

GALLET DREYER & BERKEY, LLP

ATTORNEYS AT LAW

845 Third Avenue - 8th Floor
New York, NY 10022 - 6601
Telephone 212 - 935 - 3131
Facsimile 212 - 935 - 4514

October 22, 2012

North Town Phase III Associates, LP
c/o RY Management Co., Inc.
1619 Third Avenue
New York, New York 10128

Attention: David B. Hirschhorn

Re: Westview
595-625 Main Street, Roosevelt Island, New York 10044 (“Westview”)
North Town Phase III Associates, LP (“North Town”)
Our File No.: 10100.002

Dear David:

As you know, we are counsel to the Westview Task Force, Inc. (“WTF”), the tenant organization which represents the 361 middle income families residing at Westview on Roosevelt Island.

We are writing to you with respect to the plan, dated June 18, 2012, you entitled “A Plan for Preservation of Affordable Housing and Withdrawal from the Mitchell-Lama Program” (the “North Town Proposal”) and presented in connection with and following the Notice of Intent to Dissolve Housing Company pursuant to Title 9, Subtitle S, Subchapter E, Part 1750 of the New York Code of Rules and Regulations and your cover letter in connection therewith, both addressed to Honorable Michael Skrebutenas, Deputy Commissioner of Housing Operations, New York State Division of Housing and Community Renewal and dated May 10, 2012.

We sent a response to such Notice of Intent to the Honorable Michael Skrebutenas by letter (the “DHCR Letter”), dated July 30, 2012, to which you were copied. Nothing contained in this letter shall in any way be deemed to waive or prejudice any of the comments or issues addressed in the DHCR Letter. As you can recall, WTF invited you to meet and discuss the North Town Proposal in early August but you indicated you would not be available until after August. We are pleased to share our comments and looking forward to progressing quickly. In response to your request, this letter is intended to provide a preliminary outline of specific comments in connection with the North Town Proposal. All capitalized terms not otherwise defined in this letter shall have the meanings set forth in the North Town Proposal.

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Before addressing more specific items in the North Town Proposal, we repeat and emphasize from the DHCR Letter that it is critical to synchronize the withdrawal of Westview from the Mitchell-Lama Program (the “Dissolution”) and the closing of the proposed cooperative conversion proposed in the North Town Proposal (which closing is defined therein as the Master Cooperative Closing).

Rather than seamlessly coordinate the Dissolution with the Master Cooperative Closing, the North Town Proposal contemplates a transition to a protracted unregulated period with guaranteed annual rent increases and the absence of regulation and DHCR supervision of, among other things, services, debt, leases and vacancies, capital budgeting and reserves. This proposed indefinite unregulated period would result in hardship and displacements.

The failure of the North Town Proposal to synchronize the Dissolution with the Master Cooperative Closing indicates a lack of commitment to the common objective stated by North Town, DHCR, and shared by Westview tenants to preserve affordable housing at Westview through transition to affordable first-time home ownership supplemented by rent protections.

We point out that the obligation of the Sponsor under the North Town Proposal with respect to the cooperative conversion is limited to the following:

“not later than 6 months after the Affordability Plan Effective Date [which occurs upon completion of the Ground Lease Modification Agreement and DHCR issuance of final Dissolution Authorization], the Sponsor shall submit an Offering Plan to 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”.

The foregoing is very limited, vague and indeterminate. Clearly, it does not reflect any certainty that the Master Cooperative Closing will occur at all even though North Town will have essentially already achieved its primary goals of Dissolution and modification of the Ground Lease.

In fact, it is noted that North Town Proposal contemplates throughout (including sections 2.A(ii) and 2.B(i)) the very real possibility that the Master Cooperative Closing may not occur within 3 years of the date of the Ground Lease Modification or not at all.

To our knowledge, all prior plans and letter(s) of intent for the conversion of Westview to cooperative ownership, including those proposed by you, were structured to so synchronize these two events.

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Synchronizing the Dissolution with the Master Cooperative Closing such that appropriate regulation and supervision continues until there is a seamless transition to management by a cooperative board must be incorporated in any Dissolution plan.

Furthermore, the plan of Dissolution should be consolidated with and otherwise provide information as required in an applicable offering plan for conversion of real estate to cooperative and/or condominium ownership to provide full disclosure of all terms and related information with requisite supporting documentation in compliance with New York State law including NY General Business Law Article 23-A (the "Martin Act") and applicable New York State Department of Law ("AG") regulations and applicable AG review.

The North Town Proposal provides an approximate estimate of maintenance charges for the projected first year cooperation operation without any explanation or justification. In addition, the projected first year of operation is based upon and the stated Insider Price is conditioned upon the Master Cooperative Closing occurring by December 31, 2013 which, as further described below, may not be realistic. Furthermore, the North Town Proposal provides merely extremely brief descriptions of various agreements, including the new residential leases (the New Lease), without full disclosure or copies of the applicable agreements. The North Town Proposal leaves many important terms and conditions unspecified and/or unsettled.

In addition, we have been advised that several Westview tenants currently eligible for an upgrade to a larger apartment remain on the waiting list despite plenty of vacancies. However, we will not further address such matter at this time.

More specific comments regarding the North Town Proposal are below. The headings and numbers in brackets below correspond to the headings and sections of the North Town Proposal for easy reference. In the case of many of the principal financial terms of the North Town Proposal we merely seek to return to the terms you previously proposed as further noted below.

A. Cond-Op Conversion [1]

1. The Permitted Uses and Restricted Uses under the Sponsor-RIOC Sublease are subject to further review. However, we have attached as Schedule A hereto some additional Restricted (Prohibited) Uses. [1(iv)(e)]
2. As noted above, the form of relevant agreements such as the form of New Lease, Condominium declaration, Ground Lease Modification Agreement, Sponsor-RIOC Sublease, and Master Retail Sublease should be presented for review so that all rights and obligations of the Sponsor and Westview tenants (whether or not they purchase their apartments) and other terms and conditions affecting the Westview tenants are clearly disclosed. [1]

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B. Ground Lease Modification Agreement [2]

3. As noted above, the North Town Proposal reflects (in Sections 2A(ii) and 2B(i), among other places) the possibility that the Master Cooperative Closing will not occur or not occur within 3 years of the Ground Lease Modification Agreement. The North Town Proposal provides that if the Master Cooperative Closing does not occur within such 3 year period then the Affordable Resale Restrictions and Affordable Rental Restrictions expire 30 years from the date of the Ground Lease Modification Agreement rather than the Master Cooperative Closing. Such restrictions should continue for 30 years after the Master Cooperative Closing (such that the Shelter Rent Expiration Date is 30 years from the Master Cooperative Closing) regardless of the actual date of the Master Cooperative Closing. The owners of apartments for which TEP is to be computed on a shelter rent basis should not be adversely affected by an extended period of time to complete the Master Cooperative Closing, which is largely dependent upon the Sponsor. This would not be an issue if the Dissolution (and all components of the Dissolution) were synchronized with the Master Cooperative Closing. [2(B)(i)]

C. Insider Purchase Price [3]

4. The average price per square foot for the Insider Price should be \$175 per square foot. After extensive discussions in 2009, such price level was determined by DHCR and North Town to be appropriate and affordable for Westview tenants so tenants can become first time homeowners and stay within their means and avoid being subject to annual income surcharges which would force many tenants out. [3(ii)]
5. An Insider should not forfeit his or her rights (including Insider Price) as an Insider by virtue of any default or alleged default of its New Lease or then existing lease. Rather, so long as such lease is in effect, such tenant should be entitled to all applicable Insider rights. Furthermore, no tenant under an effective lease should forfeit any such rights on account of any sublease or other failure to physically occupy the apartment. [3(v)]
6. All Insider rights should be assignable to family members as defined in NYCCR DHCR Regulations (the "Regulations") pursuant to Section 1727-8.2 of the Regulations. Furthermore, any contact or subscription for the purchase of an apartment should be freely assignable to any such family members. [3(vi)]
7. The Insider Price should not be "contingent upon a Master Cooperative Closing occurring on or before December 31, 2013" as stated in the North Town Proposal, or any particular date. Instead, any plan should disclose and incorporate fixed prices. Furthermore, the date of the Master Cooperative Closing is largely

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dependent upon Sponsor's actions and as further described below may not be realistic. The failure to fully disclose applicable insider prices (such a critical component of any plan) beyond a particular date which date may not be realistic and is largely in the control of the Sponsor would violate the Martin Act and not satisfy AG review thereunder. [3(viii)]

D. Budget and Maintenance [5]

8. We note that the \$0.93 per share estimated monthly maintenance cost in the North Town Proposal is approximately \$1.13 per square foot (using the higher saleable residential square footage of 447,150), which amount is more than 40% higher than the \$0.80 monthly maintenance cost per square foot estimated by North Tower in 2009. The maintenance per share for the first year of cooperative operation should be established with appropriate supporting information including, but not limited to, 2011 financial statements (which are still outstanding), and based upon a realistic closing date so that consideration can be given to each purchaser's true post-conversion carrying costs. The North Town Proposal's contemplation of a Master Cooperative Closing date by December 31, 2013 and thereby North Town's projected commencement of first year of cooperative operation in January 2014 seems unrealistic given that (a) the Notice of Intent was issued in May, 2012, (b) such date is to be 12 months in advance of the Dissolution, (c) thereafter Sponsor is required to submit an offering plan within 6 months after the execution of the Ground Lease Modification Agreement and DHCR issuance of final authorization for withdrawal and dissolution. Therefore, the dates proposed do not account for the 6 month AG review period, corresponding revisions and supplements to the offering plan, and closing. [5(i) and 3(viii)]

E. Non-Purchasing Tenants/New Leases/Initial Rents [6]

9. The New Lease (i.e., replacement lease) provided to Bona Fide Mitchell-Lama Tenants should be (a) similar in form of lease which currently exists except to the extent in conflict with the applicable plan, and (b) as noted above provided for review. [6(iv)]
10. The definition of a "Bona Fide Mitchell-Lama Tenant" (i.e., the party or parties to whom a New Lease will be provided by Sponsor) should be revised pursuant to other comments herein with respect to the rights of tenants and, in particular, by eliminating the requirement that such person is in actual physical occupancy of the apartment as his primary residence and has so occupied the apartment continuously for the preceding 12 months. [6(iv)]

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11. The \$0.34 dollars per square foot (pool deficiency) and \$0.57 dollars per square foot (historical rent equalization) and all other proposed surcharges should be eliminated and/or further disclosed, explained and justified. [6(iv)]
12. New Lease renewals should not be contingent upon (a) the apartment continuously being used as the tenant's primary residence, or (b) tenant not otherwise being in default under the New Lease.
13. Major Capital Improvement (MCI) increases should be eliminated. [6(vii)]
14. New Leases should be assignable to family members (as defined in Section 1700.02(7) of the Regulations) in accordance with Section 17.27-8.2 of the Regulations. Furthermore, any family member (as defined in Section 1700.2(7)) of the Regulations should be entitled to occupy apartments with tenants. [6(viii)]
15. As noted above, the Sponsor should be required to provide building services following Dissolution similar to those required prior thereto. [6(xii)]

F. Replacement Reserve/Reserve Fund [7]

16. Sponsor's contribution to the Reserve Fund and applicable building repairs should be increased from \$6,000,000 to \$11,000,000. This amount was proposed by North Town in 2009 in recognition of work required at Westview. In fact, as noted in the DHCR letter, the 2007 report by Braxton Engineering indicates the need for approximately \$21,000,000 of repairs. In addition, the application of all Sponsor contributions/funds to repairs and improvements (including the applicable work, cost and timing) should be subject to the prior approval of a three member board with a representative from North Town, Westview tenants and DHCR. [7(ii)]

G. Underlying Mortgage [8]

17. As the current principal balance of the existing mortgage is approximately \$18,000,000 (subject to review of 2011 financial statement which is pending), the principal amount of mortgage indebtedness to which the Residential Unit will be subject should be limited to \$22,000,000, as previously proposed by North Town in 2009. [8(iii)]

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H. Flip Tax [11]

18. In 2009 North Town, DHCR and Westview tenants agreed to a change of the flip tax structure from 50-30 to 60-20 to facilitate faster fund-raising for building rehabilitation. [11]

I. Special Sponsor Contribution [12]

19. The special contribution should be entirely funded at the Master Cooperative Closing. [12]
20. The Sponsor special contribution of \$3,600,000 should be allocated as determined by the board of directors of the Apartment Corporation as opposed to a joint determination of the board of directors and Sponsor. Furthermore, Sponsor's control of the board of directors with respect to such matters and others should be disclosed (as would be required under the Martin Act) and appropriately limited. [12]

J. Emergency Line of Credit [13]

21. The Credit Line should be a revolving line of credit. [13]
22. Sponsor should agree to lend to the Apartment Corporation all amounts necessary to avoid a Reserve Deficiency at any time prior to the second anniversary of the Master Cooperative Closing, without the limit of \$1,000,000. [13]

K. DHCR Supervision [14]

23. The board of directors of the Apartment Corporation (and its agents and representatives) should have the opportunity to inspect and review all records that DHCR has a right to review to confirm compliance with the plan (including any Affordable Resale Restrictions). [14]
24. In the case of a complaint by a tenant filed with DHCR with respect to the rent being charged by Sponsor, the tenant should only be responsible to pay the undisputed amount during the period of such dispute. Furthermore, any person who has applied to DHCR for a determination of whether such person is a Bona Fide Mitchell-Lama tenant and entitled to a New Lease despite Sponsor's notice of non-renewal should be entitled to continue to occupy such apartment under the terms of the existing lease for a period not later than 90 days beyond the determination by the DHCR commissioner. [14(v)]

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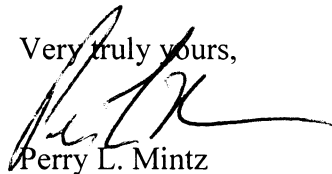
L. Transaction and Other Fees Payable to RIOC [15]

25. A shareholder transfer fee should not be payable in connection with the transfer to any family member (as defined in DHCR regulations) whether or not the transfer is for the fair market value. [15]
26. Any subsequent refinancing of the mortgage should be fully eligible for exemption of mortgage tax as available for mortgages under applicable law without regard to RIOC participation or status. [15(d)]
27. The North Town Proposal provides that the Sponsor will endeavor to develop a structure whereby transfer taxes in connection with a residential unit transfer to the Apartment Corporation may be exempt or reduced, and the offering plan may provide for an adjustment to the Insider Price for the projected costs of such transfer taxes which transfer taxes will then be paid by the Sponsor at the Master Cooperative Closing, and may be, if not exempted or reduced, millions of dollars. Sponsor should be required to pay any and all applicable transfer taxes in connection with the transfer of a Residential Unit to the Apartment Corporation without any allocation or adjustment of price to the Apartment Corporation or purchasers. In any case, no plan which permits the Sponsor to shift the burden of millions of dollars to the Apartment Corporation and/or purchasers can be properly considered without full disclosure. [15(e)]

These comments are provided at your request and are not intended to be an exhaustive list of all comments and concerns but rather an outline to commence serious and good faith discussions with you with respect to the Dissolution and conversion plan in connection therewith.

Please contact me to schedule a meeting to discuss Westview's Dissolution and conversion to cooperative ownership. We look forward to hearing from you.

Very truly yours,



Perry L. Mintz

PLM/pms

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SCHEDULE A

ADDITIONAL RESTRICTED (PROHIBITED) USES. No portion of the demised premises shall be in any way used for any of the following uses:

- any assembling, manufacturing, distilling, brewing, refining, rendering, smelting, agricultural or mining operation;
- any landfill, dumping, collecting, disposing, incinerating or reducing of garbage, recyclables or any other waste material (exclusive of garbage and recycling compactors located near the rear of any building located on the Property);
- any mobile home park, trailer park, labor camp, migrant worker camp, junkyard, stock yard, lumber yard, flea market, open air market or tent sale (except this provision shall not prohibit the temporary use of construction trailers during periods of construction, reconstruction or maintenance);
- any establishment whose primary business is the sale, rental or display of sexual materials or drug related paraphernalia or whose primary business is providing any adult only or sexually oriented service or product including, but not limited to, “head shops”, massage parlors, topless and/or bottomless establishments, go-go dancing, “adult” bookstores, “adult” movie theaters or peep shows;
- any abortion clinic;
- drug or alcohol rehabilitation, counseling or treatment center, outreach center or shelter.