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New York State
Urban Development Corporation

1345 Avenue of the Americas, New York, New York 10019 / (212) 974 7000

April 25, 1973

Sovereign Construction Company, Ltd.
East 81, Route 4
Paramus, New Jersey

Re: North Town Phase III Houses:
Certain Agreements

Gentlemen:

In connection with the closing this day (the "Closing") of the financing for the above-captioned project (the "Project"), a residential project of the New York State Urban Development Corporation ("UDC"), in addition to the agreements, conditions and requirements made or set forth in the documents and regulations executed or delivered at the Closing, you hereby agree as herein set forth with respect to the following matters.

1. Private Investment Funds. Except as to the extent that it has sold partnership participations in the Project, the Sovereign Construction Company, Ltd. (the "Developer") may defer its obligations to provide Private Investment Funds pursuant to the equity and regulatory agreement for the Project, dated April 25, 1973 (the "Equity and Regulatory Agreement") until the earlier of (i) the time when 95% of Estimated Project Cost, as such term is defined in paragraph 5 hereof, has been drawn from UDC or (ii) the date of the issuance of a certificate or certificates of occupancy with respect to 90% of the units in the Project. Developer will secure its obligation to pay the private investment funds with an unconditional irrevocable bank letter of credit satisfactory to UDC in an amount equal to the equity for the Project (the "Project Equity") as provided in the Financial Schedules dated April 25, 1973 (the "Financial Schedules").

The entire amount of those funds will immediately become due and payable in the event of any default by Developer as defined in the Equity and Regulatory Agreement.

2. Sale or Lease of Certain Facilities in the Project. You will sell or lease the facilities identified in the drawings and specifications made part of the construction contract for the Project dated April 25, 1973 (the "Construction Contract") as spaces for school to UDC or such other person, firm, public, municipal or private corporation as UDC may designate at the time or times and on the terms and conditions as UDC may specify. Upon such sale or in any such lease UDC shall provide for the payment to you directly or indirectly, at the time or times of conveyance, in installments or over the term of any lease the cost allocated to such facilities by UDC and for such other terms and conditions as UDC shall specify. It is the intention of UDC to sell or lease the school portion of the Project by the time that the first payments of principal and interest are due on the Mortgage and if the school is leased, payments to you from the lessee will be made by such time or times as is necessary to allow you to meet your periodic payments of principal and interest on the mortgage for the Project, dated April 25, 1973, (the "Mortgage"). If the sale or lease is not executed by the time contemplated herein, and/or if periodic lease payments therein are not made by the time or times contemplated herein UDC shall determine the amount of deficit in the payment of principal and interest on the Mortgage resulting thereby and adjust your obligations to make such payments accordingly. UDC shall keep Developer informed of the status of any negotiations in regard to the sale or lease or the school portion of the Project.

3. Architect's Fees. You will reimburse to UDC all costs incurred by it for services under the Architect's Agreement dated July 8, 1970, between UDC and Sert, Jackson and Associates (the "Architect's Agreement") and the amendments thereto dated July 12, 1971 and March 17, 1972 ("Amendments") as regard the Project and will permit the withdrawal by UDC of proceeds from the Mortgage and Private Investment Funds of any amount or amounts determined by it to be necessary to make such reimbursements. UDC will not expend more than $590,000 for such services (exclusive of boring costs, which UDC estimates will be $14,165) without the prior written approval of the Developer. Any excess so expended over $550,000 will be funded first from the Housing Company's share of construction savings, then, to the extent necessary, out of funds available for contingencies, then to the extent necessary out of funds available for working capital, then to the extent necessary out of other unexpended mortgage funds.

4. Developer's Fee. For its Developer's Services, Developer will be entitled to a private Developer's Fee equal to $278,772. Pursuant to Part 3 of UDC Regulations for the residential projects issued as of June 3, 1971, as amended (the "Regulations"), UDC will approve a requisition for payment of the Developer's Fee to you in accordance with Part 9 of the Regulations each time it approves a requisition under the Construction Contract. The amount of such requisition for payment of the Developer's Fee will bear the same relationship to $278,772 as the amount of each such construction requisition bears to the original Contract Price in the Construction Contract (less Contractor's Fee).

5. UDC Fees. The partnership shall pay UDC an initial development fee (the "Initial Development Fee") and such other fees as are specified in the Financial Schedules. The Initial Development Fee shall be payable out of proceeds of the Mortgage and Private Investment Funds and shall be payable to UDC in full at the Closing. In addition, the Developer shall pay UDC a project development fee (the "Project Development Fee") equal to 50% of the proceeds of sale of partnership participations less (i) Private Investment Funds required to be invested in the Project pursuant to paragraph 1 hereof and the Equity and Regulatory Agreement and (ii) costs of sale of said partnership participations in an amount equal to actual costs but in no case to exceed 1.5% of the estimated project cost for the Project (the "Estimated Project Cost") as specified in the Financial Schedules. In the event the project is retained by Developer for its account or the account of an affiliate, Developer shall pay a Project Development Fee of 3.5% of Estimated Project Cost, payable over the course of construction in proportion to construction requisitions. The Project Development Fee shall not be payable out of proceeds of the UDC mortgage loan or Private Investment Funds and shall be due when and as the proceeds of the sale of the partnership participation referred to above are received. Developer shall not be released from its obligation to pay UDC such Project Development Fee by reason of any commitment by the Partnership to pay such Fee, and Developer shall require the Partnership to be jointly and severally liable with Developer to pay such Fee to UDC. The Partnership shall be liable to UDC for the payment in full of the Initial Development Fee. Developer and Partnership acknowledge that a failure to pay the Initial Development Fee or the Project Development Fee as provided herein would constitute a violation of Section 9.06 of UDC's Regulations for Residential Rental Project, and as such, an event which would give rise to an Event of Default under the Equity and Regulatory Agreement, the Mortgage and the building loan agreement for the Project dated April 25, 1973 (the "Building Loan Agreement").

6. Tenant Selection and Management. The Project is a part of the Welfare Island community (the "Community") and is interrelated with other residential, commercial and community projects (collectively referred to as "Community Projects") in the Community and with the Community as a whole. In order to assure that the overall goals of the Community are realized, tenant

selection for the Community Projects should be carried out on a coordinated basis. UDC is in the process of developing a Program for the marketing and continued occupancy of all leasable spaces within the Community Projects (the "Community Marketing Program"). You agree to comply with the Community Marketing Program when and as it is developed. You are hereby notified that the Community Marketing Program may require that all advertising and other promotional activities be carried out by an entity or entities designated by UDC (the "Marketing Agent(s)") that priorities for tenants of the residential units in the Project may be established by the Marketing Agent(s), and that the fees and other monies allocated by the Basic Documents for use in advertising or promoting the Project be paid over to the Marketing Agent(s) for exclusive use in carrying out the purposes of the Community as noted in this paragraph. You are further notified that the Community Marketing Program may restrict the lease of commercial spaces within the Project to certain classes of commercial enterprises, and may require that the subleases for such enterprises indicate terms and conditions beneficial to the Community as a whole, including but not limited to sign control, and covenants as to quality and price of the merchandise to be marketed by such enterprises.

Alternatively the Community Marketing Program may require you to lease all commercial spaces to UDC or to its designee on a rental of $3 per square foot and upon such other terms and conditions as may be specified by UDC, provided that such terms and conditions will reflect the service fees payable pursuant to paragraph 7 hereof. Prior to determining what amounts will be paid over to the Marketing Agent for community advertising and community promotional activities, Developer will submit a budget to UDC specifying the projected expenses for preparation of the Project Marketing Plan, selling and renting expenses, and advertising and promotion expenses.

7. Use of AVAC System: Service Fees. You will use the vacuumatic refuse disposal system to be installed in the Project (the "AVAC System") exclusively, and without the written agreement of UDC you will not use any other form of refuse disposal system for the Project or any portion thereof.

In connection with the AVAC System and in addition to any assessment for Public Facilities as defined in Paragraph 8, hereof, UDC will establish a system of fees chargeable to Community Projects on the basis of the commercial uses located therein (the "Service Fee"). You agree that you will pay to UDC or to any entity or entities designated by it the portion of the Service Fee allocated by UDC to the Project, and that you will pass on such charges as may be imposed on you hereunder only to the commercial tenants in the Project.

8. Assessments. The Community contains a system of Public Facilities as defined in the Lease of Welfare Island between UDC and the City of New York, dated DEcember 23, 1969 (the "Lease"). From time to time UDC may assess Community Projects for a portion of the maintenance and operation costs of such Public Facilities. You agree to pay the portion of such Assessment reasonably allocated by

DC to the Project upon such terms and conditions as may be reasonably specified by UDC. You also agree to pay such share as may be reasonably allocated to you by UDC of the costs to UDC for relieving you, and or other entities in the community, of a portion of your, or their, obligation to make payments of principal and interest by reason of delays in the execution of sale or lease agreement of school spaces in the community and/or payment of rent pursuant to any such lease agreement.

9. Dedication of Certain Lands. Access roads (collectively referred to as the "Access Roads") connecting the main street and the promenade of the Community will be located on the portion of the site bordering the southern edge of the Project and on the portion of the site bordering the northern edge of the Project. Upon notification by UDC you will dedicate for public use such space in those portions as UDC may determine is necessary for the Access Roads and the site survey and description of land documents attached as Schedule A to the closing documents will be revised to eliminate or reduce, as UDC may specify this portion of the site.

10. Working Capital and Contingency Funds. It is the policy of the UDC to advance to the Housing Company, at the time of the issuance of a temporary certificate or certificates of occupancy, any balance of contingency funds and working capital listed in Schedule A.

11. Termination. This Agreement may be terminated

(1) Upon ten days' written notice to Developer, in the event a petition for relief under the Bankruptcy Act is filed by or against Developer, or in the event that it shall make an assignment for the benefit of creditors or commit an act of bankruptcy as defined in the Bankruptcy Act;

(2) Immediately upon the mailing of notice thereof to Developer, if Developer has committed an act of default under the Mortgage on the Project:

Upon such termination Developer shall be entitled to no further payments for services of any kind with respect to the Project from UDC, Housing Company or the Partnership.

UDC shall not be subject to liability for any loss, expense or damages caused or flowing from its termination of this Agreement pursuant to this Section.

NEW YORK STATE URBAN DEVELOPMENT CORPORATION

By _____

ACCEPTED AND AGREED TO:

SOVEREIGN CONSTRUCTION COMPANY, LTD.

By _____