

February 3, 2015

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

Re: Notice of Intent to Submeter Electricity at the Island House Apartments at 551, 555, 575 Main Street, New York, New York 10044, Located in the Territory of Consolidated Edison Company of New York, Inc.

Dear Secretary Burgess:

Island House Tenants Corp. (“IHTC”) and IH Preservation Partners, LLC (“Sponsor”) (together, the “Owner”)¹ own the residential component of the above-referenced property (“Island House”). The residential component consists of three buildings (collectively, the “Building”) and contains 400 residential cooperative apartments and associated common areas. Pursuant to 16 NYCRR § 96.4, the Owner submits this Notice of Intent to Submeter (the “Notice”) the 400 residential apartments in the Building, which is located within the service territory of Consolidated Edison Company of New York, Inc. (“Con Edison”).²

Island House was developed under the New York State Mitchell-Lama Housing Program and supervised by New York State Homes & Community Renewal (“DHCR”).³ Developments such as Island House are eligible to withdraw from the Mitchell-Lama Housing Program after 20 years upon prepayment of the New York State-held mortgage and approval from DHCR.⁴ On September 30, 2012, Island House voluntarily withdrew from the Mitchell-Lama Housing Program with the approval of DHCR. As part of that withdrawal process, it was agreed with DHCR and the Island House Tenants Association that the Owner would thereafter submeter the residential apartments. This Notice is submitted in furtherance of that agreement.

The roadmap for the withdrawal of Island House from the Mitchell-Lama Housing Program is set forth in a document entitled: Island House: A Plan For the Preservation of Affordable Housing and Withdrawal From Mitchell Lama (the

¹ See attached corporate documentation at Exhibit 1.

² In accordance with 16 NYCRR § 96.4 (b), an affidavit confirming that the Owner notified residents of its intention to submeter is attached as Exhibit 2.

³ See generally <http://www.nyshcr.org/Programs/mitchell-lama/>.

⁴ See *id.*

“Affordability Plan”),⁵ which is an agreement that embodies the collective input of DHCR, the New York State Empire State Development Corporation (“ESDC”), the Roosevelt Island Operating Corporation (“RIOC”), the Island House Tenants Association, and Sponsor.⁶ The Affordability Plan provides, among other things, for the creation of a leasehold condominium with the conversion of the residential portion of the condominium to cooperative ownership.⁷ The Affordability Plan also provides the opportunity for (1) existing tenants to purchase their apartments at below-market purchase prices, (2) non-purchasing tenants to remain in their apartments at below-market rents with increases equal to the increases set by the New York City Rent Guidelines Board (the “RGB”),⁸ plus, if applicable, additional increases for higher-income tenants, and (3) future affordability by limiting the resale prices of cooperative apartments and establishing maximum income levels for future purchasers. Finally, and as particularly relevant here, the Affordability Plan explicitly provides that the residential apartments will be individually submetered for electric service.⁹ Because the residential apartments are served by electric baseboard heaters, it was important to both the Island House Tenants Association and DHCR that electric submetering be implemented in order to promote conservation generally and specifically, so that individual apartment occupants, whether as cooperative apartment owners or as nonpurchasing tenants, could reduce their occupancy costs through their own electric conservation efforts.

The actions contemplated under the Affordability Plan have now been largely implemented. In this regard, the Building’s residential component has undergone a “cond-op conversion.” In short, the Sponsor created a condominium consisting of (1) a “Residential Unit,” comprised of all of the 400 residential apartments and common areas serving the residential apartments; (2) two “Commercial Units,” comprised of all of the non-residential areas such as the former pool area, management offices, and commercial spaces; and (3) a “Retail Unit” comprised of the Main Street retail spaces known by the street addresses of 549, 559, 563, 567, and 579 Main Street. Thereafter, the Residential Unit was converted to a residential cooperative, and ownership of the Residential Unit was transferred to a cooperative apartment corporation known as Island House Tenants Corp. (*i.e.*, together with the Sponsor, the Owner/applicant here). The Sponsor has filed an Offering Plan with the New York State Department of Law, pursuant to which the Sponsor is offering the cooperative apartments for sale to the existing tenants for purchase at below-market purchase prices. The Offering Plan includes the terms of the Affordability Plan generally, and specifically refers to Owner’s intention to submeter the apartments. The Sponsor reasonably expects that a sizable majority of existing tenants will purchase and continue to reside in their apartments.¹⁰

⁵ See attached Affordability Plan at Exhibit 3.

⁶ IH Preservation Partners, LLC, the Sponsor, is the successor by merger to North Town Phase II Associates, LP, the owner entity referred to in the Affordability Plan.

⁷ This Affordability Plan has since been incorporated into a formal Ground Lease Modification Agreement executed by RIOC, DHCR, ESDC, and Sponsor.

⁸ The apartments are *not* rent stabilized.

⁹ See Affordability Plan at 8 and 13.

¹⁰ In addition to acting as the sponsor of the cooperative apartments, IH Preservation Partners, LLC will act as the landlord for any unsold apartments whose occupants elect not to purchase but to remain in their apartments. Such apartments will be offered for sale as cooperative apartments when vacated by those existing tenants.

Consistent with the agreed-upon Affordability Plan and the Offering Plan filed with the Department of Law, the Owner now submits this Notice pursuant to 16 NYCRR § 96.4 (Submetering in Master-metered Residential Cooperatives and Condominiums). As set forth in detail below, the Owner’s submetering plan satisfies the requirements of 16 NYCRR Part 96 and is in the public interest and consistent with the provision of safe and adequate electric service to residents. Accordingly, the Owner respectfully requests that the New York State Public Service Commission (the “Commission”) approve the Notice.

A. Description of the type of submetering system to be installed:

The Owner recognizes that all submetering products and ancillary equipment used to monitor electric flow to submetered residents and installed after October 1, 2014, must be approved by the Commission.¹¹ Although the Owner has not selected the submetering system that will be installed in the Building, the Owner will use Commission-approved submeters and ancillary equipment.

B. Description of the methods to be used to calculate bills for individual residents:

The rate calculation to be used is the Con Edison Service Classification No. 8 (“SC-8”) for multiple dwellings—redistribution. Specifically, the electric consumption in each Apartment will be multiplied by a calculated kilowatt hour (“kWh”) rate. The kWh rate will include, in accordance with the relevant Con Edison tariff, supply and delivery charges, fuel adjustment charge, and systems benefit charge, among other components. The kWh rate will be multiplied by each Apartment’s kWh usage to determine its bill. A service charge (presently \$4.00), as permitted by applicable statute or regulation, and any applicable taxes will also be added to the bill to arrive at the total cost.

All Con Edison rates by classification are available on its website (www.coned.com) under Rates and Tariffs. The electric Rates and Tariffs are listed under the heading “P.S.C. No. 10 – Electricity.”

In no event will the total rate for a billing period (including any monthly administrative charge) exceed the rates and charges of the distribution utility for delivery and commodity in that billing period to similarly-situated, direct-metered residential customers.¹²

The Owner or its third-party electric billing company will read the meters and process a bill based on the resident’s actual consumption. The meter reading data and

¹¹ See 16 NYCRR § 96.7 (a) (1); Case 11-M-0710, *In the Matter of Reviewing and Amending the Electric Submetering Regulations, 16 NYCRR Part 96*, Order Granting, in Part, the Joint Petition for a Temporary Waiver of 16 NYCRR §96.7(a)(1) and the Joint Petition for a Temporary Waiver of 16 NYCRR §96.7(b) (issued Nov. 20, 2013).

¹² See 16 NYCRR § 96.1 (i).

billing calculations will be documented and maintained for a 6-year period for each apartment.¹³

C. Plan for complying with the provisions of the Home Energy Fair Practices Act (“HEFPA”):

See the attached HEFPA documents for the Building.¹⁴

D. Submetering Identification Form:

See the attached completed Submetering Identification Form.¹⁵

E. Description of the method to be used to back out electric charges from rent:

The Owner reasonably expects that a majority of the residential cooperative apartments will be purchased by existing residents at below-market prices. Since these residents will no longer be paying rent, this provision is not applicable to them. As discussed in the Affordability Plan, non-purchasing tenants may remain in their apartments at current rents, which are below-market rents, subject to annual increases promulgated by the RGB, plus an income-based rent increase, if applicable. These non-purchasing tenants will receive an initial rent reduction in an amount to be approved by DHCR and Sponsor.¹⁶

F. Certification concerning content of leases or agreements governing the premises to be submetered:

The Owner, by the undersigned, hereby certifies that the submetering complaint procedures, HEFPA rights and responsibilities of residents, and a provision stating that submetering refunds will be credited to submetered residents affected by the submeterer’s actions that led to such refunds provided that the submeterer has such contact information for such resident shall be included in plain language in all leases or agreements governing the submetered premises.¹⁷

G. Proof of service that this Notice was sent to the local utility company:

See the attached proof of service that this Notice was sent by the Owner to Con Edison.¹⁸

¹³ See 16 NYCRR § 96.6 (j).

¹⁴ See Exhibit 4.

¹⁵ See Exhibit 5. The Owner anticipates updating the Submetering Identification Form following the offer to existing residents to purchase their apartments at below-market prices.

¹⁶ See Affordability Plan at 13; *see also* attached lease at Exhibit 6.

¹⁷ See attached lease at Exhibit 6.

¹⁸ See Exhibit 7.

H. Documentation regarding refrigerators in all rental dwelling units:

Pursuant to 16 NYCRR § 96.5 (h) and prior to the commencement of submetered billing, the Sponsor will inspect all dwelling units not purchased by the existing tenant and replace any nonconforming refrigerators.

I. Description of the electric energy efficiency measures that have been or will be installed:

Pursuant to the Affordability Plan, the Owner will replace all exterior apartment windows with insulated glass in order to increase the Building's overall energy efficiency.¹⁹ Installation of the new windows is expected to commence sometime in the summer of 2015.

J. Description of information and education programs to residents on how to reduce electric usage:

Upon leasing, residents will be provided with certain energy efficiency/conservation information.²⁰

K. Information if 20% or more of the residents receive income-based housing assistance:

Although 16 NYCRR Part 96 does not define the term "income-based housing assistance," 16 NYCRR § 96.5 (k) is not applicable to the Building. None of the existing residents receive vouchers, such as Section 8 Housing Choice Vouchers, that have been considered in other Commission orders concerning submetering.²¹ Therefore, this provision is not applicable to the Building.

L. Information if building is an electric heat property:

The residential apartments in the Building are heated by electric baseboard resistance heating that is controlled at the baseboard unit. Although the Building is an "electric heat property,"²² this provision is explicitly not applicable to the Building because the "proposed conversion" is not "addressed through a *Petition to Submeter*."²³

As described in detail above, the Building has undergone a "cond-op conversion," where the Residential Unit, as a condominium component of the Building, has been converted to a residential cooperative. The Owner thus submits this *Notice of Intent* to

¹⁹ See Affordability Plan at 13.

²⁰ See Exhibit 8.

²¹ See e.g. Case 08-E-0838 – *Petition of North Town Roosevelt, LLC, to Submeter Electricity at 510-580 Main Street, Roosevelt Island, New York, Located in the Territory of Consolidated Edison Company of New York, Inc.*, Order Reinstating Submetering Approval at North Town Roosevelt with Conditions (Oct. 28, 2011).

²² 16 NYCRR § 96.1 (f).

²³ 16 NYCRR § 96.5 (l) (emphasis added). More specifically, section 96.5 (l) only requires further showings for an electric heat property when a *Petition to Submeter* is submitted pursuant to 16 NYCRR § 96.3 (b), where the owner proposes a conversion of an existing master-metered residential *rental* premises or new premises.

Submeter pursuant to 16 NYCRR § 96.4 because the Building is a master-metered residential cooperative/condominium.

Therefore, this provision is not applicable to the Building.

M. Information if building is a conversion from direct metering:

This provision is not applicable to the Building.

N. Other information required by prior Commission Order:

This provision is not applicable to the Building.

In sum, the Owner's submetering plan satisfies the requirements of 16 NYCRR Part 96 and is in the public interest and consistent with the provision of safe and adequate electric service to residents. Accordingly, the Owner respectfully requests that the Commission approve the Notice.

Thank you in advance for your attention in this matter. Please contact our attorney, John T. McManus of Harris Beach PLLC, at 518.701.2734 or jmcmanus@harrisbeach.com with any questions about this Notice.

Sincerely,

Island House Tenants Corp.

Signature

By: /s/ David B. Hirschhorn

Name (printed), Title

President, Island House Tenants Corp.

Company Name

AND

IH Preservation Partners, LLC

Signature

By: /s/ David B. Hirschhorn

Name (printed), Title

Manager, IH Preservation Partners, LLC

Company Name

Enclosures

cc: John T. McManus, Esq. (*via email only*)

EXHIBIT 1

State of New York
Department of State } **ss:**

I hereby certify, that the Certificate of Incorporation of ISLAND HOUSE TENANTS CORP. was filed on 06/06/2013, with perpetual duration, and that a diligent examination has been made of the Corporate index for documents filed with this Department for a certificate, order, or record of a dissolution, and upon such examination, no such certificate, order or record has been found, and that so far as indicated by the records of this Department, such corporation is an existing corporation.

I further certify that no other documents have been filed by such corporation.



*Witness my hand and the official seal
of the Department of State at the City
of Albany, this 19th day of June
two thousand and thirteen.*

A handwritten signature in black ink, appearing to read "Daniel Shapiro".

Daniel Shapiro
Special Deputy Secretary of State

State of New York
Department of State } **ss:**

I hereby certify, that IH PRESERVATION PARTNERS, LLC a NEW YORK Limited Liability Company filed Articles of Organization pursuant to the Limited Liability Company Law on 11/16/2010, and that the Limited Liability Company is existing so far as shown by the records of the Department.



*WITNESS my hand and the official seal
of the Department of State at the City of
Albany, this 22nd day of January two
thousand and fifteen.*

Anthony Scardino

Executive Deputy Secretary of State

EXHIBIT 2

NEW YORK STATE
PUBLIC SERVICE COMMISSION

Notice of Intent to Submeter Electricity at the Island House Apartments at 551, 555, 575 Main Street, New York, New York 10044, Located in the Territory of Consolidated Edison Company of New York, Inc.

**AFFIDAVIT OF SERVICE
OF LOUIS GONZALEZ**

CASE _____

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

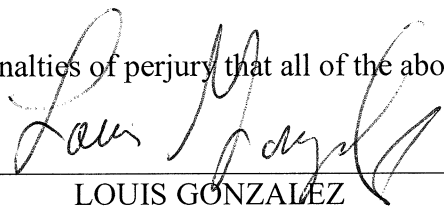
Louis Gonzalez, being duly sworn, deposes and states:

1. I am an employee of RY Management Co., Inc., managing agent for Island House Tenants Corp. and IH Preservation Partners, LLC, in connection with the Residential Unit of The Island House Condominium, 551-555-575 Main Street, New York, NY (the "Building"), and I am over 18 years of age.

2. I submit this Affidavit in connection with Island House Tenants Corp. and IH Preservation Partners, LLC's Notice of Intent to Submeter Electricity at the Building. I am fully familiar with the facts described herein based on my personal knowledge and experience.

3. On January 30, 2015, I personally served a true and complete copy of a notice addressed to all residents that discloses Owner's intent to file with the Public Service Commission, a Notice of Intent to Submeter Electricity at the Building, in the form attached hereto as Exhibit A. I personally served such notice by hand delivering a copy of such notice to each apartment in the Building.

4. I swear under penalties of perjury that all of the above is true and accurate.



LOUIS GONZALEZ

Sworn to and subscribed before me
this 30th day of January 2015



Notary Public

Sheila Redula
Notary Public, State of New York
No. 01RE6104901
Qualified in New York County
Commission Expires February 2, 2016

IH PRESERVATION PARTNERS, LLC
ISLAND HOUSE TENANTS CORP.
EXECUTIVE/MANAGEMENT OFFICES
545 MAIN STREET
NEW YORK, NY 10044

January 30, 2015

Re: Electric Submetering

Dear Island House Resident:

Consistent with the Island House Affordability Plan and Offering Plan, the process of converting Island House from master electric metering to individual apartment submetering has begun. The first step in the regulatory process is to submit a Notice of Intent to Submeter Electricity (the "Notice") to the New York State Public Service Commission (the "PSC") for their review and approval. This letter is being given to you in accordance with PSC regulations.

A copy of the Notice has been provided to the Island House Tenant Association and will be distributed to tenants on its listserv. A copy of the Notice is also available for review at the Management Office at 545 Main Street, New York, New York 10044 during the hours of 10:00 am to 4:00 pm, Monday through Friday. Alternatively, you may request a copy of the Notice by contacting the Management Office in writing at RY Management Co., Inc., 545 Main Street, New York, New York 10044.

As provided in the Island House Affordability Plan and Island House Offering Plan, the Sponsor will be working with New York State Homes and Community Renewal ("HCR") to determine the amount of the rent reduction for those residents who continue to rent their apartments following the implementation of submetered electric billing. Prior to the implementation of submetered billing and the commencement of your obligation to pay for the cost of electricity consumed in your apartment, you will be advised of the amount of your rent reduction. Please note that existing rental tenants who purchase their apartments pursuant to the Offering Plan will no longer be rental tenants and will no longer pay rent to the Sponsor. Please refer to the applicable provisions of the Offering Plan regarding the billing and payment of electric charges for owners of cooperative apartments.

EXHIBIT 3

ISLAND HOUSE
A PLAN FOR PRESERVATION OF AFFORDABLE HOUSING
AND
WITHDRAWAL FROM THE MITCHELL-LAMA PROGRAM
(THE “AFFORDABILITY PLAN”)

July 25, 2012

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

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

1. Cond-Op Conversion

- (i) Sponsor will create a Condominium consisting of (a) a “Residential Unit,” comprised of all of the residential apartments, and common areas serving the residential apartments, (b) one or more “Commercial Units,” comprised of all of the non-residential areas such as the former pool area, management offices and commercial spaces, and (c) a “Retail Unit” comprised of the Main Street retail spaces known by the street addresses of 549, 559, 563, 567 and 579 Main Street.
- (ii) The Residential Unit will be converted to a residential cooperative and transferred to a cooperative apartment corporation at a closing (the “Master Cooperative Closing”) to be held as soon as practicable.
- (iii) Sponsor may retain ownership of the Commercial Unit(s) and develop and use the same for any lawful use consistent with the development. A list of pre-approved uses and prohibited uses is attached hereto as Exhibit A. Any deviation from Exhibit A will require Cooperative Board approval, not to be unreasonably withheld, delayed, or conditioned and the Cooperative By-Laws shall provide for an expedited method for dispute resolution should a dispute arise as to the materiality of such deviation or the Cooperative Board’s withholding or conditioning of consent. Sponsor will report semi-annually to the Cooperative Board of Directors on the general status of re-development of the pool area. Sponsor may sell, lease and/or mortgage all or any portion of the Commercial Unit(s), without consent, provided that any such transferee or lessee shall be subject to the provisions of this Affordability Plan as to use.
- (iv) Sponsor and RIOC shall memorialize the new terms upon which RIOC will occupy the Retail Unit by entering into an agreement (the "Sponsor-RIOC Sublease"), in the nature of a net lease, pursuant to which, Sponsor will lease the Retail Unit to RIOC. The form and content of the Sponsor-RIOC Sublease shall be mutually agreed upon by Sponsor and RIOC, but shall include terms customarily found in a net lease for this type of property, as well as the following principal terms and conditions:
 - (a) Term: to commence on the Affordability Plan Effective Date and to expire December 21, 2068;
 - (b) Basic Rent: \$2.40 (increasing 10% every five years) per square foot where the square footage is the greater of (i) 15,418, or (ii) the

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

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

- (c) Additional Rent: (i) TEP assessed with respect to the Main Street retail space (the future Retail Unit), (ii) Commercial Ground Rent assessed with respect to the Main Street retail space (the future Retail Unit), which is currently \$0.60 per square foot, plus any future increases, and (iii) condominium common charges and assessments which are imposed against the Retail Unit (not to exceed \$30,000 per annum, increasing at 3% per annum);
- (d) All space and other leases affecting the Retail Unit must be subordinated to the condominium declaration and by-laws which shall be senior to all leases other than the NYC Master Lease and Ground Lease, provided that the Condominium shall enter into a recognition agreement whereby it shall give RIOC notice of any default given to the Retail Unit Owner and an opportunity to cure any such default;
- (e) The Condominium declaration shall not provide for more restrictive uses of the Retail Unit than the uses permitted under the Master Retail Sublease. Sponsor will execute an SNDA with HRR generally in the form as attached to the Master Retail Sublease with such reasonable changes as Sponsor shall require.
- (f) The Sponsor–RIOC Sublease and the Master Retail Sublease shall be subordinated to any mortgage of the Retail Unit, provided that the mortgagee shall enter into a subordination and non-disturbance agreement with the holders of such leases.
- (g) RIOC shall be responsible for all repairs, maintenance and replacements to the Retail Unit, including facades, storefronts, and HVAC systems;
- (h) RIOC shall be responsible for all utilities, water and sewer charges utilized by or supplied to the Retail Unit, all of which shall be separately metered by RIOC;
- (i) RIOC shall indemnify Sponsor and the cooperative housing corporation from all claims and liabilities arising out of the use of the Retail Unit and shall maintain insurance in amounts and coverage as reasonably required by Sponsor;

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- (j) No alterations, additions or modifications may be made that affect building systems or are structural in nature without the prior approval of Sponsor not to be unreasonably withheld or delayed (with consent to be delivered within an agreed upon period of time or deemed granted if Sponsor does not respond within the agreed upon time);
- (k) Food uses must provide ventilation, garbage containment, and extermination all as reasonably approved by Sponsor;
- (l) RIOC shall be responsible for the maintenance and repair of the sidewalks adjoining the Retail Unit;
- (m) If RIOC fails to cure any default within agreed upon time (as set forth in the Ground Lease Modification Agreement), Sponsor may use self-help to cure the default and deduct the cost of cure from amounts otherwise due to RIOC (including ground rent) and RIOC shall be responsible for all costs incurred by Sponsor, the Condominium or the Cooperative arising out of any such default;
- (n) Sponsor shall recognize the Master Retail Sublease and reasonably cooperate with RIOC and HRR. The Master Retail Sublease expires on July 31, 2041 with HRR holding an option to renew for a period of ten (10) years through to July 31, 2051. Sponsor will have the option to enter into an agreement with RIOC with respect to the Retail Unit only for the remainder of the term of the Sponsor-RIOC sublease on the same terms and conditions set forth and then applicable under the Master Retail Sublease as HRR (with no capital investment required on the part of the Sponsor) beginning either as of August 1, 2041, if HRR does not exercise renewal option, or on August 1, 2051 if HRR exercises the renewal option (or any earlier date if the Master Retail Sublease is terminated prior to either of such dates pursuant to the terms thereof). RIOC shall not amend the terms of the Master Retail Sublease with respect to the Retail Unit in any manner that would increase the obligations of the sublessee thereunder or decrease the rights of such sublessee, in either case, other than in a de minimus manner.

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2. Ground Lease Modification Agreement.

The Ground Lease Modification Agreement will include the following terms:

A. Term And Ground Rent Modifications

- (i) Term of Ground Lease to be extended to December 22, 2068.
- (ii) The existing residential ground rent will continue without adjustment until the date (the “First Ground Rent Adjustment Date”) which shall be the later of (a) the first day of the project’s fiscal year immediately following the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement), or (b) the date of the Ground Lease Modification Agreement if the Master Cooperative Closing does not occur within three years of the date of the Ground Lease Modification Agreement, in which case, the retroactive rent differential shall be paid to RIOC in equal monthly installments over the next 24 months retroactive to the date of the Ground Lease Modification Agreement.
- (iii) On the First Ground Rent Adjustment Date, the Ground Rent shall increase to \$236,000 per annum. The Ground Rent shall thereafter cumulatively increase by 10% on each 5th anniversary until the 30th anniversary of the First Ground Rent Adjustment Date (the “Affordability Expiration Date”), as provided in Exhibit B attached hereto. Commencing on the first day following the Affordability Expiration Date, if the Master Cooperative Closing (or other conversion to some form of cooperative/condominium ownership) has occurred, the Ground Rent shall be payable as provided in Exhibit C-1 attached hereto, if, however, the Master Cooperative Closing (or other conversion to some form of cooperative/condominium ownership) has not occurred as of the Affordability Expiration Date, the Ground rent shall be payable as provided in Exhibit C-2.
- (iv) The commercial ground rent currently payable with respect to the Main Street retail area (the future Retail Unit) shall continue in effect as otherwise provided in the Ground Lease. No commercial ground rent shall be payable with respect to the (i) former pool area, (ii) former day care area, or (iii) existing management office area (collectively, the future Commercial Unit) until the Affordability Expiration Date at which time commercial ground rent shall be payable as otherwise provided for in the Ground Lease. The commercial ground rent shall be computed by taking

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into account any increase in completed commercial space, and RIOC shall not unreasonably withhold or delay its consent to an expansion of the commercial areas, provided such expansion is done in accordance with applicable law.

B. TEP Modifications

- (i) For those apartments that continue to be subject to the Affordable Resale Restrictions and the Affordable Rental Restrictions, the tax equivalent payment (“TEP”), which is currently computed on a shelter rent basis, will continue to be computed on a shelter rent basis until the date (the “Shelter Rent Expiration Date”) which is the expiration of the 30-year period commencing from the later of (a) the first day of the project’s fiscal year immediately following the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement), or (b) the date of the Ground Lease Modification Agreement if the Master Cooperative Closing does not occur within three years of the date of the Ground Lease Modification Agreement, and ending on the day prior to the first day of the project’s fiscal year immediately following the end of such 30-year period. Following the Shelter Rent Expiration Date, the TEP for these apartments shall be adjusted annually and determined as otherwise provided in the Ground Lease for the adjustment of the TEP.
- (ii) At such time as a cooperative apartment is vacated by a “Bona Fide Mitchell Lama Tenant” (as hereinafter defined) and thereafter sold free of the Affordable Resale Restrictions (i.e., designated by the Sponsor as a Market Apartment, as discussed in Paragraph 10) then commencing with the first day of the Project’s fiscal year immediately following the date of such sale, there shall be a phase-in to a Market Based TEP over a 5 year period, provided however that such phase-in period shall not extend beyond the Shelter Rent Expiration Date, at which time the Project shall convert to 100% Market Based TEP. Market Based TEP shall mean a tax equivalent payment calculated using the lower of the transitional or actual taxable assessment from time to time announced by the City of New York and the applicable tax rate as from time to time assessed by the City of New York.
- (iii) At such time as an apartment is vacated by a “Bona Fide Mitchell Lama Tenant” and thereafter rented free of the Affordable Rental Restrictions (i.e., designated as a Market Apartment), then commencing from the first day of the Project’s fiscal year immediately following the commencement

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of such apartment lease term, there shall be a phase-in to a Market Based TEP over a 5 year period, provided however that such phase-in period shall not extend beyond the Shelter Rent Expiration Date. The forgoing phase-in period shall not be applicable until the later of (a) the date of the Ground Lease Modification Agreement, or (b) the date of the Master Cooperative Closing (provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement).

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

3. Insider Purchase Price

- (i) Shares have been assigned to each cooperative apartment based upon the Adjusted Apartment Area (110% of the apartment area) and relative value, taking into account location, view and height, consistent with IRC Section 216. The gross residential area in the buildings (414,381 sq. ft.) was adjusted by an industry standard factor of 10% to include an allocable portion of the common area, resulting in an aggregate saleable residential square footage of 455,819 sq. ft. (exclusive of terrace and balcony areas to be priced separately). The total number of shares is deemed to be 556,191.
- (ii) The aggregate value of all cooperative apartments (\$90,252,162) was determined by using an average price of \$198 per sq. ft and the aggregate saleable residential area of 455,819 sq. ft. (exclusive of terraces and balconies). Based upon this aggregate valuation (exclusive of terraces and balconies), the per share price is \$164.
- (iii) The discounted price available to tenants for their cooperative apartment (the “Insider Price”) was determined on the basis of the number of shares assigned to such cooperative apartment and a per share price of \$164. Therefore, certain unit types such as studios and one bedrooms, are priced at less than \$198 per sq. ft., while other apartments are priced at more. Cooperative apartments with terraces and balconies will be priced higher.

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- (iv) The initial resale price per share pursuant to the Affordable Resale Restrictions will be \$328 (twice the initial per share offering price to tenants).
- (v) The Insider Price is available only to bona fide tenants in occupancy pursuant to a “New Lease” (as defined in paragraph 6(i)) on the date the Offering Plan is accepted for filing by the Attorney General (an “Insider”) and must be exercised within 30 days of such date (unless the Offering Plan shall provide for a longer period as may be required by the Attorney General), and further provided that the Insider shall not be in default under his New Lease at the time a purchase agreement is executed. Apartments not purchased by an Insider during the exclusive purchase period may thereafter be sold subject to the Affordable Resale Restrictions or as Market Apartments (see Paragraph 10) at Sponsor’s option.
- (vi) No assignment of Insider rights (directly or indirectly).
- (vii) In the schedule of offering prices to be included in the Offering Plan, the valuation attributable to the super’s apartment will be allocated among all other cooperative apartments, on the basis of relative shares, thereby increasing incrementally, the offering price of all other cooperative apartments.

5. Budget and Maintenance

- (i) Maintenance per share is projected (but is not warranted) at approximately \$0.71 per share per month for the first year of cooperative operation (projected to commence September 1, 2013), based upon financial information currently available.
- (ii) The projection of maintenance assumes that the apartments have been submetered for electricity (each shareholder will be individually responsible for the cost of electricity he consumes), a reduction in payroll and repairs and maintenance since interior apartment work will no longer be performed by the building, and a reduction in management fees and in the TEP since shelter rent will now be determined by using the aggregate maintenance charges.

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

- (i) On or after the Affordability Plan Effective Date, the Sponsor shall provide each “Bona Fide Mitchell Lama Tenant” with a replacement lease (the “New Lease”), in a form to be prepared by the Sponsor incorporating the Affordable Rental Restrictions, otherwise consistent with the provisions of this Affordability Plan and containing such other provisions customary in non-regulated rental apartment leases in Manhattan as the Sponsor deems appropriate.
- (ii) The New Lease shall be for a term of 1 year from the New Lease Commencement Date (defined in paragraph (iv) below), which term (subject to the qualifications of paragraph (x) below), may be renewed as long as the apartment is continuously used as the tenant’s primary residence and the tenant is otherwise not in default under the New Lease.
- (iii) A “Bona Fide Mitchell Lama Tenant” shall mean (i) the tenant named in the existing Mitchell Lama lease provided that such person is in actual physical possession and occupancy of the apartment as his primary residence and has so occupied the apartment continuously for the preceding 12 months (or the commencement of their Mitchell Lama lease term, whichever is less), or (ii) members of the named tenant’s immediate family who resided in the apartment with the named tenant as their primary residence and thereafter continuously and without interruption continued to occupy the apartment as their primary residence and who would qualify for succession as of the Affordability Plan Effective Date under the Division’s regulations (NYCRR 1727-8), and in both (i) and (ii), further provided that such tenant shall not be in default under his Mitchell Lama lease. Persons in possession of an apartment on the Affordability Plan Effective Date who are not Bona Fide Mitchell Lama Tenants (whose Mitchell Lama lease shall not have otherwise been terminated or received a Notice of Non-Renewal) shall receive a Notice of Non-Renewal stating the basis for not being provided a New Lease. Upon the expiration or sooner termination of such person’s Mitchell Lama lease, the rights of such person to continued occupancy (after taking into account the provisions of the Affordability Plan) shall be determined in accordance with applicable law.
- (iv) The initial rent and other occupancy terms under the New Lease will be subject to the “**Affordable Rental Restrictions**” set forth below:

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

- For tenants with Validated Income of less than 100% of the median income, as published from time to time by HUD for the New York, NY area, as adjusted for the applicable household size (“AMI”), an amount equal to the then 1 year lease renewal guideline increase rate as published from time to time by the New York City Rent Guidelines Board (the, “RGB increase”), (but not to exceed 7.5%);
- For tenants with Validated Income between 100% -150% of AMI, an amount equal to the then 1 year RGB increase, plus 2% (but not to exceed 7.5% in the aggregate);
- For tenants with Validated Income between 150% - 200% of AMI, an amount equal to the then 1 year RGB increase, plus 2% (no cap);
- For tenants with Validated Income above 200% of AMI, an amount equal to the then 1 year RGB increase, plus 5% (no cap)

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

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Commencement Date, the component of the Initial New Lease Rent attributable to the tenant's Validated Income may be imposed and collected retroactively to the New Lease Commencement Date when it is determined.

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

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

- (v) The Initial New Lease Rent will be reset on the first anniversary of the New Lease Commencement Date, and the rent under the New Lease shall be annually adjusted thereafter on each subsequent anniversary of the New Lease Commencement Date, using as the renewal rent, the rent then in effect under the expiring lease term (in each case inclusive of the Income Adjustment) to be further adjusted based upon the then applicable Income Adjustment. For purposes of determining the Initial New Lease Rent, the RGB increase rate in effect for the current year plus the RGB increase rate in effect for the preceding year shall be aggregated to reflect that no rent increase has been implemented since March 2009. If during the term of the Affordability Period, the RGB shall no longer promulgate an annual rent increase rate, the parties shall agree upon a replacement standard that most closely approximates the RGB guidelines.
- (vi) Units will not be subject to luxury decontrol.
- (vii) Units will qualify for MCI like increases which increases shall be computed in like manner as a Major Capital Improvement increase would be computed under the Rent Stabilization Law (except that no increase will be sought with respect to any work done with the proceeds of the Sponsor's initial (\$6MM) Reserve Fund Contribution.
- (viii) Lease succession will not be permitted. Once the original named non-purchasing tenant(s) no longer occupies their apartment as their primary residence, then upon the expiration of the lease term then in effect, the tenant will no longer be entitled to the benefits of the Affordable Rental

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Restrictions. Notwithstanding the foregoing, immediate family members of the original named tenant who resided in the Unit as their primary residence and continuously and without interruption continued to occupy the apartment as their primary residence and who would qualify for succession as of the Affordability Plan Effective Date under the Division's regulations (NYCRR 1727-8) will continue to be subject to and benefit from the Affordable Rental Restrictions as would the original named non-purchasing tenant.

- (ix) Other regulations and protections to be determined.
- (x) No sublets permitted, except by Sponsor.
- (xi) Notwithstanding the provisions of paragraph (i) above, the Affordable Rental Restrictions shall expire on the Affordability Expiration Date, which is also the Shelter Rent Expiration Date.
- (xii) Upon withdrawal/dissolution, the property is not subject to the Mitchell Lama Law, the rent stabilization law, the rent stabilization code or any other statutory framework for rent regulation; the Affordable Rental Restrictions, the New Lease and the Affordability Plan shall be the sole and exclusive provisions governing the tenancies, including the rents that may be charged to tenants who qualify for the Affordable Rental Restrictions.
- (xiii) The provisions of this subparagraph (xiii) shall apply only to a Bona Fide Mitchell Lama Tenant who has not purchased his apartment and remains in possession of his original apartment upon the Affordability Expiration Date. Notwithstanding that the Affordable Rental Restrictions expire on the Affordability Expiration Date, any such non-purchasing Bona Fide Mitchell Lama Tenant shall be entitled to the further benefit of a phase-in over a period of 5 years to a market rent. Commencing with the first annual lease renewal period following the Affordability Expiration Date, and continuing for the next four annual lease renewals, the rent for such a tenant shall not exceed the greater of (a) the increase that would have been imposed under the Affordable Rental Restrictions, or (b) the difference between the then expiring rent and the then market rent times the remaining phase-in percentage (for example, in renewal year 3, the remaining phase-in percentage would be 3/5 or 60%). For this purpose, market rent shall be as determined by Sponsor.

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7. Replacement Reserve/Reserve Fund

- (i) Sponsor shall establish and fund a single combined reserve fund to satisfy both the requirements of Mitchell Lama withdrawal and the NYC Administrative Code for sponsors generally, (collectively, the “Apartment Corporation’s Reserve Fund”).
- (ii) Sponsor agrees to fund \$6MM to the Apartment Corporation’s Reserve Fund for the categories of work and/or the items of work set forth below (“Qualifying Reserve Work”). This contribution shall be established at the Master Cooperative Closing, provided that the Master Cooperative Closing shall occur within three years of the date of the Ground Lease Modification Agreement, or if the Master Cooperative Closing does not occur within such three year period, then the contribution to the Apartment Corporation’s Reserve Fund shall be funded not later than the fifth (5th) anniversary of the date of the Ground Lease Modification Agreement. The \$6MM contribution to the Apartment Corporation’s Reserve Fund shall be reduced by the cost of any “Qualifying Reserve Work” performed or amounts expended thereon prior to the applicable funding date. Sponsor is authorized to commence any or all Qualifying Reserve Work which shall include:
 - Window Replacement: This will include replacement of all exterior apartment windows with insulated glass, and replacement/addition of the existing metal panels underneath the existing windows (with panels or glass).
 - Elevator Modernization: This will include replacement and updating, as necessary, of all mechanical and control equipment as well as cab refurbishment.
 - Electric Sub-Metering: This will include installation of individual apartment submetering equipment and building wide monitoring hub, consultant fees and PSC application fees. DHCR shall approve on an expedited basis with a rent reduction to be approved by DHCR. IHTA shall provide its consent to such application and rent reduction, if requested.
 - Plumbing: This will include, as necessary, the repair or replacement of backflow preventors, booster pumps, oil tank testing, boiler and burners, hallway ventilation systems and miscellaneous plumbing repairs, replacements and upgrades.

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- Electrical: This will include, as necessary, repair or replacement, of electric baseboard radiators, apartment circuit breaker panels, transformers, public area lighting and public area circuit breaker panels and switchgear, aluminum wiring terminations, replace/install emergency and exit lighting, miscellaneous electrical repairs, replacements and upgrades.
 - Security: This may include new card access systems, interior and exterior CCTV, and new apartment intercom systems.
 - Miscellaneous: Such other building infrastructure upgrades and replacements as the Sponsor shall determine to be in the best interests of the building, including but not limited to exterior walkways, ramps and stairs, new entrance lobby and door station,
- (iii) The first \$6,000,000 of Flip Tax proceeds will be deposited into the Apartment Corporation's Reserve Fund account. Thereafter, the next Flip Tax proceeds will be distributed (a) 50% to the Sponsor, up to the difference between the Sponsor's initial Reserve Fund contribution, and the reserve fund required to be contributed by sponsors generally pursuant to the NYC Administrative Code, multiplied by the percentage of non-purchasing tenants, and (b) the remaining 50% shall be deposited into the Apartment Corporation's Reserve Fund account. All Flip Tax Proceeds thereafter shall be deposited into the Apartment Corporation's Reserve Fund account.
- (iv) All Flip Tax Proceeds shall be deposited into the Apartment Corporation's Reserve Fund account. Interest on Flip Tax proceeds shall be used as determined by the Coop Board.
- (v) Disbursements from the Apartment Corporation's Reserve Fund account during the first five years following the Master Cooperative Closing shall be determined jointly by the Sponsor and the Apartment Corporation Board, except that Apartment Corporation Board approval is deemed given for Qualifying Reserve Work.
- (vi) Sponsor shall receive a credit against its required contribution to the Apartment Corporation's Reserve Fund at the Master Cooperative Closing for Qualifying Reserve Work undertaken by Sponsor prior to the Master Cooperative Closing.

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

8. Underlying Mortgage

- (i) \$27,800,000, anticipated to close on or about the Affordability Plan Effective Date.
- (ii) The interest rate today would be approximately 4.75% with payments made in accordance with a 30 year amortization schedule for a 10 year term.
- (iii) Sponsor shall have the right to borrow up to \$43,000,000, provided that as of the Master Cooperative Closing, the Residential Unit shall only be subject to a mortgage in the amount of \$27,800,000.

9. Resale of Units (Other Than By Sponsor)

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

- (i) The resale of apartments by any shareholder (other than Sponsor) will be (i) limited to the "Affordable Resale Price," and (ii) made only to "Income Qualified Purchasers."
- (ii) The "Affordable Resale Price" shall initially be \$396 per square foot, which is \$328 per share, to be increased annually by an amount equal to 7.5%.
- (iii) Qualified selling, renovation and relocation fee costs, including for the Sponsor the allocable reserve fund contribution, shall be added to the Affordable Resale Price to determine same.
- (iv) "Income Qualified Purchasers" shall be purchasers whose income does not exceed¹: (Annual Carrying Charges) + (6% Equity) + (\$120 x the number of rental rooms) x 7 (for households of 1-3 persons) or x 8 (for households of four or more persons) except that:

¹ DHCR Formula For Non-Federally Assisted Cooperative Developments

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

10. Sale or Rental Of Unsold Units By Sponsor

- (i) Subject to the exclusive right of the Insider to purchase their apartment during the initial exclusive offering period provided in the offering plan, the Sponsor may sell or rent up to the greater of 35% of the building, the equivalent of 140 apartments, or 642 rooms (“**Market Apartments**”) at such prices or rents as Sponsor deems appropriate. The Sponsor shall determine which apartments shall be Market Apartments. Market Apartments are not subject to the Affordable Resale Restrictions or the Affordable Rental Restrictions upon resale by the purchaser thereof.
- (ii) The sale or rental of apartments not designated as Market Apartments shall be subject to the Affordable Resale Restrictions or Affordable Rental Restrictions as applicable.
- (iii) If Sponsor elects to rent vacated units (other than Market Apartments), the following terms will apply:
- 1 year Term
 - Affordable Rental Restrictions would apply and the applicable maximum income limitations would be determined using the DHCR Formula for Non-Federally Regulated Cooperative Developments, except that the Equity component will be the applicable percentage of the Affordable Resale Price then in effect for that year.

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

11. Flip Tax

- (i) 50% of the Gross Profit (Gross Profit to be defined to exclude qualified selling costs) (declining 5% per annum after the first four years to a minimum of 30%) shall be deposited into the Reserve Fund.
- (ii) Not applicable to sale of Unsold Units by Sponsor.
- (iii) Not applicable upon resale of Market Apartments.

12. Special Sponsor Contribution

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

- Subsidize maintenance charges up to an annual limit to be jointly determined by the Board of Directors and the Sponsor;
- Reimbursement of IHTA legal fees incurred to date and to be incurred in connection with the conversion in the aggregate amount of up to \$150,000;
- Reimbursement of IHTA engineering fees incurred to date and to be incurred in connection with the conversion in an amount of up to \$30,000;
- Payment of appraisal fees for a bulk end-loan program initiated and supervised by Sponsor;
- Addition to Reserve Fund as may be jointly approved by the Board of Directors and Sponsor; and
- Such additional uses as may be jointly approved by the Board of Directors and Sponsor.

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

13. Emergency Line of Credit

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

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

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

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

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

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

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

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

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

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

14. DHCR Supervision

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

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

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the determination of the affordable resale prices and income qualifications.

- (ii) The Sponsor shall in connection with each sale of a cooperative apartment (other than a Market Apartment or to a tenant at the Insider Price), obtain an affidavit (in a form to be reasonably approved by DHCR), executed by the Sponsor and the purchaser, certifying that the purchase price and the transferee's income level complies with the Affordable Resale Restrictions. DHCR shall have the right to review such affidavits and to audit one or more sale transactions in which case the Sponsor and the parties involved in the transaction shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Resale Restrictions.
- (iii) The Sponsor shall in connection with each rental of an apartment (other than a Market Apartment), maintain records establishing how the rental amount was determined, which determination shall be consistent with the provisions of the Affordability Plan. DHCR shall have the right to review such records and to audit one or more rental transactions in which case the Sponsor and the parties involved in the transaction shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Rental Restrictions.
- (iv) If a tenant shall dispute the amount of rent being charged by the Sponsor under the Affordable Rental Restrictions, the tenant shall apply to the DHCR Commissioner for a determination of whether the rent being charged by the Sponsor is in compliance with the Affordable Rental Restrictions. Pending the resolution of such complaint, the tenant shall pay the rent as determined by the Sponsor. If a person who has received a Notice of Non-Renewal shall dispute the withholding of a New Lease, such person shall apply to the DHCR Commissioner for a determination of whether such person is a Bona Fide Mitchell Lama Tenant under this Affordability Plan.
- (v) The Cooperative Corporation shall in connection with each sale of a cooperative apartment, obtain an affidavit (in a form to be reasonably approved by DHCR), executed by the transferor and transferee, certifying that the purchase price and the transferee's income level complies with the Affordable Resale Restrictions. DHCR shall have the right to review such affidavits and to audit one or more sale transactions in which case the Cooperative Corporation and the parties involved in the transaction

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shall cooperate with DHCR and provide such documents to DHCR as DHCR shall reasonably request in order to confirm compliance with the Affordable Resale Restrictions.

15. Transaction And Other Fees Payable To RIOC

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

A. Sponsor Transfer Fee.

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

B. Shareholder Transfer Fee.

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

C. Actions By Apartment Corporation.

The Apartment Corporation shall implement and enforce closing procedures approved by Sponsor for the collection of Flip Taxes and Shareholder Transfer Fees at the closing of each Cooperative Apartment sale and such collections, in the case of Flip Taxes, shall be properly deposited in a special segregated account, and in the case of Shareholder Transfer Fees, shall be remitted to RIOC within 15 days of the closing of each applicable sale.

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D. Mortgage Recording Tax.

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

E. Real Property Transfer Tax.

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

16. **Miscellaneous.**

Nothing herein shall be deemed to amend or otherwise affect the notice of intent dated December 8, 2011 or to toll any period with respect to the anticipated date of dissolution

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stated therein, it being the intention of Sponsor that until the Affordability Plan Effective Date occurs as and when contemplated herein, Sponsor shall retain all of its existing rights with respect to dissolution.

17. Public Safety Fee.

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

18. Reimbursement.

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

19. Retail Space Settlement Fee.

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

20. Community Facilities Payment.

If RIOC shall hereafter assess a community facilities charge or other assessment, however denominated, among one or more of the projects on Roosevelt Island, then in determining the proportionate share of such assessment to be allocated to the Project, there shall be taken into account, and appropriate adjustment made for the differences in the manner of the existing allocation for Public Safety Fees as between the Project (and the other projects constituting the WIRE Buildings) and the other projects on Roosevelt Island so as to equalize, on an equitable aggregate basis, the community facilities charges, assessments and Public Safety Fees paid by all projects on Roosevelt Island under the jurisdiction of the RIOC or its successors.

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21. **River Road Access.**

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

EXHIBIT A

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

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

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

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EXHIBIT 4

NOTIFICATION OF RIGHTS AND PROCEDURES

As a residential customer for electricity, you have certain rights assured by New York's Home Energy Fair Practices Act ("HEFPA") and the order issued by the New York State Public Service Commission on [], in Case []: Notice of Intent to Submeter Electricity at Island House Apartments at 551, 555, 575 Main Street, New York, New York 10044, Located in the Territory of Consolidated Edison Company of New York, Inc. (the "Submetering Order"). This notification is an overview of those rights and certain policies and procedures regarding the service and billing of your electricity.

The property at 551, 555, 575 Main Street, New York, New York 10044 is submetered. Island House Tenants Corp. and IH Preservation Partners, LLC (together, the "Owner") own the residential component of the above-referenced property. The administration of submetering is performed by an outside vendor as a third-party billing company under contract with the Owner to invoice residents for their monthly utility usage. Residents receive monthly bills from the Owner or its third-party billing company for their respective electricity usage, which amounts are payable to the Owner.

If you have any questions/complaints concerning your electricity bill, please contact the Owner through the Management Office by telephone at (212) 755-3012 or by mail at RY Management Co., Inc., 545 Main Street, New York, New York 10044. The Owner shall investigate and respond to you in writing within fifteen (15) days of the receipt of your written complaint. As part of this response, you shall be advised of the disposition of the complaint and the reason therefore. Upon receiving this response, or at any time, you can also contact the Public Service Commission in writing at New York State Department of Public Service, 3 Empire State Plaza, Albany, New York 12223, by telephone at (800) 342-3377 or (212) 417-

2223, in person at the nearest office at 90 Church Street, New York, New York 10007, or via the Internet at www.dps.ny.gov.

The electricity bills that you receive show the amount of kilowatt hours (“kWh”) that you used. The bills you receive shall provide, in clear and understandable form and language, the charges for service. In no event will the total monthly charges (including any administrative charges) exceed the utility’s (Consolidated Edison Company of New York, Inc.) direct metered residential rate. The Owner may terminate or disconnect service under certain conditions (*i.e.*, nonpayment of electricity bills) pursuant to HEFPA.

You have the right to request messages on bills and notices in Spanish. To make such a request, contact the Owner in writing. Usted tiene el derecho de solicitar informacion en facturas e informativos en Espanol. Para solicitar informacion en Espanol, por favor contacte a un representante marcando por escrito.

You may request balanced billing for the payment of electricity charges. This plan shall be designed to reduce fluctuations in customer bills due to seasonal patterns of consumption. Balanced billing divides your electricity costs into twelve (12) equal monthly payments. Periodically, the Owner will review and adjust the balanced billing amount as necessary. At the end of one (1) year, you shall be responsible to pay for any electricity costs in excess of your balanced billing amount paid. You may contact the Owner to discuss the details of this plan, if you are interested.

Your meter is read because it measures and records the actual amount of electricity you use; this enables an accurate bill to be sent to you. Making sure your electricity bills are accurate and correct is important to the Owner and to you. That is why every effort is made to read your meter regularly.

If you are having difficulty paying your electricity bill, please contact the Owner by telephone or in writing in order to see if you qualify for a deferred payment agreement, whereby you may be able to pay the balance owed over a period of time. A deferred payment agreement is a written agreement for the payment of outstanding charges over a specific period of time, signed by both the submeterer and customer. If you can demonstrate to the Owner a financial need, the Owner can work with you to determine the length of the agreement and the amount of each monthly payment. The Owner will make reasonable efforts to help you find a way to pay your bill. Any deferred payment agreement will be contingent on you paying all future electric bills in full and on-time.

Regardless of your payment history relating to your electricity bills, your electricity service will be continued if your health or safety or the health or safety of someone living with you is threatened. When the Owner becomes aware of such hardship, the Owner can refer you to the Department of Social Services. Please notify the Owner, in writing and sent by certified mail with return receipt requested, if either of the following conditions exists:

- (a) **Medical Emergencies.** You must provide a medical certificate from a doctor or local board of health.
- (b) **Life Support Equipment.** You and/or those living with you suffer from a medical condition requiring electricity service to operate a life-sustaining device. You must provide a medical certificate from a doctor or local board of health.

Special protections may be available if you and/or those living with you are age eighteen (18) or younger or sixty-two (62) and older, blind, or disabled.

You can also designate a third party as an additional contact to receive notices of past due balances. Every submeterer shall permit a residential customer to designate a third party to

receive all notifications relating to disconnection of service or other credit actions sent to such residential customer, provided that the designated third party agrees in writing to receive such notices. The submeterer shall inform the third party that the authorization to receive such notices does not constitute acceptance of any liability on the third party for service provided to the customer. The submeterer shall promptly notify the residential customer of the refusal or cancellation of such authorization by the third party. If you are interested in Voluntary Third-Party Notice, notify the Owner with the party's contact information and written agreement of the third party to receive copies of all notifications relating to disconnection of service or other credit actions sent to you.

Please review the attached "Special Protections Registration Form" relating to some of the rights discussed above. Although you are not required to do so, please fill it out if you qualify for any special protection described on the form. You may return the completed form to the Owner.

**SPECIAL PROTECTIONS
REGISTRATION FORM**

Please complete this form if any of the following applies.
Return this form via certified mail with return receipt requested to:

**RY Management Co., Inc.
545 Main Street
New York, New York 10044**

ACCOUNT INFORMATION

(Be sure to complete before mailing)

Name

Address

Unit

Town/City

Zip

Telephone # Daytime

Evening

Account Number (as shown on bill)

I would like to be considered for Special Protections.

In my household (Check):

- Unit occupant is 62 years of age or over, and any and all persons residing therewith are either 62 years of age or under 18 years of age.
- Unit occupant is blind (Legally or Medically)
- Unit occupant has a permanent disability
- Unit occupant has a Medical Hardship (type):

-
- Unit occupant has a Life Support Hardship (type):
-

I receive government assistance.

- I receive Public Assistance (PA). My case number is:

- I receive Supplemental Security Income (SSI). Note: SSI benefits are not the same as Social Security Retirement Benefits. My Social Security Number (optional) is:

To Be Completed by Third Party

Please let me know if this customer's bill is overdue. As a "caregiver," I understand that I am not responsible for payment of this bill.

Caregiver/Agency

Address

Unit

Town/City

Zip

Telephone # Daytime

Evening

Designee Signature

PROCEDURE TO PURSUE COLLECTION OF UTILITY CHARGES

Step 1: Receive Master Utility Invoice

The Owner and/or its third-party billing company (individually or collectively, the “Owner”) shall process the master invoice received from the utility (Consolidated Edison Company of New York, Inc.) and note the date it was received.

Step 2: Mail Utility Bill to Residents

Within thirty (30) days after receipt of the master utility invoice, the Owner shall calculate and mail a submetered utility bill to each resident with the due date clearly noted. The due date for payment by each resident is five (5) days from receipt of the submeter bill. A late charge will be applied if payment is not made within twenty (20) days from the date payment is due.

Step 3: Identify Past Due Accounts

After the due date of the submetered utility bill, the Owner will review and identify all past due utility accounts. The Owner may contact each resident with a past due utility account by phone, mail, or in-person. Eligible residents will be offered the option to enter into a Deferred Payment Agreement. The Owner will provide the following document to each such eligible resident: *Deferred Billing Agreement Option Form*.

Step 4: Negotiation of Deferred Payment Agreement

If a resident expresses interest in and is eligible for a Deferred Payment Agreement, the Owner must enter into good faith negotiations with the person regarding the terms of a Deferred Payment Agreement. A meeting between the Owner and the resident will be timely scheduled to review the resident’s income, assets and monthly financial obligations for the purpose of determining an equitable and fair payment agreement considering the resident’s financial circumstances. To that end, a *Deferred Payment Agreement Appointment Letter* will be hand-delivered and/or mailed to the resident. The contents of that letter will include:

- Appointment date and time.
- A listing of all information that must be provided during the meeting.
- A copy of the *Deferred Payment Agreement Worksheet* that will be used to determine the monthly amount that will be paid under the Deferred Payment Agreement. It is important to remember that the *Deferred Payment Agreement Worksheet* is NOT the Deferred Payment Agreement.

During the meeting, the Owner and the resident will:

- Review the resident’s income, assets and reasonable monthly expenses.
- Complete the *Deferred Payment Agreement Worksheet* for the purposes of determining an equitable and fair monthly payment amount based on the resident’s financial circumstances.
- As appropriate, negotiate and complete the Deferred Payment Agreement.

If an agreement is reached, the Owner expects that the Deferred Payment Agreement will be signed by both parties during the meeting. Provided that the resident then adheres to the terms of the Deferred Payment Agreement, no further action is needed other than monitoring the resident's compliance with the terms of the Deferred Payment Agreement.

Step 5: Default of a Deferred Payment Agreement Obligation

If a resident with a Deferred Payment Agreement misses a payment, certain actions must be taken before the Owner can seek to terminate the resident's electricity or initiate a civil enforcement action. These actions include:

- The day after a Deferred Payment Agreement payment is due but not made, the Owner will hand-deliver or mail a *Deferred Payment Agreement Reminder Notice* to the resident. The resident has twenty (20) days from the date payment was due to make the payment or enter into a Revised Deferred Payment Agreement, if applicable.
- If the resident contacts the Owner within this time period regarding an inability to pay, the Owner will meet with the resident to determine whether the resident can demonstrate a substantial and/or significant change in his/her financial circumstances beyond his/her control.
 - If the resident is able to demonstrate a significant change in his/her financial status, the Owner will negotiate a Revised Deferred Payment Agreement with the resident. As with the original Deferred Payment Agreement, the Owner expects that the Revised Deferred Payment Agreement will be signed by both parties at the meeting.
 - If the resident is unable to demonstrate a significant change in his/her financial status, the Owner should explain that determination and demand payment of the missed payment.
- If, within this twenty (20)-day time period, the Owner does not receive payment or enter into a Revised Deferred Payment Agreement, the Owner may send the resident a demand for the full amount of the outstanding charges and a *Final Termination Notice* or initiate a civil enforcement action.

Step 6: Final Termination Notice with Executed Deferred Payment Agreement or Civil Enforcement Action

In the event the Owner and the resident do not enter into a Deferred Payment Agreement, or if a default under Step 5 is not cured, the next step is to issue a *Final Termination Notice* or initiate a civil enforcement action.

Step 7: Review for Special Procedures

On the same date that a *Final Termination Notice* is sent to a resident, the Owner will review the status of the resident to determine if he/she qualifies for special procedures under HEFPA. If the resident so qualifies, additional steps must be undertaken before the Owner can complete the HEFPA process and seek to terminate the resident's electricity service.

Step 8: Termination of Electricity Service

If, after fifteen (15) days, the resident has failed to pay his/her electricity bill and the Owner has taken the required steps if special protections are applicable, the Owner may terminate such resident's electricity service.

The Owner should advise residents that bills and notices can be prepared in both English and another language, if a resident desires.

DEFERRED PAYMENT AGREEMENT PACKAGE

- A. Deferred Billing Agreement Option Offer Letter**
- B. Deferred Payment Agreement Appointment Letter**
- C. Deferred Payment Agreement**
- D. Payment Past Due Reminder Notice**

A. DEFERRED BILLING AGREEMENT OPTION OFFER LETTER

[DATE]

[RESIDENT]

[STREET ADDRESS]

[CITY, STATE, ZIP CODE]

Re: Deferred Billing Agreement Option Offer

In accordance with the Home Energy Fair Practices Act, we are required to provide you an opportunity to visit the Management Office and meet with our designated staff member, or to call the Management Office at (212) 755-3012 for the purpose of discussing your potential right to a Deferred Payment Agreement for the outstanding electricity charges on your account. Should you decide to accept this offer, you must return (1) signed copy of this letter to the Management Office on or before five (5) days from the date of this letter indicating your request for an appointment to negotiate a Deferred Payment Agreement with us.

Two copies of this offer are included: one for your signature and return via certified mail with return receipt to the Management Office at RY Management Co., Inc., 545 Main Street, New York, New York 10044, and one for your records.

Once we receive your request for an appointment, you will receive an appointment letter confirmation from the Management Office within five (5) days.

YES,
I would like to schedule an appointment to discuss a Deferred Payment Agreement.

Resident Signature: _____

Apt #: _____ **Date:** _____

OR

NO,
I would not like to schedule an appointment to discuss a Deferred Payment Agreement.

Resident Signature: _____

Apt #: _____ **Date:** _____

B. DEFERRED PAYMENT AGREEMENT APPOINTMENT LETTER

[DATE]

[RESIDENT]

[STREET ADDRESS]

[CITY, STATE, ZIP CODE]

Re: Deferred Payment Agreement Appointment

Dear Resident:

You recently requested an appointment to review your eligibility for a Deferred Payment Agreement for your unpaid electricity charges totaling \$ XX.XX.

We have scheduled your appointment at the Management Office for:

Date:

Time:

Location:

It is vital that you attend this appointment so that we can determine your eligibility for a Deferred Payment Agreement. Your failure to attend this appointment will leave us no choice but to issue a *Final Termination Notice* or initiate a civil enforcement action to collect payment.

We have enclosed the following for your review:

- *Deferred Payment Agreement Worksheet*

In accordance with the Home Energy Fair Practices Act, we hereby provide you the following information with respect to your rights and responsibilities regarding the formation of a Deferred Payment Agreement.

- You must provide the designated staff member with reasonable proof of all the applicable income, asset, and expense information noted on the enclosed list. **The information provided to us is for the sole purpose of determining your eligibility for a Deferred Payment Agreement and/or the development of the Deferred Payment Agreement will be maintained in your resident file with the strictest of confidence and will not be released or shared with any other person.**
- The designated staff member must negotiate with you in good faith to develop a Deferred Payment Agreement that is fair and equitable and considers your financial circumstances.
- Your payment agreement might not require a deposit.

CONFIDENTIAL: Deferred Payment Agreement Worksheet

Date: _____ Apt #: _____

Resident's Name: _____

Monthly Income Calculation

Income Source:

Employment: Average monthly income from 5 consecutive paystubs	
Child Support Documentation	
Alimony Documentation	
Social Security or SSI Award Letter	
Pension Statements	
Public Assistance	
Unemployment	
All other sources of verifiable income	

Avg. Monthly Income: _____

Asset Calculation:

Asset Source:

Avg. Checking and Savings Accounts Balance: (4) Consecutive Statements	
Other verifiable assets	
Other verifiable assets	

Total Assets: _____

Applicable Monthly Expense:

Mortgage Payment or Rent	
Grocery Expense	
Basic Telephone Expense	
Medical Expenses	
Medicare / Medicaid Contributions	
Prescriptions	
Other verifiable medical expenses	
Childcare expenses	
Other verifiable monthly expenses	

Total Expenses: _____

Avg. Monthly Income: _____
Avg. Expenses: _____
Avg. Monthly Disposal Income: _____

Down payment may be required

Monthly Payment	
Number of Payments	
Total Amount Due	

Resident Signature: _____

By my signature above I hereby certify that the documents provided to landlord in the calculations of this worksheet are correct and accurate.

C. DEFERRED PAYMENT AGREEMENT

Resident: _____

Address: _____

Account No.: _____

The total amount owed to Island House Tenants Corp. and IH Preservation Partners, LLC (together, the "Owner") on this account as of MM/DD/YYYY is \$XX.XX.

Subject to 16 NYCRR § 11.10 (a-b) of the Home Energy Fair Practices Act ("HEFPA"), the Owner is required to offer a payment agreement that you are able to pay considering your financial circumstances. **This agreement should not be signed if you are unable to keep the terms.** Alternate terms may be available if you can demonstrate financial need. Alternate terms may include no down payment and payments as low as \$10 per month above your current bills. **If you sign and return this form, along with a down payment of \$XX.XX, by MM/DD/YYYY, you will be entering into a payment agreement and, by doing so, will avoid termination of electricity service.** You will be required to make timely payments on all current charges in order to remain compliant with the terms of this agreement.

Assistance to pay utility bills may be available to recipients of public assistance or supplemental security income from your local social services office. This agreement may be changed if your financial circumstances change significantly because of conditions beyond your control. If after entering into this agreement, you fail to comply with the terms, the Owner may terminate your electricity service. If you do not sign this agreement or pay the total amount due of \$ XX.XX by MM/DD/YYYY, the Owner may seek to terminate your electricity service. **If you are unable to pay these terms, if further assistance is needed, or if you wish to discuss this agreement, please contact the Owner through the Management Office by telephone at (212) 755-3012 or by mail at RY Management Co., Inc., 545 Main Street, New York, New York 10044.**

Payment of Outstanding Balance:

Your current monthly budget amount is: \$ XX.XX (in addition to your current electricity charges). The monthly amount is due on the same date that payment for your most current bill is due.

If you are not already enrolled in our Budget Billing Program, which allows you to pay for your service in equal monthly installments, and wish to enroll, check the box below and we will start you on this process.

Yes! I would like Budget Billing:

Acceptance of Residential Payment Agreement:

This agreement has been accepted by the Owner. If you and the Owner cannot negotiate a payment agreement, or if you need any further assistance, **you may contact the Public Service Commission at (800) 342-3377.**

Return one copy of this agreement signed, along with the down payment of \$XX.XX, by certified mail with return receipt no later than MM/DD/YYYY to the Owner. If this is not done, your electricity service may be terminated.

Resident

Date

**Island House Tenants Corp., and
IH Preservation Partners, LLC**

Date

D. PAST DUE REMINDER NOTICE

RESIDENT: _____
ADDRESS: _____
ACCOUNT NO.: _____

On **MM/DD/YYYY**, you signed a Residential Deferred Payment Agreement (“DPA”), which obligated you to make a down payment of **\$XX.XX** by **MM/DD/YYYY** and regular payments of **\$XX.XX** (in addition to your current electricity charges) in order to avoid termination of electricity service. Our records indicate that you have failed to comply with the terms of the DPA. As a result, we are hereby notifying you that you must meet the terms of the existing DPA by making the necessary payment within twenty (20) calendar days of the date payment was due or a Final Termination Notice may be issued to terminate your electricity service.

If you are unable to make payment under the terms of the DPA because your financial circumstances have changed significantly due to events beyond your control, you should immediately contact Island House Tenants Corp. and IH Preservation Partners, LLC (together, the “Owner”) through the Management Office by telephone at (212) 755-3012 or by certified mail with return receipt at RY Management Co., Inc., 545 Main Street, New York, New York 10044, because a new payment agreement may be available. Further, assistance to pay utility bills may be available to recipients of public assistance or supplemental security income from your local social services office.

The total amount owed to the Owner for this account as of MM/DD/YYYY is: \$XX.XX.

**NOTIFICATION TO SOCIAL SERVICES OF CUSTOMER'S
INABILITY TO PAY**

**RY Management Co., Inc.
545 Main Street
New York, New York 10044**

Resident: _____

Address: _____

Account No.: _____

The above resident/customer has been sent a final notice of termination of electricity service. If the total payment due of **\$XX.XX** is not paid by **MM/DD/YYYY**, termination of their electricity service may occur any time after **MM/DD/YYYY**.

BUDGET BILLING PLAN

Resident: _____

Address: _____

Account No.: _____

As set forth below, Island House Tenants Corp. and IH Preservation Partners, LLC (together, the “Owner”) agree to provide services in return for your agreement to make payments according to the terms of this Budget Billing Plan (the “Plan”).

The Plan requires that you pay **\$XX.XX** per month for the 12-month period starting with the billing cycle commencing on **MM/DD/YYYY** and ending on **MM/DD/YYYY**.

This monthly payment is based on an estimate of your annual billing, which has been calculated by multiplying the average monthly consumption by the current estimate of commodity prices over the above-referenced 12-month period. Your average monthly consumption is _____ kWh, based on your or the premises’ last 12 months of actual consumption.

The Plan shall be subject to regular review for conformity with actual billing. The Owner reserves the right to recalculate the monthly payment to reflect either (a) an increase in consumption beyond the average monthly consumption, and/or (b) an increase in commodity prices.

Each month, you will be billed the equal monthly payment and you will be required to pay that amount. Your bill will inform you what your consumption for the period was, as well as the actual charge you would have incurred if you were not on the Plan. If you fail to pay the bill when due, you may be subject to a Final Termination Notice pursuant to the Home Energy Fair Practices Act or other collection remedies.

In the last month of the Plan, the Owner shall true up your account based on a comparison of the billing under the Plan and the amount you would have been charged for the 12-month period if you were not on the Plan. If you owe the Owner a sum of money due to the true up, you will be billed for the amount due and full payment of the amount due must be paid within ten (10) days of receipt of the bill. If you have been over billed, you will be issued a credit to be applied to the next plan year.

[] Yes! I would like budget billing and agree to the terms of the Plan.

Acceptance of Agreement:

Resident	Date
Island House Tenants Corp., and IH Preservation Partners, LLC	Date

Return one signed copy to the Owner through the Management Office by certified mail with return receipt at RY Management Co., Inc., 545 Main Street, New York, New York 10044, by MM/DD/YYYY.

HEFPA QUARTERLY BILLING AGREEMENT

Resident: _____
Address: _____
Account No.: _____

Under this plan, Island House Tenants Corp. and IH Preservation Partners, LLC (together, the “Owner”) agree to provide services in return for your agreement to make payments according to the terms of this Quarterly Billing Plan (the “Plan”).

You confirm that you are greater than 62 years old, and that your bills in the preceding 12 months, starting on MM/DD/YYYY and ending on MM/DD/YYYY, did not exceed \$150.

Under this Plan, you will receive the first bill on MM/DD/YYYY covering actual charges incurred during the 3-month period MM/DD/YYYY to MM/DD/YYYY, and you will receive quarterly bills thereafter on or before MM/DD/YYYY, MM/DD/YYYY, and MM/DD/YYYY for actual charges incurred during each such preceding 3-month period.

On the dates specified above, you will be billed for the actual charges incurred and you will be required to pay the amount stated on the bill. If you fail to pay the bill when it is due, you may be subject to a Final Termination Notice pursuant to the Home Energy Fair Practices Act.

Yes! I would like Quarterly Billing.

Acceptance of Agreement:

<hr/>	<hr/>
Resident	Date
<hr/>	<hr/>
Island House Tenants Corp.	Date
IH Preservation Partners, LLC	

Return one signed copy to the Owner through the Management Office by certified mail with return receipt at RY Management Co., Inc., 545 Main Street, New York, New York 10044, by MM/DD/YYYY.

FAILURE TO MAKE PAYMENT NOTICE DATED:

Resident: _____
Address: _____
Account No.: _____

Dear Resident:

Your account is now XX (XX) days overdue. Please make payment of **\$XX.XX** by **MM/DD/YYYY** or we shall institute termination of your electricity service.

PLEASE REMIT \$XX.XX BY MM/DD/YYYY TO AVOID INITIATION OF TERMINATION OF YOUR ELECTRICITY SERVICE.

If you are unable to make payment because your financial circumstances have changed significantly due to events beyond your control, please contact Island House Tenants Corp. and IH Preservation Partners, LLC through the Management Office by telephone at (212) 755-3012 or by certified mail with return receipt at RY Management Co., Inc., 545 Main Street, New York, New York 10044. If you or anyone in your household meets any of the following conditions please contact us: medical emergency, dependence on life support equipment, elderly, blind, or disabled.

Sincerely,

Island House Tenants Corp., and
IH Preservation Partners, LLC

FINAL TERMINATION NOTICE DATED:

Resident: _____
Address: _____
Account No.: _____

Dear Resident:

By letter dated **MM/DD/YYYY**, we notified you that your failure to remit the past due amount of **\$XX.XX** by **MM/DD/YYYY** would result in our terminating your electricity service. Our records indicate that we have not received your payment. Please remit **\$XX.XX** or your service will be terminated after **MM/DD/YYYY**.

If you disagree with the amount owed, you may call or write Island House Tenants Corp. and IH Preservation Partners, LLC (together, the "Owner") through the Management Office by telephone at (212) 755-3012 or by certified mail with return receipt at RY Management Co., Inc., 545 Main Street, New York, New York 10044, or you may contact the Public Service Commission at (800) 342-3377.

THIS IS A FINAL TERMINATION NOTICE. PLEASE BRING THIS NOTICE TO OUR ATTENTION WHEN PAYING THIS BILL.

PLEASE REMIT \$XX.XX BY MM/DD/YYYY TO AVOID TERMINATION OF YOUR ELECTRICITY SERVICE.

If you are unable to make payment because your financial circumstances have changed significantly due to events beyond your control, please contact the Owner. Further, please contact the Owner if you or anyone in your household meets any of the following conditions: medical emergency, dependence on life support equipment, elderly, blind, or disabled.

Sincerely,

Island House Tenants Corp., and
IH Preservation Partners, LLC

EXHIBIT 5



New York State Public Service Commission
Office of Consumer Services



Submetering Identification Form

Name of Entity:			Corporate Address:		
City:	State:	Zip:	Web Site:		
Phone:			Utility Account Number:		
Chief Executive:			Account Holder Name:		
Phone:			E-mail:		
DPS Case Number:					

Primary Regulatory Complaint Contact

Secondary Regulatory Complaint Contact

Name:			Name:		
Phone:			Phone:		
Fax:			Fax:		
E-mail:			E-mail:		
Address:			Address:		
City:	State:	Zip:	City:	State:	Zip:

We do not send complaints to personal e-mail addresses. A shared e-mail address must be provided or the transmission will default to the fax number listed above. Please enter the e-mail address, if any, to which we should send complaints: _____

Name of Property:			Address:		
City:	State:	Zip:			
Electric Heat? Y / N			Electric Hot Water? Y / N		
# Units Occupied by: Sr. Citizens Disabled			Total # of Units		
Rent Stabilized	# Rent Controlled		# Rent-Regulated		# Market Rate
Rental: Y/N	Condo: Y/N		Co-Op: Y/N		
# Low Income	# Section 8	# Landlord Assist Program		# Other	
Submeter / Billing Agent:			Address:		
City:	State:	Zip:			
Contact Name:		Contact Phone:	Contact Fax:		

*See the accompanying Notice of Intent to Submeter the property for a more detailed description of the unit classification at the property.

Please return this form within 5 days to:

Hon. Kathleen H. Burgess, Secretary to the Commission
NYS Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350
E-mail: secretary@dps.ny.gov

(Rev. 8/12/13)

Changes in contact information should be submitted within 5 days of any personnel change.

EXHIBIT 6

**RIDER TO STANDARD FORM OF APARTMENT LEASE
FOR
ISLAND HOUSE
551-555-575 MAIN STREET, NEW YORK, NY**

1. CONFLICTS

If there is any inconsistency between the terms of the pre-printed STANDARD FORM OF APARTMENT LEASE to which this Rider is attached and the terms set forth in this Rider, the terms and conditions set forth in this Rider shall govern and control in all respects.

2. ISLAND HOUSE AFFORDABILITY PLAN/TERM OF LEASE

Tenant understands, covenants and agrees that:

(A) This Lease is made and entered into pursuant to the Island House Affordability Plan, more specifically referred to as Island House: A Plan For Preservation of Affordable Housing and Withdrawal From the Mitchell-Lama Program, dated July 25, 2012, as the same may hereafter be amended (the "Affordability Plan"), a copy of which is attached to this Lease, and this Lease is subject and subordinate to the provisions of the Affordability Plan. The Effective Date of the Affordability Plan is September 28, 2012.

(B) This Lease is the "New Lease" as contemplated by paragraph six of the Affordability Plan. The initial term of this Lease shall be for a term of two (2) years commencing September 29, 2012 (the "New Lease Commencement Date") and expiring on September 30, 2014, provided, however, that the term of this Lease may be renewed for additional periods of one (1) year each, but only in strict accordance with the terms and conditions set forth in this Lease and in the Affordability Plan, including the requirement that the Apartment be continuously used as the Tenant's primary residence and that the Tenant not be in default under this Lease.

(C) The Initial New Lease Rent listed on the Lease Cover Page for the period October 1, 2012 to September 30, 2013 is the "Initial New Lease Rent" determined in accordance with the Affordability Plan. The rent listed on the Lease Cover Page as the Second Year Rent is the Initial New Lease Rent increased by the rate set by the New York City Rent Guidelines Board for one year renewal leases commencing October 1, 2013, but it does not reflect any increase that may be due and payable by Tenant under the Affordability Plan by reason of the Income Adjustment described in Paragraph 4(b) of this Rider. The Second Year Rent amount, as it may be increased in accordance with Paragraph 4(b) of this Rider and the Affordability Plan, but excluding any applicable Income Adjustment, is referred to as the "Base Rent."

(D) **THIS LEASE IS NOT A RENT STABILIZED LEASE.** Neither this Lease, nor Tenant's rights hereunder, are subject to the Rent Stabilization Law, the Rent Control Law or the Mitchell Lama Law or any regulation of the Division of Housing and Community Renewal (collectively, the "Rent Law"). No provision of any Rent Law shall be deemed incorporated into this Lease nor shall any provision of any Rent Law be used as a guide or for interpretation of the provisions of this Lease, except as may be expressly provided for in this Lease.

3. BONA FIDE MITCHELL LAMA TENANT

Tenant represents and warrants to Owner that as of the New Lease Commencement Date, Tenant was a Bona Fide Mitchell Lama Tenant, as defined in paragraph six of the Affordability Plan. A "Bona Fide Mitchell Lama Tenant" as defined in paragraph six of the Affordability Plan means (i) the tenant named in the Mitchell Lama Lease in effect as of the Affordability Plan Effective Date, provided that such person was in actual physical possession and occupancy of the Apartment as his primary residence on such date and so occupied the Apartment

continuously for the preceding 12 months (or the commencement of their Mitchell Lama Lease term, whichever is less), or (ii) members of the named tenant's immediate family who resided in the Apartment with the named tenant as their primary residence and thereafter continuously and without interruption continued to occupy the Apartment as their primary residence and who would qualify for succession as of the Affordability Plan Effective Date under the Division's regulations (NYCRR 1727-8), and in both (i) and (ii), further provided that such tenant shall not be in default under his Mitchell Lama Lease. Tenant further represents and warrants to Owner that as of the date this Lease is signed by Tenant (the "New Lease Signature Date") that Tenant was occupying the Apartment as Tenant's primary residence and would satisfy the conditions for renewing the Lease as provided in Paragraph 5 of this Rider. Tenant understands and agrees that the foregoing representations and warranties contained in this Paragraph are a material inducement to Owner to enter in this this Lease and that Owner has relied on the truth and accuracy of such representations and warranties. Notwithstanding the execution and delivery of this Lease by Owner and Tenant, the Tenant understands and agrees that if either of the representations and warranties contained in this Paragraph were not true in all respects, either on the New Lease Commencement Date, or on the New Lease Signature Date, then this Lease shall be void and of no force or effect.

4. RENT

(A) The Base Rent defined above in Paragraph 2(C) and all other monetary obligations under this Lease are collectively referred to and considered "Rent." Tenant must pay Owner the Base Rent (as defined in Paragraph 2(C) above), in advance, on the first day of each month, without deduction or offset, at Owner's office, unless Owner informs Tenant by written notice of another address for payments. Payment is due and must be paid without notice, bill or invoice. All other amounts that are due from Tenant under this Lease, other than Base Rent, are referred to as "Additional Rent" and must be paid within ten (10) days of when Owner gives notice of the amount due. If Tenant fails to pay any Additional Rent when due, Owner will have the same rights and remedies as if Tenant had failed to pay Base Rent.

(B) Tenant acknowledges that the Owner may not fully scrutinize and examine each check to see that the check submitted is the check of the Tenant. Accordingly, in the event a third party check is given for Rent due and is accepted by the Owner, such acceptance shall not (i) constitute a waiver of Owner's rights; (ii) confer any rights upon the third party; (iii) entitle the third party to make a claim as a Tenant; or (iv) grant the third-party any right to occupy the premises; or (v) create a Owner-tenant relationship between the third party and Owner.

(C) Tenant acknowledges that the Owner may obtain rent increases for major capital and/or individual apartment improvements which increases shall be computed in a like manner as a major capital improvement increase or an individual apartment improvement increase would be computed under the Rent Stabilization Law (except that no rent increase will be sought with respect to any work done with the proceeds of the sponsor's \$6,000,000 initial reserve fund contribution as provided in the Affordability Plan) and provided further that no increase for an individual apartment improvement may be obtained except upon the Tenant's consent to the installation of the individual apartment improvement.

5. RENEWAL LEASE

(A) Not less than sixty (60) days prior to the expiration of the term of this Lease (and the expiration of any subsequent renewal term hereafter), Owner shall send Tenant a notice (the "Renewal Notice") advising Tenant that Tenant may, subject to Tenant being a "Qualified Primary Resident" (as defined below) renew the term of the Lease for an additional period of one year, on the same terms as set forth in this Lease, except that the Rent shall be increased in accordance with the provisions of this Lease. If Tenant desires to extend the term of this Lease, but if and only if Tenant shall be a "Qualified Primary Resident" Tenant shall execute and return the Renewal Notice to Owner within thirty (30) days of receiving a copy of the Renewal Notice. A "Qualified Primary Resident" shall mean a Tenant who was in actual physical possession and

occupancy of the Apartment as his primary residence on the date that Tenant receives the Renewal Notice and on the first day of the term of the renewal lease, and so occupied the Apartment continuously for the preceding 12 months, or (ii) members of the named Tenant's immediate family who qualified as a Bona Fide Mitchell Lama Tenant as of the Affordability Plan Effective Date and who from and after the Affordability Plan Effective Date continuously and without interruption were in actual physical possession and occupancy of the Apartment as their primary residence, and in both (i) and (ii), further provided that such Tenant shall not be in default under the terms of the then expiring lease. If Tenant shall make any change to the Renewal Notice, or shall fail to return the executed Renewal Notice within the requisite thirty day period, Tenant shall be deemed to have elected not to renew the Lease and Tenant shall vacate and surrender possession of the Apartment on or before the last day of the term of the then expiring Lease.

(B) The Rent payable during the each renewal period shall be the total Rent due under the Lease for the expiring term (inclusive of any prior Income Adjustment) (the "Prior Rent") increased by the sum of (i) the "RGB Increase" (as defined below), plus (ii) any applicable "Income Adjustment" (as defined below). The Base Rent for each renewal period shall be equal to the total Rent in effect for the expiring term of the Lease (inclusive of any Income Adjustment due under the Lease for the expiring term) increased by the percentage increase rate set by the New York City Rent Guidelines Board for one year leases commencing October 1st, or other applicable period (such increase being referred to as the "RGB Increase"). If, however, the RGB Increase shall exceed 7.5% in any one year and Tenant shall be entitled to the 7.5% annual increase limitation set forth in Paragraph (C) below, then the applicable RGB Increase shall not exceed the 7.5% annual limitation. If during the term of the Lease, the New York City Rent Guidelines Board shall no longer promulgate an annual rent increase rate, Owner shall either (i) select a replacement standard that most closely approximates the New York City Rent Guidelines Board guidelines, subject to DHCR approval, or (ii) Owner and DHCR shall mutually agree upon the appropriate increase rate.

(C) In addition to the Base Rent as adjusted by the RGB Increase, the total Rent during each renewal period shall also include the "Income Adjustment" as provided in the Affordability Plan and as set forth in this Lease. The Income Adjustment shall be based upon the "Validated Income" for all household members as provided in the Affordability Plan and as set forth in this Lease. Validated Income shall mean the gross annual income, from all sources, for each person occupying the Apartment for all or any portion of the calendar year (or other appropriate period determined by Owner from time to time) coinciding with the Lease renewal period, as determined by Owner. Owner shall annually provide Tenant with an Annual Affidavit of Household Income, and instructions, which Tenant shall fully complete on behalf of Tenant and on behalf of each occupant in the Apartment, reporting income from all sources as set forth on the Annual Affidavit of Household Income. As provided in the Affordability Plan, Tenant and each person occupying the Apartment, shall sign the Annual Affidavit of Household Income and return same to Owner or its designee, on or before the date specified by Owner and otherwise comply with Owner's income reporting and validation process (the "Income Validation Process") which shall include signing and returning to Owner, or Owner's designee, such forms, certifications and other documentation, as Owner shall request to validate all household income. Such documentation may include, but shall not be limited to, certified federal and state tax returns, W-2 statements, and such other statements reasonably requested to verify total household income from all sources. If Tenant and all occupants of Tenant's Apartment do not fully comply with the provisions of the Income Validation Process, including completing and returning the Annual Affidavit of Household Income, within the time period required for compliance or, if Tenant elects not to participate in the Income Validation Process, then the total Rent due and payable during the renewal period under determination shall be equal to the total Rent (inclusive of any prior Income Adjustment) in effect for the Lease term then expiring, increased by the sum of the RGB Increase plus the maximum Income Adjustment of 5%.

(D) If Tenant fully complies with the Income Validation Process, then the total Rent due and payable during the renewal period under determination shall be equal to the Prior Rent, increased in accordance with the following:

- (i) If Tenant's Validated Income is less than 100% of the area median income, as published from time to time by HUD for the New York, NY area ("AMI"), as adjusted for the applicable household size as set forth below, there shall be no Income Adjustment and the Prior Rent shall be increased by the RGB Increase, provided, however, that the RGB Increase to be applied shall not exceed 7.5%;
- (ii) If Tenant's Validated Income is between 100% to 150% of AMI, the Prior Rent shall be increased by the sum of the RGB Increase, plus an Income Adjustment equal to 2%, provided, however, that the total rent increase (RGB Increase plus Income Adjustment) shall not exceed 7.5%;
- (iii) If Tenant's Validated Income is between 150% to 200% of AMI, the Prior Rent shall be increased by the sum of the RGB Increase, plus an Income Adjustment of 2% and the total rent increase (RGB Increase plus Income Adjustment) shall not be subject to any limitation;
- (iv) If Tenant's Validated Income exceeds 200% of AMI, the Prior Rent shall be increased by the sum of the RGB Increase, plus an Income Adjustment of 5% and the total rent increase (RGB Base Increase plus Income Adjustment) shall not be subject to any limitation.

Note: The applicable AMI income classification will be based upon the greater of the actual number of occupants in the Apartment, or on the assumption that Apartment type has the number of occupants set forth below:

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

6. USE OF APARTMENT

The Apartment may only be used as a private residential apartment for personal occupancy by Tenant and members of Tenant's immediate family and for no other purpose. If Section 235-f of the New York State Real Property and Proceedings Law (the "Roommate Law") shall be applicable, then (i) if Tenant or Tenant's spouse occupies the Apartment as his primary residence and if this Lease has one named Tenant, then in addition to Tenant and member's of Tenant's immediate family, the Apartment may also be occupied by one additional occupant and the dependent children of said occupant, or (ii) if Tenant or Tenant's spouse occupies the Apartment as his/her primary residence and if this Lease has two or more named Tenants, then in addition to Tenant and member's of Tenant's immediate family, the Apartment may be occupied by additional occupant(s) and the dependent children of said occupant(s), provided, however, that the total number of Tenants and additional occupants (exclusive of said occupant's(s) dependent children) does not exceed the number of Tenants named in the Lease. In no event may any occupant occupy the apartment unless at least one person named in the Lease as Tenant shall be in actual physical possession and occupancy of the Apartment, as his primary residence together with such occupant(s). In no event shall the total occupancy of the Apartment exceed the maximum number of occupants permitted by applicable law or that may safely occupy the Apartment and maintain proper sanitary conditions. Tenant shall not charge or otherwise accept any consideration or thing of value from or on behalf of an occupant except that an occupant may pay to Tenant an amount equal to the Base Rent divided by the number of lawful bedrooms in the Apartment times the number of lawful bedrooms occupied by such occupant and such occupant's dependent children. All income received by Tenant shall be included in the Affidavit of Household Income. Tenant agrees to inform

the Owner, in writing, of the name of each immediate family member, occupant and their dependent children, if any, within thirty (30) days following (i) the commencement of such occupancy, or (ii) Owner's written request for such information, and to provide Owner a copy of any agreement between Tenant and such occupants, including an affidavit as to any sums or other consideration being given to Tenant from such occupants. Tenant agrees that no family member, occupant, dependent child thereof or any other person other than the Tenant(s) shall acquire any occupancy rights to the Apartment. Neither the tender nor the acceptance of a rent payment by or on behalf of any person other than the Tenant(s) named on the Lease shall constitute such express written consent. Any occupancy which does not conform with this paragraph in all respects, including timely response to Owner's written request for the names of each individual family member, occupant and their dependent children, shall constitute a violation of a substantial obligation which shall entitle Owner to terminate the Lease as elsewhere provided in this Lease. If the Tenant moves out or dies, no occupant or their dependent children (even if they previously used the Apartment before Tenant moved out or died) shall have any right to continued use or occupancy of the Apartment and they shall immediately vacate the Apartment.

7. COOPERATIVE APARTMENT/CONDOMINIUM

Tenant acknowledges and agrees that the Building in which the Apartment is located has been converted to The Island House Condominium (the "Condominium") and that the Apartment is now a part of the Residential Unit of the Condominium all as more particularly described in the Affordability Plan and the draft offering plan ("Red Herring") provided to Tenant, as the same may be amended. As of the date of this Lease, the Apartment is a Cooperative Apartment and the Proprietary Lease and Shares in the Cooperative Apartment Corporation (all as such terms are defined in the Red Herring) are owned by Owner. The term "Owner" as used in this Lease shall be deemed to refer only to the owner of the Shares and Proprietary Lease of the Apartment. Wherever this Lease shall talk about a sale of the Building, such provision shall be deemed to include a sale of the Apartment. Subject to compliance with the provisions of the Affordability Plan and applicable law, including the acceptance for filing of the Offering Plan and the Offering Plan being declared effective, Owner may at any time sell or otherwise transfer the Apartment to a third party provided, however, that such third party shall acquire the Apartment subject to the rights of Tenant under this Lease, including Tenant's right to renew this Lease if, as and to the extent herein provided.

8. ASSIGNMENT AND SUBLETTING

Tenant acknowledges that the Affordability Plan prohibits the subletting of the Apartment and that this Lease is subject to the Affordability Plan. Tenant may not sublet the Apartment without Owner's prior written consent in each instance. If Owner shall consent to any requested subletting, in no event shall the rent (or any other fee or charge regardless of how denominated) that is imposed by Tenant exceed the Rent payable by Tenant under this Lease, plus any electric charges billed to Tenant, nor shall Tenant receive any other payment, consideration or thing of value from the subtenant, regardless of whether the Apartment is sublet on a furnished basis or otherwise. The provisions of the Affordability Plan limiting the rents that may be charged and the income level of the tenant shall apply to a proposed sublessee and subletting and shall be binding upon Tenant. If Tenant charges a sub rent in excess of the Rent or if the person to whom the Apartment is sublet has an income which exceeds the permitted income set forth in the Affordability Plan, regardless of whether Owner has consented to any such subletting, Tenant shall have violated a material term of this Lease and Owner shall have the right to terminate the Lease and recover possession of the Apartment from Tenant and any subtenant or other occupants. If Owner unreasonably refuses to consent to a subletting, Tenant's sole remedy shall be to terminate the Lease upon ten days written notice to Owner. As set forth in Paragraph 3 of this Lease, a condition of Tenant renewing the term of this Lease shall be that no subletting shall have taken place during the expiring term of the Lease. Although the Affordability Plan prohibits the subletting of the Apartment, if Owner consents to a requested subletting, Tenant shall pay Owner, in addition to the Rent, a sublet fee determined from time to time by Owner which fee may not be charged to the sublessee.

9. ELECTRIC SUBMETERING

Tenant acknowledges that Owner intends to install individual electric submeters in each Apartment to measure the amount of electricity consumed in each Apartment pursuant to the Affordability Plan. The conversion of electricity to a submetered basis shall be done in accordance with all applicable laws and regulations, including those of the New York State Public Service Commission (“PSC”). Tenant irrevocably consents to installation of an electric submeter in the Apartment and the conversion to submetered billing as provided above. Tenant agrees that, upon such installation and conversion, the following provisions shall apply:

- (i) The Rent for the Apartment shall be reduced by the amount of the utility allowance for electricity approved by New York State Homes & Community Renewal (“DHCR”) pursuant to the Affordability Plan.
- (ii) Tenant shall pay to Owner, as and when billed, a separate charge for electricity consumed in the Apartment as measured by the submeter, which shall include an administrative fee for reading the meter and preparing the bills. The electricity charges will be in addition to and separate from the Rent otherwise due under this Lease and will be due without offset or abatement within five (5) days of billing.
- (iii) In no event will the total annual rates (including the monthly administrative fee) exceed the utilities’ tariffed residential rate for direct metered service to such residents (*see* 16 NYCRR § 96.1 [i], Public Service Law §§ 65, 66), or such other limit established by the PSC. All Con Edison rates by classification are available on its website (www.coned.com) under Rates and Tariffs. The electric Rates and Tariffs are listed under the heading “P.S.C. No. 10 – Electricity.” The rate calculation to be used is the Con Edison Service Classification No. 8 (“SC-8”) for multiple dwellings—redistribution. Specifically, the electric consumption in each Apartment will be multiplied by a calculated kilowatt hour (“kWh”) rate. The kWh rate will include, in accordance with the relevant Con Edison tariff, supply and delivery charges, fuel adjustment charge and systems benefit charge, among other components. The kWh rate will be multiplied by each Apartment’s kWh usage to determine that unit’s bill. A monthly administrative fee determined by Owner, but not to exceed the maximum administrative fee from time to time permitted by the PSC, and any applicable taxes will also be added to the bill to arrive at the total Tenant cost. The meters will be read monthly and a bill will be processed based on the Tenant’s actual consumption. The meter reading data and billing calculations will be documented and maintained for a 6-year period for each unit (*see* 16 NYCRR § 96.6 [j]).
- (iv) If Tenant has a complaint regarding submetering charges or service, Tenant shall submit the complaint, which may be in written form, including the action or relief requested, to the Managing Agent, by telephone at 212-755-3012 or by mail at c/o Managing Agent, 545 Main Street, New York, NY 10044. Notwithstanding the Tenant’s filing of any complaint or protest, undisputed electric charges shall be due and payable during the pendency of such dispute as a condition of continued service. The Managing Agent shall investigate and respond to the complaint within ten (10) days of the receipt of the complaint. The Managing Agent intends to utilize a submeter vendor, where appropriate, to assist in the investigation and resolution of the complaint. If Tenant is dissatisfied with the Managing Agent’s response, Tenant may request a review of the outcome by filing a written protest within fourteen (14) days from the date of the response from the Managing Agent. If Tenant and Owner cannot reach an equitable agreement and Tenant continues to believe the complaint has not been adequately addressed, then Tenant may file a complaint with the PSC. Alternatively, Tenant may contact the PSC at any time concerning submetered service in writing at New York State Department of Public Service, 3 Empire State Plaza, Albany, New York 12223, by telephone at 800-342-3377, in person at the nearest office at 90 Church Street, New York, New York 10007, or via the Internet at www.dps.ny.gov.
- (v) Tenant will be afforded rights and protections available to residential energy consumers in New York State under the Home Energy Fair Practices Act (“HEFPA”), including the ability to file a complaint with the PSC. The nearest office

of the PSC is at: NYS Public Service Commission, 90 Church Street, New York, New York 10007, (212) 417-2234, (800) 342-3377, www.dps.ny.gov. The Tenant may contact the PSC at any time if you are dissatisfied regarding Owner's response to your complaint or at any time regarding submetered service.

In the event of non-payment of electric charges, Owner shall afford Tenant all notices and protections available pursuant to HEFPA before any action(s) based on such non-payment, including, but not limited to termination of service, is commenced.

- (vi) Owner will annually distribute to Tenant a Notification of Rights and Procedures and Special Protections Registration Form, which will explain rights, protections, and procedures available to Tenant under HEFPA.
- (vii) Any submetering refunds will be credited to a submetered Tenant affected by Owner's actions that led to such refunds provided that Owner has such contact information for such Tenant.
- (viii) Tenant agrees that at all times the use of electricity in the Apartment shall never exceed the capacity of existing feeders to the building or the risers, wiring, or electrical installations serving the Apartment. Tenant shall not make any alterations, modifications, or additions to the electrical installations serving the Apartment.
- (ix) Owner shall have the right to suspend electric service to the Apartment when necessary by reason of accident or for repairs, alterations, replacements or improvements necessary or desirable in Owner's judgment for as long as may be reasonably required by reason thereof and Owner shall not incur any liability for any damage or loss sustained by Tenant or any other occupant of the Apartment as a result of such suspension. Owner shall not in any way be liable or responsible to Tenant or any other occupant for any loss, damage, cost, or expense that Tenant or any occupant of the Apartment may incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements or if the supply or availability of electricity is limited, reduced, interrupted, or suspended by the distribution utility serving the Building or for any reason or circumstances beyond Owner's control. Except as may be provided by applicable law, Tenant shall not be entitled to any Rent reduction because of a stoppage, modification, interruption, suspension, limitation, or reduction of electric service to the Apartment.
- (x) If Owner fails to deliver a bill to Tenant for the use of electricity at the Apartment for any given billing period, then such failure shall not prejudice or impair Owner's right to subsequently deliver such a bill to Tenant, nor shall any such failure relieve or excuse Tenant from having to pay such bill, except as may otherwise be provided by applicable law.

10. ADDITIONAL RENT

The following charges, together with any charges due by Tenant to Owner pursuant to the terms of this Lease, other than Base Rent, shall be payable as Additional Rent.

- (i) Late Charges: If Rent is not received by the tenth (10) day of the month in which it is due, Tenant shall pay to Owner, as Additional Rent, a Late Charge in the amount of \$50 for the purpose of defraying the expenses incurred in handling delinquent payments.
- (ii) Returned Check: If any check given by Tenant to Owner is returned for "insufficient funds" or for any other reason, Tenant Shall pay to Owner, as Additional Rent, a "Returned Check Charge" in the amount of the greater of \$35.00 or the actual charge imposed by Owner's bank for the purpose of defraying the expenses incurred in handling a re-deposit, as well as any applicable bank fees. The Returned Check Charge is due with the replacement payment. Should two (2) of Tenant's checks be returned for any reason, Owner will no longer be obligated to accept Tenant's personal check and all future payments will be remitted in the form of a money order, bank check, or certified check.

- (iii) **Storage Charges:** If a storage area apart from the Apartment is provided to Tenant, then Tenant shall pay a storage charge each month, together with Base Rent, pursuant to a separate storage agreement which shall constitute Additional Rent.
- (iv) **Reimbursements:** If Tenant is required to reimburse Owner under any of the provisions of this Lease, such reimbursements will be due immediately upon demand by Owner and shall constitute Additional Rent.
- (v) **Supplemental Air Conditioners:** If Tenant installs a supplemental air conditioner, Tenant shall pay Owner a fee of \$32 per month per supplemental air conditioner which shall be due monthly with the Base Rent and which shall constitute Additional Rent. Owner may increase the air conditioner fee in accordance with recommendations from Owner's licensed consulting engineer. The provisions of this paragraph shall not be applicable following the conversion to submetered electric billing.
- (vi) **Replacement Keys:** Tenant is responsible to safeguard all keys, key fobs and passes that are furnished to Tenant by Owner. Tenant agrees that Tenant shall not duplicate any such keys and upon the expiration or earlier termination of this Lease, Tenant shall return all such keys, key fobs, etc. to Owner. If Tenant fails to return any of such items or misplaces or loses same and requests replacements, the following charges will apply per item: Apartment Keys \$15; Mail Box Keys \$15 and Fobs \$25. All such Charges shall constitute Additional Rent.
- (vii) **Fines For Violating House Rules:** Owner may impose a fine for each violation of a House Rule, with the initial fine starting at \$25 and each subsequent occurrence increasing \$25 to a maximum of \$150. All fines shall constitute Additional Rent.

11. SECURITY DEPOSIT

If Tenant does not pay Rent as and when due, or otherwise defaults in the observance of any of the terms or conditions of this Lease, then Owner, at Owner's sole option, may use the Security Deposit to pay for any damages suffered, or costs incurred, including reasonable attorneys fees, court costs and fees, marshal fees, moving company fees, etc.. If Owner uses or applies the Security Deposit as provided in this Lease, Owner may give Tenant notice thereof, and within five days of Owner's giving of such notice, Tenant must replenish the amount used or applied, which sum will be due within five (5) days of demand and shall constitute Additional Rent. In connection with each renewal of the term of this Lease, Tenant shall pay to Owner such additional amount as necessary so that Owner shall at all times hold a Security Deposit in an amount equal to the then current monthly rent. If the Security Deposit earns less than 1% interest, then Owner will be entitled to retain all of the interest earned. If Owner sells its interest in the Apartment, Owner will turn over the Security, with accrued interest, if any, to the person buying the Apartment. Owner will then notify Tenant of the name and address of the person to whom the deposit has been turned over. In such case, Owner will have no further responsibility to Tenant for the Security Deposit. It is expressly understood that Tenant may not use the Security Deposit as payment for any months in which rent payment is due, including the last month of the term of this Lease.

12. DEFAULT AND OWNER'S REMEDIES

(A) Supplementing Paragraph 16 of the printed portion of the Lease, the following shall constitute additional events of default under this Lease which shall be grounds for Owner to terminate this Lease and recover possession of the Apartment:

(i) Tenant or other individual (whether in occupancy or a guest or a visitor) harbors a dog, cat or other animal in the Apartment without having first obtained Owner's prior written consent;

(ii) Tenant refuses reasonable access to the Owner, Managing Agent or to building staff or any employee, contractor or agent of Owner or Island House Tenants Corp., or The Island House Condominium;

(iii) Tenant misrepresented or otherwise concealed any material fact which would have affected Tenant's eligibility or entitlement to receive this "New Lease," it being expressly understood and agreed that a default on this basis is non curable;

(iv) Tenant's use or occupancy of the Apartment is not in conformity with the terms, conditions or requirements of the Affordability Plan or this Lease;

(v) Tenant has vacated the Apartment or died and an occupant remains in possession without having established to the Owner his right to succession pursuant to Article six (viii) of the Affordability Plan;

(vi) The Apartment is not in continuous bona fide use as the principal residence of Tenant;

(vii) The Apartment is used for illegal or immoral purposes, including but not limited to the unlawful trade, manufacture, distribution, storage, and/or sale of marijuana or any controlled substance as defined in Public Health Law Section 3306, and Penal Law Section 220.00.

(viii) Tenant or other individual (whether in occupancy or a guest or a visitor) violates any of the House Rules.

(ix) Tenant makes or permits the making of any changes or alterations to, or interferes with, the mechanical, electrical, sanitary, plumbing or other service systems of the Building and/or Apartment, including, but not limited to, wiring, plumbing and electrical facilities, and any utility installations in or servicing the Building and/or Apartment.

(x) Tenant sublets the Apartment or assigns his interest in this Lease except as expressly provided in this Lease, including having first obtained Owner's consent thereto.

(xi) Tenant or other individual for whom Tenant is responsible (whether in occupancy or a guest or a visitor) damages (excluding ordinary wear and tear) any portion of the Building and/or Apartment and does not pay for the cost of the repair of same within thirty (30) days of written demand by Owner which sum shall be collectible as Additional Rent.

(xii) Tenant fails to pay Rent in a timely manner more than two times in any twelve (12) month period after written notice from Owner (which written notice need not be a statutory rent demand) demanding that Tenant pay the Rent (Base Rent and/or Additional Rent).

(B) If Tenant defaults in any one of these ways (other than a default in the agreement to pay Rent, except as provided in subparagraph (A)(xii) hereof), Owner may serve Tenant with a written notice to stop or correct the specified default within ten (10) days. Tenant must then either stop or correct the default within ten (10) days, or if the default cannot be corrected

within the ten (10) days, begin to correct the default within ten (10) days and continue to diligently do all that is necessary to correct the default as soon as possible. If Tenant does not stop or begin to correct the default within the requisite time period, Owner may give a Termination Notice that this Lease will end seven (7) days after the date the Termination Notice is sent to Tenant. At the end of the seven (7) day period, this Lease will end as if that date were the end of the Term stated in this Lease.

(C) If Tenant does not pay Rent when this Lease requires after a personal demand for Rent has been made, or within three (3) days after a statutory written demand for Rent has been made, or if the Lease ends, Owner may do the following: (a) enter the Apartment and retake possession of it if the Apartment is abandoned; or (b) go to court and ask that all occupants in the Apartment be compelled to move out; and/or (c) seek a money judgment.

Even if this Lease ends, Tenant will remain liable to Owner as provided elsewhere in this Lease.

13. UTILITIES, SERVICES AND APPLIANCES

Owner is not required to provide any services to Tenant other than those specifically provided in this Lease. Owner will provide (a) cold and hot water for bathrooms and kitchens, (b) access to cooking gas, (c) electricity service for heating and general residential uses within the Apartment, until such time as electric submeters are installed and authorized by the New York State Public Service Commission for submetered billing as provided in Paragraph 9 of this Lease, after which time Owner shall provide access to electricity service as provided in Paragraph 9 of this Lease, (d) elevator service, and (e) repairs to the Apartment, as required by law. Stoppage, interruption or reduction of any of the above services shall not entitle the Tenant to any allowance or reduction of rent. Tenant agrees to indemnify and hold Owner harmless from and against any all claims, losses, damages, costs, expenses, fines, and demands asserted against Owner due to Tenant's change or alteration to, or interference with the mechanical, electrical, sanitary, plumbing or other service systems. Appliances installed by Owner will be maintained and repaired or replaced by Owner. If repairs or replacements are made necessary because of Tenant's negligence or misuse, Tenant will pay Owner for the cost of such repair or replacement as Additional Rent.

14. SUBORDINATION

This Lease is and shall be subject and subordinate to all ground and underlying Leases, including without limitation, the IH Ground Lease and the Proprietary Lease for the Apartment and to all mortgages which may now or hereafter affect such Leases or the real property of which the Apartment forms a part and to all renewals, modifications, consolidations, replacements, extensions and increases thereof. This clause shall be self-operative and no further instrument of subordination shall be required. Tenant shall execute promptly any certificates that Owner may request in confirmation of such subordination.

15. SMOKE AND SECOND HAND SMOKE

Upon notice from the Owner that Owner has received a complaint concerning the emanation of smoke of whatever nature from Tenant's apartment, Tenant shall, at Tenant's sole cost and expense, take all steps necessary in the sole opinion of Owner to abate the emanation of smoke from Tenant's apartment. Nothing in this provision authorizes the Tenant to perform any alteration, addition or change to any fixture, appliance, window, vent, or other part of the Apartment or building infrastructure without the express written consent of the Owner which the Owner may withhold for any reason. The Tenant's failure to abate any condition described in this paragraph shall constitute a violation of a substantial obligation of tenancy. In addition to any remedies Owner may have, in the event Owner receives repeated complaints concerning the emanation of smoke Owner may prohibit smoking by the Tenant, occupants and any guests in the Apartment or exercise its other rights and remedies, including, but not limited to, terminating the Lease. Nothing in this provision shall make the Owner or its agents and employees the guarantor of Tenant's health or of the smoke free condition of any Apartment or common areas of the Building. Nothing containing

herein shall be construed to place an affirmative obligation on the Owner to take any steps in response to smoke or secondhand smoke.

16. DIPLOMATIC IMMUNITY

Under no circumstances may the Apartment be used for offices of a governmental agency, or government (including, without limitation) an autonomous governmental corporation or any entity having governmental immunity, or for a diplomatic or trade mission. Tenant hereby irrevocably waives any and all immunity to which he may otherwise be entitled under the Foreign Sovereign Immunities Act of 1976 (“FSIA”) and the International Organization Immunities Act of 1945 (“IOIA”) or any amendment thereto or any similar statute or otherwise in any action or proceeding, including summary dispossess proceedings, arising, directly or indirectly out of or relating to this Lease. Tenant further agrees that, should Owner or any of its successors or assigns bring any suit, action or proceeding in New York or any other jurisdiction to enforce any obligation or liability of Tenant arising, directly or indirectly, out of or relating to this Lease, no immunity from such suit, action or proceeding shall be claimed by or on behalf of Tenant and Tenant irrevocably waives any right to assert a defense of diplomatic immunity. Tenant also irrevocably acknowledges that by entering into this Lease, Tenant is engaging in a commercial activity in the United States. Tenant, by Tenant’s signature below, hereby irrevocably waives any immunity or defense under FSIA or IOIA or otherwise, as to the attachment prior to the entry of judgment, attachment in aid of execution, or the execution upon a judgment entered in a New York State court or a federal court sitting in New York regarding tenant’s security deposit or as to Owner’s right to dispossess or evict Tenant and regain possession of the Apartment pursuant to court order; all such waivers shall not be subject to retraction or modification by tenant. If Tenant asserts any defense of diplomatic immunity, Tenant shall indemnify Owner for all costs and expenses incurred by Owner in connection with enforcing the provisions of this Paragraph and the enforcement of this Lease, including reasonable attorney’s fees and disbursements.

17. LIENS

If a lien is filed against the Apartment or the Building arising out of or related to any work or materials furnished to or at the request of Tenant or any occupant of the Apartment, Tenant must immediately pay or bond the amount stated in the lien and have the same removed of record at Tenant’s own cost and expense. If Tenant fails to have the lien removed and discharged of record within ten (10) days after Tenant has notice of the lien, Owner may do so at Tenant’s cost and expense, without any investigation as to the validity of the lien or any offsets or defenses that Tenant may have. All such costs and expenses incurred by Owner shall be payable by Tenant and will constitute Additional Rent and shall be paid by Tenant to Owner within five (5) days of Owner’s delivery of an invoice or bill for such costs and expenses.

18. TERRACES AND BALCONIES

If the Apartment has a terrace or balcony, Tenant shall keep the terrace or balcony, and the drains located therein, free from all rubbish, dirt, debris or other items that may be blown off by wind or block any drains. Tenant shall be responsible for any water damage caused to Tenant’s apartment or any other apartment or to the Building, resulting from clogged drains or from any use of such patio, terrace, or balcony. Tenant may not install a fence or make any addition to the terrace or balcony. No plantings or other objects shall be placed on any terrace or balcony without the written permission of the Owner. Under no circumstances shall a potted plant in excess of fifty (50) pounds be kept on any terrace or balcony. Plantings shall be kept in non-leaking containers lined and standing on supports at least two (2) inches from the terrace or balcony floor and at least six (6) inches from any adjoining wall. Suitable weep holes shall be provided in the containers to draw off water away from any wall. Notwithstanding the foregoing, Tenant shall comply with all of Owner’s rules, as same may be supplemented and/or amended from time to time, with respect to any permitted plantings or use of terraces and balconies generally. Tenant shall move or remove any and all plantings, boxes and other property left on the terrace or balcony, at Tenant’s sole cost and expense, as and when required by Owner or its agent, for any reason. Tenant

will be required to relocate any plantings in order to allow access, inspection or repairs deemed necessary by Owner or its agent. Tenant is strictly prohibited from storing bicycles or furniture on the terrace or balcony and from hanging any clothes, advertisements, banners or any other personal property from the terrace or balcony without first receiving express written permission from Owner which the Owner may withhold for any reason. The terms of this Lease apply to the terrace or balcony as if it was a part of the Apartment.

19. HOUSE RULES

Tenant promises and agrees to comply with the House Rules, a copy of the House Rules are affixed to this Rider as an attachment hereto. Tenant acknowledges that Owner may, from time to time, subject to the Affordability Plan, alter change and/or amend the House Rules in such manner as the Owner in its sole discretion deems appropriate and in the best interests of the Building. Tenant shall be provided with a copy of any new House Rule.

20. ATTACHMENTS

The following attachments form an integral part of this Lease, the terms of which are incorporated into this Lease:

Appendix A: Island House Affordability Plan.

Appendix B: House Rules.

Appendix C: Window Guard Notice.

Appendix D: Disclosure of Information on Lead-Based Paint.

Dated: New York, New York
June 24, 2014

TENANT:

Print Name: _____

Print Name: _____

OWNER:

IH PRESERVATION PARTNERS, LLC

By: RY Management Co., Inc., As Agent

By: _____

HOUSE RULES – ISLAND HOUSE

The Following Rules And Regulations Are A Material Part Of The Apartment Lease And Are Incorporated Into And Made A Part Of The Lease. The Violation Of Any Of The Following Rules And Regulations Is A Default Under The Lease Which May Result In The Termination Of The Lease And Eviction From The Apartment.

1. The sidewalks, entrances, driveways, elevators, stairways, public halls and landings shall not be blocked by any Tenant, member of Tenant's family, guests or visitors or delivery persons or used for any purpose other than for entering and leaving the Apartment in a prompt and proper manner using the entrances, elevators and passageways designated by Owner for such purposes.
2. The water and wash closets and plumbing fixtures shall not be used for any purposes other than those for which they were designed and built and no sweepings, rubbish bags, acids or other substances shall be placed in them.
3. No baby carriages, tricycles, bicycles, or any other similar articles shall be allowed to stand in the halls, passageways, areas or courts of the Building. All bicycles shall be stored in the basement bike room in accordance with Owner's then bike room policies.
4. No persons (including but not limited to tenants, occupants, guest, etc.) shall play in the public halls, stairway, elevators or any of the exterior landscaped areas (which exterior areas shall be used solely for quiet and passive relaxation and reading). No persons shall loiter in the public halls, lobby, stairwells, landings, or other areas of the Building, except those areas intended for sitting or community assembly. Smoking shall not be permitted anywhere in or around the Building or on the property, other than within the Apartment and subject to the provisions of the Lease.
5. The laundry rooms and equipment therein shall only be used in such manner and at such times as Owner may direct. Tenant shall not dry or air clothes on the roof, balcony or terrace.
6. No garbage cans, milk bottles, furniture, plants or other articles of personal property shall be placed in the halls (including the walls thereof) or on the staircase landings, nor shall anything be hung from the windows, terraces or balconies, or placed upon the window sills. No linens, clothes, clothing, curtains, rugs, or mops shall be shaken or hung from or on any of the windows, doors, balconies or terraces.
7. No employees of the Owner, the Condominium or the Cooperative shall be given instructions or directions, requested to perform favors or provide special services or hired to perform any work in the Apartment or otherwise outside of their normal employment. All requests for service shall be made to the managing agent in accordance with Owner's then policies.
8. Owner may retain a pass key to the Apartment. Tenant may not install or replace any lock on any entrance door of the Apartment except to the extent and in the manner permitted by law and then only with the consent of Owner and in compliance with Owner's then policy. Immediately upon making any such installation, Tenant shall give Owner or Owner's agent a duplicate key. Upon the termination of the tenancy, Tenant must return and/or provide to Owner all keys to all locks. If Tenant fails to so supply all such keys, Owner may remove and or replace such locks and Tenant shall be responsible to reimburse Owner for all costs associated therewith.
9. No awnings, or other projections (e.g. air conditioners) shall be attached to the outside of the building, or to the balconies or terraces.
10. No dogs or animals of any kind shall be kept or harbored in the Apartment, unless in each instance, it is expressly permitted in writing by Owner, and such consent, if given, shall be revocable by, Owner at any time for good cause. Tenant shall comply with Owner's then pet policy. In no event shall any dog be permitted in any elevator or in any public portion of the building unless carried or on a leash, nor on any grass or garden plot. Tenant shall be responsible for picking up after Tenant's pets. Tenant shall not permit pets to urinate on

lawns or landscaping. Owner may designate areas of the Building and specific entrances that are to be used for transporting pets and Tenant shall use only such areas and entrances so designated. Because of the health hazard and possible disturbance of other tenants which arise from the uncontrolled presence of animals, especially dogs, in the building, the strict adherence to the provisions of this rule by each tenant is a material requirement of each Lease agreement. No pigeons or other birds or animals shall be fed from the window sills, terraces, balconies or in the yard, court spaces or public portions of the building, or on the sidewalks or street adjacent to the building.

11. Tenant shall not install any radio, C.B., television, satellite or similar equipment or appurtenance on the outside of the Building or within the Apartment in a manner that is visible from the exterior or that otherwise creates RF or other electromagnetic signals that in Owner's opinion create a nuisance or are otherwise objectionable.
12. Tenant shall not make, cause or permit any disturbing noise, smell or odor in the building by himself, his family, guests, employees, or visitors nor do or permit anything to be done by such persons that will interfere with the rights, comforts or convenience of other tenants. No Tenant shall play upon, or allow to be played upon, any musical instrument or operate or allow to be operated any audio or video equipment, computer, radio, television or any item in the Apartment if it shall disturb or annoy any other occupant of the building. Tenant shall not give vocal or instrumental instruction in the Apartment at any time. No construction, repair work or other installation by Tenant (which in all circumstances is subject to the Owner's advance written consent) that involves noise or vibration shall be conducted in any Apartment except on weekdays, excluding legal and other designated Building holidays, and only between the hours of 9:00 a.m. and 5:00 p.m. Further Tenant shall not use, generate, store or dispose of any type of hazardous or toxic materials or substances at, from or in the Apartment or any area of the Building.
13. No Tenant or any member of Tenant's family or any guest or other person invited or permitted into the Apartment by Tenant shall use or occupy the premises or any part thereof, including the common areas of the building or buildings of the project, and also including any portion of the grounds of the project, or allow same to be used or occupied for the unlawful trade, manufacture, distribution, storage, and/or sale of marijuana or of any controlled substance as more specifically defined and set forth in Section 3306 of the public Health Law and Section 220 of the Penal Law of the State of New York, or for possession of a controlled substance such as would constitute a violation of Section 220.16, Section 220.18 or Section 220.21 of the Penal Law of the State of New York.
14. No Tenant, member of Tenant's family, or any guest or other person invited or permitted into the Apartment or common areas of the building or onto the grounds of the project by the Tenant or by a member of the Tenant's family in occupancy with Tenant, shall engage in conduct which could constitute the unlawful possession of a "weapon" as defined in Article 263.00 of the Penal Law of the State of New York, nor shall such person use or display a "weapon" as defined in Section 265.00 of the Penal Law of the State of New York, either in the Apartment or in the common areas of the building or anywhere upon the grounds of the project.
15. Messengers, delivery personnel, including food deliveries and tradespeople shall only use such means of ingress and egress as shall be designated by the Owner and shall comply with Owner's delivery and sign-in policies. Tenant shall instruct all delivery personnel to follow such rules and regulations.
16. Trunks, heavy baggage, furniture and furnishings, boxes, etc. shall be taken in or out of the building only through the entrance designated for such purpose by Owner and in compliance with Owner's then move-in and move-out policies, which shall include the posting of a damage deposit.
17. Garbage and refuse from the apartments shall be disposed of only at such times and in such manner as the superintendent or the managing agent of the building may direct.
18. Neither Tenant nor any occupant of the Apartment or any visitor, guest or tradesperson performing work for Tenant shall drive upon or park any vehicle upon any portion of the

property or on any public street in such manner as to block, impede or prevent ready access to any roadway, sidewalk or any entrance of the building. Owner shall be authorized to cause any vehicle which is in violation of this provision to be towed from the property and the cost thereof shall be Additional Rent due and payable by Tenant upon demand. Owner shall have no liability for any damage sustained to such vehicle.

19. Unless expressly authorized by the Owner in each case, the floors of each apartment must be covered with rugs or carpeting or equally effective noise-reducing material to the extent of at least 80% of the floor area of each room except in only kitchens, pantries, bathrooms, maid's rooms, closets, and foyers. Notwithstanding the foregoing, Owner reserves the right to require carpeting or an equally effective noise reducing covering for one hundred percent of the floor area of each room if in the Owner's judgment such is required to alleviate excessive noise conditions following complaints from one or more other tenants.
20. The Tenant shall keep the interior of the windows of the Apartment clean. In case of refusal or neglect of the Tenant 10 days after notice in writing from the Owner or the managing agent to clean the interior windows, such cleaning may be done by the Owner, who shall have the right, by its officers or authorized agents, to enter the apartment for the purposes and to charge the cost of such cleaning to the Tenant.
21. Tenant shall not install any supplemental window or other air conditioner in the Apartment except in accordance with Owner's then window air conditioner policy and only after obtaining Owner's prior written consent. Any installation, operation, maintenance and replacement shall be at Tenant's sole cost and expense. All such air conditioner's shall be energy star rated and shall not exceed the btu rating set forth in Owner's then air conditioner policy. Tenant shall not install or use any supplemental heaters in the Apartment.
22. Any consent or approval given under these House Rules by the Owner shall be revocable at any time.
23. Ordinary household rubbish, which shall consist of food refuse and food packaging, ordinary paper products and similar small items used in ordinary Apartment living, shall be placed in the AVAC garbage chute located on each floor, after first being placed in secure plastic or paper bag. Under no circumstances should any oil soaked rags, empty (or full) paint or aerosol cans or any other flammable, explosive, combustible or noxious substances or batteries or lighted cigarettes or cigar stubs be placed into the AVAC chute. Cartons, boxes, crates, sticks or wood or other solid matter shall not be stuffed into hopper opening. Debris should be completely drip-free before it leaves the apartment and carried to the AVAC room in a careful manner and in a drip-proof container; then placed into the flue hopper so it will drop into the flue for disposal. Bulk refuse and any refuse that will not fit within the AVAC chute, including all plastics, glass, newspapers and other recyclable products, shall be brought by Tenant to the area in the basement designated by Owner for such purpose. Bulk refuse shall not be left in the AVAC room.
24. Tenant will comply with all government laws, orders and regulations, and any related requirements posted or otherwise established by Owner regarding recycling and environmental protection. This includes separating and sorting recyclables. Owner may refuse to collect or accept any waste product, garbage, trash, refuse or recyclables which have not been properly separated, sorted and/or packaged.
25. The agents of the Owner, and any contractor or workman authorized by the Owner, may enter any apartment at any reasonable hour of the day for the purpose of inspecting such apartment to ascertain whether measures are necessary or desirable to control or exterminate any vermin, insets or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests. If the Owner takes measures to control or exterminate carpet beetles or other infestations first introduced into the Building by Tenant or any occupant of the Apartment, the costs thereof shall be payable by the Tenant, as Additional Rent.
26. No Tenant may make use of the storage room, health club and pool facilities except if in compliance with and subject to the separate written agreements pertaining thereto. The Owner makes no representation as to the availability of these facilities.

27. These House Rules may be added to, amended or repealed at any time by the Owner or its managing agent following which, Tenant shall be provided with a copy of such new or amended rule.
28. Tenant shall comply with Owner's policies regarding the use of entrance doors and security generally. Tenant shall not open or hold open exterior entrance doors for any person, including people known to Tenant. Tenant shall safeguard any key Fob issued to Tenant and shall immediately report the loss of such key Fob to management.
29. If Tenant fails to comply with the House Rules, as the same may be amended or supplemented in the future, (i) Owner may levy a fine for each infraction which fine shall constitute Additional Rent, and (ii) Tenant shall indemnify and hold Owner harmless from all costs and expenses incurred by Owner by reason of Tenant's failure to comply with the House Rules, including costs and expenses incurred by Owner in performing any obligation on the part of Tenant to have been performed or in remedying any condition caused or permitted by Tenant in violation of these House Rules. All amounts due to Owner by reason of this indemnity shall be payable as Additional Rent within ten (10) days of written demand.

EXHIBIT 7

February 3, 2015

Mr. David Desanti
General Manager, Central Energy Services
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, NY 10003

**Re: Notice of Intent to Submeter Electricity at Island House Apartments at 551,
555, 575 Main Street, New York, New York 10044**

Dear Mr. Desanti:

Please be advised that on February 3, 2015, Island House Tenants Corp. and IH Preservation Partners, LLC submitted to the New York State Public Service Commission a notice of intent to submeter electricity at the above-referenced property, which is located within the service territory of Consolidated Edison Company of New York, Inc.

Enclosed for your convenience is a copy of this notice.

Thank you for your attention in this matter.

Sincerely,

Island House Tenants Corp.

By: /s/ David B. Hirschhorn
Signature

President, Island House Tenants Corp.
Title, Company Name

AND

IH Preservation Partners, LLC

By: /s/ David B. Hirschhorn
Signature

Manager, IH Preservation Partners, LLC
Title, Company Name

cc: John T. McManus, Esq. (*via electronic mail*)
Kerri Ann Kirschbaum, Esq., Senior Staff Attorney (*via electronic mail*)
Consolidated Edison Company of New York, Inc.

EXHIBIT 8

ENERGY SAVING TIPS FOR YOUR APARTMENT HOME



LIGHTING

- Replacing 15 inefficient incandescent bulbs in your home with energy-saving bulbs could save you about \$50 per year.
- Keep your curtains or shades open to use daylight instead of turning on lights. For more privacy, use light-colored, loose-weave curtains to allow daylight into the room.
- Use timers to turn off lights when you're away from home.
- The following types of light bulbs are more energy efficient than the traditional incandescent light bulb:
 - **Energy-saving/halogen incandescent bulbs** are 25% more efficient and last three times longer.
 - **CFL bulbs** use about 75% less energy and last up to 10 times longer. These bulbs contain a small amount of mercury and should be handled carefully if broken, and recycled at the end of their lifespan.
 - **LED bulbs** use about 75% less energy and last up to 25 times longer.



KITCHEN APPLIANCES

- Unplug your toaster, electric tea kettle, or any other plug-in appliances when they are not in use as these devices will draw electricity from the outlet even when not turned on.
- Use your dishwasher efficiently, as it uses the same amount of energy whether full or mostly empty when a cycle is run.
- Let your dishes air dry; if you don't have an automatic air-dry switch, turn off the control knob after the final rinse and prop the door open slightly so the dishes will dry faster.
- Don't keep your refrigerator or freezer too cold. Recommended temperatures are 37°-40° F for the fresh food compartment and 5° F for the freezer section.
- Cover liquids and wrap foods stored in the refrigerator. Uncovered foods release moisture and make the compressor work harder.



HOME ELECTRONICS

- ENERGY STAR-labeled office equipment is widely available.
- Using an ENERGY STAR computer can save 30%-65% energy.
- Laptops consume less energy than desktop computers.
- Screen savers on your computers do not reduce energy in the way a sleeping or turned-off computer can.
- Turning off electronics when not in use, or plugging AC adapters into power strips that can be turned off, can result in significant energy savings.
- Use rechargeable batteries, as they are more cost effective than disposable batteries.
- Unplug cell phone chargers and laptop chargers when they are not charging a device. These chargers will continue to draw electricity from the outlet even when no device is plugged into them.



THERMOSTAT

- When you are home and awake, set your thermostat as low as is comfortable.