NORTH TOWN III

Westview Valhalla Phase II

4

GROUND LEASE

This Lease, made this 25th day of April, 1973 between the New York State Urban Development Corporation, a public benefit Corporation of the State of New York having its principal office at 1345 Avenue of the Americas, New York, New York, 10019 ("UDC"), and North Town Phase III Houses, Inc. ("Housing Company"), a New York Limited Profit housing company, created pursuant to Article 2 of the Private Housing Finance Law of the State of New York (the "PHFL"), as amended, and a subsidiary of UDC pursuant to Section 12 of the New York State Urban Development Corporation Act of 1968, as amended (the "UDC Act"), having an office at 1345 Avenue of the Americas, New York, New York, 10019.

W I T N E S S E T H:

WHEREAS, in furtherance of the purposes of the UDC Act, UDC has leased certain premises on Welfare Island from the City of New York (the "City") pursuant to a lease dated December 23, 1969; (the "Major Lease"), and

WHEREAS, UDC has undertaken a residential project known as North Town Phase III Houses (the "Project") on such parcels of the land obtained under the Major Lease as are described in Schedule A; and

WHEREAS, in accordance with the UDC Act, UDC wishes to lease such property to Housing Company and Housing Company wishes to rent such property from UDC for purposes of constructing this Project in accordance with the Construction Contract and as contemplated by the Basic Documents relating to this Project;

NOW THEREFORE, UDC and Housing Company, in consideration of the mutual agreements herein contained, hereby agree as follows:

1. Leased Property

UDC hereby leases to Housing Company and Housing Company hereby rents from UDC all the lands described in Schedule A attached hereto (the "Leased Premises").

2. Term of Lease

The term shall commence the date hereof and shall expire (unless this Lease shall sooner terminate as provided herein) at midnight, April 24, 2018.

3. Conformity to Basic Documents

In addition to its obligation under the Lease, Housing Company shall comply with all provisions of the Basic Documents as regards the Leased Premises and the Project thereon including but not limited to provisions regarding subleasing, condemnation, insurance and total or partial destruction of the Project. If this Lease or any provision thereof conflicts with any provision of the Basic Documents, the Basic Documents shall control.

4. Basic Rent

For each year of the term of this Lease, Housing Company shall pay to UDC in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of private debts at the office of the UDC, or at such place or to such agent as Lessor may from time to time designate, a Basic Rent which shall be equal to the aggregate of the sums set forth in subparagraphs (1) and (2) of this Paragraph 4:

(1) The sum of (x) a ground rent equal to the product of $180 multiplied by the number of completed units of Middle Income Housing, plus (y) a tax equivalent equal to: (i) until the Tax Equivalent Adjustment Date, ten percent (10%) of Annual Shelter Rents; or (ii) after the Tax Equivalent Adjustment Date, the Tax Equivalent for Conventionally Financed Housing;

(2) The sum of (x) a ground rent equal to the product of $.60 (sixty cents) multiplied by the number of square feet of completed Commercial Space plus (y) the Tax Equivalent for Commercial Space.

(c) Time of Payment

The Basic Rent shall be payable on each Rent Payment Day. Housing Company shall delivery to UDC on or before each Rent Payment Day Housing Company's Certified Payment statement and pay to UDC the Basic Rent for the period for which Basic Rent is payable on such Rent Payment Day.

5. Adjustment of Rent

The Basic Rent shall be adjusted as follows:

(a) The ground rents set forth in subparagraphs 1(x) and 2(x) of paragraph 4 hereof shall be adjusted on each Rent Adjustment Date as such term is defined in the Major Lease, by substituting after such date the Then Current Ground Rent as such term is defined in the Major Lease, adjusted as of such date for the ground rent payable prior to such date, provided however, that in the event the Then Current Ground Rent on such Rent Adjustment Date shall be less than the ground rent set forth in subparagraph 1(x) or 2(x) of such paragraph, as the case may be, no such adjustment shall be made;

(b) The tax equivalent payments set forth in subparagraph 1(y) of paragraph 4 hereof shall be adjusted as of each Tax Equivalent Adjustment Date as such term is defined in the Major Lease, by substituting after such date the Tax Equivalent for Conventionally Financed Housing adjusted as of such date for the tax equivalent payable prior to such date.

6. Payment of Charges for Municipal and Public Utilities

Housing Company will pay or cause to be paid all rents, rates and charges, excises, levies, license fees, permit fees and other authorization fees and, except as otherwise herein provided, all other charges of every character which at any time during the term of this Lease may be legally and properly assessed, levied, confirmed or imposed upon the Leased Premises or the Project therein. Housing Company shall also pay a pro-rata share of any rents, rates, charges, excises, levies, fees or other charges that are assessed, levied, confirmed or imposed on UDC pursuant to the Major Lease and which Housing Company is not obligated to pay pursuant to the first sentence of this Section 6. Housing Company may contest, by appropriate legal proceedings diligently conducted in good faith without any cost to UDC the amount, validity or application of any imposition or any lien, encumbrance or charge against the Leased Premises.

7. Mechanic's Liens

Notice is hereby given that UDC shall not be liable for any labor or materials furnished or to be furnished to Housing Company upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect

the interest of UDC in and to the Leased Premises or the Project thereon. Whenever and as often as any mechanic's lien shall have been filed against the Leased Premises or the Project thereon, based upon any act or interest of Housing Company or of anyone claiming through Housing Company, or if any title retention agreement, conditional bill of sale, chattel mortgage or otherwise shall have been filed for or affecting any materials, machinery or fixtures used in the repair or operation thereof or annexed thereto by Housing Company or its successors in interest, Housing Company shall forthwith take such action by bonding, deposit or payment as will remove or satisfy the lien, title retention agreement, conditional bill of sale or chattel mortgage, and if Housing Company shall fail to take such action for twenty (20) days after notice to Housing Company, UDC may pay the amount of such mechanic's lien, title retention agreement, conditional bill of sale or chattel mortgage, or discharge the same by deposit, and the amount so paid or deposited, with interest thereon, shall be deemed rent reserved under this Lease, and shall be payable forthwith with interest at the rate of seven per centum (7%) per annum from the date of such advance, and with the same remedies to UDC as in case of default in the payment of rent.

3. Use: Care of Premises

Housing Company shall use and occupy the Leased Premises for the Project and in accordance with the Basic Documents, and

shall not use or occupy the Leased Premises or permit the same to be used or occupied other than for lawful purposes, or for a purpose or in a manner likely to cause structural injury to the Project or for any dangerous or noxious trade or business. In additon, Housing Company shall maintain the sidewalk(s) adjacent to the Project in good order, condition and repair, reasonable wear and tear excepted.

9. Indemnity

Housing Company shall not do or permit any act or thing upon the Leased Premises or the Project thereon which may subject UDC or the Major Lessor to any liability by reason of any violation of law, but shall exercise such reasonable control over the Leased Premises and the Project thereon as to protect UDC and the City notwithstanding that joint or concurrent liability may be imposed upon UDC or the City by statute, ordinance, rule, regulation or order. Housing Company shall imdemnify and hold harmless UDC and the City from and against any and all liability, suits, claims, demands, actions, judgments, costs and expenses, to the extent that any of the same should not be covered by insurance maintained by Housing Company arising from conduct on or management of or from any

work or thing whatsoever done in or on the Leased Premises or the Project thereon or out of any breach, violation or nonperformance of any Housing Company's covenants or conditions of this Lease, by damage to property or any injury to person or persons occasioned by Housing Company's use and occupancy of the Leased Premises or the Project thereon or by any use or occupancy which Housing Company may permit or suffer to be made thereof. Should Housing Company be required to defend any action or proceeding to which UDC or the City is made a party, UDC or the City may appear, defend or otherwise take part in such action or proceeding at its election by counsel of its own choosing, provided such action by UDC or the City does not limit or make void any liability of any insurer of UDC or Housing Company with respect to the claim in such action. Housing Company's liability hereunder shall be reduced by the net proceeds actually collected by any insurance maintained by Housing Company for UDC's or the City's benefit.

10. Default by Housing Company

In case one or more of the following events shall have occurred and shall not have been remedied:

(a) Housing Company shall fail to perform any of its obligations under any of the Basic Documents relating to the Project; or

(b) Housing Company shall fail on any Rent Payment Day to pay Basic Rent due

(c) Housing Company shall fail to perform or cause to be performed any term, covenant or condition of this Lease on the part of the Housing Company to be performed, other than the covenant for the payment of Basic Rent, and shall have failed promptly after written notice thereof from UDC to commence with due diligence and dispatch the curing of such default or, having so commenced the curing of such default, shall thereafter fail to prosecute and complete the same within a reasonable time; then in case of a default UDC may, at its option give to Housing Company a notice of election to terminate this Lease at the expiration of thirty (30) days from the date of service of such second notice, whereupon, unless such rent in case of a default under (b) above, together with interest at the rate of 7% per annum, shall have been paid, or any other default cured by Housing Company before the expiration of said thirty (30) days, the term of this Lease and all right, title and interest of the Housing hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term of this Lease, and the Housing Company will then quit and surrender the Leased Premises and the Project thereon to UDC. Upon such termination of this Lease as provided above, UDC shall have the right to enter upon and take possession of the Leased

Premises by summary proceedings or other legal proceedings, without being liable in damages therefore, and take and have again the Leased Premises and every part thereof, free, clear and discharged of this Lease, and of all the rights of the Housing Company hereunder.

11. Notice:

Any notice, demand or request, which under the terms of this Lease or any statute must or may be given or made by the parties hereto, shall be in writing, and shall be given by mailing to same by registered or certified mail address to UDC as follows: General Manager, New York State Urban Development Corporation, 1345 Avenue of the Americas, New York, New York 10019; and to Housing Company as follows: North Town Phase III Houses, Inc. 1345 Avenue of the Americas, New York, New York, with a copy to New York State Urban Development Corporation, 1345 Avenue of the Americas, New York, New York 10019, and a copy to Sovereign Construction Company, Ltd., Post Office Box 427, Paramus, New Jersey 07652. Any notice given hereunder shall be deemed delivered when deposited in a United States general or branch post office, enclosed in a registered or certified prepaid wrapper, addressed as hereinbefore provided. Any such address may be changed from time to time upon notice given by the addressee in the manner herein provided.

12. No Waiver

Failure of any party to insist upon a strict performance of any of the covenants and conditions hereof shall not be deemed a waiver of any rights or remedies that such party may have and shall not be deemed a waiver by such party of any subsequent breach or default. This Lease may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement or change is sought .

13. Quiet Enjoyment

UDC covenants that Housing Company upon paying the rent and all other charges herein provided for and upon observing and keeping all of the covenants, agreements and provisions of this Lease on its part to be observed and kept, shall lawfully and quietly hold,occupy and enjoy the Leased Premises during the term of this Lease without hinderance or molestation by or from anyone.

14. Non-Discrimination

Section 26 of the Major Lease is hereby incorporated into this Lease, and all obligations of UDC under such section are made applicable to Housing Company.

15. Surrender of the Leased Premises; Successors and Assigns: Counterparts

Upon any expiration or earlier termination of this Lease, Housing Company shall peacefully vacate and surrender

to UDC the Leased Premises and the Project in good order, condition and repair, reasonable wear and tear excepted. The terms of this Lease shall, subject to the terms hereof, bind and insure to the benefit of UDC and its successors and assigns and Housing Company, its successors and assigns. This Lease may be executed in any number of counterparts, each of which shall be an original, all of which shall constitute one and the same instrument.

16. Definitions

Annual Shelter Rent: Total rents received from the occupants of the Project or part of the Project consisting of Completed Units of Middle-income Housing less the cost, if any, of providing to such occupants electricity, gas, heat and other utilities.

Basic Documents: The Building Loan Agreement, the Construction Contracts, the Equity and Regulatory Agreement, the Mortgage, the Note, the Stock Pledge Agreement the Major Lease, and all other documents relating to the Project, all of which were executed or otherwise made part of the closing documents at the closing held the date of this Lease.

Commercial Space: Any space in the Project used exclusively for commercial or business purposes.

Completed Units: Completed Commercial Space: Dwelling units and commercial space in the Project or part of the Project as to which there shall have been issued by UDC

prior to any occupancy thereof a certificate of completion stating that the Project or such part is complete in accordance with the laws and regulations applicable to projects of UDC, or as to which there shall have been issued by the City its temporary or permanent certificate of occupancy or any other certificate or license required to permit the occupancy or use of the Improvement or such part, whichever shall first have been issued.

Major Lease: The Lease of Welfare Island by and between the City and UDC and UDC's subsidiary, the Welfare Island Development Corporation ("WIDC") dated December 23, 1969.

Middle Income Housing: The units within the Project that will be developed pursuant to Article 2 of the New York Private Housing Finance Law.

Net Income: For any period, the total of all receipts of any nature derived by Housing Company from operation of the Leased Premises or the Project, less (i) debt service on the Project; (ii) Basic Rent,and (iii) all other costs, expenses, allowances, fees, assessments, reserves, return on investment and like charges to revenues permitted by UDC in accordance with its regulations for rental projects.

Project: The UDC Residential Project for approximately 400 units plus related commercial and public facilities known as North Town Phase II Houses.

Public Facilities: Such portions of the Project as will be designed and developed for use as a school and a

day care center.

Rent Adjustment Date: The 40th anniversary of the issuance of UDC's certificate of completion or of the City's temporary or permanent certificate of occupancy, whichever shall first have been issued, with respect to each part of the Project consisting of Middle Income Housing, or Commercial Space and each 10th anniversary of the date of such issuance after such 40th anniversary.

Rent Payment Day: The 10th day of each month of each year of the term hereof.

Tax Equivalent Adjustment Date: The 30th anniversary of the issuance of UDC's certificate of completion or of the City's temporary or permanent certificate of occupancy, whichever shall first have been issued, with respect to each portion of the project consisting of Middle-Income Housing.

Tax Equivalent for Commercial Space: The City's then current real estate tax rate times the product of the City's then current assessed valuation (expressed in dollars per square foot of commercial space) for land and buildings used as commercial space times the number of square feet of Completed Commercial Space in the Project. Such then current assessed valuation for land and buildings shall from time to time be assessed and reassessed by the City in the manner and subject to the limitations then currently imposed upon assessments of like property.

all laws and regulations applicable thereto.

Tax Equivalent for Conventionally Financed Housing: The City's then current real estate tax rate times the City's then current assessed valuation of land and buildings for any portion of the Project consisting on completed units of housing to be treated as Conventionally Financed Housing after adjustment under paragraph 5 (b) hereof. Such then current assessed valuation for land and buildings shall from time to time be assessed and reassessed by the City in the manner and subject to the limitations then currently imposed upon assessments of like properties by all laws and regulations applicable thereto. Lessee may contest any such assessment or reassessments in like manner with the approval of Lessor.

Then Current Ground Rent: With respect to each part of the Project consisting of Middle Income Housing, 6% of the product of (x) the current land cost per unit for economically feasible new housing in New York City for persons and families of middle income as of each Rent adjustment Date times (y) the number of such units contained in the Project; and with respect to the part of the Project consisting of Commerical Space, 6% of the product of (x) the current land cost per square foot of comparable commercial space in New York City as of each Rent Adjustment Date times (y) the number of square feet of commercial space in the Project.

IN WITNESS WHEREOF, UDC has caused this instrument to be executed this 25th day of April, 1973.

NEW YORK STATE URBAN DEVELOPMENT CORP.,

By _____

NORTH TOWN PHASE III HOUSES, INC.

By _____
Vice President

STATE OF NEW YORK)
COUNTY OF NEW YORK) SS:

On the 25th day of April, 1973, before me personally came Robert M. Litke to me known, who, being by me duly sworn, did depose and say that he resides at 19 Preston Road, Great Neck, New York; that he is the Vice-President of NORTH TOWN PHASE III HOUSES, INC., the 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 Board of Directors of said corporation, and that he signed his name thereto by like order.

Genevieve Sullo
Notary Public

GENEVIEVE SULLO
Notary Public, State of New York
No. 24-3900300
Qualified in Kings County
Commission Expires March 30, 1975

STATE OF NEW YORK)
COUNTY OF NEW YORK) SS:

On the 25th day of April, 1973, before me personally came STEPHEN A LEFKOWITZ to me known, who, being by me duly sworn, did depose and say that he resides at 131 E. 19ST New York, New York; that he is the GENERAL COUNSEL of the NEW YORK STATE URBAN DEVELOPMENT CORPORATION, the 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 Board of Directors of said corporation, and that he signed his name thereto by like order.

Genevieve Sullo
Notary Public

GENEVIEVE SULLO
Notary Public, State of New York
No. 24-3900300
Qualified in Kings County
Commission Expires March 30, 1975

Ex d-3a

NewYork State
Urban Development Corporation

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

April 25, 1973

North Town Phase III Houses, Inc.
1345 Avenue of the Americas
New York, New York 10019

Gentlemen:

In connection with the Ground Lease between us of Parcel 3 on Welfare Island, dated April 25, 1973, you agree to execute, when and as requested by us an amendment to such lease in the form of Exhibit A hereto, or a similar amendment or other agreement providing for payment by you to us of a sum equal to the Basic Rent set forth in such Exhibit, imposed and collected as a charge or as a component of rent.

Very truly yours,
New York State Urban
Development Corporation

By _____

Accepted and Agreed to:
North Town Phase III Houses, Inc.

By _____

Agreed to:
Sovereign Construction Company, Ltd.

By _____

EXHIBIT A

FIRST AMENDMENT

This FIRST AMENDMENT, dated to the Ground Lease of parcel 3 on Welfare Island, dated April 25, 1973 (the "Ground Lease"), by and between the New York State Urban Development Corporation ("UDC"), a public benefit corporation having an office at 1345 Avenue of the Americas, New York, New York 10019 and North Town Phase II Houses, Inc. (the "Housing Company") a New York corporation having an office at 1345 Avenue of the Americas.

WITNESSETH

WHEREAS, UDC and Housing Company have determined that it is mutually beneficial to amend the Basic Rent provisions of the Ground Lease:

NOW THEREFORE, in consideration of the mutual covenants herein contained, UDC and Housing Company hereby agree to amend the Ground Lease, and the Ground Lease is hereby amended as follows:

Paragraph 4 is deleted and the following is substituted therefore:

"4. Basic Rent

For each year of the term of this Lease, Housing Company shall pay to UDC in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of private debts at the office of the UDC, or at such place or to such agent as Lessor may from time to time designate, a Basic Rent which shall be equal to the aggregate of the sums set forth in subparagraphs (I) and (2) of this Paragraph 4:

(I) The sum of (x) a ground rent equal to the product of $180 multiplied by the number of completed units of Middle Income Housing, plus (y) a tax equivalent equal to the Tax Equivalent for Conventionally Financed Housing, provided that UDC shall waive its right to this component of the Basic Rent, or a portion of such component, in accordance with the following schedule:

(a) Until the Partial Waiver Date, UDC will waive its right to any portion of the component of Basic Rent specified in this subparagraph 1 in excess of the Minimum Basic Rent. The Partial Waiver Date is defined as 1980, or if the Project has not achieved an occupancy rate of apartments whose gross rental of carrying charges equals 95% of the projected annual income of the residential portion of the Project (the "Minimum Occupancy Rate") by such time, then the first date thereafter upon which the Project achieves the Minimum Occupancy Rate. The Minimum Basic Rent is defined as the sum of (x) a ground rent equal to the product of $180 multiplied by the number of completed Middle Income Housing units plus (y) a tax equivalent equal to: (i) until the Tax Equivalent Adjustment Date ten percent (10%) of Annual Shelter Rents; or (ii) after the Tax Equivalent Adjustment Date, the Tax Equivalent for Conventionally Financed Housing;

(b) On and after the Partial Waiver Date, UDC shall waive its right to the excess of the component of Basic Rent specified in this subparagraph 1 over the minimum Basic Rent as follows:

(i) On the Partial Waiver Date, 80% of the excess;

(ii) On the second anniversary of the Partial Waiver Date, 60% of the excess;

(iii) On the fourth anniversary of the Partial Waiver Date, 40% of the excess;

(iv) On the sixth anniversary of the Partial Waiver Date, 20% of the excess; and

(v) On the eight anniversary of the Partial Waiver Date, and thereafter, none of the excess, provided that, if in the year proceeding any of the anniversaries of the Partial Waiver Date specified above the Project has not maintained an average occupancy rate equal to or in excess of the Minimum Occupancy Rate, the reduction in the percentage of waiver scheduled for such anniversary shall be delayed until the Project achieves the Minimum Occupancy Rate and provided further that if any reductions in the percentage of waiver occur as provided herein, all of the anniversary dates specified above subsequent to such delay shall be delayed by an amount of time equal to the delay or delays.

(2) The sum of (x) a ground rent equal to the product of $.60 (sixty cents) multiplied by the number of square feet of completed Commercial Space plus (y) the Tax Equivalent for Commercial Space.

(c) Time of Payment

The Basic Rent shall be payable on each Rent Payment Day. Housing Company shall delivery to UDC on or before each Rent Payment Day Housing Company's Certified Payment statement and pay to UDC the Basic Rent for the period for which Basic Rent is payable on such Rent Payment Day."

IN WITNESS WHEREOF, the yarties hereto have accepted their signatures.

NEW YORK STATE URBAN DEVELOPMENT CORPORATION

Attest

By_____
Executive Vice-President

_____

North Town Phase II/Houses, Inc.

Attest

By_____

_____