

**ISLAND HOUSE COOPERATIVE APARTMENTS  
551-555-575 MAIN STREET  
NEW YORK, NEW YORK**

**FIRST AMENDMENT TO THE OFFERING PLAN**

This Amendment modifies and supplements the terms of the Offering Plan dated December 4, 2014, and should be read in conjunction therewith.

**1. LOAN COMMITMENT CONTINGENCY RIDER:**

As previously discussed in the letter dated February 5, 2015 from Stuart Saft, counsel to the Island House Tenant Association, the Sponsor agreed to condition the acceptance of a Purchase Agreement from Bona Fide Mitchell Lama Tenants upon obtaining a loan commitment letter from a bank for the purchase of the Apartment. Accordingly, the form of Purchase Agreement contained in the Offering Plan, is amended, with respect to Bona Fide Mitchell Lama Tenants, to include the Loan Commitment Contingency Rider in the form attached to this Amendment as Exhibit A.

A purchaser who elects the Loan Commitment Contingency Rider will be required to apply for a loan to Amalgamated Bank or Bank United prior to March 15, 2015. A purchaser may apply to other banks in addition to Amalgamated Bank or Bank United. If a loan commitment letter is not issued by April 30, 2015, the purchaser may cancel the Purchase Agreement and receive the return of his down payment provided that written notice of cancellation is delivered to the management office prior to 5:00 pm EST on or before May 1, 2015. **TIME IS OF THE ESSENCE IN THE RECEIPT OF THE NOTICE OF CANCELLATION AND A TENANT PURCHASER WHO FAILS TO TIMELY DELIVER THE NOTICE WILL NOT BE PERMITTED TO CANCEL THE PURCHASE AGREEMENT THEREAFTER.**

Any Bona Fide Mitchell Lama Tenants who has signed a Purchase Agreement prior to the date of this Amendment and who wishes to have the Financing Contingency added to the Purchase Agreement may do so at the Management Office. The 90 day exclusive purchase period will continue to expire on March 31, 2015.

**2. TENANT BUYOUT OFFER:**

A. Cash Payment. A Bona Fide Mitchell Lama Tenant who does not wish to purchase his apartment and who is willing to terminate his lease and move out of his apartment can receive a cash payment (the "Relocation Fee") equal to \$70.00 per share for each share allocated to his apartment as set forth in Schedule A of the Offering Plan (pages 44-58). A

Bona Fide Mitchell Lama Tenant who desires to receive the Relocation Fee, must comply with the Terms and Conditions listed below.

The Relocation Fee for an average apartment, by apartment type, is shown below:

Apartment Type	Average Shares For Apartment Type	Relocation Fee*
Studio	635	\$ 44,450
One Bedroom	950	\$ 66,500
Two Bedroom	1,330	\$ 93,100
Three Bedroom	2,002	\$140,140
Four Bedroom	2,328	\$162,960

\* **NOTE:** These amounts are approximations based on the AVERAGE number of Shares for each apartment type. For the actual Relocation Fee to be paid for your apartment you should multiply the number of shares allocated to your apartment as shown in Schedule A of the Plan by \$70.00 per share.

**B. Terms and Conditions.**

(i) **Execution of Surrender Agreement:** A Bona Fide Mitchell Lama Tenant who wishes to receive the Relocation Fee must sign the Surrender Agreement, a copy of which is attached to this First Amendment as **Exhibit B**, and return it to the Sponsor, either by delivering it to the Management Office by hand, or by sending it by certified mail, return receipt requested, to IH Preservation Partners LLC, c/o Executive/Management Offices, 545 Main Street, New York, NY 10044. The Surrender Agreement must be received by the Sponsor at the Management Office no later than 5:00 pm EST on April 30, 2015. **TIME IS OF THE ESSENCE IN THE RECEIPT OF THE SURRENDER AGREEMENT AND A TENANT WHO FAILS TO TIMELY DELIVER THE SURRENDER AGREEMENT WILL NOT BE PERMITTED TO ELECT THE RELOCATION FEE.**

(ii) **Lease Termination and Surrender of Apartment:** A Bona Fide Mitchell Lama Tenant who wishes to receive the Relocation Fee must end his lease and move out of his apartment on a date (the "Surrender Date") agreed upon between the Sponsor and the tenant which shall not be prior to June 1, 2015 or later than September 30, 2015, unless otherwise agreed to by Sponsor. When completing the Surrender Agreement, the tenant should insert the Surrender Date requested by tenant within the period June 1, 2015 to September 30, 2015, or otherwise. If that date is acceptable to the Sponsor, the Sponsor will countersign and return the Surrender Agreement to tenant. If that date is not acceptable, Sponsor will contact the tenant and Sponsor and tenant will then try to determine a mutually agreeable Surrender Date. On or before the Surrender Date, all occupants must vacate the apartment and the apartment must be delivered to the Sponsor in broom-clean condition, vacant, and free and clear of all occupants, sublessees, or other persons with or claiming to have any rights in or to the apartment. All move-outs must be scheduled with the management office in accordance with the regular move-out policy. Upon completion of the move-out, tenant and Sponsor (or its agent), will jointly inspect the apartment to confirm it is in the condition required by the Surrender Agreement, tenant will deliver the keys to Sponsor (or its agent) and tenant will confirm the completion of the move-out

and delivery of possession of the apartment to Sponsor by signing the Addendum to the Surrender Agreement (the date on which this occurs being referred to as the "Actual Surrender Date"). Sponsor reserves the right to limit the number of Surrender Agreements that Sponsor accepts in which case Sponsor will accept Surrender Agreements in the order in which they are received.

(iii) Payment of Relocation Fee. Provided that tenant has complied with tenant's obligations under the Surrender Agreement, Sponsor will pay the Relocation Fee to tenant on the Actual Surrender Date. The Relocation Fee will be reduced by the amount, if any, then due from tenant to Sponsor for rent, or other monies owed to the Sponsor under the lease. Rent for the month in which the Actual Surrender Date occurs will be apportioned so that tenant pays rent through and including the Actual Surrender Date.

(iv) Return of Security Deposit. Within ten (10) days after the Actual Surrender Date, Sponsor will refund to tenant the security deposit, together with applicable accrued interest, if any, less the cost of removal and disposal of any of tenant's personal property left in the apartment on the Actual Surrender Date.

(v) Taxation of Relocation Fee. Tenants are advised that the Relocation Fee may be considered taxable income and Tenants are advised to consult with an attorney or tax adviser of their choosing to understand any tax implications from receiving the Relocation Fee as it relates to their personal situation.

(vi) One Relocation Fee. Only one Relocation Fee will be paid per apartment.

(vii) Access to Apartment by Sponsor. A tenant who elects to surrender his lease by submitting the Surrender Agreement shall allow the Sponsor and its agents to show the apartment at reasonable times upon reasonable notice.

### **3. PROPRIETARY LEASE:**

The form of Proprietary Lease set forth as Exhibit 14 in Part II of the Plan is hereby amended as set forth below.

A. Electric Submetering. A new subsection (ii) shall be added to Section 3.1.4 (and the existing section 3.1.4 shall be designated as (i)), as follows:

(ii) The conversion of electricity to a submetered basis shall be done in accordance with all applicable laws and regulations, including those of the New York State Public Service Commission ("PSC"). Tenant-Shareholder irrevocably consents to installation of an electric submeter in the Apartment and the conversion to submetered billing as provided above. Tenant-Shareholder agrees that, upon such installation and conversion, the following provisions shall apply:

(a) In no event will the total rates (including the monthly administrative fee) exceed the utilities' tariffed residential rate for direct metered service to such residents (*see* 16 NYCRR § 96.1 [i], Public Service Law §§ 65, 66), or such other limit established by the PSC. All Con Edison rates by classification are available on its website ([www.coned.com](http://www.coned.com)) under Rates and Tariffs. The electric Rates and Tariffs are listed under the heading "P.S.C. No. 10 – Electricity." The rate calculation to be used is the Con Edison Service Classification No. 8 ("SC-8") for multiple dwellings—redistribution. Specifically, the electric consumption in each Apartment will be multiplied by a calculated kilowatt hour ("kWh") rate. The kWh rate will include, in accordance with the relevant Con Edison tariff, supply and delivery charges, fuel adjustment charge and systems benefit charge, among other components. The kWh rate will be multiplied by each Apartment's kWh usage to determine that unit's bill. A monthly administrative fee determined by Apartment Corporation, but not to exceed the maximum administrative fee from time to time permitted by the PSC, and any applicable taxes will also be added to the bill to arrive at the total Tenant-Shareholder cost. The meters will be read monthly and a bill will be processed based on the Tenant-Shareholder's actual consumption. The meter reading data and billing calculations will be documented and maintained for a 6-year period for each unit (*see* 16 NYCRR § 96.6 [jj]).

(b) If Tenant-Shareholder has a complaint regarding submetering charges or service, Tenant-Shareholder shall submit the complaint, which may be in written form, including the action or relief requested, to the Managing Agent, by telephone at 212-755-3012 or by mail at c/o Managing Agent, 545 Main Street, New York, NY 10044. Notwithstanding the Tenant-Shareholder's filing of any complaint or protest, undisputed electric charges shall be due and payable during the pendency of such dispute as a condition of continued service. The Managing Agent shall investigate and respond to the complaint within ten (10) days of the receipt of the complaint. The Managing Agent intends to utilize a submeter vendor, where appropriate, to assist in the investigation and resolution of the complaint. If Tenant-Shareholder is dissatisfied with the Managing Agent's response, Tenant-Shareholder may request a review of the outcome by filing a written protest within fourteen (14) days from the date of the response from the Managing

Agent. If Tenant-Shareholder and Apartment Corporation cannot reach an equitable agreement and Tenant-Shareholder continues to believe the complaint has not been adequately addressed, then Tenant-Shareholder may file a complaint with the PSC. Alternatively, Tenant-Shareholder may contact the PSC at any time concerning submetered service in writing at New York State Department of Public Service, 3 Empire State Plaza, Albany, New York 12223, by telephone at 800-342-3377, in person at the nearest office at 90 Church Street, New York, New York 10007, or via the Internet at [www.dps.ny.gov](http://www.dps.ny.gov).

- (c) Tenant-Shareholder will be afforded rights and protections available to residential energy consumers in New York State under the Home Energy Fair Practices Act ("HEFPA"), including the ability to file a complaint with the PSC. The nearest office of the PSC is at: NYS Public Service Commission, 90 Church Street, New York, New York 10007, (212) 417-2234, (800) 342-3377, [www.dps.ny.gov](http://www.dps.ny.gov). The Tenant-Shareholder may contact the PSC at any time if dissatisfied regarding Apartment Corporation's response to your complaint or at any time regarding submetered service.
- (d) In the event of non-payment of electric charges, Apartment Corporation shall afford Tenant-Shareholder all notices and protections available pursuant to HEFPA before any action(s) based on such non-payment, including, but not limited to termination of service, is commenced.
- (e) Apartment Corporation will annually distribute to Tenant-Shareholder a Notification of Rights and Procedures and Special Protections Registration Form, which will explain rights, protections, and procedures available to Tenant-Shareholder under HEFPA.
- (f) Any submetering refunds will be credited to a submetered Tenant-Shareholder affected by the Apartment Corporation's actions that led to such refunds provided that the Apartment Corporation has such contact information for such Tenant-Shareholder.
- (g) Tenant-Shareholder agrees that at all times the use of electricity in the Apartment shall never exceed the capacity of existing feeders to the building or the risers, wiring, or electrical installations serving the Apartment.

Tenant-Shareholder shall not make any alterations, modifications, or additions to the electrical installations serving the Apartment unless approved in writing by the Board of Directors in compliance with the alteration provisions elsewhere contained in this Agreement.

- (h) With respect to any Apartment owned by the Sponsor or a Holder of Unsold Shares and occupied by a subtenant, including an original non-purchasing tenant, the failure of the subtenant to pay for the cost of electricity shall not relieve the Sponsor or the Holder of Unsold Shares, as the owner of such Apartment, from the obligation to pay to the Apartment Corporation the electricity User Charges, provided, however, that the Apartment Corporation (i) takes all actions directed by the Sponsor and the Holder of Unsold Shares, to the extent not prohibited by PSC Regulations or applicable law, to enforce the collection of electricity User Charges from the subtenant, and (ii) fully cooperates with Sponsor and the Holder of Unsold Shares in the collection of electricity User Charges from the subtenant.

B. Transfer Fee. The last sentence in Section 10.1 of the Proprietary Lease is deleted and replaced with the following: "Following the expiration of the Affordability Period, but prior to the expiration of the term of the IH Ground Lease (i) the provisions of Section 10.3 regarding the Shareholder Transfer Fee may not be modified or amended without the prior written consent of RIOCC, and (ii) the provisions of Sections 10.4 and 10.5 regarding TEP may not be modified or amended without the prior written consent of Empire State Development."

4. **ADDITIONAL FINANCIAL STATEMENT:**

Annexed hereto as Exhibit C is a copy of the Island House Property Combined Statement of Operations prepared by Marks Paneth Shron, LLP, certified public accountants, in connection with the operation of the property for the fiscal year ended December 31, 2013, which is the transition year from rental operations to condominium and cooperative operations. This statement should be read in conjunction with the financial statements appearing in the Plan for the Apartment Corporation and the Condominium for the period ending December 31, 2013. For the 2014 fiscal year, this additional statement will no longer be necessary as all property operations will be reflected in the financial statements for the Apartment Corporation and the Condominium.

5. **FACADE AND RAILING REPAIR WORK:**

As part of a newly implemented building code provision, New York City now requires that Local Law 11 exterior facade inspections include balcony railing inspections. This requirement was not in effect when the prior Local Law 11 report was filed. Accordingly, Sponsor's architects conducted the required supplemental inspection and determined that the

balcony railings are in need of replacement. There are 15 apartments that are affected by the railing replacement. In accordance with directions from Sponsor's architects, Sponsor closed off access from these apartments to the adjacent terraces and instructed the tenants not to access the terraces until further notice. Sponsor's architects are currently in the process of soliciting bids for the balcony replacement, together with the regular façade repairs described in the Local Law 11 report contained in the Offering Plan. This work is anticipated to commence in the Spring of 2015 and to take a few months to complete. In connection with this process, additional asbestos testing was conducted on the concrete panels which found that the interior of the concrete panels, but not the exterior surface of the panels, contains asbestos. See also the asbestos summary in the Offering Plan.

**SPONSOR:**

**IH PRESERVATION PARTNERS, LLC**

**Dated:**       **March 20, 2015**  
              **New York, New York**

**EXHIBIT A TO FIRST AMENDMENT**

**RIDER TO PURCHASE AGREEMENT  
ISLAND HOUSE COOPERATIVE APARTMENTS  
551-555-575 MAIN STREET  
NEW YORK, NY 10044**

**LOAN COMMITMENT CONTINGENCY RIDER**

Apartment: \_\_\_\_\_ Purchaser Name(s): \_\_\_\_\_

1. **CONFLICTS**. This Rider is attached to and made a part of the form of Purchase Agreement set forth in the Offering Plan. To the extent of any conflict or inconsistency between the provisions of this Rider and the form of Purchase Agreement, the provisions of this Rider shall govern and control.

2. **FINANCING CONTINGENCY**. (a) The obligation of Purchaser to purchase the above referenced Apartment pursuant to the Purchase Agreement is conditioned upon the issuance, on or before April 30, 2015 (the "Commitment Letter Date"), of a written loan commitment letter from an Institutional Lender pursuant to which such Institutional Lender agrees to make a cooperative loan to Purchaser for the amount applied for, at Purchaser's sole cost and expense, at such Institutional Lender's prevailing fixed or adjustable rate of interest and on such other terms as are then offered by such lender (such letter, the "Commitment Letter"). A Commitment Letter that is conditioned on the sale of other property, the payment of any outstanding debt, the resolution of any other matter, there being no material adverse change in Purchaser's financial condition, a satisfactory appraisal of the Apartment or any other customary condition, shall be considered a Commitment Letter which satisfies the condition of this Rider. Accordingly, once a Commitment Letter is issued, Purchaser is bound under the Purchase Agreement, as if this Rider had not been a part of the Purchase Agreement, even if the lender fails or refuses to fund the loan for any reason, including without limitation, a project pre-sale requirement that has not been satisfied.

(b) Purchaser shall (i) make prompt application for such loan, and in any event prior to March 15, 2015, to Amalgamated Bank or Bank United, and if Purchaser wishes, such other Institutional Lenders as Purchaser deems appropriate, (ii) furnish accurate and complete information regarding Purchaser and as otherwise required by the lender, (iii) pay all fees, points and charges required in connection with such application and the Commitment Letter, (iv) pursue such application with diligence, and otherwise (v) cooperate in good faith with such Institutional Lender(s) to obtain a Commitment Letter. Purchaser shall furnish Seller with a copy of the Commitment Letter promptly after receipt thereof.

(c) If Purchaser has not received a Commitment Letter on or before the Commitment Letter Date (April 30, 2015), or if all of the Institutional Lenders to whom Purchaser submitted loan applications deny such applications in writing prior to the Commitment Letter Date, then Purchaser may cancel the Purchase Agreement and receive the return of his Down Payment, provided that Purchaser gives written notice of cancellation to Sponsor that is hand delivered to



the Management Office, or otherwise received at the Management Office prior to 5:00 pm EST on or before May 1, 2015. **TIME IS OF THE ESSENCE IN THE RECEIPT OF THE NOTICE OF CANCELLATION PRIOR TO 5:00 PM EST ON OR BEFORE MAY 1, 2015 AND A TENANT PURCHASER WHO FAILS TO TIMELY DELIVER THE NOTICE WILL NOT BE PERMITTED TO CANCEL THE PURCHASE AGREEMENT THEREAFTER.**

(d) If this Purchase Agreement is canceled by Purchaser pursuant to this Rider neither party shall thereafter have any further rights against, or obligations or liabilities to, the other by reason of this Purchase Agreement, except that the Escrow Agent shall thereafter promptly refund the Down Payment to Purchaser and any provision of the Purchase Agreement which by its terms expressly survives the termination of the Purchase Agreement shall still survive such cancellation.

(e) If Purchaser fails to give timely notice of cancellation or if Purchaser accepts a written Commitment Letter from an Institutional Lender that does not conform to the terms set forth in subparagraph (a) of this Rider, then Purchaser shall be deemed to have waived Purchaser's right to cancel this Purchase Agreement and to receive a refund of the Down Payment by reason of the contingency contained in this Rider and the Purchase Agreement shall remain in full force and effect notwithstanding this Rider.

(f) The term "Institutional Lender" shall mean any bank, savings bank, private banker, trust company, savings and loan association, credit union or similar banking institution whether organized under the laws of this state, the United States or any other state; foreign banking corporation licensed by the Superintendent of Banks of New York or regulated by the Comptroller of the Currency to transact business in New York State; insurance company duly organized or licensed to do business in New York State; mortgage banker licensed pursuant to Article 12-D of the Banking Law; and any instrumentality created by the United States or any state with the power to make cooperative loans.

**AGREED TO:**

IH PRESERVATION PARTNERS, LLC

BY: \_\_\_\_\_

\_\_\_\_\_  
Purchaser

Date: \_\_\_\_\_

\_\_\_\_\_  
Purchaser

Date: \_\_\_\_\_

## **EXHIBIT B TO FIRST AMENDMENT**

### **SURRENDER AGREEMENT**

*Island House – 551/555/575 Main Street, NY, NY 10044*

Sponsor: IH Preservation Partners, LLC

Apartment: \_\_\_\_\_, Main Street, New York, NY 10044 (the "Apartment")

Tenant(s): \_\_\_\_\_

Other Occupant(s): \_\_\_\_\_

Date of Existing Lease: \_\_\_\_\_

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In connection with the Tenant Buyout Offer set forth in the First Amendment to the Offering Plan, Sponsor and Tenant agree as follows:

1. Tenant represents and warrants to Sponsor and agrees as follows:

- (i) Tenant is a Bona Fide Mitchell Lama Tenant of the Apartment, is over the age of 18 and is authorized to enter into this Surrender Agreement and to perform the obligations described herein.
- (ii) Tenant is voluntarily entering into this Surrender Agreement and has elected to participate in the Buyout Offer described in the First Amendment to the Offering Plan knowing and agreeing that Tenant will not have the right to purchase Tenant's Apartment.
- (iii) The only persons occupying the Apartment are the persons listed above and on the Income Affidavit submitted to Sponsor in 2014, all of whom will vacate the Apartment together with Tenant.

- (iv) Tenant has not sublet the Apartment to any person or entity and no other person or entity has any rights or claims in or to the Apartment.

2. Tenant agrees to vacate and surrender vacant possession of the Apartment to Sponsor on \_\_\_\_\_ *{insert date between June 1, 2015 and September 30, 2015}* (hereinafter referred to as "Surrender Date"). On the Surrender Date, Tenant will deliver vacant legal possession of the Apartment, in broom-clean condition, to Sponsor, free of all occupants, assignees, sublessees or other persons claiming any right in or to the Apartment. On the Surrender Date, Tenant will deliver the keys to the Apartment to Sponsor or Sponsor's agent, and will confirm compliance with the terms of this Agreement and restate the representations contained in this Agreement by signing the attached Addendum to this Agreement. Sponsor, or its agent, will inspect the Apartment with tenant and will accept the surrender of the Apartment (such date of acceptance being the "Actual Surrender Date").

3. Tenant agrees that anything left in the Apartment after the Actual Surrender Date will be deemed abandoned property and may be discarded by the Sponsor without any cost or liability whatsoever to Sponsor and the cost of such disposal will be deducted by Sponsor from the Security Deposit.

4. On the Actual Surrender Date, Sponsor agrees to:

- (i) pay to Tenant, a Relocation Fee in the amount of \$ \_\_\_\_\_ *{insert the sum of the number of shares x \$70 per share}* (less any rent and other charges, if any, that may be due to Sponsor under the Lease as of the Actual Surrender Date, including rent for the month in which the Actual Surrender Date occurs which shall be apportioned and paid to the Sponsor through and including the Actual Surrender Date);

(ii) release Tenant from any further liability for rent or other use and occupancy charges that would otherwise be due to the Sponsor.

(iii) return the Security Deposit to the Tenant within ten (10) days of the Actual Surrender Date, less the cost of removal and disposal of personal property of Tenant left in the Apartment on the Actual Surrender Date.

5. Tenant and Sponsor agree that TIME IS OF THE ESSENCE in complying with all of the terms and conditions of this Agreement, including, but not limited to, surrendering and releasing the Apartment pursuant to this Agreement in a timely manner.

6. This Agreement supersedes and revokes all previous negotiations, arrangements, letters of intent, representations, and information conveyed, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Sponsor or the Tenant. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the parties unless in writing and signed by the party against whom enforcement of the modification is sought.

7. Tenant agrees that from and after the date of this Agreement, Sponsor and its agents shall have the right, on reasonable prior notice, but not more than 24 hours advance notice, and at reasonable times, to enter the Apartment for purposes of examining and showing the Apartment.

8. This Agreement shall be binding upon the respective parties, their heirs, assigns, executors, administrators and successors-in-interest to their property.

9. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. Tenant agrees that Tenant shall not have the right to purchase the Apartment pursuant to the Offering Plan or any provision of any law and Tenant expressly waives any such right in

order to be entitled to receive the Relocation Fee.

11. Tenant agrees to indemnify, defend and hold Sponsor harmless from and against any loss, cost, damage or expense, including reasonable attorney fees and disbursements, that Sponsor may incur by reason of a breach of any representation or agreement on the part of Tenant contained in this Agreement, including the claim of any person to a right to use, occupy or purchase the Apartment. The provisions of this paragraph 11 shall survive the Actual Surrender Date and the payment of the Relocation Fee.

12. Tenant represents that Tenant had the opportunity to have this Surrender Agreement reviewed by an attorney of Tenant's choice prior to signing this Agreement.

**This Surrender Agreement is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 2015 by Sponsor and Tenant.**

**SPONSOR:**

**IH Preservation Partners, LLC**

**By:** \_\_\_\_\_

**TENANT(S)**

\_\_\_\_\_  
**Print Name:**

\_\_\_\_\_  
**Print Name:**

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 2015, before me personally came \_\_\_\_\_, to me known and known to me to be the person(s) described in and who executed the foregoing instrument and he/she/they acknowledged to me that he/she/they executed the same.

\_\_\_\_\_  
Notary Public

## ADDENDUM TO SURRENDER AGREEMENT

THE FOLLOWING IS TO BE COMPLETED ON THE ACTUAL SURRENDER DATE

Tenant confirms to Sponsor that as of \_\_\_\_\_, 2015, Tenant has (i) delivered vacant legal possession of the Apartment to Sponsor in accordance with the provisions of the foregoing Surrender Agreement, (ii) delivered the keys to the Apartment to Sponsor, (iii) relinquished all rights of tenant in or to the Apartment, and (iv) consented to the termination of the Lease for the Apartment.

\_\_\_\_\_  
Tenant

\_\_\_\_\_  
Tenant

Forwarding Address: \_\_\_\_\_

Email & Telephone No.: \_\_\_\_\_

Sponsor accepts the Apartment from Tenant and confirms the Actual Surrender Date is \_\_\_\_\_, 2015.

IH Preservation Partners, LLC

By: \_\_\_\_\_

Exhibit C.

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**Island House Property**

**Combined Statement of Operations**

**For the Year Ended December 31, 2013**

(Together with Independent Auditors' Report)

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**MARKS PANETH**

ACCOUNTANTS & ADVISORS

# ISLAND HOUSE PROPERTY

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**MARKS PANETH**  
ACCOUNTANTS & ADVISORS

## Independent Auditors' Report

To the unit owners of the Island House Property  
New York, New York

We have audited the accompanying Combined Statement of Operations and the related notes to the Combined Statement of Operations for the year ended December 31, 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the Combined Statement of Operations in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Combined Statement of Operations that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the Combined Statement of Operations based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Statement of Operations is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Statement of Operations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Statement of Operations, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Combined Statement of Operations in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Combined Statement of Operations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the Combined Statement of Operations referred to above presents fairly, in all material respects, the results of operations of the Island House Property for the year ended December 31, 2013, in accordance with accounting principles generally in the United States of America.

### ***Emphasis of Matter***

We draw attention to Note 2 to the Combined Statement of Operations, Basis of Presentation. The Combined Statement of Operations is not intended to be a complete presentation of Island House Property's revenues and expenses.

*Marks Paneth LLP*

New York, New York  
October 8, 2014



An independent member of  
**Morison International**

ISLAND HOUSE PROPERTY  
COMBINED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Page 2

	IH Preservation Partners, LLC	Island House Tenants Corp.	The Island House Condominium	Subtotal	Elimination Entries	Combined
<b>REVENUES</b>						
<u>Residential:</u>						
Base Maintenance Charges	\$ -	\$ 2,961,474	\$ -	\$ 2,961,474	\$ (2,961,474)	\$ -
Less: Mortgage Amortization (reclassified to additional paid-in capital)		(218,751)		(218,751)		(218,751)
Rental income	8,553,688	-	-	8,553,688	-	8,553,688
Common charges	-	-	330,172	330,172	(330,172)	-
	8,553,688	2,742,723	330,172	11,626,583	(3,291,646)	8,334,937
<u>Special Assessments</u>						
Electric (apartments)	-	465,036	-	465,036	(465,036)	-
Residential revenues	8,553,688	3,207,759	330,172	12,091,619	(3,756,682)	8,334,937
<u>Commercial:</u>						
Rental income	78,004	-	-	78,004	-	78,004
Common charges-Unit No.1	-	-	7,859	7,859	(7,859)	-
Common charges-Unit No.2	-	-	4,030	4,030	(4,030)	-
Common charges-Retail Unit	-	-	10,449	10,449	(10,449)	-
Commercial revenues	78,004	-	22,338	100,342	(22,338)	78,004
Laundry income	34,800	34,800	-	69,600	-	69,600
Other income	57,416	-	-	57,416	-	57,416
<b>TOTAL REVENUES</b>	<b>\$ 8,723,908</b>	<b>\$ 3,242,559</b>	<b>\$ 352,510</b>	<b>\$ 12,318,977</b>	<b>\$ (3,779,020)</b>	<b>\$ 8,539,957</b>
<b>EXPENSES</b>						
Base Maintenance Charges	\$ 2,961,474	\$ -	\$ -	\$ 2,961,474	\$ (2,961,474)	\$ -
Special Assessment - Electric(apartments)	465,036	-	-	465,036	(465,036)	-
Condominium Common Charges	22,338	330,172	-	352,510	(352,510)	-
Labor and Employee Benefits	729,410	636,925	116,739	1,483,074	-	1,483,074
Electricity:						
Common Areas	230,011	167,666	-	397,677	-	397,677
Apartments	637,954	465,036	-	1,102,990	-	1,102,990
Hot Water and Gas	65,113	57,999	-	123,112	-	123,112
Water and Sewer	181,371	190,544	-	371,915	-	371,915
Repairs, Maintenance and Supplies	128,988	48,099	18,945	196,032	-	196,032
Service Contracts:						
Landscaping	12,027	-	10,072	22,099	-	22,099
Uniforms	-	3,628	-	3,628	-	3,628
Cable	-	331	-	331	-	331
Exterminator	6,238	2,201	-	8,439	-	8,439
Elevator	15,678	17,878	-	33,556	-	33,556
Other	4,930	2,993	319	8,242	-	8,242
Insurance	87,543	1,863	87,543	176,949	-	176,949
Telephone and Other Administrative	29,486	14,169	1,426	45,081	-	45,081
Management Fees	145,408	90,000	10,000	245,408	-	245,408
Tax Equivalency Payments	330,358	254,527	-	584,885	-	584,885
Mortgage Interest	655,034	650,491	-	1,305,525	-	1,305,525
Ground Rent	70,224	65,450	-	135,674	-	135,674
Corporate Income Taxes and Filing Fees	3,000	10,850	3,380	17,230	-	17,230
Legal, Consulting and Auditing fees	159,334	27,702	10,990	198,026	-	198,026
RIOC Public Safety Fees	80,728	-	80,727	161,455	-	161,455
<b>TOTAL EXPENSES</b>	<b>\$ 7,021,683</b>	<b>\$ 3,038,524</b>	<b>\$ 340,141</b>	<b>\$ 10,400,348</b>	<b>\$ (3,779,020)</b>	<b>\$ 6,621,328</b>
<b>INCOME FROM OPERATIONS, AS DEFINED</b>	<b>\$ 1,702,225</b>	<b>\$ 204,035</b>	<b>\$ 12,369</b>	<b>\$ 1,918,629</b>	<b>\$ -</b>	<b>\$ 1,918,629</b>

See accompanying notes to the Combined Statement of Operations

## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

## NOTE 1: ORGANIZATION AND OPERATIONS

The operations of Island House Property (as defined below) consists of the activities of IH Preservation Partners, LLC ("IHPP"), Northtown Phase II Associates, L.P. - which merged into IHPP on January 9, 2013; The Island House Condominium (the "Condominium") and Island House Tenants Corp. ("IHTC"). The Condominium and IHTC began operations effective July 1, 2013.

The Condominium is a qualified leasehold condominium formed pursuant to Article 31-b of the New York State Real Property Law (the "Condominium Act") upon the recording of the Declaration of Condominium (the "Declaration") and the filing of the Condominium Floor Plans in the Office of the New York City Register on June 28, 2013. Pursuant to the Declaration, IHPP subjected its interest in the "IH Ground Lease" (defined below) to the Condominium Act.

The Condominium is comprised of four condominium units and related common elements located on Roosevelt Island in New York City, and known by the street address of 551-555-575 Main Street, New York, NY (the "Island House Property"). Roosevelt Island is owned by the City of New York and leased nearly in its entirety to the State of New York, pursuant to a ground lease dated December 23, 1969 (the "Major Lease"), which expires in 2068. The State of New York, acting by the Roosevelt Island Operating Corp. ("RIOC"), a public benefit corporation, holds the lessee's interest in the Major Lease. RIOC in turn leases the Island House Property pursuant to a ground lease entered into between the predecessors in interest to RIOC and IHPP, as amended and extended to 2068 (the "IH Ground Lease"). The IH Ground Lease incorporates the provisions of "Island House - A Plan for Preservation of Affordable Housing and Withdrawal From The Mitchell-Lama Program (the "Affordability Plan"). The Affordability Plan, together with other provisions of the IH Ground Lease, provides a framework for the operation of the Island House Property and imposes certain obligations on the Condominium and the Cooperative defined below. The Declaration is subject to the IH Ground Lease.

The Condominium is managed by a Board of Managers that was controlled by IHPP during 2013. The Board of Managers, as agent for the owners of the four Condominium units ("Unit Owners"), will perform the obligations of the lessee under the IH Ground Lease to the extent that such obligations are not performed by each Unit Owner with respect to the payment of ground rent and tax equivalency payments ("TEP") as discussed below.

The four condominium units comprising the Condominium are: (i) the Residential Unit, (ii) Commercial Unit No. 1, (iii) Commercial Unit No. 2, and (iv) the Retail Unit.

The Residential Unit consists of 400 residential apartments and related common areas and is owned by IHTC, a cooperative housing corporation (the "Cooperative"), which was formed on June 6, 2013 and which acquired title from IHPP pursuant to a deed dated June 28, 2013. The other three Condominium units continue to be owned by IHPP, which is the sponsor (the "Sponsor") of the plan (the "Offering Plan") to convert the Residential Unit to cooperative ownership. At December 31, 2013, the Sponsor/IHPP beneficially owned all of the issued and outstanding shares of IHTC. The Residential Unit and the Cooperative are subject to the provisions of the Affordability Plan.

Effective July 1, 2013, the Cooperative began operating the Residential Unit. The Cooperative is governed by a Board of Directors that was controlled by the Sponsor during 2013. The common elements and condominium Units are managed by The Island House Condominium (A Homeowners' Association).

## ISLAND HOUSE PROPERTY

### Notes to Combined Statement of Operations

#### NOTE 1: ORGANIZATION AND OPERATIONS (continued)

From January 1, 2013 to January 9, 2013, the leasehold interest in Island House Property was held by North Town Phase II Associates, L.P. On January 9, 2013, pursuant to a merger agreement with IHPP, Northtown Phase II Associates, L.P. merged into IHPP and IHPP assumed the obligations of Northtown Phase II Associates, L.P. under the IH Ground Lease and the Affordability Plan.

Northtown Phase II Associates, L.P. and IHPP operated, as landlord, Island House Property's 400 residential apartments, the commercial portion or area (now the two commercial units), and the retail area or portion (now the retail unit) during the period January 1, 2013 through June 30, 2013.

From July 1, 2013 through December 31, 2013, as the beneficial owner of the Cooperative, Sponsor/IHPP subleases the residential apartments to tenants.

The Sponsor presented the Offering Plan for the Conversion of the Island House Condominium and Island House Tenants Corp. to the NYS Department of Law on June 6, 2013. Once the Offering Plan is accepted for filing, shares in the Cooperative, together with appurtenant proprietary leases, will be offered for sale to the public in accordance with the Affordability Plan.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

##### Principles of Combination

The Combined Statement of Operations reflects the operations of the Island House Property by Northtown Phase II Associates, L.P., IHPP, the Cooperative, and the Condominium for 2013. All material intercompany transactions have been eliminated in consolidation.

The operations of Northtown Phase II Associates, L.P. and Sponsor/IHPP have been combined and presented under "IH Preservation Partners, LLC" on the Combined Statement of Operations.

##### Basis of Presentation

The Combined Statement of Operations has been presented according to the requirements of the New York State Attorney General's Office for inclusion in the Offering Plan. The New York State Attorney General's Office requires the Combined Statement of Operations to reflect the operations of Island House Property for 2013 in accordance with accounting principles generally accepted in the United States, with the exclusion of the following accounts: interest income, depreciation, amortization, interior apartment painting expense and bad debts.

##### Revenue Recognition

Revenue from tenants is recognized when earned in accordance with the terms of the lease, or when services have been rendered, as applicable. Rents received in advance of due dates are deferred until earned.

## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS  
(continued)Use of Estimates

The preparation of the Combined Statement of Operations in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results can differ from those estimates.

Electricity charged to common areas and apartments is estimated based on an allocation of 26.5% common areas and 73.5% apartments.

Maintenance From Tenant-Shareholders and Special Assessments

Base maintenance charges and special assessments from tenant-shareholders are determined based on an annual budget determined by the Board of Directors. Tenant-shareholders are billed monthly based on the number of shares of stock that they own.

The Cooperative began assessing maintenance due from tenant-shareholders beginning July 1, 2013. Also effective beginning July 1, 2013, the Cooperative began collecting special assessments from tenant-shareholders for electricity supplied to the residential apartments. It is the intention of the Cooperative to sub-meter all of the residential apartments, at which time the owners of the residential apartments will be billed for the amount of electricity used in their apartment.

For 2013, all maintenance and special assessments for electricity were earned from the Sponsor, who owned all of the issued and outstanding shares since the inception of the Cooperative through the date of this financial statement.

All maintenance and special assessments have been eliminated in combination.

Condominium Common Charges

The Cooperative is responsible for its share (93.6857%) of condominium common charges attributable to its ownership interest in the Residential Unit and Sponsor/IHPP is responsible for its share of Common Charges attributable to the Commercial Unit(s) (Unit 1-2.2214% and Unit 2-1.1391%) and the Retail Unit (2.9538%). Such amounts are paid to The Island House Condominium and consist substantially of the following common area expenses: certain labor and benefits, public safety fees, landscaping, insurance, repairs and maintenance and management fees.

Condominium common charges are determined by the Board of Managers of The Island House Condominium based on an annual budget.

All condominium common charges have been eliminated in combination.

Income Taxes

The Condominium, Cooperative and Sponsor/IHPP have adopted the provisions of Accounting Standards Codification Topic 740, "Income Taxes-Accounting for Uncertainties", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)**

In years when the Cooperative has net income from nonpatronage sources, it is subject to federal income taxes in accordance with Subchapter T of the Internal Revenue Code. In addition, the Cooperative is also subject to New York State and New York City income taxes

based on capital. There was no nonpatronage net income for the year ended December 31, 2013.

The Condominium is subject to federal, New York State and New York City income taxes.

Northtown Phase II Associates, L.P. and IHPP are not subject to federal, state or local income taxes. The taxable profit or loss of each entity is reported on the respective income tax return of that entity. Accordingly, no provision for income taxes has been provided for in the financial statements.

Subsequent Events

Management has evaluated, for potential recognition and disclosure, events subsequent to December 31, 2013 through October 8, 2014, the date the Combined Statement of Operations was available to be issued.

**NOTE 3: LABOR CONCENTRATION AND EMPLOYEE BENEFITS**

The Condominium does not have any employees. The direct labor cost of certain employees of the Cooperative, whose employment costs are allocated to the Common Elements are included in the Condominium's operating expenses. Labor Expenses attributable solely to IHPP/Sponsor and for the period from July 1, 2013 through December 31, 2013 are set forth under "Labor and Employee Benefits". Island House Property's direct labor is supplied primarily by union employees. Island House Property contributes to the Building Service 32BJ Pension Fund (the "Plan"), a multi-employer, non-contributory defined benefit pension plan. The Plan provides retirement benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements. The Plan is administered by a Board of Trustees ("Trustees") and is subject to the provisions of the Employees Retirement Income Security Act of 1974.

The risks of participating in multiemployer pension plans are different from single-employer plans in that: assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers; and if Island House Property stops participating in the multiemployer Plan, Island House Property may be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability. Island House Property has no plans to withdraw from the Plan.

On September 27, 2013, the Plan actuary certified that as of July 1, 2013, the Plan was in critical status, also known as the "red zone" under the Pension Protection Act ("PPA"). The certification of critical status was based on the actuary's determination that the Plan is projected to have an accumulated funding deficiency for the Plan year ended June 30, 2014. The significance of entering critical status is that the Plan's Trustees are required by law to adopt a "rehabilitation plan"- consistent with the requirements of the PPA- which is designed to improve the Plan's funding over a period of years. The Trustees adopted a rehabilitation plan that is consistent with this requirement. The Plan will emerge from critical status when its

## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

**NOTE 3: LABOR CONCENTRATION AND EMPLOYEE BENEFITS (continued)**

actuary certifies for a plan year that the Plan is not projected to have an accumulated funding deficiency for that plan year or any of the nine succeeding plan years. Pursuant to the PPA, a surcharge is imposed on all contributing employers. The amount of the surcharge for the 2010 Plan year was 5% of the contribution otherwise required under the applicable collective bargaining agreement. For subsequent Plan years in which the Plan is in critical status, the surcharge is 10% of the contribution otherwise required. Surcharges do not generate benefit accruals. Island House Property's participation in the Plan is outlined in the table below.

Island House Property's contributions to the Plan for 2013 for health, pension and annuity funds was \$364,264 and is included in "Labor and employee benefits".

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status at July 1, 2011	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Building Service 32BJ Pension Fund	13-1879376	001	Red	Yes	Yes	April 20, 2018

**NOTE 4: MANAGEMENT FEES**

The property is managed by RY Management Co., Inc pursuant to a written proposal. Management fees were allocated as follows for 2013:

	Amount	Period Covered
IHPP	\$ 145,408	1/1/13 - 6/30/13
Cooperative	90,000	7/1/13 - 12/31/13
Condominium	10,000	7/1/13 - 12/31/13
	<u>\$ 245,408</u>	

**NOTE 5: MORTGAGE PAYABLE AND INTEREST EXPENSE**

During the period January 1, 2013 through June 30, 2013, Sponsor/IHPP (and its predecessor, Northtown Phase II Associates, L.P.) interest in the IH Ground Lease was subject to a first mortgage dated September 28, 2012, in the original principal amount of \$27,800,000 ("First Mortgage") held by Oritani Finance Company. The First Mortgage is evidenced by a note which bears interest at 4.75% per annum.

Effective July 1, 2013, at which time the outstanding principal balance of the note was \$27,480,183, the First Mortgage was assumed by the Cooperative and was secured by the Residential Unit.

Through September 1, 2022, monthly payments of principal and interest totaling \$145,018 are required to be made. The First Mortgage matures on October 1, 2022, at which time a balloon payment of \$22,496,800, plus accrued interest, is required to be paid.

Interest expense on the First Mortgage amounted to \$1,305,525 for 2013.

Each calendar year, the First Mortgage can be prepaid in an amount up to 10% of the then outstanding principal balance, without a prepayment premium. Prepayments in excess of 10% each calendar year are subject to a prepayment premium, as defined the note.

## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

**NOTE 6: TAX EQUIVALENCY PAYMENTS ("TEP")**

Effective July 1, 2013, under the IH Ground Lease, the Condominium, as agent for the Unit Owners, shall perform the obligations of the lessee (the Sponsor) under the IH Ground Lease to the extent such obligations are not individually satisfied by the respective Unit Owners. Among those obligations are the payment of ground rent (See Note 7 below) and tax equivalency payments ("TEP").

**Residential Unit-** For thirty years beginning on January 1, 2014, TEP will be assessed at the rate of 10% of Annual Shelter Rent, as defined in the IH Ground Lease, on those apartments subject to the Affordable Resale Restrictions and Affordable Rental Restrictions. Thereafter, annual TEP will be equal to the real estate taxes that would be charged if the Residential Unit were Conventionally Financed Housing, as defined in the IH Ground Lease.

TEP required to be paid on Market Apartments, as defined in the IH Ground Lease, will be at the rate that real estate taxes would be assessed if the Residential Unit were Conventionally Financed Housing, phased-in over a five year period commencing on January 1 of the first year of the sale or rental of a unit as a Market Apartment, with credit for the portion of shelter rent paid and including all applicable abatements and exemptions all as set forth in the IH Ground Lease.

Residential TEP expense for 2013 was \$570,767, of which \$316,240 was attributable to Sponsor/IHPP and \$254,527 was attributable to the Cooperative. However, the amount of TEP billed and paid by each the Cooperative and Sponsor/IHPP was \$264,797 and is subject to a true-up.

**Retail Unit-** TEP required to be paid on the retail space will be at The City of New York's current tax rate for commercial property times the assessed value of the retail space, as each is determined annually as set forth in the IH Ground Lease. Retail TEP expense for 2013 was \$14,118.

**Commercial Units-** No TEP is required to be paid on the Commercial Units until 2043, at which time TEP will be assessed in the same manner as the Retail Unit (above) using the assessed value of the Commercial Units.

**NOTE 7: GROUND RENT**

**Residential Unit-** Effective January 1, 2014, ground rent for the Residential Unit is \$236,000 per annum for the first five years and will increase by 10% on each 5<sup>th</sup> anniversary thereafter for 30 years. Beginning on the Affordability Plan Expiration Date in year 2043, Residential Unit ground rent will be determined annually in accordance with the schedule provided in the IH Ground Lease. Residential ground rent expense for 2013 was \$130,027.

**Retail Unit-** Ground rent payable for the retail space will be 60 cents per square foot throughout the term of the IH Ground Lease. Retail ground rent expense for 2013 was \$5,647.

**Commercial Units-** No ground rent is payable for the Commercial Units until the Affordability Plan Expiration Date in 2043, at which time, ground rent payable will be adjusted to be equal to that which would be paid on "as completed commercial space" as set forth in the IH Ground Lease.

For the period July 1, 2013 through December 31, 2013, the Condominium Unit Owners satisfied their respective ground rent payment obligations.



## ISLAND HOUSE PROPERTY

## Notes to Combined Statement of Operations

**NOTE 8: RENTAL INCOME**

**Residential-** Pursuant to the Affordability Plan, residential rents were fixed for non-shareholder tenants through September 30, 2013. Effective October 1, 2013, all residential rents for non-shareholder tenants increased by 4%. Any future increases in residential rents are governed by the Affordability Plan.

**Retail-** The Retail Unit is subleased to RIOC through December 21, 2068. Basic Rent in the annual amount of \$2.40 ("Basic Charge") times the total square footage of the retail space (which is deemed to be 15,418 square feet) or the aggregate rentable square footage used by the existing master tenant, whichever is greater, is required to be made monthly through September 28, 2017. Beginning September 29, 2017 and on each fifth anniversary thereafter, the Basic Charge shall be increased by 10% of the Basic Charge in effect for the preceding five year period. RIOC is also required to pay the retail space portion of ground rent and TEP due under the IH Ground Lease. (See Notes 6 and 7); condominium common charges imposed on the retail space up to \$30,000 per annum for the first year in which common charges are assessed and, thereafter, common charges shall increase by 3% per annum over the preceding year throughout the term of the retail sublease; and condominium assessments for certain capital improvements allocable to the Retail Unit.

**NOTE 9: PUBLIC SAFETY FEES**

RIOC provides protection services and other amenities for Island House Property. For 2013, the fee charged by RIOC was \$161,455. Pursuant to the Affordability Plan, this fee escalates by 3% per year, compounded annually, starting January 1, 2014.

**NOTE 10: INCOME TAXES**

The Cooperative was subject to New York State and New York City income taxes based on capital which amounted to \$10,850 for the period from July 1, 2013 to December 31, 2013. The Condominium was subject to Federal, New York State and New York City corporation taxes based on gross receipts, which amounted to \$3,380 for the period from July 1, 2013 to December 31, 2013. The Cooperative and Condominium's 2013 income tax returns are subject to review by the taxing authorities through September 15, 2017.

IHPP was subject to New York State filing fees in the amount of \$3,000 for 2013.

**NOTE 11: LITIGATION**

Northtown Phase II Associates, L.P., IHPP/Sponsor, the Condominium and the Cooperative are subject to various claims and legal proceedings that arise in the ordinary course of their business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of Island House Property.

**NOTE 12: RELATED PARTY TRANSACTIONS**

Legal fees of \$30,000 were paid during 2013 to an attorney who is the managing member of Sponsor/IHPP.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. It is a very important document, as it contains the President's annual message to Congress, which is a key part of the executive branch's communication with the legislative branch.

2. The second part of the document is a report from the Secretary of the Interior, dated January 10, 1862. It contains information about the state of the Department of the Interior, including the status of the various bureaus and the progress of the work of the department.

3. The third part of the document is a report from the Secretary of the Treasury, dated January 10, 1862. It contains information about the state of the Department of the Treasury, including the status of the various bureaus and the progress of the work of the department.

4. The fourth part of the document is a report from the Secretary of the War, dated January 10, 1862. It contains information about the state of the Department of the War, including the status of the various bureaus and the progress of the work of the department.

5. The fifth part of the document is a report from the Secretary of the Navy, dated January 10, 1862. It contains information about the state of the Department of the Navy, including the status of the various bureaus and the progress of the work of the department.

6. The sixth part of the document is a report from the Secretary of the Army, dated January 10, 1862. It contains information about the state of the Department of the Army, including the status of the various bureaus and the progress of the work of the department.

7. The seventh part of the document is a report from the Secretary of the Marine Corps, dated January 10, 1862. It contains information about the state of the Department of the Marine Corps, including the status of the various bureaus and the progress of the work of the department.