment, Testing, Assessment and Placement (TAP) Centers, community and Civil Rights groups to identify candidates for training positions and sponsorship of those persons by the Contractor for entrance into an approved training program; and

c) written notification to Landlord that the Contractor has been unable to secure trainees pursuant to subsections i and ii above and requesting the landlord's assistance in securing trainees, provided, that neither the provisions of any collective bargaining agreement nor the refusal by a Union with whom the Contractor has a collective bargaining agreement to recognize the validity of the training program shall excuse the Contractor's obligation to provide training.

(e) Contractor shall attempt in good faith to provide each trainee with continuous employment upon the completion of such construction work to enable such trainees to complete the Training Program as well as to employ each trainee upon conclusion of the Training Program.

(f) Contractor shall include paragraphs (a) through (f) of this Section in each subcontract for the construction of the Buildings. Contractor shall take action to enforce the Training Requirements as directed by the Tenant and/or Landlord.

Section 39.06. Equal Employment Opportunity Requirements (EEO). Tenant shall use good faith efforts to comply with all of its non-discrimination and affirmative action obligations as set forth in this Lease, and to cause each of its Contractors to comply with all of such Contractor's non-discrimination and affirmative action obligations as set forth in this Lease and construction contract or other instrument pursuant to which such Contractor furnishes materials or services for the Project. Tenant shall be bound by and shall include the following paragraphs (a) through (k) of this Section 39.06 in all construction contracts to which it is a party in such a manner that the paragraphs shall be binding upon all contractors and subcontractors:

(a) Contractor shall not discriminate against employees for employment because of race, creed, color, na-

tional origin, ancestry, sex, age, physical disability, or marital status in all employment decisions including, but not limited to recruitment, hiring, compensation, training and apprenticeship, promotion, upgrading, demotion, downgrading, transfer, lay-off and termination, and all other terms and conditions of employment except as provided by law.

(b) Contractor shall request each employment agency, labor union and authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish it with written statement that representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish it with written statement that such employment agency, labor union or representative will not discriminate because of race, creed, color, national origin, ancestry, sex, age, physical disability, or marital status, and that such union or representative shall affirmatively cooperate in the implementation of Contractor's obligations hereunder.

(c) Contractor shall state in all solicitations or advertisements for employees placed by or behalf of Contractor that all qualified applicants shall be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, ancestry, sex, age, physical disability, or marital status.

(d) Contractor shall not discriminate in the selection of any subcontractor on the basis of the owner's, partner's, or shareholder's race, color, creed, national origin, ancestry, sex, age, physical disability or marital status.

(e) Contractor shall comply with the provisions of Section 296 of the New York State Executive Law and the Governor of New York State's Executive Orders.

(f) Contractor shall comply with all of the applicable provisions of Article 39 of the Lease, dated as of August 4, 1986, made between New York State Urban Development Corporation ("Landlord") and Roosevelt Island Associates ("Tenant").

(g) Contractor shall furnish all information and reports, including but not limited to a Monthly Employment Utilization Report and Payroll records deemed necessary by the Landlord and shall permit inspection of its work site(s) and access to its books, records and accounts relating to employment by the Affirmative Action Officer, or his/her de-

signee for purposes of investigation to ascertain compliance with the requirement of Article 39.

(h) Contractor shall submit to Landlord, an Employment Report describing the current and projected composition of the workforce by trade, indicating journey level, apprentice, helper, trainee, and supervisory personnel by minority and female status, for review and approval before the contract may be awarded and work commenced.

(i) Contractor shall use its good faith efforts to achieve an overall minority workforce participation goal of thirty percent (30%); and female workforce goal of 6.9% pursuant to federal requirements of the Office of Contract Compliance of the United States.

(j) Contractor shall, as an equal employment opportunity employer and as part of any applicable Affirmative Action program:

a) Not discriminate against minorities, women and trainees in any manner during the term of the contract;

b) Not transfer Minority employees, women or trainees from employer-to-employer or from project-to-project for the sole purpose of meeting contractor's obligations hereunder;

c) Make a good faith effort to find and employ minority and women supervisory personnel and journey-level employees;

d) Not consider the non-working hours of trainees or apprentices in meeting the goals for Minority Workforce Participation or Female Workforce Participation contained herein unless:

(A) The trainees are trained pursuant to a training program approved by Landlord.

(B) Tenant shall seek to ensure that all its contractors and subcontractors employ minorities and women throughout the various skilled construction trades and crafts, and at the journey person and apprentice level as well as trainee

level, according to labor market availability.

e) Tenant shall also seek to ensure that minorities and women are not disproportionately employed as laborers, trainees and apprentices.

(k) If Contractor does not comply with the equal employment opportunity and affirmative action provisions of this contract or make a good faith effort to comply, this contract or any portion thereof, may be disapproved cancelled, terminated or suspended, or liquidated damages assessed by the Tenant or payments thereon may be withheld and such other sanctions may be imposed and remedies invoked in accordance with law. Nothing hereinbefore contained in this subparagraph (k) shall limit the Tenant or Landlord from pursuing any other remedy available by law to enforce the equal employment opportunity and affirmative action provisions herein or seek additional damages as allowed by law.

(l) Contractor shall include the training provisions and all contract provisions included herein by Landlord in every subcontract, in such a manner that the provisions shall be binding upon the subcontractor as to its workforce within the State of New York. Contractor shall take such action in enforcing the foregoing provisions as Landlord may reasonably direct, including sanctions and remedies for noncompliance pursuant to this Lease. If Contractor becomes involved in or is threatened with litigation by any party to any agreement as a result of such direction, contractor promptly shall notify landlord of such fact and, thereafter, Landlord may, but need not, intervene in such action.

Section 39.07. MBE and WBE Assistance Fund.

(a) By request of either Landlord or Tenant, and subject to mutual agreement of Landlord and Tenant, Tenant or its Construction Manager will provide necessary financial assistance to MBEs and WBEs in order to assist MBEs and WBEs in participating in the construction of the Project. Tenant will or will cause its Construction Manager to maintain a monthly balance of at least One Hundred Thousand Dollars ($100,000) in the operating account maintained for the Project, which shall be available to provide such needed assistance. Assistance may be provided in the followings ways:

a) guaranteeing purchases of materials of materials purchased by MBEs and WBEs subject

to Tenant obtaining an appropriate security interest in such materials;

b) advancing progress payments for work performed by MBEs and WBEs on a bi-weekly basis;

c) establishing and underwriting student internship programs as approved by Landlord;

d) guaranteeing rental and lease rates on equipment to be used on the job; and

e) providing or cause to be provided technical and managerial assistance necessary to contract performance by MBEs and WBEs.

(b) No assistance shall be provided by Tenant for any administrative expenses of Landlord or any contracting or subcontracting MBE or WBE.

Section 39.08. MBE and WBE Participation - Operation of the Buildings.

(a) Tenant shall take affirmative steps to solicit bids from minority and women owned business enterprises, as defined in Executive Order No. 21, dated August 3, 1983, and shall make certain that such bids receive full and fair consideration. Within 30 days, after the end of each quarterly period in every Lease Year, Tenant shall provide Landlord with statements setting forth the total amount of purchases and contracts in excess of Five Thousand Dollars ($5,000) for said quarterly period, together with a similar statement of such purchases and contracts awarded to MBEs/WBEs setting forth the identity of such MBE/WBE and the amount of such awards. At the end of each quarterly period, tenant shall meet with Landlord to review expenditures.

(b) After the Construction Period, in connection with all subsequent construction work on the Project, including interior improvements, alterations, capital improvements. structural repairs, restoration, replacement of, or additions to, the Project undertaken by Tenant (including its successors and permitted assigns), whether on its own behalf or on behalf of its major subtenants, Tenants shall, and shall, and shall cause its Contractors to afford priority in such work to qualified and available MBEs/WBEs which submit competitive proposals for such work.

(c) Additionally, Tenant shall require its agents to make good faith efforts to seek and to include MBEs/WBEs in agreements for the purchase of goods and services and other agreements relating to the operation of the Project. Tenant and Landlord hereby agree that the annual goal for MBE/WBE participation in such work and agreements is twelve percent (12%) of the total amount awarded to companies other than those wholly-owned by Starrett Housing Corporation. Where a wholly owned subsidiary of Starrett Housing Corporation is used, that subsidiary os subject to the same requirements as Starrett Housing Corporation with respect to its subcontracting and purchasing activities. In order to meet the requirements of this Section 39.08, Tenant shall, and shall cause its Contractors to:

a) seek to achieve 10% MBE, 2% WBE participation and overall 12% MBE/WBE participation in the operation of the Buildings;

b) conduct a thorough and diligent search for qualified MBEs and WBEs;

c) review the qualifications of each MBE/WBE suggested to Tenant by Landlord; and

d) afford an opportunity to those qualified MBEs/WBEs to submit proposals for work, goods and services. Tenant shall meet monthly or as needed with Landlord to review the operations and status of the Affirmative Action Program and to determine specific opportunities where MBE/WBE participation in the operation and management of the Project might be encouraged. Tenant shall submit quarterly reports to Landlord setting forth the nature and scope of construction work carried out during the preceding 3 months, all efforts made by Tenant and its Contractors to employ qualified MBEs/WBEs in performing the work and agreements and all contracts let to MBEs/WBEs. Notwithstanding the foregoing, Landlord may request additional information from time to time, and Tenant shall comply with such request.

(d) In connection with the management and operation of the Project, Tenant (including it successors and permitted assigns) shall, and shall cause such persons as it

may employ, to manage and operate the Project (collectively, the "Operator"), to:

a) make good faith efforts to include MBEs/WBEs in all service and management agreements, agreements for the purchase of goods and services and other agreements relating to the operation of the Premises;

b) make good faith efforts to include Minority/Female individuals in such work in the proportion that Minorities/Females bear to the total New York City workforce;

c) in the event of layoffs, make good faith efforts to maintain the same proportion of Minority employees in Tenant's (or Operator's, as the case may be) workforce as existed immediately prior to commencement of such layoffs; and

d) meet with Landlord's Affirmative Action Officer on a periodic basis, but not less than semi-annually, to review employment needs and practices of Tenant or Operator, to review Tenant's and Operator's compliance with this Section 39.08 and determine specific contracting opportunities where Minority workforce participation in the management and operation of the Project might be encouraged.

Section 39.09. Non Compliance.

(a) Tenant has a commitment to use good faith efforts to fulfill the Equal Employment Opportunity requirements and to meet the Minority and Female Workforce Participation goals as set forth in Sections 39.06 and 39.04. At all times Tenant has an obligation to use good faith efforts to comply with the Training requirements Section 39.05 and to achieve the required percentage of total contract value of Approved MBE and WBE contracts as set forth in Section 39.03. If Tenant, its contractor(s), or subcontractor(s), fail or refuse to comply with its obligations under this Article 39, Landlord shall give Tenant written notice of such failure or refusal to comply. The notice shall inform Tenant of the areas in which non-compliance exists and shall invite Tenant, its contractor(s), or subcontractor(s), to a meeting at which Tenant and Landlord shall review the findings contained in the notice of Landlord and shall plan and initiate immediate remedial action(s) to be taken in order to effect compliance

with the provisions of this Article 39. If, thirty (30) days subsequent to the meeting, remedial action is not taken or if the remedial action(s) taken have not resulted in substantial compliance with the obligations of this Article 39, then Landlord shall notify Tenant of its intentions to impose sanctions in the manner hereinafter set forth and to seek whatever additional remedies are available at law.

(b) The purpose of Tenant's Equal Employment and, where applicable, Affirmative Action Program is to afford minority and female workers and MBEs and WBEs an opportunity to share in economic benefits from which they have heretofore been excluded and gain necessary training, experience and other benefits, including increased financial resources, which will facilitate their full participation in the construction and other industries hereafter. Tenant recognizes and acknowledges that its failure to comply with the requirements of Sections 39.03, 39.04 and 39.05 of this Article 39 would result in substantial damage to Landlord's Equal Employment and Affirmative Action Program and to minority and female workers and MBEs and WBEs who would be denied an opportunity to share in the economic benefits provided by participation in the construction of the Buildings and who would be denied the training, experience and other benefits which participation in such construction would provide. Tenant further recognizes and acknowledges that such damage cannot be readily qualified, but that amounts set forth below are reasonable in light of the magnitude of the harm which would result from its failure to achieve its commitments hereunder, and that payments, which may be credited to the Landlord's MBE/WBE Revolving Assistance Fund, referred to in paragraph (e) below, are a reasonable means of compensating Landlord and the minority and female workers, and MBEs and WBEs for such damage.

(c) In the case of Tenant's failure to perform as required hereunder with respect to minority and female Workers, Trainees and MBEs and WBEs, respectively (other than failure resulting directly from any order of judicial authorities having jurisdiction over the parties or this Program), the Landlord may impose any of the following sanctions:

a) for failing to meet the training requirements set forth in Section 39.05 or failing to cause its contractors, or subcontractors to do so, Landlord may recover from Tenant an amount equal to the difference between first-term wages and fringe benefits that would have been paid trainees had they

been employed and the amount actually paid trainees;

b) for failing to use good faith efforts to meet the requirements for Minority and Female Workforce Participation set forth in Section 39.04, Landlord may require Tenant to pay Landlord compensatory damages, in addition to any other equitable and non-monetary remedies available to Landlord under this Article 39 or by law in the amount of wages and fringe benefits that would have been paid to the number of minority and female workers had they been employed. The number of workers not hired is the difference between the number that would have been hired had the Minority and Female Workforce participation percentage been met, minus the number actually hired. However, if Tenant can demonstrate that minority and female workers in a particular trade were unavailable in sufficient numbers to enable Tenant to meet the percentages set forth in Section 39.04, then Tenant shall not be required to make payments for such trade in which minority and female workers were demonstrably unavailable.

c) for failing to use good faith efforts to enter into, or failing to cause its contractors to use good faith efforts to enter into, approved MBE and WBE Contracts having total dollar value equal to the amounts set forth in Section 39.03 above, Tenant shall pay an amount equal to the dollar value of unachieved Approved MBE and WBE Contracts as determined by Landlord, provided that if such failure is either willful or a result of pattern of continuing violation of Tenant's obligations hereunder, after notice by Landlord to Tenant that Landlord believes such a pattern exists, such damages shall be equal to two (2) times the amount of unachieved Approved MBE and WBE Contracts as determined by Landlord.

(d) Tenant shall make prompt payment to all MBEs and WBEs. If Tenant fails to cause its contractors and subcontractors to make prompt payments to MBEs and WBEs, Landlord shall require Tenant to pay said amount promptly and directly to the MBE or WBE.

(e) Payments made by Tenant pursuant to this Section 39.09(c) shall be paid to the Landlord's MBE/WBE Revolving Assistance Fund.

(f) Tenant shall have an opportunity to discuss sanctions at a conference with the Affirmative Action Officer, and to offer reasons why sanctions should not be imposed.

(g) It is expressly understood and agreed that a failure by Tenant to comply with the provisions of this Article 39, shall not be deemed an Event of Default under the Lease, but Landlord may exercise all other rights and remedies granted to it under this Lease.

Section 39.10. Confidentiality. Landlord acknowledges that the information to be furnished by Tenant hereunder concerning Tenant's Contracts and bidding procedures constitutes information which is maintained for the regulation of Tenant's commercial enterprise and could, if disclosed, impair present or imminent Contract awards, and could cause substantial injury to the competitive position of that enterprise. Accordingly, Landlord will, in accordance with and subject to applicable law, treat such information as confidential and use its best efforts to prevent the unauthorized disclosure thereof, except to the extent that (a) Landlord and Tenant shall agree is necessary in connection with the recruitment of qualified MBEs/WBEs to perform work on the Project, (b) Landlord may determine to use such information, without identifying such individual Contracts, as part of Landlord's overall assessment of the effectiveness of this Program in overcoming the effects of discrimination in the construction industry or (c) is otherwise necessary in connection with the enforcement of this Program in accordance with the provisions hereof.

Section 39.11. Performance under Lease. No requirement of this Program, or the assumption or performance by Tenant of any obligation hereunder, shall excuse Tenant from the performance of any of its obligations under the Lease, or constitute a defense to any claim by Landlord under this Lease, whether for default, rental, damages or otherwise.

Section 39.12. Notices and Addresses. Either Landlord or Tenant may at any time advise the other of a change in its address or designate a different person to whom notice shall be mailed by giving written notice to the other of such change or designation.

Section 39.13. Persons Bound. This Program and the Schedules hereto, including any amendments thereto, shall be binding upon and inure to the benefit of Tenant and its respective legal representatives, successors and permitted assigns, including without limitation any cooperative corporation, condominium association or similar entity for the Buildings. Tenant shall require its successors or assigns to confirm and agree in writing to all terms and conditions of this Program.

Section 39.14. Separability. If any provision of this Program shall for any reason be held unenforceable or invalid, neither the enforceability nor the validity of any other provision of this Program shall be affected thereby.

Section 39.15. Governing Law. This Program shall be construed and enforced in accordance with the laws of the State of New York. Notwithstanding anything to the contrary herein contained, it is understood and agreed that in the event of a conflict between any of the provisions hereof and any future rules, regulations, statutes, ordinances or other mandates of government, the provisions of this agreement shall prevail and remain applicable.

ARTICLE 40

ISLAND SERVICES AND COMMUNITY FACILITIES

Section 40.01. (a) Island Services Generally. Landlord acknowledges that it or its designees, or predecessors have provided or caused to be provided certain services to the Roosevelt Island community which are in addition to services normally provided by municipalities ("Island Services") including, but not limited to (i) Tramway service and substitute bus service to Manhattan, (ii) the central pneumatic collection system for the disposal and removal of refuse ("AVAC"), (iii) minibus service, (iv) security services, (v) community worker service, and (vi) maintenance of (A) landscape of all areas not leased to other tenants of Landlord, (B) the streets, (C) recreational and athletic facilities, and (D) parking in areas other than Motorgate I or Motorgate II. Except as hereinafter provided, Island Services shall not include (i) those matters identified in Section 11.10(c) hereof and (ii) the Promenade, which shall be governed by Section 40.07.

(b) Charges for Island Services. Landlord may impose on Tenant a charge, in addition to Base Rent, for the furnishing of any Island Service (other than security services) only if Landlord imposes a charge for such Island Service on all other lessees of buildings on Roosevelt Island containing residential apartments, in which event Tenant shall pay, except as provided in Section 40.01(c), its Pro Rata Share of such charge. If Tenant fails to pay such charge, Landlord (in addition to any other rights and remedies provided herein) shall have all of the rights and remedies provided for by law in the case of non-payment of rent.

(c) Charges for Security. Commencing on the date when ten percent (10%) or more of the Residential Units in a Building are occupied by Subtenants and continuing for the remainder of the term of this Lease, Tenant shall make payments to Landlord at the rate of Thirty Thousand Dollars ($30,000) per annum for each of the Residential Buildings (as such amount may be increased by the Security Charge Adjustment), such payments to be made in advance, in equal quarterly installments. The "Security Charge Adjustment" shall mean the percentage of increase, if any, in the wage rate (including fringe benefits) paid by Landlord to security personnel on Roosevelt Island from the date which is eighteen (18) months after the Initial Endorsement Date to the date a payment is required to be made by Tenant under this Section 40.01(c). If Tenant fails to pay such payment, Landlord (in

addition to any other rights and remedies provided herein) shall have all of the rights and remedies provided for by law in the case of non-payment of rent. If Landlord ceases to provide a security force for Roosevelt Island, Tenant shall not be obligated to make the payments required by this Section 40.01(c).

(d) Additional Island Services. Landlord shall have the right to designate any or all of the matters set forth in Section 11.10(c) (other than the matters set forth in Section 11.10(c)(iii)) hereof as "Island Services," provided such designation is applicable to all residential projects on Roosevelt Island in a non-discriminatory manner and provided further that New York City would no longer be responsible as the local municipal government as a matter of law in the absence of any contractual or lease obligations whatsoever for the providing of such services.

Section 40.02. 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 provided Landlord changes, curtails or discontinues such service for all of the residential projects on Roosevelt Island in a non-discriminatory manner, and shall not be liable to Tenant or Subtenants if Landlord elects not, refuses, or fails, to furnish any or all of the Island Services, or for any injury to any Person or damage to the Premises or any property caused by, or resulting from the furnishing, curtailment or discontinuance of, or changes in, or any failure to furnish Island Services. Notwithstanding the foregoing, except in case of emergency, Landlord shall give Tenant reasonable advance notice of the curtailment or discontinuance of Tramway or substitute bus service and ninety (90) days notice of the discontinuance of AVAC service. Nothing contained herein shall be deemed to relieve Landlord from liability to Tenant by reason of the negligence or wrongful acts of Landlord, its agents or employees.

Section 40.03. Security.

(a) Tenant may hire its own security personnel for the Premises provided that such personnel shall not regularly patrol outside of the Residential Buildings without the approval of Landlord and provided further that the security services of Landlord shall not be impeded or limited in their access to the Buildings.

(b) Landlord shall have the right to enter the Premises in connection with performance of Landlord's security services, including the right to enter the Buildings

in response to calls from Subtenants or other occupants of the Buildings or while in pursuit.

(c) Landlord shall have the right, at its cost and expense, to install antennae on the roofs of the Buildings for security radio provided (i) Tenant shall have approved the plans therefor, which approval shall not be unreasonably withheld, (ii) the antennae shall comply with all Requirements applicable thereto and (iii) such installation shall not violate the provisions of any insurance maintained by Tenant.

Section 40.04. AVAC/Refuse Disposal. Tenant shall use the AVAC system serving Roosevelt Island for the disposal and removal of all refuse for which it was designed by depositing all such refuse into the AVAC input stations which Tenant shall construct. Refuse which the AVAC is not designed to process shall not be disposed in or through the AVAC. Tenant agrees that, at its sole cost and expense, it shall dispose of and remove from the Premises all refuse which the AVAC is not designed to process, in such manner as Landlord shall approve pursuant to agreements entered into by Landlord on behalf of Tenant, which agreements shall be subject to Tenant's approval, such approval not to be unreasonably withheld, or such other agreements as Landlord shall approve, such approval not to be unreasonably withheld. If such disposal and removal is pursuant to agreements entered into by Landlord, Tenant shall pay to Landlord, within ten (10) days after demand, at Landlord's option, either (i) Tenant's Pro Rata Share of all costs and expenses incurred by Landlord under such agreements, or (ii) the costs and expenses attributable to the Premises which are incurred by Landlord under such agreements. If Tenant fails to pay such costs and expenses, Landlord (in addition to any other rights and remedies provided herein) shall have all of the rights and remedies provided for by law in the case of non-payment of rent. Landlord represents, that as of the date hereof, there is no condition or event to Landlord's knowledge, that would cause the termination of AVAC service.

Section 40.05. Intentionally Deleted.

Section 40.06. (a) Community Facilities. Tenant shall provide non-discriminatory access to and use of the Community Facilities Building by any and all residents of Roosevelt Island. Tenant shall administer the use, maintain and keep the Community Facilities Building and the Community Facilities in good repair and shall furnish or cause to be furnished all utilities, air-conditioning, heating and other services. No amounts may be charged by Tenant for the use of

the Community Facilities Building or the Community Facilities or for any expenses incurred by Tenant in connection with the maintenance or use thereof except that Tenant may charge users for the actual (marginal) cost to Tenant of each individual event in the Community Facilities Building including additional costs for HVAC and additional labor costs for the event but not including any overhead or debt service charges. Tenant may require a security deposit from any user (in an amount reasonably affordable by such user) using the Community Facilities Building for a large, private, social affair at which liquor or food or both are served. Tenant may not require any security deposit in connection with any other use of the Community Facilities Building. Tenant shall coordinate security for the Community Facilities Building and the Community Facilities with Landlord's security system. Tenant shall not be liable to Landlord with respect to any negligent or wrongful acts of Landlord or Landlord's agents in connection with the use of the Community Facilities Building or the Community Facilities by Landlord or its agents.

(b) Outdoor Community Facilities. Tenant covenants and agrees that any outdoor recreational facilities and plazas (including the Promenade) which are a part of the Premises, as more particularly shown on the Plans and Specifications, shall not be fenced or otherwise enclosed nor access thereto restricted in any manner and, except as otherwise provided in Section 40.07, shall be maintained by Tenant in good repair and appearance.

(c) Day-care. Tenant shall operate or cause to be operated and shall provide or cause to be provided non-discriminatory access to and use of the day-care center in the Section 8 Building by any and all residents of Roosevelt Island, for which such users may be charged a fee on a non-profit basis only, which day-care center shall be duly licensed. In calculating the cost of operating the day-care center for purposes of determining the fee that may be charged to users, the lesser of the following amounts shall be excluded from the cost calculations (i) $5,000 or (ii) the actual cost of operating the electrical and HVAC systems servicing the day-care center.

(d) Youth Programs. Commencing on the first anniversary of the Commencement of Construction and continuing for a period of four (4) years thereafter, Tenant shall pay to Landlord sufficient funds, in the aggregate of between Fifty Thousand Dollars ($50,000) and Seventy- Five Thousand Dollars ($75,000) per year, to cover the salaries of two persons who will operate recreational and other programs

for Roosevelt Island youth, provided that Landlord shall similarly fund the salaries of two other such persons. The determination of such salaries shall be made by Landlord, subject to the monetary limitations hereinabove set forth. Tenant shall also work closely with Landlord, the Roosevelt Island Residents Association and other Roosevelt Island organizations to develop effective youth programs on Roosevelt Island to be led and administered by a professional staff to be hired on a non-profit basis. To that end, Tenant shall make available expert staff, as needed, to provide professional training to Roosevelt Island organizations and to Landlord's employees in operating and managing youth programs. At the conclusion of the four-year period, Landlord and Tenant shall jointly evaluate the need for and feasibility of further participation by Tenant in the youth program.

(e) Sportspark. Tenant shall participate with Landlord, the Roosevelt Island Residents Association and other involved Roosevelt Island organizations in (i) assessing the feasibility of refurbishing and operating the Sportspark as a full service seven-day a week facility for Roosevelt Island residents and (ii) in training personnel and providing technical assistance in connection with the operation of the Sportspark. The feasibility study shall among other things, identify and make specific recommendations with respect to the obligations that might be required by Landlord, the Northtown Phase I housing companies, Tenant and others to operate the Sportspark on a full-time basis.

(f) Library Contribution. Tenant shall pay to Landlord on the Commencement Date the sum of Twenty-Five Thousand Dollars ($25,000) to be used by Landlord in connection with improving and expanding the Roosevelt Island Library.

Section 40.07. Promenade. From and after the date of Completion of the Buildings, Landlord shall maintain and repair the Promenade provided, however, if a condition is caused by an act or omission of Tenant, Tenant shall make the necessary repair. If Landlord shall fail to maintain and repair the Promenade, Tenant, in addition to any other rights it may have by reason of such failure of Landlord, and after giving notice thereof to Landlord and the expiration of thirty (30) days after the giving of such notice, during which time Landlord shall not have commenced and diligently prosecuted such maintenance and repair (subject to Unavoidable Delays), may maintain and repair same and set-off all reasonable amounts paid in connection with such

maintenance and repair against Base Rent thereafter payable under the provisions of Section 3.01 hereof. Landlord's obligations with respect to the Promenade shall terminate as of the respective date or dates upon which such maintenance and repair shall be assumed by New York City.

Section 40.08. Transportation.

(a) Minibuses. As long as Landlord furnishes minibus service on Roosevelt Island, Tenant shall pay the cost of acquisition (which, for purposes hereof, shall include leasing), and, every three years thereafter, replacement, but not the cost of operation or, except as hereinafter provided, maintenance which is to be paid by Landlord, from time to time of four (4) minibuses to be used on Roosevelt Island, equal in kind and quality to the other minibuses operated on Roosevelt Island (at least one of which shall be fully equipped to transport the handicapped) for ordinary use thereon, such minibuses to be acquired as follows:

(i) two (2) minibuses upon the earlier of (A) on the date of issuance of temporary or permanent certificates of occupancy, whichever shall first occur, for ninety-five percent (95%) of the Residential Units or (B) the Rent Commencement Date, and on each third (3rd) anniversary of such date thereafter; and

(ii) two (2) minibuses upon the date when fifty percent (50%) of the Completed Units are occupied and on each third (3rd) anniversary of such date thereafter.

In addition, if Tenant shall use a minibus in connection with the services provided by Tenant pursuant to Section 40.08(b), Tenant shall also pay the maintenance costs for such minibus for the period of such use. If Tenant fails to pay such costs, Landlord (in addition to any other rights and remedies provided herein) shall have all of the rights and remedies provided for by law in the case of non-payment of rent. Landlord, at Landlord's sole cost and expense, shall keep such minibuses insured against loss or damage.

(b) Shuttle Service. If at such time as 111 Residential Units are occupied, either the 63rd Street subway line from Manhattan is not open and operating on Roosevelt Island or no permanent Island wide substitute therefor then exists, Tenant shall, until such time (if ever) that such subway shall be open and operating on Roosevelt Island or there exists a permanent Island wide substitute therefore, provide transportation service to a subway station or

stations in Queens, designated by Landlord, sufficient to accommodate up to seven hundred (700) commuters per hour, if required, from Roosevelt Island during the hours of 7:30 A.M. to 9:30 A.M. and 4:30 P.M. to 6:30 P.M., Monday through Friday. Such transportation service (i) shall be operated and maintained at Tenant's sole cost and expense, (ii) shall be free to all residents of Roosevelt Island, (iii) shall be made available to all residents of Roosevelt Island on a "first come, first served" basis and (iv) shall comply with all Requirements of New York City. In connection with such transportation service, Tenant may use the four (4) minibuses provided by Tenant pursuant to Section 40.08(a). Notwithstanding the foregoing, if such subway shall not be open and operating or no permanent Island wide substitute therefor then exists but Landlord shall provide alternate transportation for Roosevelt Island residents Landlord may request Tenant to cease such shuttle service. In such event, Tenant shall pay to Landlord an amount equal to the cost of the shuttle service theretofore provided by Tenant (Adjusted for Inflation).

(c) Transportation Study. Tenant shall participate in, cooperate with and contribute Fifty Thousand Dollars ($50,000) toward the cost of a study of the transportation issues affecting Roosevelt Island to be conducted by Landlord and other appropriate government agencies. Such contribution shall be made to Landlord upon the execution and delivery of this Lease or the commencement of such study, whichever occurs later. Upon completion of such study, Tenant shall cooperate with Landlord and with other New York State and New York City agencies in efforts to resolve identified transportation issues in a manner consistent with Tenant's rights under this Lease.

(d) Other Tenant Transportation. Without Landlord's prior approval, Tenant shall not operate or cause to be operated for residents of Roosevelt Island or applicants or prospective applicants for apartments thereon, any mode of transportation to, from or on Roosevelt Island, except as set forth in the Marketing and Rental Plan.

Section 40.09. No Third Party Rights. The provisions of this Article 40 shall not be deemed to grant any rights to any Person, including, without limitation, any subtenant or other resident on or visitor to Roosevelt Island, except Tenant and/or Landlord, and the terms of this Article 40 shall be enforceable only by Tenant and/or Landlord.

ARTICLE 41

MISCELLANEOUS

Section 41.01. Captions. The captions of this Lease are for convenience of reference only and in no way define, limit or describe the scope or intent of this Lease or in any way affect this Lease.

Section 41.02. Table of Contents. The Table of Contents is for the purpose of convenience of reference only and is not to be deemed or construed in any way as part of this Lease or as supplemental thereto or amendatory thereof.

Section 41.03. Gender and Successors. The use herein of the neuter pronoun in any reference to Landlord or Tenant shall be deemed to include any individual Landlord or Tenant, and the use herein of the words "successor and assign" or "successors and assigns" of Landlord or Tenant shall be deemed to include the heirs, legal representatives and assigns of any individual Landlord or Tenant. Words of the masculine gender shall mean and include correlative words of the feminine and neuter gender and words imparting the singular shall mean and include the plural and vice versa.

Section 41.04. Reference to Landlord or Tenant. If more than one party is named as or becomes Landlord or Tenant hereunder, Landlord or Tenant, as the case may be, may require the signatures of all such parties in connection with any notice to be given or action to be taken by Landlord or Tenant, as the case may be, hereunder. Subject to the provisions of Sections 41.05 and 41.09 hereof, each party named as Landlord or Tenant shall be fully liable for all of Landlord's or Tenant's, as the case may be, obligations hereunder. Any notice by Landlord or Tenant to any party named as Landlord or Tenant, as the case may be, shall be sufficient and shall have the same force and effect as though given to all parties named as Landlord or Tenant, as the case may be.

Section 41.05. Landlord's Exculpation. The liability of Landlord or of any Person who has at any time acted as Landlord hereunder for damages or other monetary amounts shall be limited to Landlord's interest in the Premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof, and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables

appurtenant to the Premises. Neither Landlord 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 Landlord's interest in the Premises, and no other property or assets of Landlord 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 Tenant's remedies hereunder. This Section shall survive termination of the Lease.

Section 41.06. Non-Merger of Lease. Except as otherwise expressly provided in this Lease, there shall be no merger of this Lease or the leasehold estate created hereby with the fee estate in the Premises or any part thereof by reason of the same Person acquiring or holding, directly or indirectly, any interest in this Lease or the leasehold estate created hereby as well as an interest in the fee estate in the Premises.

Section 41.07. Transfer of Landlord's Interest. If UDC or any successor to its interest hereunder ceases to be the tenant under the Master Lease or there is any sale or sales, assignment or assignments, or transfer or transfers of the tenant's leasehold interest in the Premises under the Master Lease, the seller, assignor or transferor, as the case may be, shall be and hereby is entirely freed and relieved of all agreements, covenants and obligations of Landlord hereunder to be performed from and after the date of such sale, assignment or transfer, and it shall be deemed and construed without further agreement between the parties or their successors in interest or between the parties and the Person who acquires or owns the Premises including, without limitation, the purchaser, assignee or transferee on any such sale, assignment or transfer, that such Person has assumed and agreed to carry out any and all agreements, covenants and obligations of Landlord hereunder accruing from and after the date of such acquisition, sale, assignment or transfer. Nothing hereinbefore set forth shall be construed to relieve Landlord from its obligation to comply with Landlord's agreements, covenants and obligations under this Lease required to be performed prior to the date of any such sale, assignment or transfer of Landlord's interest in the Master Lease.

Section 41.08. Transfer of Tenant's Interest. If Roosevelt Island Associates or any successor to its interest hereunder ceases to have any interest in the leasehold estate hereby created by reason of any authorized and valid sale or sales, assignment or assignments or transfer or transfers of the Tenant's interest hereunder in accordance with the terms

of Article 10 of this Lease, the seller, assignor or transferor shall be and hereby is entirely freed and relieved of all agreements, covenants and obligations of Tenant hereunder to be performed from and after the date of such sale, assignment or transfer, and it shall be deemed and construed without further agreement between the parties or their successors in interest or between the parties and the Person who acquires or owns the Tenant's interest in the Premises under this Lease, including, without limitation, the purchaser or transferee in any such sale, disposition or transfer, that, subject to the provisions of Section 41.09, such Person has assumed and agreed to carry out any and all agreements, covenants and obligations of Tenant hereunder to be performed from and after the date of such acquisition, sale or transfer. Nothing hereinbefore set forth shall be construed to relieve Tenant from any liability with respect to agreements, covenants and obligations required to be performed under this Lease prior to the date of any such sale, assignment or transfer of the Tenant's interest hereunder.

Section 41.09. Tenant's Exculpation. Except with respect to the provisions hereof relating to trust funds and Tenant's obligations with respect thereto and any rights or remedies in equity, the liability of Tenant hereunder for damages or other monetary amounts, shall be limited to Tenant's interest in the Premises, including, without limitation, any then present or future rents, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof (it being agreed that, for purposes of this Section, the interest of Tenant in such insurance proceeds or condemnation awards shall pertain only to such portion or portions thereof as are paid to and retained by Tenant or held by a Depositary on behalf of Tenant rather than any Mortgagee and as shall not theretofore have been expended by Tenant for Restoration), and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to the Premises. None of the directors, officers, partners, joint venturers, principals, shareholders, employees, agents or servants of Tenant or partners of a partnership constituting a partner of Tenant shall have any liability (personal or otherwise) hereunder, other than for fraud or breach of trust for funds held in trust, beyond Tenant's interest in the Premises, and no other property or assets of Tenant or any of the directors, officers, partners, joint venturers, principals, shareholders, employees, agents or servants of Tenant or partners of a partnership constituting a partner of Tenant shall be subject to levy, execution or other enforcement pro-

cedure for the satisfaction of Landlord's remedies hereunder. This Section shall survive termination of the Lease.

Section 41.10. Amendment of Lease. This Lease cannot be changed or terminated orally, but only by a written instrument of change, modification, waiver or termination executed by the party against whom enforcement of any change, modification, waiver or discharge is sought.

Section 41.11. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of New York.

Section 41.12. Successors and Assigns. The agreements, terms, covenants and conditions herein shall bind and inure to the benefit of Landlord and Tenant and their respective successors and (except as otherwise provided herein) assigns.

Section 41.13. No Joint Venture. Nothing herein is intended nor shall be deemed to create a joint venture or partnership between Landlord and Tenant, nor to make Landlord in any way responsible for the debts or losses of Tenant.

Section 41.14. Tax Benefits. As between Landlord and Tenant, Tenant shall have the exclusive right, if any, to all depreciation deductions, investment tax credits and other similar tax benefits attributable to any construction, demolition and Restoration performed by Tenant or attributable to the ownership of the Building. Landlord from time to time shall execute and deliver such instruments as Tenant shall reasonably request in order to effect the provisions of this Section 41.14, and Tenant shall pay Landlord's reasonable costs and expenses thereof. Landlord neither makes nor implies any representations as to the availability of any such deductions, credits or tax benefits.

Section 41.15. Entire Agreement. This Lease, and the Exhibits hereto, contains all the promises, agreements, conditions, inducements and understandings between Landlord and Tenant relative to the Premises and there are no promises, agreements, conditions, understandings, inducements, warranties or representations, oral or written, expressed or implied, between them other than as herein set forth other than as may be expressly contained in any written agreements or instruments executed by the parties or a party hereto.

Section 41.16. Counterparts. This Lease may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and

any of the parties or signatories hereto may execute this Lease by signing any of such counterparts.

Section 41.17. Tenant Indemnification. The rights granted to Landlord in Article 19 shall be for the benefit of and enforceable by both UDC and RIOC and the obligations of Tenant contained in Article 19 shall run to and be enforceable by both UDC and RIOC. In addition, notwithstanding anything to the contrary contained in Article 34 or elsewhere in this Lease, Tenant waives any and all claims against UDC and RIOC based on the assertion that execution of this Lease by UDC or RIOC was ultra vires and, Tenant shall indemnify and save harmless UDC and RIOC against and from all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including without limitation attorneys' fees and disbursements, which may be imposed upon or asserted against or reasonably incurred by UDC or RIOC in connection with or based on any claim or assertion that the execution of this Lease by UDC or RIOC was ultra vires.

Section 41.18. Execution By RIOC. Upon obtaining required consents, as provided in the RIOC Act, UDC and RIOC intend to comply with the RIOC Act by, among other things, (i) UDC assigning its rights under the Master Lease to RIOC, (ii) RIOC assuming the obligations of tenant under the Master Lease, and (iii) UDC and RIOC entering into such agreements as shall be necessary to permit UDC to recover the investment which it has made in the development of Roosevelt Island. Upon the assignment of the Master Lease by UDC to RIOC, and RIOC's assumptions of the tenant's obligations thereunder, RIOC shall become the Landlord under this Lease. RIOC is executing this Lease for the purpose of evidencing its approval of, and consent to, the terms and conditions hereof.

IN WITNESS WHEREOF, Landlord, Tenant and RIOC have executed this Lease as of the day and year first above written.

NEW YORK STATE URBAN DEVELOPMENT CORPORATION, Landlord

By: _____

ROOSEVELT ISLAND ASSOCIATES, Tenant

By: HSC CORP., a New York corporation, A General Partner

By: _____

By: COHEN ROOSEVELT ASSOCIATES, a New York limited partnership, A General Partner

By: _____

ROOSEVELT ISLAND OPERATING CORPORATION

By: _____

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

On the 4th day of August, 1986, before me personally came Vincent Tese, to me known, who, being by me duly sworn, did depose and say that he resides at 130 E. 74th St., New York, NY 10021; that he is the Chairman of the Board and C.E.O. of NEW YORK STATE URBAN DEVELOPMENT CORPORATION, the public benefit corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the directors of said corporation and that he signed his name thereto by like order.

Elizabeth Rosario
Notary Public

[Notarial Seal]

ELIZABETH ROSARIO
Notary Public, State of New York
No. 4526059
Qualified in New York County
Commission Expires March 30, 1988

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

On the 4th day of August, 1986 before me personally came Richard Bossert to me known, who, being by me duly sworn, did depose and say that he resides at 45 Magnolia Rd, Scarsdale, New York; that he is the President of HSC CORP., the corporation described in and which executed the foregoing instrument as a general partner of Roosevelt Island Associates, the New York partnership described in the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

Camille R. Cunsolo
Notary Public

[Notarial Seal]

CAMILLE R. CUNSOLO
NOTARY PUBLIC, State of New York
No. 30-4734222
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires March 30, 1987

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

On the 4th day of August, 1986, before me personally came Sherman Cohen, to me known, who, being by me duly sworn, did depose and say that he resides at 50 John Street, New York, New York; that he is General Partner of COHEN ROOSEVELT ASSOCIATES, the New York limited partnership described in and which executed the foregoing instrument as a general partner of Roosevelt Island Associates, the New York partnership described in the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

Camille R. Cunsolo
Notary Public

[Notarial Seal]

CAMILLE R. CUNSOLO
NOTARY PUBLIC, State of New York
No. [illegible]
Qualified in [illegible] County
Certificate Filed in [illegible] County
Commission Expires March 30, 1987

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

On the 8th day of August, 1986, before me personally came William B. Eimicke, to me known, who, being by me duly sworn, did depose and say that he resides at 500 E. 85 St., New York, N.Y. 10028; that he is the Chairman of ROOSEVELT ISLAND OPERATING CORPORATION, the public benefit corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the directors of said corporation and that he signed his name thereto by like order.

Effie Salvage
Notary Public

[Notarial Seal]

EFFIE SALVAGE
Notary Public State of New York
No. 31-3436550
Qualified in New York County
Commission Expires March 30, 1987

Exhibit A

LEGAL DESCRIPTION OF LAND

Residential Buildings Site

All that certain plot, piece or parcel of land situate, lying and being in Roosevelt Island, City and State of New York, bounded and described as follows:

Beginning at a point No. 200 located on the westerly line of Main Street, as shown on Stephen J. Reid's Survey No. 17041 dated May 21, 1986 having coordinates North 15,486.71, East 18,871.31, referred to Local Coordinate Systems:

Running thence the following courses and distances:

(1) South 34 Degrees 10 Minutes 38 Seconds West, 1031.67 Feet along said Westerly Line of Main Street,
(2) North 55 Degrees 49 Minutes 22 Seconds West, 275.98 Feet,
(3) South 31 Degrees 54 Minutes 40 Seconds West, 149.09 Feet,
(4) North 55 Degrees 12 Minutes 28 Seconds West, 26.97 Feet,
(5) North 31 Degrees 50 Minutes 06 Seconds East, 329.25 Feet along the Easterly side of the Seawall,
(6) North 29 Degrees 29 Minutes 00 Seconds East, 625.94 Feet along the Easterly side of the Seawall,
(7) North 34 Degrees 29 Minutes 42 Seconds East, 227.54 Feet along the Easterly side of the Seawall,
(8) South 55 Degrees 49 Minutes 22 Seconds East, 360.46 Feet to the Westerly line of Main Street, and to the point or place of beginning.

Together with such land adjacent to the easterly boundary of the above described land as is actually occupied by columns and footings for the Residential Buildings constructed in accordance with the Plans and Specifications.

Together with such air space adjacent to the easterly boundary of the above described land as is actually occupied

by portions of the Residential Buildings constructed in accordance with the Plans and Specifications.

Motorgate II Site

All that certain plot, piece or parcel of land situate, lying and being in Roosevelt Island, City and State of New York, bounded and described as follows:

Beginning at a point on the easterly line of Main Street, distant 305.15 feet northeasterly from angle point #52 having coordinates N 14,839.66, E 18, 534.86 referred to Local Coordinate System;

Running thence the following courses and distances:

(1)	S 55°-49'-22"E,	101.50 feet
(2)	N 34°-10'-38"E,	230.00 feet
(3)	N 55°-49'-22"W,	55.00 feet
(4)	N 34°-10'-38"E,	19.50 feet
(5)	N 55°-49'-22"W,	22.00 feet
(6)	S 34°-10'-38"W,	19.50 feet
(7)	N 55°-49'-22"W,	18.00 feet
(8)	N 34°-10'-38"E,	42.00 feet
(9)	N 8°-42'-06"W,	9.55 feet

to a point on the easterly line at Main Street; Running thence S 34°-10'-38"W, 279.00 feet along said easterly line of Main Street to the point or place of beginning.

Together with such land adjacent to the westerly boundary of the above described land as is actually occupied by the columns and footings for Motorgate II constructed in accordance with the Plans and Specifications.

Together with such air space adjacent to the westerly boundary of the above described land as is actually occupied by portions of Motorgate II constructed in accordance with the Plans and Specifications.

Together with such air space adjacent to the southerly boundary of the above described land as is actually occupied by the portion of Motorgate II connecting with Motorgate I constructed in accordance with the Plans and Specifications.

Reservations

SUBJECT to such non-exclusive easements and rights-of-way upon, over, under, across and through the Premises, including rights of ingress and egress, as may be necessary or desirable to permit Landlord to exercise its rights and/or perform its obligations under this Lease.

SUBJECT to an easement upon, over, under, across and through the Premises for construction, repair, maintenance and replacement of AVAC.

SUBJECT to a thirty-five foot wide easement upon, over, under, across and through the Premises for repair, maintenance and replacement of sewer line.

SUBJECT to non-exclusive easements and rights of way in favor of the public upon, over, across and through the Premises, including rights of ingress and egress, necessary or desirable to permit the use and enjoyment of the Promenade, the Community Facilities Building, the Day-Care Center and other public facilities.

EXHIBIT B

TITLE MATTERS

1. Terms, covenants and conditions of the Agreement of Lease of Roosevelt Island by and among New York City, UDC and UDC's subsidiary, Welfare Island Development Corporation, dated December 23, 1969, recorded on December 24, 1969 in Reel 160 at Page 1758, as amended by Amendments dated July 26, 1972, December 6, 1973 and December 16, 1977

2. State of facts that an accurate survey would show.

3. Zoning and other laws, ordinances, governmental regulations, orders and requirements pertaining to the Premises or this transaction as overridden by the Zoning Waiver.

4. Easements, rights, restrictions, covenants and matters of record.

5. If the Premises includes land now or formerly lying below the high water mark of the East River, rights of the United States Government to enter upon and take possession of such lands.

6. If the Premises includes land now or formerly lying below the high water mark of the East River, rights of the public in and to such land.

7. Rights of the United States Government, the State of New York and the City of New York or any of their departments or agencies to regulate and control the use of the piers, bulkhead and land under water and land adjacent thereto.

EXHIBIT C

DESIGN & CONSTRUCTION REQUIREMENTS

1. Prior to commencement of construction, Tenant shall submit for the approval of Landlord, which approval (or reasons for disapproval in reasonable detail) shall be given within twenty (20) days after receipt by Landlord, the following:

(a) Schematics ("Schematics"); and

(b) Final Plans and Specifications (the "Final Plans and Specifications"; the Schematics and Final Plans and Specifications are collectively referred to herein as "Plans").

The Plans shall be in such detail as required by Landlord, HDC and FHA and shall be prepared by the Architect.

The Plans shall include site and building plans, elevations and details of building exteriors, interior building details including floor plans, details of site development (i.e., plazas, drives, paving, play areas, landscaping and utility systems), the energy analysis for the project, a general description of all general construction, electrical, mechanical and plumbing work; and complete plans and specifications for all trades of the daycare center space located in the Section 8 Building, Motorgate II and the Community Facilities Building. Landlord's right of approval of the Final Plans and Specifications pertaining to the interior building details of the Market Rate Units and the Section 8 Units shall be limited to assuring that the Final Plans and Specifications conform to the Schematics.

2. During the development of each portion of the Final Plans and Specifications (but prior to their submission), Landlord shall have the opportunity to review and comment upon same at the Architect's office.

Final Plans and Specifications shall not be submitted for Landlord's approval until Schematic approval has been received for that portion of the work. In the event Landlord's approval or comments on any portion of the Final Plans and Specifications submitted for such approval are not received by Tenant within twenty (20) days of Landlord's receipt, such portion of the Final Plans and Specifications shall be deemed approved.

3. Project Review - To assist Landlord in its review and approval of the Plans, Tenant shall provide the following during the applicable review and approval process:

(a) Schematic Design Review:

(i) the Schematics;

(ii) Site survey, including utilities, grade and easements;

(iii) Exterior finish sample board;

(iv) Estimated design and construction schedules; and

(v) Code certification letter executed by the Architect in the form set forth in attachment A.

(b) Final Design Review:

(i) Final Plans and Specifications;

(ii) Estimated final construction schedule;

(iii) Borings and subsoil analysis; and

(iv) Form of contractor and subcontractor agreements and list of contractors and subcontractors, to the extent available.

4. Prior to Commencement of Construction, Tenant shall submit to Landlord:

(a) Copy of final Plans and Specifications certified by the Architect to have been approved by the New York City Building Department;

(b) Building permits;

(c) Payment and performance bonds required by the Lease; and

(d) Copies of insurance policies required by the Lease.

5. When available (whether prior to commencement of or during construction), Tenant shall submit to Landlord:

(a) Form of contractor and subcontractor agreements; and

(b) List of contractors and subcontractors, with material changes from form of contractor and subcontractor agreements submitted pursuant to (a) above, if any.

6. During construction of the Buildings, Tenant shall submit to Landlord copies of the following:

(a) Foundation and utility surveys by a licensed surveyor surveyed prior to backfilling;

(b) Copies of all test and inspection reports;

(c) Progress schedule with all amended schedules;

(d) Minutes to the extent prepared of all job progress meeting with contractor, subcontractors and architect;

(e) Monthly progress photos, if any;

(f) Building Department amendments, if any; and

(g) Approved change orders for the Material Specifications.

7. During construction of the Buildings (a) Tenant shall give Landlord prior notice of and shall permit Landlord to attend and participate in those construction progress meetings where Material Specifications are the subject of discussion; (b) Tenant shall provide a securable office at the Construction Site for a representative of Landlord equipped with a desk, telephone, plan table, file cabinet, heat, light and air conditioning; and (c) Landlord shall retain the right to comment on any item of construction work which does not conform to the Plans or the New York City Building Code and Tenant must reasonably respond to any such comment; and

8. In addition to the requirements of Section 11.04(c), within a reasonable time after Completion of the Buildings, but in no event later than three months thereafter, Tenant shall submit to Landlord:

(a) Copies of guarantees to the extent required by the Plans and Specifications;

(b) Building Department certificates, including without limitation temporary and permanent certificates of occupancy, as required in accordance with the New York City Building Code; and

(c) At Tenant's option, either New York Board of Fire Underwriters' inspection certification or New York City Bureau of Electrical Control approval.

9. All construction contracts and subcontracts shall contain provisions concerning the following as required by the Lease: (a) Affirmative action requirements; and (b) Payment of prevailing wage rates as required by FHA.

10. All construction work shall be performed in accordance with the New York City Building Code, as administered by the New York City Buildings Department, and shall also be in compliance with applicable HUD standards.

ATTACHMENT A

CODE CERTIFICATION LETTER

The following Certification Letter shall be included in the initial report submitted to UDC for approval.

_____, 1986

New York State Urban
Development Corporation
1515 Broadway
New York, New York 10036

Attention: Mr. Robert Brugger
Assistant Vice President,
Design & Construction

Re: Architect's Certification

Gentlemen:

The undersigned, a principal of the firm of _____, duly qualified and registered to practice architecture in the State of New York, in connection with the _____ project, does hereby certify as follows:

1. The schematic plans and specifications are being designed to conform with, and that final plans and specifications will be designed to conform with, the New York City Building Code.

2. The schematic plans and specifications for the project and the final plans and specifications are designed to acceptable New York City safety, livability and adequate light, air, sanitation and fire protection standards.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 1985.

Very truly yours,

Signature _____
Architect's Name

EXHIBIT D

SCHEDULE OF WORK FOR HANDICAPPED UNITS

KITCHENS

	Item	Requirement
a)	Access door or opening	minimum 40"
b)	Clear floor space	7'5" required
c)	Floor surface	non-slip
d)	Clearance between opposing base cabinets	minimum 40"
e)	Adjustable or replaceable counter work surface	minimum 30"
	Adjustable or replaceable sink and sink cabinet	minimum 30" above floor
	Storage cabinets, drawers and shelves	bottom maximum 48" above floor
f)	Refrigerator	side by side
g)	Smoke dectectors	to be located outside the apartment bedroom and to be audible and visual indication

BATHROOM

	Item	Requirement
h)	Lavatory	mounted a minimum 29" above floor (measured from the floor to the bottom of the apron), faucets to be lever or push type
i)	Base cabinet	removal of base cabinets

	Item	Requirement
j)	Mirror	bottom at maximum 40" height from the floor
k)	Medicine Cabinet	usable shelf maximum 44" above floor
l)	Bath tub	provide seat in tub
m)	Bath tub	grab bars
n)	Bath tub controls	faucets and controls to be push type
o)	Door	swing out
p)	Door width (1 bathroom)	2'8" required (with the door open at 90© measured between the face of the door and the stop)
q)	Clear floor space	7'3" required
r)	Floor surface	non-slip
s)	Water Closet	minimum 15" height above floor
t)	Water Closet	grab bars
u)	Toilet paper dispenser	minimum 19" above floor
v)	Door thresholds	1/2" max. between floor levels

U.S. Department of Housing and Urban Development
New York Regional Office, Region II
Jacob K. Javits Federal Building
New York, New York 10278-0068

2HDH

APR 2 7

Mr. Henry Benach
Chairman
Starrett Housing Corporation
909 Third Avenue
New York, New York 10022

Dear Mr. Benach:

Subject: Project Name: Northtown Phase II (Roosevelt Island)
Project Number: 012-32267/NY36-8023-029

This is to advise you that we have received further communication from our Central Office regarding your request for a waiver of the regulatory requirement for 100% performance and payment bonds as required by 24 CFR 207.19(c)(6)(iii).

Further consideration has been given to your request, inasmuch as your application for mortgage insurance was submitted and accepted prior to the effective date of the amendment to the regulations. Since the application was on based on the rules in effect at that time, approval has been granted to your request and we are authorized to allow you to furnish the assurance of completion in accordance with those requirements. The assurance shall be by corporate surety bonds for payment and performance, each in the amount of 50% of the HUD estimate of construction cost, or a completion assurance agreement secured by a cash deposit in the amount of the HUD estimate of construction cost.

Sincerely,

Joseph D. Monticciolo, FAIA
Regional Administrator/
Regional Housing Commissioner

STARRETT HOUSING CORPORATION
909 THIRD AVENUE, NEW YORK, N. Y. 10022
TELEPHONE 751-3100

ADDRESS ALL COMMUNICATIONS
TO THE COMPANY

June 16, 1987

BY HAND

Debra James, Esq.
General Counsel
Roosevelt Island Operating
Corporation
591 Main Street
New York, N. Y. 10044

Re: Northtown - Phase II
(Roosevelt Island)
Project No. 012-32267/NY36-8023-029

Dear Ms. James:

I am enclosing a letter waiver in triplicate original, signed by Roosevelt Island Associates, to be executed by an authorized signatory of RIOC and UDC consenting to a 50% Payment and Performance Bond, approved by HUD for this project, as indicated in the attached copy of a letter from HUD. We will need the waiver executed prior to closing, which has been scheduled to take place at or near the end of the month.

Your cooperation and assistance will be appreciated. If you have any questions, do not hesitate to contact me.

Sincerely,

Stephen Salup
Counsel

SS/ms
encl.

cc: Fredric Altschuler
w/encl.

OFFICE OF THE UNDERSIGNED

909 THIRD AVENUE — SIXTEENTH FLOOR

NEW YORK, N. Y. 10022

751-3100

June 15, 1987

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

New York State Urban Development Corporation
151 Broadway
New York, New York 10036

Re: Northtown - Phase II
(Roosevelt Island)
Project No. 012-32267/NY36-8023-029

Gentlemen:

Reference is made to that certain Agreement of Lease among New York State Urban Development Corporation, Landlord, and Roosevelt Island Associates, Tenant, and Roosevelt Island Operating Corporation, as the intended assignee of Landlord's interest ("Lease"). We hereby respectfully request a waiver from the requirements of Section 11.02(a)(iv) of the Lease to the extent of substituting "fifty percent (50%)", in conformity with the parallel requirements of the United States Department of Housing and Urban Development, applicable to the project.

Please indicate your consent to the requested waiver by execution of this letter by an authorized signatory of your agency, on the below-indicated line prepared for your signature.

Very truly yours,

ROOSEVELT ISLAND ASSOCIATES

By: Cohen-Roosevelt Associates
A General Partner

By: _____
Sherman Cohen

By: HSC Corp., A General
Partner

By: _____
Richard Bassuk, President

CONSENTED TO:

NEW YORK STATE URBAN
DEVELOPMENT CORPORATION

By: _____

ROOSEVELT ISLAND OPERATING
CORPORATION

By: _____

SS/ms

OFFICE OF THE UNDERSIGNED

909 THIRD AVENUE — SIXTEENTH FLOOR

NEW YORK, N. Y. 10022

751-3100

June 15, 1987

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

New York State Urban Development Corporation
151 Broadway
New York, New York 10036

Re: Northtown - Phase II
(Roosevelt Island)
Project No. 012-32267/NY36-8023-029

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Very truly yours,

ROOSEVELT ISLAND ASSOCIATES

By: Cohen-Roosevelt Associates
A General Partner

By: _____
Sherman Cohen

By: HSC Corp., A General
Partner

By: _____
Richard Bassuk, President

CONSENTED TO:

NEW YORK STATE URBAN
DEVELOPMENT CORPORATION

By: _____

ROOSEVELT ISLAND OPERATING
CORPORATION

By: _____

SS/ms

STARRETT HOUSING CORPORATION
909 THIRD AVENUE, NEW YORK, N. Y. 10022
TELEPHONE 751-3100

ADDRESS ALL COMMUNICATIONS
TO THE COMPANY

June 18, 1987

BY HAND

Debra James, Esq.
General Counsel
Roosevelt Island Operating
Corporation
591 Main Street
New York, N. Y. 10044

Re: Northtown - Phase II
(Roosevelt Island)
Project No. 012-32267/NY36-8023-029

Dear Debbie:

Forwarded herewith, in triplicate original, is request for approval of Sherman Cohen and Charles S. Cohen, doing business as RIA Construction Company, as a joint venturer with HRH Construction Corporation (a Starrett Housing Corporation subsidiary), the Construction Contractor. Landlord approval of RIA and the Cohens is required, in accordance with Section 11.04(a) of the Lease. After the enclosed is executed by RIOC, would you kindly call so that I may have the approval picked up and delivered to UDC for signature.

Upon full execution of all of the enclosed triplicate original consents, I will provide you with a fully executed original.

Your expeditious cooperation would be appreciated. If you have any question, do not hesitate to contact me.

Sincerely,

Stephen Salup
Counsel

SS/ms
encls.

OFFICE OF THE UNDERSIGNED

909 THIRD AVENUE — SIXTEENTH FLOOR

NEW YORK, N. Y. 10022

751-3100

June 18, 1987

Rosina K. Abramson, Esq.
Chief Operating Officer/Executive
Director
Roosevelt Island Operating
591 Main Street
Roosevelt Island, New York 10044

Joann Gentile, Esq.
Senior Vice President & General
Counsel
New York State Urban Development
Corporation
1515 Broadway
New York, N. Y. 10036

Re: Northtown - Phase II
(Roosevelt Island)
Project No. 012-32267/NY36-8023-029

Dear Ms. Abramson & Ms. Gentile:

Reference is made to that certain Agreement of Lease among New York State Urban Development Corporation, Landlord, and Roosevelt Island Associates, Tenant, and Roosevelt Island Operating Corporation, as the intended assignee of Landlord's interest ("Lease").

In accordance with Section 11.04(a) of the Lease, Roosevelt Island Associates respectfully requests the approval of Sherman Cohen and Charles S. Cohen, as general partners doing business as RIA Construction Company as a joint venturer general contractor with HRH Construction Corporation, a wholly-owned Starrett Housing Corporation subsidiary, for the construction of the above project.

Your expeditious response would be appreciated.

Very truly yours,

ROOSEVELT ISLAND ASSOCIATES

By: HSC Corp., a General Partner

By: _____
Richard Bassuk, President

CONSENTED TO:

ROOSEVELT ISLAND OPERATING CORPORATION

By: _____

NEW YORK STATE URBAN DEVELOPMENT CORPORATION

By: _____