

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

May 15, 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: Case 15-E-0077: Amended 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:

On February 3, 2015, Island House Tenants Corp. (“IHTC”) and IH Preservation Partners, LLC (“Sponsor”) (together, the “Owner”)¹ filed a Notice of Intent to Submeter Electricity (the “Original Notice”)² at the above-referenced property (“Island House”) pursuant to 16 NYCRR § 96.4.³ The Owner submits this Amended Notice of Intent to Submeter Electricity (the “Notice”) to the residential apartments in Island House that are purchased by cooperative owners. Under the amended submetering plan set forth in the Notice, rental tenants will not receive submetered electric bills.

As explained in the Original Notice, the Owner owns the residential component of Island House, which consists of three buildings (collectively, the “Building”) and contains 400 residential cooperative apartments and associated common areas. 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

¹ See attached corporate documentation at Exhibit 1.

² Case 15-E-0077, *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.*, Notice of Intent to Submeter Electricity (Feb. 3, 2015).

³ The Original Notice was noticed in the *State Register* on March 18, 2015, and, pursuant to the New York State Administrative Procedure Act, comments were accepted until May 4, 2015. Secretary Burgess has since issued a ruling stating that comments will be accepted until June 1, 2015. Case 15-E-0077, *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.*, Ruling on Extension Request (May 4, 2015).

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 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 specifically states the Owner’s intention to submeter the apartments. As of the date of this letter, 240 existing tenants have signed contracts to purchase their apartments, and closings are anticipated to take place within the next several months. After accounting for vacant apartments and apartments anticipated to be vacated, this will leave approximately 95 apartments occupied by rental tenants.

In the Original Notice, the Owner stated that it would install submeters and bill all 400 residential apartments. Recently, the Owner decided to bill only those apartments that are purchased by cooperative owners. Although the Owner will still install submeters and related submetering equipment in all of the apartments in the Building, those apartments that are occupied by non-purchasing rental tenants will not receive submetered electric bills. As rental apartments are vacated by the non-purchasing tenants and sold as cooperative apartments, the cooperative owners will receive submetered electric bills.

To reflect these changes and pursuant to 16 NYCRR § 96.4 (Submetering in Master-metered Residential Cooperatives and Condominiums), the Owner submits this Notice to submeter the residential apartments in Island House that are purchased by cooperative owners.⁴ 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 will install the Leviton Manufacturing Mini Meter submetering system and equipment, which received Commission approval on November 20, 2013.⁵

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

The rate calculation to be used is Consolidated Edison Company of New York, Inc.’s (“Con Edison”) Service Classification No. 8 (“SC-8”) for multiple dwellings—

⁴ Affidavits confirming that the Owner notified residents of its intention to amend the Original Notice are attached as Exhibit 2.

⁵ Case 13-E-0386, *Petition of Leviton Manufacturing Company for the Approval of the Leviton Manufacturing Mini Meter*, Order Regarding Petition for the Approval of the Mini Meter (Nov. 20, 2013).

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.⁶

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 billing calculations will be documented and maintained for a 6-year period for each apartment.⁷

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

The Building’s HEFPA compliance plan is attached.⁸

D. Submetering Identification Form:

The completed Submetering Identification Form is attached.⁹

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

Because the Building is a cooperative and rental apartments will not be billed for their electric usage, this provision is not applicable.

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

⁶ See 16 NYCRR § 96.1 (i).

⁷ See 16 NYCRR § 96.6 (j).

⁸ See Exhibit 3.

⁹ See Exhibit 4.

for such resident shall be included in plain language in the proprietary leases of the cooperative apartment owners governing the submetered premises.

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

A copy of the February 3, 2015 letter to Con Edison notifying it of the Owner's intent to submeter, which included the Original Notice, is attached here.¹⁰ Also attached here is the second letter to Con Edison notifying it of this amended Notice, which was included.¹¹

H. Documentation regarding refrigerators in all rental dwelling units:

Because the Building is a cooperative and rental apartments will not be billed for their electric usage, this provision is not applicable.

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

Pursuant to *Island House: A Plan for the Preservation of Affordable Housing and Withdrawal From Mitchell Lama* (the "Affordability Plan"), the Owner will replace all exterior apartment windows with insulated glass in order to increase the Building's overall energy efficiency.¹² 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:

Prior to the commencement of submetering at the Building, cooperative owners will be provided with certain energy efficiency/conservation information.¹³

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.¹⁴ Therefore, this provision is not applicable to the Building.

¹⁰ See Exhibit 5.

¹¹ See Exhibit 6.

¹² See Affordability Plan at 13, attached as Exhibit 7.

¹³ See Exhibit 8.

¹⁴ 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).

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,”¹⁵ this provision is explicitly not applicable to the Building because the “proposed conversion” is not “addressed through a *Petition* to Submeter.”¹⁶

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), which governs when a property owner proposes “to convert [an] existing master-metered residential *rental* premises to submetering and submetering in new premises.”¹⁷ Here, 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. Further, under the amended submetering plan set forth in this Notice, only cooperative owners of purchased apartments will receive submetered electric bills. The apartments that are occupied by non-purchasing rental tenants will *not* receive submetered electric bills. Thus, neither section 96.5 (*l*) nor 96.3 (b) is applicable here, and the Owner submits this Notice of Intent to Submeter pursuant to 16 NYCRR § 96.4, which governs submetering in master-metered cooperatives and condominiums.¹⁸

In sum, because the Building is a cooperative and apartments occupied by non-purchasing tenants will not receive submeter bills, 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 amended 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.

¹⁵ 16 NYCRR § 96.1 (f).

¹⁶ 16 NYCRR § 96.5 (*l*) (emphasis added).

¹⁷ 16 NYCRR § 96.3 (emphasis added).

¹⁸ 16 NYCRR § 96.4.

Thank you for your continued 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.

By: */s/ David B. Hirschhorn*

Name

President, Island House Tenants Corp.

Title, Company Name

AND

IH Preservation Partners, LLC

By: */s/ David B. Hirschhorn*

Name

Manager, IH Preservation Partners, LLC

Title, 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.*

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

EXHIBIT A

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

May 15, 2015

Re: Electric Submetering Update

Dear Island House Residents:

We previously wrote to you on March 18, 2015 to notify you of the submission to the New York State Public Service Commission ("PSC") of a Notice of Intent to Submeter Electricity at the Island House Apartments (the "Notice"). Pursuant to this Notice, both apartments owned by tenants who have elected to purchase their apartments as well as apartments occupied by non-purchasing tenants would be submetered. Since the filing of this Notice, we have decided NOT to implement submetered billing for the apartments occupied by non-purchasing tenants so that only cooperative apartment owners will receive submeter bills.

To reflect this change, we will soon file with the PSC an amended Notice (the "Amended Notice"). Pursuant to the Amended Notice, non-purchasing tenants will NOT be submetered for electricity but will continue to receive electricity included in their rent (i.e., they will NOT be required to pay a separate electricity charge). Accordingly, there will be no reason for a rent credit. **In other words, there will be no change in the monthly rent for non-purchasing tenants by reason of the conversion to submetered billing and submetered billing will have no effect on non-purchasing tenants.**

Tenants who have elected to purchase their apartments and become cooperative apartment owners, together with all future cooperative apartment owners, as well as the Sponsor as the owner of the cooperative apartments occupied by the non-purchasing tenants, will be submetered for electricity and will receive a monthly bill for the cost of electricity consumed in their apartments. For cooperative apartment owners, submetering is only a method of allocating the electric costs that the Apartment Corporation must pay on the basis of their consumption instead of on the basis of shares, which is how electricity costs will be allocated prior to submetered billing becoming effective.

Please note that submeters will be installed in all apartments but those apartments that continue to be occupied by non-purchasing tenants will NOT receive submetered electric bills. Instead, the Sponsor, or other owner of the cooperative apartments occupied by these non-purchasing tenants will pay the submetered electric charges for such apartments.

The Secretary of the PSC has stated that comments on the Amended Notice should be submitted by June 1, 2015. As before, you may file written comments by mail to Kathleen H. Burgess, Secretary of the New York State Public Service Commission, 3 Empire State Plaza, Albany, New York 12223-1350; by e-mail to secretary@dps.ny.gov; or by visiting the New York State Department of Public Service's website at www.dps.ny.gov and searching for case number 15-E-0077.

After the comment period closes, the PSC will issue a decision on the Amended Notice. We will continue to keep you apprised of the status of the Amended Notice prior to the commencement of submetered billing.

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
LOUIS GONZALEZ**

CASE 15-E-0077

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

Ephraim Sosa, 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, New York (the "Buildings"), 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 May 15, 2015, I personally served a true and complete copy of a notice addressed to all residents that discloses Owner's intent to amend its Notice of Intent to Submeter Electricity at the Building, which is on file with the Public Service Commission under the above-referenced case number, 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 551 and 555 Buildings.

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


EPHRAIM SOSA

Sworn to and subscribed before me
this 15th day of May 2015


Notary Public

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

EXHIBIT A

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

May 15, 2015

Re: Electric Submetering Update

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To reflect this change, we will soon file with the PSC an amended Notice (the "Amended Notice"). Pursuant to the Amended Notice, non-purchasing tenants will NOT be submetered for electricity but will continue to receive electricity included in their rent (i.e., they will NOT be required to pay a separate electricity charge). Accordingly, there will be no reason for a rent credit. **In other words, there will be no change in the monthly rent for non-purchasing tenants by reason of the conversion to submetered billing and submetered billing will have no effect on non-purchasing tenants.**

Tenants who have elected to purchase their apartments and become cooperative apartment owners, together with all future cooperative apartment owners, as well as the Sponsor as the owner of the cooperative apartments occupied by the non-purchasing tenants, will be submetered for electricity and will receive a monthly bill for the cost of electricity consumed in their apartments. For cooperative apartment owners, submetering is only a method of allocating the electric costs that the Apartment Corporation must pay on the basis of their consumption instead of on the basis of shares, which is how electricity costs will be allocated prior to submetered billing becoming effective.

Please note that submeters will be installed in all apartments but those apartments that continue to be occupied by non-purchasing tenants will NOT receive submetered electric bills. Instead, the Sponsor, or other owner of the cooperative apartments occupied by these non-purchasing tenants will pay the submetered electric charges for such apartments.

The Secretary of the PSC has stated that comments on the Amended Notice should be submitted by June 1, 2015. As before, you may file written comments by mail to Kathleen H. Burgess, Secretary of the New York State Public Service Commission, 3 Empire State Plaza, Albany, New York 12223-1350; by e-mail to secretary@dps.ny.gov; or by visiting the New York State Department of Public Service's website at www.dps.ny.gov and searching for case number 15-E-0077.

After the comment period closes, the PSC will issue a decision on the Amended Notice. We will continue to keep you apprised of the status of the Amended Notice prior to the commencement of submetered billing.

EXHIBIT 3

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 [1], in Case 15-E-0077: 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:

Resident	Date
-----------------	-------------

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 4



**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 5

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 6

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

May 15, 2015

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

Re: Case 15-E-0077: Amended 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 May 15, 2015, Island House Tenants Corp. and IH Preservation Partners, LLC submitted to the New York State Public Service Commission an amended 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 7

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;

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.

- (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.

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.

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

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.

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 RIOCC, 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 RIOCI

RIOCI 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 RIOCI, 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 RIOCI 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 RIOCI 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 RIOCI 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.

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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 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.