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May 1, 2015

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 Houses, Inc. (the "Housing Company")
Withdrawal from Mitchell-Lama Program
Our File No. 10100.002

Dear David:

We received the revised Westview "Affordability Plan", dated March 4, 2015 (the "Revised Plan") which reflected several improvements to the prior version of such plan. As a result of years of discussions, we believe that we are finally close to a plan that Westview Task Force Inc. ("WTF") can support, however, as you are aware WTF still has outstanding concerns and comments.

Nevertheless, we understand that the "red herring" offering plan for Westview was recently submitted to the New York State Department of Law and you intend to distribute or are in the process of distributing to tenants such plan (a copy of which we have not yet received). Although we appreciate the sense of urgency on the part of the Housing Company with respect to the Westview conversion, we had anticipated a more cooperative effort prior to the submission of the red herring including disclosure of information to, and voting by. Westview tenants as occurred at Island House (which conversion we are pleased to see proceeding). WTF still looks forward to such an opportunity.

Recognizing that Westview apartments are larger than Island House apartments and the Revised Plan provides a higher price per square foot and larger mortgage amount than Island House, and having the benefit of insight from both Island House conversion and Eastwood transition, we have some final comments to complete and further improve for all parties concerned the Revised Plan to, among other things, increase tenant participation and enhance sustainability of the apartment corporation and thereby upgrade the value of all apartments including those retained in the Housing Company portfolio.

These modifications generally do not directly cost the Housing Company money but rather affect the timing and allocations of funds and payments by third parties. The section numbers in the parentheses below correspond to those in the Revised Plan. With these changes WTF is prepared to move forward with the conversion of Westview.

1. Flip Tax/Transaction Fee. (Sections 10 and 11)

(a) Under the Revised Plan, not only is the sponsor exempt from the Flip Tax on initial of sponsor-owned apartments but also 127 market designated apartments (representing 34% of the building) forever exempt as well, whereas all other sales (including those by tenant-purchasers and their successors), with certain exceptions, will be subject to the Flip Tax. Although, we acknowledge that it is common for sponsors to exempt their sales from a flip tax there is no reasonable rationale for excluding forever the owners of 127 apartments from paying their fair share of the apartment corporation's costs and expenses to maintain, repair and operate the building of which they are a part. A standard transfer fee of 4% (of sales price) should be imposed upon all future sales (except for the exempted family transfers). In connection with second generation flip taxes, maintaining the gross profit calculation might minimize future income as appreciation could be insignificant or even non-existent. So, instead, we propose a flat transaction fee of 4% of sales price.

(b) In addition, no Flip Tax proceeds should be distributed to the sponsor unless and until the amount of the apartment corporation's reserve fund is equal to the sum of three (3) months of total maintenance charges then in effect plus the estimated cost of immediate repairs for the apartment corporation's property. This to ensure that the apartment corporation's reserves are adequate before repayment of sponsor loans begins to deplete this critical resource. Ultimately, both sponsor and tenant purchasers will benefit from a financially viable cooperative. (Section 7 (iii))

2. Electric Sub-metering. (Section 7)

We agree that electric sub-metering is appropriate and reasonable. However, as seen in Eastwood, there are three physical components that have a direct impact on the ultimate success of achieving the desired efficiencies through sub-metering. These are: (1) energy-efficient windows (2) energy-efficient baseboard heaters, apartment sealing, and thermostats, and (3) energy-efficient appliances.

Windows are addressed in the Revised Plan and appliances will be the responsibility of apartment owners, but in connection with a building wide initiative to replace the 40-year-old heaters and installing thermostats, we propose that tenants and sponsor work together to apply for available New York State grants before electric sub-metering is implemented. A similar initiative has proven successful in Eastwood. This measure will ultimately increase the value of all apartments including, of course, those retained in the Housing Company portfolio.

Additionally, to ensure a successful, efficient and reasonable transition to electric sub-metering for the benefit of all involved, the following need to be employed in any plan for sub-metered electricity:

(a) Implementation of the sub-metered electric billing with respect to all apartments should not commence until replacement of all windows is completed, both in apartments and common areas, as well as the proposed replacement of inefficient heaters above.

(b) Implementation of the sub-metered electric billing with respect to all apartments should not commence until after an operational and billing trial or grace period of six months. This should facilitate more accurate and efficient billing of the new charge and permit occupants to become acclimated to the new billing system.

(c) The corresponding rent reduction should be calculated based on actual costs and expenses incurred at Westview as approved in DHCR 2009 budget rather than standard New York State figures. This is fair and reasonable as we understand that electric costs on Roosevelt Island exceed such applicable standard.

(d) Sub-metered electricity should be billed at the actual cost charged by utility provider (without markup) except as a majority of the non-sponsor designated directors of the apartment corporation may otherwise approve.

All of these must be properly addressed prior to any implementation or conversion to electric sub-metering. If these issues are not properly addressed, the Housing Company and the Westview community are likely to face difficult problems and challenges.

3. Sponsor Contribution. (Section 12) Reimbursement of WTF legal fees from the special fund contributed by the sponsor should be increased from $160,000 to $250,000 to meet actual costs as WTF has no other resources. In addition, the WTF engineering fees in the amount of $50,000 should be made available immediately in order to expedite the process of the applicable physical inspection.

4. Threshold to Declare the Offering Plan Effective. In the last paragraph of the section entitled "Affordability Plan Effective Date" (beginning on the first page of the Revised Plan), the 40% threshold of contracts to purchase apartments at which the sponsor must declare effective the offering plan should be reduced to 30%. We believe this is appropriate in view of the fact that the Westview plan has a significantly higher cash price for apartments and higher underlying mortgage.

5. Sponsor Control. We note that there is a "Sponsor Control Period" in the Island House offering plan during which period the sponsor maintains control of the Board of Directors

of the apartment corporation and which period ends the earlier of such time as sponsor owns less than 50% of the units or 5 years from the first closing. In this regard, we suggest that the 5 year period be reduced to 2 years and the sponsor not be permitted thereafter to control the Board by vote of its shares of the apartment corporation. This obviously expedites control of the Board by those most interested to maintain and operate the premises as their homes and should make the apartments more attractive to tenants and other purchasers.

6. Financing Contingency. We note that the Island House offering plan has been amended to include a limited financing contingency in the purchase agreement. The purchase agreement for the Westview offering should include a standard financing contingency which (a) is not conditioned upon purchaser's application (and does not otherwise require the purchaser to apply) to two, or other limited number of, designated lenders, and (b) provides a period of not less than 45 days to obtain the financing. Of course, such a contract contingency significantly reduces the risk of purchaser's forfeiture of the contract downpayment and will thereby encourage more purchasers, in particular, tenant purchasers, who likely do not have a readily available and committed source to fund the purchase of an apartment.

7. Adverse Amendments. The offering plan for Westview should not be amended by the sponsor in any manner to include a buyout of tenants or otherwise discourage tenants from purchasing apartments during the exclusive period and, thereafter, until a minimum of 50% participation by tenants has been achieved.

8. Mitchell-Lama Tenants. Any claim by the sponsor that a tenant is not a Bona Fide Mitchell-Lama Tenant should be made (in writing to New York State Department of Housing and Community Renewal with a copy to the applicable tenant) no later than 90 days after the Affordability Plan Effective Date (or, if earlier, the date of submission of the "red herring" to the New York State Department of Law) and each and every tenant shall be deemed a Bona Fide Mitchell-Lama Tenant unless such a timely claim is made by the sponsor and such claim is upheld by New York State Department of Housing and Community Renewal not later than 180 days after the Affordability Plan Effective Date (or, if earlier, the date of acceptance of the offering plan by the New York State Department of Law) . (Section 6(iii))

9. Line of Credit. (Section 13) I believe that the amount of the line of credit should be less than $3,000,000 in order to qualify for the applicable mortgage tax advantage.

10. Building Condition. Please provide information regarding the condition of the façade (including emergency façade work), any supplemental reports of the physical condition of the building, and anticipated response to citation by New York City Department of Buildings requiring repairs and designation of Westview as a "SWARMP" property.

We feel that our final comments are sensible and fair and will further improve the Revised Plan for all parties concerned to, among other things, increase sales of apartments, enhance sustainability of the apartment corporation and thereby increase the value of the apartments retained in the Housing Company portfolio. We hope that you agree that these suggestions can improve upon the Revised Plan, and look forward to completing a suitable affordability plan with these changes. We would be happy to discuss these items with you further at your convenience.

Very truly yours,

Perry L. Mintz

PLM/pms

cc: Darryl C. Towns, Commissioner/CEO HCR and Chairperson RIOC
Richmond McCurnin, Assistant Commissioner, New York State Homes and Community Renewal, Division of Housing & Community Renewal
Rebecca Seawright, New York State Assembly Member
Erica F. Buckley, Bureau Chief, Office of the NYS Attorney General
Westview Task Force