

**"THIS PLAN HAS BEEN AMENDED. SEE INSIDE COVER."**

CONDOMINIUM OFFERING PLAN FOR

**THE DEUCE CONDOMINIUM**  
534 WEST 42<sup>ND</sup> STREET  
NEW YORK, NEW YORK 10036

TOTAL PURCHASE PRICE FOR ALL 7 RESIDENTIAL UNITS.....	\$18,181,975.00
TOTAL LICENSE PRICE FOR ALL 8 STORAGE UNITS.....	0.00
ONE COMMERCIAL UNIT (not offered for sale).....	0.00
<b>TOTAL OFFERING.....</b>	<b>\$18,181,975.00</b>

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*NAME AND ADDRESS OF CONDOMINIUM*  
**THE DEUCE CONDOMINIUM**  
534 WEST 42<sup>ND</sup> STREET  
NEW YORK, NEW YORK 10036

*NAME AND ADDRESS OF SPONSOR AND SELLING AGENT*  
**SHAO LIN OPERATING LLC**  
2025 BROADWAY, SUITE 21JK  
NEW YORK, NEW YORK 10023  
TEL: 212-873-9225

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DATE OF ACCEPTANCE FOR FILING: AUGUST 15, 2008

This Plan may not be used for more than twelve (12) months from this date unless extended by amendment.

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BECAUSE SPONSOR IS RETAINING THE UNCONDITIONAL RIGHT TO RENT RATHER THAN SELL UNITS, THIS PLAN MAY NOT RESULT IN THE CREATION OF A CONDOMINIUM IN WHICH UNITS ARE OWNED BY OWNER-OCCUPANTS OR INVESTORS UNRELATED TO THE SPONSOR. PURCHASERS FOR THEIR OWN OCCUPANCY MAY NEVER GAIN CONTROL OF THE BOARD OF MANAGERS UNDER THE TERMS OF THIS PLAN (SEE SPECIAL RISKS SECTION OF THE PLAN).

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**SEE PAGE 1 FOR SPECIAL RISK TO PURCHASERS**

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THIS OFFERING PLAN IS THE ENTIRE OFFER TO SELL THESE CONDOMINIUM UNITS. NEW YORK LAW REQUIRES THE SPONSOR TO DISCLOSE ALL MATERIAL INFORMATION IN THIS PLAN AND TO FILE THIS PLAN WITH THE NEW YORK OFFICE OF THE ATTORNEY GENERAL PRIOR TO SELLING OR OFFERING TO SELL ANY CONDOMINIUM UNIT. FILING WITH THE OFFICE OF THE ATTORNEY GENERAL DOES NOT MEAN THAT THE DEPARTMENT OR ANY OTHER GOVERNMENT AGENCY HAS APPROVED THIS OFFERING.



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## SPECIAL RISKS

1. The following is a brief summary of certain special risk considerations in connection with this Offering Plan. The material below does not purport to provide a complete description of the features of the Plan and must be read in conjunction with the entire Plan for complete understanding of these risks and the material aspects of the Plan. For the definitions of capitalized terms refer to the section of the Plan entitled "Definitions."

2. Sponsor is retaining the unconditional right to rent rather than sell Units, this Plan may not result in the creation of a Condominium in which Units are owned by owner-occupants or investors unrelated to the Sponsor. However, so long as Sponsor is able to achieve the prices listed on Schedule A, as such may be amended, Sponsor is committed to selling all of the Residential Unit.

See the section of the Plan entitled "Rights and Obligations of the Sponsor" for further details.

3. Upon the earlier of (i) the closing of title to Residential Units whose aggregate Common Interests exceed ninety (90%) percent of the total Common Interest allocated to the Residential Units, or five (5) years from the First Unit Closing, Sponsor, including any designee thereof, will relinquish control of the Board of Managers if it has such control. Accordingly, it is possible that Sponsor and/or its designee(s) may control the Board of Managers for as long as five (5) years from the First Unit Closing. Non-resident Board members, including the Sponsor, may have different ideas and interests which conflict with those of resident Board members with regard to how the Condominium should be operated and/or managed, based on their different reasons for purchasing a Unit.

See the section of the Plan entitled "Control by Sponsor" for further details.

4. Upon completion of all construction, Sponsor will obtain a certificate of occupancy for the uses contemplated by this Plan. The First Closing shall not take place until Sponsor obtains either a temporary or permanent certificate of occupancy reflecting the proposed uses.

See the section of the Plan entitled "Rights and Obligation of the Sponsor" for further details.

5. The Commercial Unit will be located on the street level of the Building and may be used for any lawful commercial purpose under the New York City Zoning Resolution. The type of business which may presently occupy the Commercial Unit include, but are not limited to, a wide variety of local consumer and public service needs. These include convenience retail shops, dry cleaners, cafes and restaurants, food stores, banks, professional offices, bookstores, fire and police stations and like establishments. Manufacturing and industrial uses which generate truck traffic, loading and unloading of materials and other uses not compatible with the residential character of the upper floors are prohibited. If used as a food establishment, noise and fumes may emanate from the Commercial Unit and traffic in and out of the Building may increase.

The Condominium Board and the Residential Unit Owners have no control over the use or any change in the uses of the Commercial Unit or any part thereof. Other than provided herein, no

representation is made with respect to the uses to which the Commercial Unit or any part thereof may be put at any time. No representation is made with respect to the continued ownership by Sponsor of all or any portion of the Commercial Unit or as to who the tenants of any portion of the Commercial Unit may be at any time or as to the uses to which any portion of the Commercial Unit may be put at any time (except as described above), and no assurance, representation or warranty is given that such tenants, occupants or uses will not be objectionable to Residential Unit Owners or other parties.

See the section of the Plan entitled "Rights and Obligation of Unit Owners" for further details.

6. Unit Owners may sell or lease their Unit without restrictions provided that the Unit Owner first gives the Board of Managers the "right of first refusal" (sales or leases by the Sponsor, its designees, the Commercial Unit Owners and/or holders of Unsold Unit will not require the providing of such right).

See the section of the Plan entitled "Rights and Obligations of Unit Owners" for further details.

7. The Purchase Agreement that each Purchaser of a Unit will sign makes TIME IS OF THE ESSENCE with respect to a Purchaser's performance of his obligation under the Purchase Agreement. Thus, upon occurrence of an event of default by a Purchaser under a Purchase Agreement, Sponsor, in its sole discretion, may elect to cancel the Purchase Agreement by sending Purchaser thirty (30) days' prior written notice of its intention to do so. If Sponsor elects to cancel and sends the required notice, the Purchaser shall have thirty (30) days from the giving of the cancellation notice within which to cure the specified default. TIME IS OF THE ESSENCE to cure such default within the thirty (30) day notice period. If the default is not timely cured, the Purchase Agreement may be canceled by the Sponsor and the Sponsor shall then have the right to retain, as liquidated damages, the Down payment plus the cost incurred by Sponsor for any special work in the Unit ordered by Purchaser, together with any interest earned thereon. Sponsor may, in its sole discretion, permit the Purchaser to cure a default under the Purchase Agreement after the thirty (30) day period. In such case, Purchaser shall be required to pay to Sponsor a penalty for a late closing (i.e., a closing on a date subsequent to that date set forth in the Purchase Agreement as the closing date).

See the section of the Plan entitled "Procedure to Purchase" for further details.

8. The Purchase Agreement, in the form set forth in Part II of the Plan, is not contingent upon the Purchaser obtaining financing nor does this Plan contain any provision requiring the Sponsor to provide or aid the Purchaser in obtaining financing for the purchase of a Unit. Accordingly, a Purchaser who is unable to tender the balance due at closing will be in default of his Purchase Agreement entitling the Sponsor to retain such Purchaser's down payment and all accrued interest thereon.

No representation is made that bank financing will be available to any Purchasers under the Plan or as to the amount, terms and conditions upon which such financing may be granted or the cost to obtain it. Purchasers should be aware that even if a loan commitment is given, its term

may expire prior to the date of the closing. In the event a Purchaser's loan commitment does expire, the Purchaser will remain obligated to close on the Unit under the terms of the Purchase Agreement.

9. Pursuant to existing law and regulations, the Sponsor may declare the Plan effective by selling a minimum of fifteen (15%) percent of the Residential Unit in the Building. Even if the Plan is declared effective with a minimum number of sales, it is possible that the Sponsor may be able to submit the Building to condominium ownership with fewer than the minimum number of sales, if Purchasers counted toward effectiveness do not ultimately close on the purchase of a Unit.

See the section of the Plan entitled "Effective Date of the Plan" for further details.

10. Pursuant to the Declaration of Condominium contained in Part II of the Plan, the Sponsor, its designee and/or the Commercial Unit Owners may make alterations, additions and improvements to its respective Unit without the consent of the Board of Managers, provided, however, no such alteration, addition or improvement may affect any portion of the Building utilized by other Unit Owners or alter the outside of the Building. Such alterations, additions and improvements must be performed in compliance with all laws, ordinances and regulations of all governmental authorities having jurisdiction. The Sponsor, its designee and/or the Commercial Unit Owners shall indemnify and hold harmless the Board of Managers and the other Unit Owners in connection with any such alterations.

See Article 12 of the Declaration of Condominium entitled "Changes in Units" for further details.

11. If, through no fault of Sponsor, a Purchaser fails for any reason to close on the date originally scheduled for the closing of title to his Residential Unit ("Original Closing Date"), then (A) the closing adjustments shall be made as of midnight preceding the Original Closing Date, and (B) Purchaser shall pay to Sponsor an amount equal to 0.03% of the Purchase Price for each day starting from (and including) the Original Closing Date to (and including) the day before the actual Closing Date (NOTE: If the Unit is vacant, the Purchaser will be required to reimburse Sponsor for all Common Charges, real estate taxes and any special assessments payable during such interim period).

See the section of the Plan entitled "Unit Closing Costs and Adjustments" for further details.

12. Purchasers will be required to pay the Real Estate Transfer Tax of the State of New York and the Real Property Transfer Tax (RPT) to the City of New York, which by law are customarily the primary obligations of the seller. The current transfer taxes are as follows: \$2.00 per \$500.00 of the price of the Unit with respect to the New York State Transfer Tax; one percent (1%) of the Purchase Price of Units selling for under \$500,000.00 or 1.425% for Units selling above \$500,000.00 with respect to the New York City Transfer Tax. Purchasers should also be aware that Units acquired for purchase prices in excess of \$1,000,000.00 are subject to the so called "mansion tax," which is one (1%) percent of the total purchase price and is payable by Purchaser at closing to the State of New York Department of Taxation and Finance. In addition, Purchasers will be required to pay \$1,500.00 to Sponsor's attorney at closing for the preparation of closing documents and attendance at the closing and \$1,000.00 for reviewing a title report if Purchaser buys title insurance

from a company other than the title company selected by Sponsor, as provided in this Plan. Purchasers will also be required to make a contribution to the Working Capital Fund in the amount equal to two month's Common Charges. All closings will be held at the office of Sponsor's attorney.

See the section of the Plan entitled "Unit Closing Costs and Adjustments" for further details.

13. Based upon the current construction schedule, Sponsor has targeted the First Closing to take place in October of 2008. However, the actual date of the First Closing is not assured or warranted by the Sponsor and may be earlier or substantially later depending upon the progress of construction and compliance with other prerequisites for closing. Sponsor reserves the right to exercise full discretion with respect to all decision as to the time it deems is required to complete the construction of the Building and Units pursuant to this Plan. Sponsor has an obligation to proceed in good faith. **Purchasers will not be excused from paying the full purchase price, as stated in their respective Purchase Agreements and will have no claim against Sponsor for damages and loses in the event the First Closing occurs substantially later than the targeted First Closing date or the time to complete and close their respective individual Units is extended or delayed or is postponed by the Sponsor.** Notwithstanding the foregoing, in the event that the First Closing has not occurred by March 1, 2009, Purchasers will be afforded a fifteen (15) day right of rescission with respect to their Purchase Agreements.

See the section of the Plan entitled "Procedure to Purchase" for further details.

14. No bond or other security has been posted to secure the Sponsor's obligations under this Plan. The ability of the Sponsor to perform its obligations hereunder will depend upon its financial condition at the time it is called upon to perform. If Sponsor is unable to perform, this Plan will be amended, sales will cease and rescission will be offered to all of the Purchasers under contract with the Sponsor. Except as provided above, no representation can be made that it will be financially able to perform any or all of its obligations, however, as of the date hereof, Sponsor has the financial resources to meet its obligation with respect to Unsold Units.

See the section of the Plan entitled "Rights and Obligation of the Sponsor" for further details.

15. Sponsor is obligating itself under the term of this offering to perform only the work which is described in the "Architect's Description of Property and Building Condition" (the "Architect's Report") which is set forth in Part II of the Plan. Sponsor has posted no bond or other security to secure Sponsor's obligations to complete the construction of the Condominium.

See the section of the Plan entitled "Rights and Obligations of the Sponsor" and Exhibit D to the Plan, entitled "Description of Property" for further details.

16. All Units and all or a portion of certain common areas, may not be completed prior to the First Closing. So long as a temporary or partial certificate of occupancy has been issued affecting a Unit, a Purchaser of that Unit may not delay or adjourn the closing.

See the section of the Plan entitled "Procedure to Purchase" for further details.

17. Sponsor is obligated to complete all public portions and common areas of the Building as described in the Plan. Sponsor expects to obtain a temporary certificate of occupancy for some, but not all Units, and for the public portions and common areas by March, 2008 and a permanent certificate of occupancy by March, 2010.

See section of the Plan entitled "Sponsor's Statement of Building Condition" for further details.

18. Prospective Purchasers are advised that Sponsor reserves the right, during the course of construction, to amend the Plans and Specifications and to substitute material and equipment different from that described in the Architect's Report, provided only that any such revision will not (a) preclude issuance of a certificate of occupancy; (b) materially adversely affect the structural integrity of the Building, or (c) vary, materially, the nature of the alterations described in the Plans and Specifications filed with the City of New York Department of Buildings. A clause of this effect is included in the Purchase Agreement. Sponsor may not substitute materials of lesser quality once a purchase agreement has been executed and accepted and that the Sponsor may not make a materially adverse change in the offer unless the affected Purchaser consents.

See Section of the Plan entitled "Rights and Obligations of the Sponsor" for further details.

19. Sponsor is obligated to provide only those fixtures and appliances which are expressly described in Architect's Report.

See the section of the Plan entitled "Rights and Obligations of the Sponsor" for further details.

20. The projected monthly real estate taxes listed in "Schedule A - Offering Prices and Related Information" in Part I of the Plan are estimates of Sponsor's consultant. In general, predictions of real estate taxes are rendered uncertain by the fact that determinations of assessed valuations in New York City are not based solely upon precise mathematical formulae. Therefore, Sponsor urges prospective Purchasers to seek the advice of an attorney and/or tax advisor as the possible monthly real estate taxes a Unit Owner may pay at the time of First Closing and in the future.

See the section of the Plan entitled "Schedule A - Offering Prices and Related Information" and "Real Estate Taxes" for further details.

21. Sponsor will be entitled to designate a majority of the member of the Board of Managers of the Condominium until the earlier to occur of (i) five (5) years after the First Closing and (ii) the closing of title to Units representing an aggregate of 90% of the Residential Common Interests allocated to the Residential Unit. Therefore, during this period (the "Initial Control Period"), Sponsor will be able to control the determination of the Common Charges to be paid by all Unit Owners, as well as the maintenance and operation of, and services to be provided by, the Condominium. Notwithstanding the foregoing, Sponsor shall have the right to vote all of the Common Interests attributable to the Units owned by Sponsor in Sponsor's sole discretion. Nor

may Sponsor exercise veto power over expenses described in Schedule B, or over expenses required.:

- (i) to comply with applicable laws or regulations; or
- (ii) to remedy any notice of violation; or
- (iii) to remedy any work order by an insurer.

Pursuant to the By-Laws, the owners of the Commercial Unit shall be entitled to designate one (1) member of the Board of Managers unless the Commercial Unit is owned by the Sponsor and the Sponsor is then entitled to designate members of the Board, in which the case Sponsor shall not be entitled to designate a majority of the members to the Board of Managers after the termination of the Initial Control Period by virtue of Sponsor's ownership of a Commercial Unit. A meeting will be held to elect new Board members unrelated to the Sponsor within thirty (30) days of the expiration of the control period.

See the section of the Plan entitled "Control by Sponsor" for further details.

22. No Reserve Fund is being established for the Condominium. Sponsor has elected not to provide for a reserve fund to be used for capital replacements or repairs, because the Building, upon completion of the construction to be performed by Sponsor as described herein, will be substantially new construction or will contain mechanical systems which were replaced within the last few years. The Board, in its discretion, and subject to certain restriction contained in the By-Laws, may decide in the future to create a Reserve Fund by special assessment or by increases in Common Charges.

See the section of the Plan entitled "Reserve Fund" for further details.

23. A Working Capital Fund for the Condominium will be established. Each Purchaser of a Unit, other than the Sponsor, will contribute a sum equal to two (2) month's Common Charges to establish the Working Capital Fund. No representation is made that the Working Capital Fund will be adequate to cover current or future expenses including repairs or replacement; and if additional funds are required over and above the Working Capital Fund, it may be necessary to increase Common Charges.

See the section of the Plan entitled "Working Capital Fund" for further details.

24. All funds received by the Sponsor for custom work, upgrades or extras will initially be placed in the Escrow Account. However, purchasers should note as a special risk that such funds may be released from the Escrow Account by the Escrow Agent so long as the Sponsor uses the funds to pay for the costs of such custom work, upgrades or extras. As a result, in the event that a Purchaser is entitled to a rescission of a Purchase Agreement, the purchaser will not receive a refund of any funds used for custom work, upgrades or extras.

See the section of the Plan entitled "Procedure to Purchase" for further details.

25. In the event that in the future, the Condominium's insurance premiums are increased as a direct result of an unusual use or change in the use of the Commercial Unit, the respective

Commercial Unit Owners (s) will be responsible to pay one hundred (100%) percent of such increase.

See Schedule B of the Plan for further details.

26. In the event the closing adjustments due to the Sponsor at the time of the initial unit closings exceed the balance of the Working Capital Fund, the excess will be paid pursuant to a promissory note executed by the Board of Managers and delivered to the Sponsor. Said promissory note shall bear interest at the prime rate set by State Bank of Long Island and will be paid by the Condominium Board in twelve (12) equal consecutive monthly installments commencing on the first day of the second month subsequent to the First Unit Closing. Should the Condominium Board execute the aforementioned promissory note, the payments thereon shall be funded from the Contingency portion of the budget and in the event that the Contingency is insufficient to satisfy the obligations; it may become necessary to increase common charges.

See the section of the Plan entitled "Working Capital Fund" further details.

27. The Board, the Sponsor and the Sponsor's designee will have an easement through each of the Units to install and maintain pipes, conduits, wires, ducts and other mechanical facilities in the space between the underside of the floor slab of each Unit and the top surface of each Unit's finished ceiling. Therefore, in the event of a mechanical failure shall occur or in the event that the need for maintenance repairs shall arise the Board, the Sponsor or and the Sponsor's designee, as the case may be, will have the right to gain access to the space between the underside of the floor slab of each Unit and the top surface of each Unit's finished ceiling with or without the consent of the Unit Owner.

See the "Declaration of Condominium" and the "By-Laws" included in Part II of the Plan for further details.

28. The dimensions of the Residential Units depicted in the typical layouts of the Residential Units are approximate and reflect the area measured horizontally from the exterior face of the glass and/or the line of the outside face of the exterior walls to the outside walls of partitions at the public hall, stairways and elevators. The dimensions are not measured from the interior surfaces of interior walls and therefore the floor area of a Unit will be less than the areas shown in Schedule A. Thus the usable area will be substantially less.

See the section of the Plan entitled "Schedule A" for the further details.

29. Lot line windows are windows located on an exterior wall abutting (or less than 30'0" away from) a property line, where the adjacent property is owned by others. While such windows provide views, light and air to spaces within, they cannot be utilized to meet light and ventilation required by the Building Code of the City of New York. Lot line windows are considered amenities that potentially can be lost. In accordance with the applicable section of the Building Code, only lot line windows that are sprinklered, may be constructed. Lot line windows exist only on the east facing façade and affect Units on Floors 6, 7, 8 and 9. The use of rooms with lot line windows will not be changed if the windows are sealed.

Neither the Sponsor nor the Condominium Board will have any liability or obligation if the closing-up of any or all lot line windows is ever required. Any and all costs incurred in connection with closing up the lot line windows shall be borne by the Unit Owner at its sole cost and expense. The projected expense for sealing a lot line window is \$1,000.00.

30. Purchasers of Residential Units may have the opportunity to purchase a license to use one of the eight (8) storage units (the "Storage Units") located in the cellar of the Building. Sponsor may elect to sublicense and not sell and assign its licence and not sell and assign its license to all or any portion of the Storage Units. The license to use a Storage Unit may be sold and transferred only to other Residential Unit Owners. Depending on the status of construction of the Building, the Storage Units may not be available for use at the time of closing of title to the Residential Unit, and a Purchaser will be required to close title to the Residential Unit and pay the balance of the Purchase Price therefore as well as the purchase price for the Storage Unit license notwithstanding any delay in completion of the Storage Units. Insofar as the Storage Units are located in the cellar, Sponsor cannot make any representation that the Storage Units will remain dry or will not experience any damage to items placed in the Storage Unit. Residential Unit Owners who place items in the Storage Units do so at their own risk and Purchasers are advised to consult with their insurance brokers regarding appropriate coverage for such stored items. To the extent a storage unit is not available for use at the time of licensing, the acquisition price for same shall be held in escrow until such time as it is available for use.

## INTRODUCTION

### GENERAL

The purpose of this Condominium Offering Plan (the "Plan") is to set forth all of the material terms of this offer to build a nine-story building located at 534 West 42nd Street, New York, New York 10036 (the "Building") to be known as the DEUCE CONDOMINIUM (the "Condominium"). The Plan may be amended at any time and from time to time provided that the amendment is duly filed with the Department of Law of the State of New York and is served on all Purchasers, Unit Owners and Offerees, as these terms are defined in Section 20.1(d) of Part 20 of the Regulations Governing the Conversion of Newly Constructed, Vacant or Non-Residential Condominium to Condominium Ownership. The Condominium shall be subject to Article 9-B of the Real Property Law of State of New York (the "Condominium Act"). For the definition of capitalized terms not otherwise defined herein, refer to the section of the Plan entitled "Definitions."

The Sponsor of the Plan is Shao Lin Operating LLC (the "Sponsor"). Shao Lin Operating LLC is a New York limited liability company, which has a mailing address at 2025 Broadway, Suite 21JK, New York, New York 10023. Shao Lin Operating LLC currently owns the entire Property.

The Building is being built on property owned by the Sponsor which is known by the street addresses of 534 West 42nd Street as Lot 49 of Block 1070 on the official tax map of the City of New York. It is located between Tenth and Eleventh Avenues, in Midtown Manhattan, with frontage on West 42<sup>nd</sup> and West 41<sup>st</sup> Streets. In order to develop the Condominium, Sponsor intends to build a nine story building, resulting in seven (7) Residential Units, containing approximately 9,600 square feet of residential condominium space, eight (8) Storage Units and one (1) Commercial Unit. Pursuant to this Plan, the Sponsor is offering for sale of seven (7) residential apartments (the "Residential Units") and eight (8) storage units (the "Storage Units"). Schedule A to this Plan contains the prices at which the Residential and Storage Units are being offered. The Residential Units will be located on the 2nd, 3rd, 4th, 5th, 6th, 7<sup>th</sup> and 8<sup>th</sup>/ 9th floors ("Duplex"). The residential lobby and elevator ("Residential Lobby") will be located on street level. The Condominium shall also include one commercial unit (the "Commercial Unit"). The Commercial Unit will be located on the street level.

The Commercial Unit will contain approximately 200 gross square feet. The Commercial Unit is not being offered for sale at this time and at least initially will be retained by Sponsor. Sponsor, however, reserves the right to sell the Commercial Unit at any time. However, the Commercial Unit will be offered for sale only after the Plan has been appropriately amended or a new plan accepted for filing disclosing the same. No representation or warranty is made as to who the owner and tenants of the Commercial Unit may be at any time, or as to the legal uses to which the Commercial Unit may be put at any time, except as disclosed herein.



The Sponsor is committed to selling Residential Units and licensing Storage Units. The Sponsor will retain ownership of the Commercial Unit and may, if unable to achieve the prices listed in Schedule A, as such Schedule may be amended from time to time, decide to rent certain Residential Units from time to time. However, so long as Sponsor is able to achieve the purchase prices listed on Schedule A, as such Schedule may be amended, the Sponsor is committed to selling Residential Units which represent a majority of the Common Interests in the aggregate.

A Declaration of Condominium, (the "Declaration") subjecting the Property to Article 9-B of the Real Property Law of the State of New York (the "Condominium Act") and By-Laws of the Condominium (the "By-Laws") will be recorded prior to conveyance of title to the first Unit by the Sponsor. The Declaration and By-Laws will be substantially similar to those set forth in this Plan and will not be changed so as to adversely affect any Purchaser without such Purchaser's consent. This Plan and the accompanying documentation should be carefully studied by prospective Purchasers and their attorneys prior to the purchase of a Unit. Each Unit Owner will be obligated to comply with the Declaration, By-Laws, rules and regulations and other requirements of the Condominium board of managers (the "Board of Managers" and the "Board" as the context requires).

THE PRICES HAVE BEEN SET BY THE SPONSOR ALONE AND ARE NOT SUBJECT TO REVIEW OR APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENTAL AGENCY. The estimated Common Charges and real estate taxes for each Residential Unit for the first year of operation of this Condominium are also set forth in Schedule A.

The Plan has been submitted to the New York State Department of Law (the "Department of Law"). The date on which the Plan is accepted for filing by the Department of Law is called the "Filing Date". After this plan is accepted for filing by the Department of Law, it may be amended from time to time when an amendment is filed with the Department of Law. Copies of any such amendments will be served on Purchasers, Unit Owners and all other persons entitled to service pursuant to law or regulations.

#### Basic Aspects of Condominium Ownership

Parts I and II of the Plan along with the Exhibits included in Part II submitted along with the Plan together constitute the entire Plan. Copies of the Plan, including all Exhibits, will be available for inspection by prospective Purchasers and their attorneys without charge and for copying, at a reasonable charge, at the office of the Sponsor and the Selling Agent.

As in the ownership of a private one-family home, the Purchaser of a Unit (the "Unit Owner") owns his or her Unit in fee simple absolute and is entitled to exclusive possession of his or her Unit. All Unit Owners will own an undivided interest in, to the extent they exist, all exterior walls, roofs, and walks and all of the land and improvements located outside of the Units (the

“Common Elements”) with the exception of any limited common elements described in the Declaration.

The Unit basically includes the air space between the walls of the Unit. For a detailed description of the Unit to be conveyed see the Description of Property included in Part II of the Plan.



The common elements (the “Common Elements”) include without limitation and to the extent they exist the external walls, space between floors and roofs of the Building as well as all of the land. Notwithstanding the foregoing, for a detailed description of the Common Elements see the Declaration included in Part II of the Plan.

An Unit Owner is required to pay monthly Common Charges assessed by the Board of Managers for the operation and maintenance of the Condominium pursuant to Sections 339(i) and (m) of the Condominium Act. See the Declaration included in Part II of the Plan. For possible increases in Common Charges upon default in payment by a Unit Owner, see the Section of the Plan entitled “Rights and Obligations of Unit Owners.” Common Charges are levied in proportion to the interest in the Common Elements appurtenant to each Unit. After closing, each Unit Owner is responsible for the cost of interior repairs to and decoration of his or her Unit. Fire and liability insurance covering the Common Elements (including the exterior of the Building and its structural components) are included with other items as part of the Common Charges. See Schedule B of this Plan.

HOWEVER, FIRE AND LIABILITY INSURANCE FOR THE PURCHASERS’ PERSONAL EFFECTS AND THE INTERIOR OF THE UNIT SHOULD BE CARRIED BY THE INDIVIDUAL PURCHASER.

There is no restriction upon ownership of a Unit. The Board of Managers does not have the right to approve or disapprove purchasers, and cannot prevent the sale of a Unit to a prospective purchaser other than through the exercise of its right of first refusal (as set forth in the By-Laws). There is no limit on the number of Unit Owners who may purchase for investment rather than for personal occupancy and, therefore, there may always be a substantial percentage of Unit Owners who are non-residents. Units can be sold or leased by a Unit Owner, subject only to the right of first refusal of the Condominium (which is not applicable to the Sponsor or holders of Unsold Units), and the restrictions contained in the mortgage, if any, covering the Unit and provided that such Unit Owner is not in arrears on the payment of Common Charges (except where the payment of such unpaid Common Charges is paid by the selling Unit Owner or provided for out of the proceeds of the sale). A Purchaser cannot, however, sell or assign an interest in a Purchase Agreement except as provided in the Plan. A Purchaser is free to make a gift of his or her Unit to anyone during his or her lifetime or to devise his or her Unit by will, or to have it pass by intestacy without any restriction. No Unit can be sold without a simultaneous sale of the undivided percentage interest in the Common Elements.

The Units can be purchased for all cash or may be purchased partly for cash and partly by mortgage financing (however, Purchase Agreements shall not be contingent on financing). No Unit will be subject to the lien of a mortgage encumbering any other Unit.

The Unit Owner may mortgage his or her Unit at any time after he or she acquires title to the Unit in whatever amount and under whatever terms he or she can obtain, provided that the mortgage is granted by a bank, savings and loan association, life insurance company, pension fund, trust company or other institutional lender. Notwithstanding the foregoing, any Unit Owner may, upon the resale of his or her Unit, grant a purchase money mortgage to a purchaser of his or her Unit. A Unit Owner may mortgage his or her Unit only if all arrears for Common Charges, if any, are provided for and paid at the closing of the mortgage.

Each Unit will be taxed separately for real estate tax purpose and, therefore, no Unit Owner is liable for the payment of real estate taxes on any other Unit. In the opinion of counsel, a Unit Owner is presently entitled to deductions for income tax purposes for his or her payments for real estate taxes and, subject to the limitations imposed by recent legislation, interest on the mortgage of his or her Unit. See the section of this Plan entitled "Taxes - Deductions to Unit Owners and Tax Status of Condominium" and "Counsel's Tax Opinion."

The Unsold Units (i.e., Units owned by the Sponsor or Sponsor's designee) may be used for any lawful purpose, including, without limitation, as model Units or for a sales office or an office for the leasing or renting of any or all of the Units. The Commercial Unit may be used for any lawful business purpose permitted by the certificate of occupancy. Any subsequent transferee of a Unit is required to use his or her Unit in accordance with all applicable laws and the Declaration and By-Laws as set forth herein.

Primary responsibility for operating the Condominium rests with the Board of Managers who, subject to the terms of the Declaration of Condominium and the By-Laws, will be elected by the Unit Owners. For information concerning Sponsor's initial control of the Board of Managers, see the section of this Plan entitled "Control by the Sponsor."

Each Unit Owner, upon obtaining title to his or her Unit will be automatically entitled to vote at all meeting of the Unit Owners based on the proportion of Common Elements attributable to his or her Unit.

The Units may be only offered to individuals over the age of eighteen (18) years, corporations, partnerships, other business entities and to other entities that may legally own real property in the State of New York. Sponsor reserves the right to offer the Units in such order of priority as it may determine.

A detailed description of the property and specifications, prepared by Brian E. Boyle, Architect is reproduced in Part II of this Plan and should be reviewed carefully by prospective Purchasers.

A copy of the approved building plans (indicating, among the other things, the various ceiling height measurements throughout the Units) will be maintained and available for review at the office of the Sponsor.

**THE PURCHASE OF A CONDOMINIUM HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ THIS OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING A PURCHASE AGREEMENT.**

## DEFINITIONS

The following words when use in this Plan or any amendment thereto shall, unless the context otherwise requires, have the meanings set forth below:

1. “Board of Managers” and the “Board” - The governing body of the Condominium responsible for its operation.
2. “Building” - The Building and other improvements located on the Land.
3. “By-Laws” - The By-Laws which govern the Condominium, the form of which is set forth in Part II of this Plan.
4. “Commercial Common Interest” - The Common Interest attributable to a Commercial Unit.
5. “Commercial Limited Common Elements” - The Common Elements which are appurtenant to and for the exclusive use of a Commercial Unit.
6. “Commercial Unit” - The Unit located at the street level of the Building designated as such in the Declaration, together with its appurtenant Common Interest. The Commercial Unit is more specifically known as Commercial Unit.
7. “Common Charges” - The charges assessed by the Board from time to time to all Unit Owners for, among other things, the cost and expense of operating, maintaining and repairing the Common Elements (that is, including, but not limited to, all salaries, wages, payroll taxes and benefits, heating, services and supplies, insurance and management fees in connection therewith).
8. “Common Elements” or “General Common Elements” - The Common Elements of the Condominium will consist of all of the Condominium (except the Units) including, but without limitation, hallways, staircases, outside walls and roofs of the Building, the Land and improvements (other than the Units) comprising the Condominium (including the land under the Units and under the improvements) and all utility or other pipes and material located outside of the Units. Windows shall be part of each Residential Unit (and are not Common Elements) and each Unit Owner shall be responsible for the windows in their Unit. The term Common Elements as used herein is equivalent in meaning to the term “Common Elements” as used in Article 9-B of the Real Property Law.
9. “Common Expenses” - (a) Expenses of operation of the Property and (b) all sums designated common expenses by or pursuant to the provisions of the Condominium Act, the Declaration or the By-Laws.



10. “Common Interest” - The undivided percentage interest of each Unit in the Common Elements, which has been determined based upon the approximate proportion the floor area of the Unit bears to the then aggregate floor area of all Units, but reflecting the substantially exclusive advantages enjoyed by one or more, but not all, Units in a part of parts of the Common Elements, in accordance with such formulae as may be permitted under Section 339(i) of the Real Property Law. The aggregate Common Interests of all of the Residential and the Commercial Units equal 100%.
11. “Community” - As used herein is equivalent in meaning to the term “Condominium” as same is used in Article 9-B of the Real Property Law.
12. “Condominium” - The Deuce Condominium which consists of the Residential Units and Commercial Unit.
13. “Condominium Documents” - The Declaration, together with the By-Laws, the Rules and Regulations and Floor Plans, each of which will be recorded or filed simultaneously with the recording of the Declaration.
14. “Declaration” or “Declaration of Condominium” - The instrument by which the Property is submitted to the provisions of the Condominium Act, as such instrument is from time to time amended, consistent with the provision of the Condominium Act and of the By-Laws.
15. “Downpayment” - The money deposited by a Purchaser pursuant to a Purchase Agreement.
16. “Filing Date” - The date on the letter from the Department of Law’s Real Estate Financing Bureau accepting this Plan for filing.
17. “First Closing” or “First Unit Closing” - The date on which title to the first Unit sold under this Plan closes.
18. “Land” or “Property” - All of that certain tract, plot, piece of and parcel of land commonly known as 534 West 42nd Street, situate, lying and being in the City, County, and State of New York.
19. “Limited Common Elements” - The portions of the Common Elements which are for the exclusive or shared use of one or more Units, but less than all the Units.
20. “Limited Residential Common Elements” - Those Common Elements, if any, which are appurtenant to and for the exclusive use of one Residential Unit.
21. “Party Wall” - A wall which is common to and separates two Units.

22. "Plan" or "Offering Plan" - The Offering Plan and all amendments thereto for the conversion of the premises known as 534 West 42nd Street, New York, New York to condominium ownership, which Plans sets forth all of the terms and conditions of the offer to purchase.
23. "Plans" or "Plans and Specifications" - The floor plans to be filed in the New York County Office of the Register of City of New York.
24. "Purchaser" - Each Purchaser purchasing a Unit from Sponsor pursuant to the Plan.
25. "Purchase Agreement" - The Agreement entered into by and between a Purchaser and Sponsor for the purchase of a Unit. A copy of the Purchase Agreement is included herein in Part II.
26. "Residential Common Interest" - The Common Interest attributable to a Residential Unit.
27. "Residential Unit" - A Residential Unit is each residential apartment now or hereafter situated on the Property.
28. "Selling Agent" - The initial Selling Agent in connection with this offering is the Sponsor.
29. "Sponsor" - Shao Lin Operating LLC and its successors and assigns.
30. "Sponsor-affiliate" - Any person or entity designated by Sponsor to acquire title to or lease of a Unit. Sponsor-affiliates shall have the right to designate a person or entity, whether related or unrelated to sponsor, to succeed to their right and any such designees shall also be deemed to be a Sponsor-Affiliate.
31. "Unit" - A Unit is equivalent to the term "Unit" as used in Article 9-B of the Real Property Law. Each Unit is measured horizontally from and including the exterior side of the exterior walls as further described in Declaration of Condominium included in Part II as Exhibit E.
32. "Unit Closing Date" - The Date scheduled for the transfer of title to a Unit from Sponsor to a Purchaser.
33. "Unit Owner" - The owner of each Unit. A Unit Owner is equivalent to the term "Unit Owner" as used in Article 9-B of the Real Property Law. Every Unit Owner shall be treated for all purposes as a single owner, irrespective of whether such ownership is joint, in common, or tenancy by the entirety. Where such ownership is

joint, in common or tenancy by the entirety, majority vote of such owners shall be necessary to cast the Unit Owner's vote referred to in the Declaration.

34. "Unsold Unit" - A Unit In respect which title has not passed to a Purchaser but has been retained by Sponsor or has been transferred to Sponsor's designee.
33. "Storage Unit(s) refers to the storage units in the cellar of the Building for use of the Residential Unit Owners pursuant to license agreements between the Board and Residential Unit Owners.
34. "Storage Unit License" refers to the license agreement between the Board and a Residential Unit Owner for a Storage Unit.

## DESCRIPTION OF PROPERTY AND IMPROVEMENTS

### Location and Services

The Condominium is located in the City of New York, with frontage on West 42<sup>nd</sup> and West 41<sup>st</sup> Street, between Tenth and Eleventh Avenues, in Midtown Manhattan.

New York City is the most populous city in the United States, as well as one of the principal urban centers of the world. Manhattan is the economic and recreational hub of New York City, containing numerous businesses, transportation facilities, cultural activities, park areas, educational facilities, medical centers and restaurants. New York City's economy is well diversified, and is recognized as a major center of the financial, banking, insurance, real estate, legal, accounting, media entertainment, communications, publishing, fashion, marketing and advertising industries.

Transportation is convenient and abundant within close proximity of the Condominium. Nearby subway service includes the A, C, E, N, R, Q, W, 1, 2, 3, 7, 9, B, D, F and V trains, well as the 42<sup>nd</sup> Street Shuttle. Bus services includes the M42 and M16 Crosstown, as well as the M104, M10, M11, M27 and M20 routes, which run north-south. Regional bus service is easily accessible from the Port Authority Bus Terminal, located at West 42<sup>nd</sup> Street and Eighth Avenue while regional and national rail service is provided at Grand Central Terminal at 42<sup>nd</sup> Street and Park Avenue, and at Pennsylvania Station, located at 33<sup>rd</sup> Street and Eighth Avenue. Ferry service to various New Jersey locations is also available from West 38<sup>th</sup> Street and Twelfth Avenue.

The building is convenient to major arteries providing access to all boroughs of New York City, Westchester County, Long Island, Upstate New York, New Jersey and Connecticut and the three major airports servicing the New York Metropolitan Area. There is nearby vehicular access to the West Side Highway (Route 9A), the major north-south route along the west side of Manhattan, as well as cross-town routes including 34<sup>th</sup> Street, which provide access to the FDR Drive, the major north-south route along the east side of Manhattan, the Queens-Midtown Tunnel, the Queensboro/59<sup>th</sup> Street Bridge, and the Lincoln Tunnel.

Parks and recreational activities abound in the vicinity of the Condominium. Bryant Park offers passive recreational activities in addition to evening events such as outdoor movie screenings. The Hudson River Park, currently under construction, offers active options, including rollerblading and bicycle/jogging paths, and open park spaces are currently under construction. Chelsea Piers also offers a comprehensive host of recreational opportunities, including horseback riding, ice skating, bowling, baseball, a golf driving range, volleyball, boxing, gymnastics, and hockey, among others.

Midtown Manhattan is clearly one of the world's greatest cultural destinations. The Theater District contains all 22 landmark Broadway theaters such as the Winter Garden, the St. James and the Shubert, as well as several off-Broadway theaters, including Second Stage and Playwright's Horizons. Midtown is also home to Carnegie Hall, Madison Square Garden and

Lincoln Center, which offer up a variety of cultural, sporting, and entertainment venues. Area cultural institutions include the Alvin Ailey Dance Foundation, Madame Tussaud's Wax Museum, the New York Public Library, and the Museum of Modern Art.

Midtown is also home to numerous restaurants and residential amenities. Those closest to the Condominium include restaurants Marsielle, Jezebel, E, 44<sup>th</sup> & X, and the Film Center Café; cinemas AMC 42<sup>nd</sup> Street and Lowes Times Square; shops Delphinium, The Amish Market and Food Emporium; and banks Chase, Citibank and Fleet. Area hotels include the Westin Times Square, the Millennium Broadway, the Paramount and The W Times Square.

The building is located in Public School District No. 2. There are several public high schools with various specialties available within the City of New York with entrance by competition or examination, such as the High School for Performing Arts, Stuyvesant High School and Bronx High School of Science. Sponsor, however, makes no guarantee or representation as to which school a child residing at the building may actually attend. Numerous colleges and universities are convenient to the condominium, including John Jay College, the Fashion Institute of Technology, Columbia University and New York University.

The City of New York will provide water, sanitation, snow removal and police and fire services to the building. The local Police Station is the Midtown South Precinct, located at 357 West 35<sup>th</sup> Street, New York, New York. The local Fire Station is Engine 34/Ladder 21, located at 440 West 38<sup>th</sup> Street, New York, New York. The City of New York is responsible for maintenance of the roads adjacent to the Condominium.

There are houses of worship of various denomination in the vicinity of the building. The building is proximate to several medical facilities including: St. Luke's Roosevelt Hospital and St. Clare's Hospital.

The mailing address for the Condominium is 534 West 42<sup>nd</sup> Street, New York, New York 10036.

There is no guaranty that any of the foregoing services or amenities will continue to be available to Unit Owners or residents in the future or that any change in the foregoing will not adversely impact upon the value of the Residential Units. Sponsor makes no representations that the character of the neighborhood, the business and other institutions which operate there or the qualitative nature of the surroundings will not change.

#### Zoning and Use

The property is located at C6-4, Special Clinton District, which allows for as-of-right residential development. Neither Sponsor nor its principals own, in whole or in part, nor do they have an option or right to acquire any adjacent areas which are not fully developed. Sponsor makes no representation that the zoning for the Property will not change. Please refer to "Description of Property" in Part II of the Plan for further details.



### Improvements - General Description

The Building will be nine (9) stories. The eighth and ninth stories will be a duplex (the "Duplex") level. When the Sponsor completes its construction, there will be seven (7) Residential Units on the second through eighth/ninth floors and one (1) Commercial Unit located on a portion of the street level of the Building. The lower level, below street grade will also contain 8 Storage units for purchase by Unit Owners, as well as a laundry room and a refuse room for the Condominium's use (which will be a part of the Condominium's Common Elements), mechanical space and the Building's heating apparatus, all as currently set forth in the Floor Plans included in Part II of the Plan. For a detailed description of the Building and the Floor Plans of this Plan.

### Description of the Common Elements

Generally, the Common Elements consist of all Common Elements other than any Residential Common Elements, Limited Residential Common Elements, Commercial Common Elements and Limited Commercial Common Elements (if any) and include, among other things the following: (i) the Land; (ii) all foundations, footings, columns, girders, concrete floor slabs and ceilings (except to the extent included as Residential Common Elements or Limited Residential Common Elements, Commercial Common Elements or part of any Unit), beams, supports and any load bearing walls, together with those portions of the exterior walls of the Building beyond the Unit side face of the gypsum board and the Unit side face of the glass or concealed block work or concealed concrete structural members of those walls; (iii) corridors and all fire staircases, landing and stairs which are not Residential Common Elements, Limited Residential Common Elements, Commercial Common Elements or part of any Unit; (v) general illumination fixtures and security systems; (vi) all passages, hallways, stairs, corridors, mechanical and other rooms, areas and spaces located in the Building serving both the Residential Units and the Commercial Units, which are not Residential Common Elements, Limited Residential Common Element or Limited Residential Common Elements or part of any Unit; (vii) and the roof over the floor of the Building (except to the extent that a portion of the roof is comprised of a Residential Common Element or Limited Residential Common Element); (ix) all other parts of the Building and the apparatus, installations, systems, equipment and facilities in the Building (including pipes, shafts, wires, ducts, vents, cables, conduits and lines) which serve or benefit or are necessary or convenient for the existence, maintenance of safety of both the Commercial Units and the Residential Units and which are not owned by another entity such as a supplier, servicer or installer of the systems.

For a detailed description of the Common Elements see the Declaration included in Part II of this Plan.

### Description of the Residential Common Elements

Generally, the Residential Common Elements include, among other things, the following; (i) the passenger elevator (including the elevator shaft, pit, machinery and appurtenant facilities); (ii) the residential lobby and entrance on the street level of the Building; (iii) passages, hallways,

stairs and corridors to the extent any of same are for the exclusive use of the Residential Unit Owners; (iv) the refuse room; (v) electric panels, closets, feeders and risers serving the Residential Units exclusively; (vi) all mechanical space and other rooms, areas and spaces located in the Building serving exclusively the Residential Units, the Residential Common Elements and the Limited Residential Common Elements and which are not Common Elements, Commercial Common Elements or a part of any Unit; and (vii) all other apparatus, installations, systems, equipment and facilities in the Building (including pipes, shafts, wire, ducts, vents, cables, conduits and lines) which serve or benefit exclusively the Residential Units and which are not owned by another entity such as a supplier, servicer or installer of the systems.

For a detailed description of the Residential Common Elements see the Declaration included in Part II of this Plan.

#### Description of Limited Residential Common Elements

The Limited Residential Common Elements are those portions of the Property which are of the exclusive use of one or more Unit Owners.

The terraces appurtenant to Units located second floor (Unit 2) and on the Duplex (floor 8/9) shall be Limited Residential Common Elements for the exclusive use of the owners of the Units to which the terraces are appurtenant and shall be repaired or replaced (including without limitation the surfaces of the terraces and roofing within the Limited Residential Common Elements) by the individual Unit Owner entitled to its use. For the balconies appurtenant to Units located on floors 3-9 - any alterations or additions that a Unit Owner may wish to make on terraces or balconies, including but not limited to, terrace paving, plumbing work, electrical work or the installation of any structures, shall require a permit from the New York City Department of Buildings and may require the approval of the New York City Landmark Preservation Commission. In addition, any alteration work must be performed in accordance with the provisions of the By-Laws.

For a detailed description of the Limited Residential Common Elements see the Declaration and Description of Property included in Part II of this Plan.

Decoration and normal maintenance of the Limited Residential Common Elements will be the responsibility of the owners of the Units to which the particular Limited Residential Common Element is appurtenant.

The Board of Managers of the Condominium will operate, manage and control the Common Elements, the Residential Common Elements, the Limited Residential Common Elements, the Commercial Common Elements and the Limited Commercial Common Elements (if any). The Declaration provides the framework and procedures by which the Board of Managers and/or the Unit Owners will maintain and administer these facilities.

The Declaration gives each Unit Owner a non-exclusive easement to the reasonable use of the Common Elements and the Residential Common Elements (but not the Limited

Residential Common Elements). Each Unit Owner is also granted easements for ingress and egress over the Common Elements, as well as easements to connect with and make use of certain utility and drainage lines. The Declaration also makes provision for various easements including those in favor of the Sponsor necessary for the sale of all Units in the Condominium, the maintenance of the Common Elements, the Residential Common Elements and the Limited Residential Common Elements and the further sale or leasing of Units and other improvements which may be erected on any other property in the vicinity of the Property which may be developed by Sponsor or an affiliate of the Sponsor. The Declaration also obligates the Board of Managers to maintain and repair the Common Elements, including snow removal from the front of the Building.

#### Easements

Each Unit Owner will have an easement in common with all other Unit Owners for the use maintenance and repair of all pipes, wires, conduits and public and private utility lines located in the Common Elements, Residential Common Elements or the Limited Residential Common Elements or located in other Units and servicing his Unit. Further, each Unit Owner will have an easement for the continuance of any encroachment by his Unit or on any adjoining Unit or Common Elements, Residential Common Elements or any Limited Residential Common Elements now existing or which may come into existence hereafter as a result of the settling of the Units or repair or alteration of Units by the Board of Managers, after damage or fire or other casualty or as a result of condemnation or eminent domain proceedings or by reason of any alteration made by the Board of Managers to the Common Elements so that any such encroachment may remain undisturbed so long as the Unit stands. Each Unit will be subject to such encroachments and easements in favor of all other Units. The Board of Managers, its agents or employees shall have right of access to Units, to the Common Elements (irrespective of the restrictive nature of such Common Elements) and to the Limited Residential Common Elements to inspect, maintain or repair the Common Elements or to make repairs to the Units to prevent damage to the Common Elements or any other Unit.

The Description of Property in Part II of this Plan contains a general description of each Unit and Floor Plan of each Unit.

**SCHEDULE A**

SCHEDULE OF OFFERING PRICES, PROJECTED COMMON CHARGES, AND REAL ESTATE TAXES FOR  
THE FIRST YEAR OF CONDOMINIUM OPERATION  
January 1, 2009 - December 31, 2009  
The Deuce Condominium  
534 West 42nd Street, New York, NY 10036

<b>NOTES:</b>		
	Unit #1 is a retail unit	
	Unit #8 is a duplex and comprises floors 8 and 9	



### Notes to Schedule A

(1) Any floor plan or sketch shown to a prospective purchaser is accurate within reasonable tolerances with respect to the dimensions and layout of a typical Unit. The actual layout of a Unit may have been altered. Each Unit should be inspected prior to purchase to determine its actual dimensions, layout and physical condition. The square footage indicated on Schedule A was based on plans drawn by Brian E. Boyle, AIA, Architect, and figures furnished by that office. The actual usable space may be substantially less.

The dimensions of the Residential Units depicted in the typical layouts of the Residential Units are accurate within reasonable tolerances and reflect the area measured horizontally from the exterior face of the glass and/or the line of the outside face of the exterior walls to the outside walls of partitions at the public hail, stairways and elevators. The dimensions are not measured from the interior surfaces of interior walls and therefore the floor area of a Unit will be less than the areas shown in Schedule A.

(2) Sponsor has reserved the right to change the purchase price and other sale terms from time to time for any Unit not subject to a Purchase Agreement. The Plan will be amended to reflect any Unit price increases or across the board public reduction (as distinguished from an isolated price reduction) or a different price to be advertised in a newspaper or other media.

The purchase prices and sale terms may be negotiated by Sponsor. Therefore, Sponsor may enter into a Purchase Agreement to sell one or more Units at prices higher (upon amendment of the Plan) or lower (without the need for amending the Plan) than those in Schedule A (See "Changes in Prices or Units" for further discussion). Prospective purchasers are advised that in addition to the purchase price, they will be responsible for certain closing adjustments and closing costs. (See "Closing Costs and Adjustments" for further discussion).

All Purchasers, except for the Sponsor, shall pay at closing an amount equal to the sum of two (2) months Common Charges to the Condominium as a contribution to the initial Working Capital Fund (as hereinafter defined). While Sponsor is in control of the Board of Managers, the Working Capital Fund will not be used to reduce the Common Charges. If any portion of the Working Capital Fund is used during the period of Sponsor control to pay for any of the budget items set forth in Schedule B, such amounts will be repaid to such fund out of Common Charges collected at each Closing.

(3) Pursuant to Section 339-i (1) (iv) of the Condominium Act, the percentage interest of each Unit in the Common Elements is based upon the floor space of



the Units, subject to the location of such space and additional factors of relative value to the other Units, the uniqueness of the Unit, the availability of the Common Elements of exclusive or shared use and the overall dimensions of the Unit. The percentage of Common Interests for each square foot of terrace space has been calculated at two-thirds of that attributable to indoor above ground space and added to the Common Interests allocated to the interior floor area of the appurtenant Residential Unit. The aggregate Common Interests of all Units equal 100%.

(4) These estimates were based upon "Schedule B - Projected Budget for First Year of Condominium Operation of the Deuce Condominium," on the assumption that the first year of condominium operation will be from March 1, 2008 to February 29, 2009. The actual first year of operation may be earlier or later.

In addition to these estimated Common Charges, each Unit Owner will incur additional expenses for (i) mortgage payments under a loan or loans (if any) obtained to finance the purchase of his Unit; (ii) the cost of electricity supplied to his Unit, which will be separately metered and will be payable directly to Con Edison as and when billed; (iii) the cost of interior repairs to, and the maintenance, painting and decoration of, his Unit and any appurtenant Limited Residential Common Elements (including, without limitation, the equipment and appliances contained therein); (iv) the cost of any insurance that he may desire to place to cover (a) furniture, improvements, equipment and other personal property and (b) liability to others for personal injury or property damage as a result of occurrences in his or her Unit, including without limitation, damage from water leaks or other conditions in his or her Unit; (v) cable television charges; and (vi) real estate taxes (see Footnote 5 below) after the Units are separately assessed. Real estate taxes will be included on a pro-rata basis as part of the Common Charges until the Units are separately assessed.

(5) Any real estate taxes paid by Sponsor are one of the items to be adjusted between Sponsor and each purchaser at the closing of each Unit. Until the Units are separately assessed, real estate taxes will be included in the Common Charges and paid by the Condominium Board as Common Expenses. The Condominium Board and Sponsor will not apportion real estate taxes at the First Closing. Instead, real estate taxes will be apportioned between Sponsor and each purchaser as each Unit closes. (See "Closing Adjustments and Closing Costs" for further details.)

There is no assurance that the New York City taxing authority will allocate taxes among Units in proportion to their Common Interests. If they are not allocated, Residential Unit Owners having the same Common Interests may pay different amounts of real estate taxes. In addition, no warranty is made as to the

**assessed valuation of the Property or the tax rate that will be in effect at any time or the amount of real estate taxes (including any minimum tax) which will be due.**

**In the opinion of Rivkin Radler LLP, counsel to Sponsor, under existing tax laws any real estate taxes actually paid by a purchaser with respect to a Unit used as his primary or secondary residence will, in general, be deductible from the purchaser's income for the purpose of Federal, New York State and New York City income taxes (provided such purchaser itemizes his deductions). However, the amount of real estate taxes may vary from year to year due to changes in the amount of real estate taxes (which may result from changes in the assessed valuation of the Residential Unit, the tax rate or the method of assessing real property). (See "Counsel's Tax Opinion" in Part II of the Plan for further discussion.)**

**Rivkin Radler LLP has assisted in the preparation of Schedule A by estimating the real estate taxes which will be due from the Unit Owners.**

**RPTL section 467-a. provides a partial tax abatement to owners of residential units held in a cooperative or condominium form of ownership. Eligible dwelling units with an average assessed valuation of greater than \$15,000 (eligible dwelling units in a property whose average unit assessed value is less than or equal to \$15,000 shall receive a partial abatement of real property taxes of 25% of the net property taxes. It is projected that the average post-construction assessed valuation per unit at the subject premises will exceed \$15,000 per unit), after deduction of any abatement received pursuant to RPTL 489 ("J-5 1" benefits), are entitled to a 17.5% abatement of the net property taxes due. In order to qualify for these benefits under the current law, the following requirements must be met: (1) eligible units must be used primarily for residential purposes and may not be owned by sponsor or any unit owner who owns three or more units; and (2) the Board of Managers must file a complete application for the entire premises in a timely manner. The foregoing is only for informational purposes since this statute contains a "sunset provision" which presently provides benefits through June 30, 2008. On such date, the statute and benefits expire, unless otherwise extended. No representation is made that the statute will be extended or if it is extended, the benefits will remain the same. Prospective purchasers of Residential Units should not rely on the continuation of the benefits.**

**RPTL section 425 (school tax relief (STAR) exemption) provides a partial exemption from the school tax portion of a property's assessed valuation. This exemption presently amounts to \$1,710 for an eligible condominium unit located within the City of New York, assuming the unit owner is less than 65 years of**

age. An enhanced benefit, presently amounting to \$2,850, is available to senior citizens who have a combined household income (adjusted gross income as reported on applicant's latest available federal or state income tax return) which does not exceed \$60,000. The benefit is only available to units which serve as the primary residence of one or more of the owners thereof. A qualified unit owner must file an application on or before the applicable tax status date (i.e., the January 5th preceding the fiscal tax year beginning July 1st). Only those qualified purchasers who close title and timely file said application by no later than January 5, 2008 will be eligible for this benefit for the tax year beginning July 1, 2008. Those purchasers who qualify for this benefit who apply after January 5, 2008 and on or before January 5, 2009 will be eligible to receive this benefit for the July 1, 2009 to June 30, 2010 tax year.

## SCHEDULE B

### PROJECTED BUDGET

#### THE DEUCE CONDOMINIUM 534 West 42nd Street NEW YORK, NEW YORK

#### ESTIMATED SCHEDULE OF RECEIPTS AND EXPENSES FOR FIRST FULL YEAR OF OPERATION

(BEGINNING January 1, 2009)

RECEIPTS		<u>Receipts</u>
COMMON CHARGES - RESIDENTIAL	(Note 1)	\$ 95,939
COMMON CHARGES - COMMERCIAL	(Note 2)	\$ 5,051
<b>TOTAL RECEIPTS</b>		<b>\$ 100,990</b>

RECEIPTS		<u>Total</u>	<u>Residential Allocation</u>	<u>Commercial Allocation**</u>
WAGES & BENEFITS	(Note 3)	\$ 17,490	\$ 16,615	\$ 875
NATURAL GAS	(Note 4)	\$ 20,246 *	\$ 19,234 *	\$ 1,012
ELECTRICITY	(Note 5)	\$ 8,751 *	\$ 8,313 *	\$ 438
WATER & SEWER	(Note 6)	\$ 6,481	\$ 6,157 *	\$ 324
SERVICE CONTRACTS	(Note 7)	\$ 7,256 *	\$ 6,893 *	\$ 363
REPAIRS, MAINTENANCE & SUPPLIES	(Note 8)	\$ 5,000	\$ 4,750	\$ 250
INSURANCE	(Note 9)	\$ 6,875 *	\$ 6,531 *	\$ 344 *
MANAGEMENT FEE .	(Note 10)	\$ 15,000	\$ 14,250	\$ 750
LEGAL & ACCOUNTING	(Note 11)	\$ 8,450	\$ 8,027	\$ 423
ADMINISTRATIVE	(Note 12)	\$ 2,500	\$ 2,375	\$ 125
CONTINGENCY	(Note 13)	\$ 2,941	\$ 2,794	\$ 147
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 100,990</b>	<b>\$ 95,939</b>	<b>\$ 5,051</b>

\* An additional 10% has been added to the Natural Gas, Electricity, Water/Sewer, and Insurance figures to represent reasonably anticipated increases.

\*\* Commercial Allocation represents 5.000% of the Total for Wages & Benefits, Repairs/Maintenance & Supplies, Insurance, Management Fee, Legal & Accounting, Administrative and Contingency.

### FOOTNOTES FOR SCHEDULE B

	<u>Total</u>
(1) <u>Common Charges – Residential</u>	<u>\$ 95,939</u>
(2) <u>Common Charges – Commercial</u>	<u>\$ 5,051</u>
(3) <u>Wages &amp; Benefits</u>	
<u>Total</u>	<u>Residential</u>
<u>\$17,490</u>	<u>\$16,615</u>
	<u>Commercial</u>
	<u>\$875</u>

The figure shown includes wages, workers' compensation and disability insurance, payroll taxes and payroll processing. This amount includes pay for vacation and sick/personal time, but does not include holidays. The building staff shall consist of one (1) part-time Superintendent, earning \$15,000 a year (working 20 hr/wk). In addition, salaries and benefits are assuming non-unionized employees, with no health benefits included.

The level of staffing complies with all applicable housing and labor laws. As shown below, the labor budget includes benefits required by local, state, or federal law. The budget reflects current wage rates and payroll tax rates applicable for the budgeted year. No increases to the labor budget are included as there is no applicable labor contract which mandates increases. The labor wages meet state minimum wage laws.

The projected expenses, labor wages, salary, as well as assumptions described herein, are believed to be reasonable and reflect the experience of Sponsor's budget expert, General Property Management, in managing comparable buildings. However, such projections and actual labor and related expenses are not assured or warranted.

#### **Wage and Payroll Tax Details:**

5.000% of the cost of the Wages and Benefits of the Superintendent is shared by the Commercial Unit; the remaining is shared by all the Unit Owners in proportion to their common interests.

<b>Superintendent (Part-time)</b>	<b>\$ 15,000</b>
<b>GROSS ANNUAL WAGES</b>	<b>\$ 15,000</b>
FICA	\$ 1,148
FUTA	\$ 56
SUI	\$ 349
Disability	\$ 120
Worker's Compensation	\$ 818
<b>TOTAL WAGES &amp; BENEFITS</b>	<b>\$ 17,490</b>

*Note: Salary calculated based on 54 weeks to include Vacations and Sick/Personal Days.*

(4) Natural Gas

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$20,246*	\$19,234	\$1,012

Consolidated Edison provides gas service to the building. A new 3" gas service connects to the street main and to the distribution system of the building with meters to measure consumption by each user. Gas is used to fire the boilers for space heating and domestic hot water heaters. It is also used for cooking and for the gas dryers in the laundry area in the basement. There are two gas meters in the building. Gas usage is part of the common charges. Gas usage for the dryers will be part of a concession where users will pay for the use of the dryers and the monies will be used to reimburse the utility costs.

1. Domestic Water Heating for the six typical apartment (6) is 906 therms/year and 210 therms/year for the one duplex apartment.
2. Space Heating is 13,846 therms/year
3. Cooking is 896 therms/year.
4. An additional 448 therms/year will be used for the clothes dryers.

Cost of gas is as follows:

\$4.56/therm for the first 37 therms (\$168.72)  
 \$1.28/therm for the next 1044 therms (\$1,336.32)  
 \$1.11/therm for next 229 therms (\$16,899.75)

<b>Total Residential natural gas charges</b>	=	<b>\$18,405/yr</b>
<b>Plus 10%</b>	=	<b>\$20,246/yr*</b>

The estimated cost for natural gas was provided by the engineer, M.A. Rubiano PC, Consulting Engineers, for Brian E. Boyle, AIA, 75 Spring Street, 6th Floor, New York, NY 10002.

\*Estimate includes an additional 10% to represent reasonably anticipated increases.

(5) Electricity

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$8,751*	\$8,313	\$438

Electricity is 208 Volt, 3 phase, 60 cycle, 4 wire electrical service as supplied by Con Edison to a service end box. The house service consists of two switches connected to a single meter. One 600 Amp switch, three phase, fused at 500 Amps, to power the elevator, the chiller, boiler, pumps and related equipment for cooling and space heating, and the public lighting. The second switch powers the fire pump and jockey pump. Each apartment has a 100 Amp, single phase, 3-wire panel, fused at 75 Amps, except for the duplex apartment. This apartment has 200 Amps, single phase, 3-wire panel, fused at 125 Amps. The tenant space at the first floor has a 60 Amps panel, single-phase, 3-wire. There are 10 meters, one for each apartment plus the house meter. Charges for the house are part of the common charges.

We estimate the common area consumption as 57,845 kw per year which includes costs for lighting, elevators, AC, pumps and, resulting in an annual cost of \$7,955. The average yearly residential rate is \$0.1288 for the first 3000 kw and \$0.138 over 3000 kw.

<b>Residential common electrical charges</b>	=	<b>\$7,955/yr</b>
<b>Plus 10%</b>	=	<b>\$8,751/yr*</b>

All directly metered Unit owners will be responsible to pay the electric bills for their individual units (see Schedule B-1).

The estimated cost for electricity was provided by the engineer, M.A. Rubiano PC, Consulting Engineers, for Brian E. Boyle, AIA, 75 Spring Street, 6th Floor, New York, NY 10002.

\*Estimate includes an additional 10% to represent reasonably anticipated increases.

(6) Water & Sewer

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$6,481*	\$6,157	\$324

A central domestic water heater supplies hot water to each apartment. The heater is manufactured by A.O. Smith (Model BTR-250A) with 100 gallons of storage capacity and 242 GPH of recovery. Charges for heating of domestic water are measured by the house gas meter and the charges are included in the common charges. Hot water is recirculated throughout the building by means of a return pipe and a circulating pump manufactured by Bell & Gossett (Model Little Red Pump) with a capacity of 5 GPM at 15 ft of developed pressure. Pump uses 1/6 HP motor.

**Condominium Water & Sewer Charges:** The water usage rate is estimated at the current rate charged in New York City of \$2.75 per 100 cu. ft. and \$2.50 per 100 cu. ft. of water usage for sewage charge. Building population is estimated to be 23 persons. The load is estimated at 100 gallons/day per person which gives us a total of 839,500 gallons per year costing \$3,086.41 for water consumption and \$2,805.80 for sewage costs.

<b>Residential common water charges</b>	=	<b>\$3,086/yr</b>
<b>Residential common sewer charges</b>	=	<b><u>\$2,806/yr</u></b>
<b>TOTAL common water &amp; sewer charges</b>	=	<b>\$5,892/yr</b>
<b>Plus 10%</b>	=	<b>\$6,481/yr*</b>

The estimated cost for water & sewer was provided by the engineer, M.A. Rubiano PC, Consulting Engineers, for Brian E. Boyle, AIA, 75 Spring Street, 6th Floor, New York, NY 10002.

\*Estimate includes an additional 10% to represent reasonably anticipated increases.

(7) Service Contracts

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$7,256	\$6,893	\$363

- a. This figure is intended to cover annual service contracts for monitoring, services, repair and maintenance of the following systems in the Condominium:
 

i. Exterminating	\$975
ii. Fire Alarm, Inspections & Annual Tests	\$2,380
iii. Elevator	\$3,902
- b. Estimate on the service contract above were provided by the following sources:
  - Exterminating estimate provided by Assured Environments, 45 Broadway, 8th Floor, New York, NY 10006.
  - Fire alarm monitoring estimate provided by AFA Protective Systems Inc., 519 Eighth Avenue, New York, NY 10018.
  - Elevator maintenance estimate provided by Pro Elevator Services, Inc., 171 West Street, Suite 311, Brooklyn, New York, NY 11222.
- c. No service contracts currently exist between the Condominium and any service provider as of the date of the Plan. The amounts budgeted are based on estimates received from contractors and other vendors or the experience of the Sponsor's budget expert, General Property Management, in operating similar buildings. Estimates do not include applicable taxes. While this Schedule B includes a reasonable allowance (10%) for possible increases in cost which may occur prior to and during the first year of condominium operation, no warranty is made that the actual cost for these or other services will be in accordance with this projection. In the opinion of General Property Management, the amount of this budget item appears reasonable and adequate under existing circumstances to meet the reasonably anticipated cost of service contracts to operate the Common Elements and provide Building services to Units.

(8) **Repairs, Maintenance & Supplies**

<b>Total</b>	<b>Residential</b>	<b>Commercial</b>
\$5,000	\$4,750	\$250

- a. Includes normal repairs, maintenance and supplies with respect to Common Areas of the Building including lighting, public walkways and stairways, maintenance and painting of entrances, roof and building structure, and all building supplies. No amount is included for items covered by construction warranties or for the cost of any major capital expenditure in the Building. The budgeted number does not include repairs, painting, maintenance or supplies (including appliances) for individual Units, which are the responsibility of the individual Residential Unit owner.
- b. During the first year of operation, major repairs are not expected to be necessary, as the Condominium will have been substantially reconstructed.

(9) Insurance

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$10,387*	\$9,867.65	\$519.35

The budget number is projected on the basis of a preliminary quotation of insurance costs provided by Frank Crystal & Co., Inc., 32 Old Slip, Financial Square, New York, NY 10005.

## PROPERTY SECTION

## Property and Crime Coverages

COVERAGE DESCRIPTION	DEDUCTIBLE	LIMIT/TIMEFRAME
Building	\$ 1,000	\$3,101,440
Valuation	Replacement Cost	
Co-Insurance	NIL	
Appurtenant Buildings & Structures	\$ 1,000	\$ 50,000
Arson & Theft Reward	None	\$ 5,000
Claim Data Expenses	\$ 1,000	\$ 5,000
Earthquake Limit	2%	\$ 500,000*
Electronic Data Processing Equipment & Data & Media:		
EDP Equipment,		
Employee Dishonesty	\$ 1,000	\$ 25,000
Expediting Expenses	\$ 1,000	\$ 25,000
Fire Department Service Charge	None	\$ 25,000
Fire Protective Equipment Discharge	\$ 1,000	\$ 10,000
Flood	\$ 5,000	\$ 500,000*
Forgery or Alteration	\$ 1,000	\$ 25,000
Newly Acquired or Constructed Property:		
Building	\$ 1,000	\$ 500,000
Pollutant Cleanup & Removal	\$ 1,000	\$ 25,000 Aggregate
Preservation of Property	\$ 1,000	Up to 90 Days*
Temporary Relocation of Property	\$ 1,000	Up to \$50,000 Each Location

## Business Income and Extra Expense Coverages

## Business Income &amp; Extra Expense

Actual Loss up to a Maximum Limit of \$ 100,000

Civil Authority for Business Income & Extra Expense  
 Civil Authority, Business Income — Waiting Period  
 Civil Authority, Extra Expense — Waiting Period  
 Dependent Properties

3 Consecutive Weeks\*

24 Hours\*

Begins Immediately\*  
 \$ 100,000

<b>COVERAGE DESCRIPTION</b>	<b>DEDUCTIBLE</b>	<b>LIMIT/TIMEFRAME</b>
Dependent Properties — Waiting Period		24 Hours
Extended Business Income		90 Days
Interruption of Computer Operations		\$ 25,000 Aggregate
Maintenance Fees		Included
Period of Restoration — Waiting Period		Begins Immediately

\*Subject to and not in addition to the applicable limits of insurance

### Additional Described Premises Level Coverages And Options

COVERAGE DESCRIPTION	DEDUCTIBLE	LIMIT/TIMEFRAME
Building Glass	\$ 250	Included*
Debris Removal	\$ 1,000	\$ 50,000 excess of 25% loss
Equipment Breakdown: Diagnostic, Power Generating and Production Equipment	\$ 1,000	Included*
Ordinance or Law: Loss of Undamaged Portion of Building	\$ 1,000	\$ 100,000*
Demolition	\$ 1,000	Included in Building Coverage
Increased Cost of Construction	\$ 1,000	\$ 500,000
Outdoor Property Including: Bridges, Walks, Roadways, Patios, or Paved Surfaces, Radio & TV Antennas	\$ 1,000	\$ 500,000
Sewer or Drain Backup	\$ 1,000	\$ 10,000*
Signs within 1,000 feet of premises	\$ 1,000	\$ 25,000*
<b>Power Pac Coverages &amp; Replacements:</b>		<b>Limit*/Timeframe</b>
Business Income from Dependent Properties		\$ 25,000
Claim Data Expense		\$ 10,000
Newly Acquired — Business Income & Extra Expense		\$ 500,000
Ordinance or Law — Increased Period of Restoration		\$ 25,000
Trees, Shrubs, Plants and Lawns		\$ 5,000
Brands and Labels		\$ 25,000
Computer Fraud		\$ 5,000
Identity Fraud Expense		\$ 15,000 Aggregate
Lost Key Consequential Loss		\$ 500
Ordinance or Law — Extended to Include Tenant Improvements and Betterments		Applicable
Limited Building Coverage — Tenant Obligation		\$ 5,000
Unauthorized Business Card Use		\$ 5,000
Utility Services Time Element — 24 hour waiting period		\$ 2,500

\*Subject to and not in addition to the applicable limits of insurance

#### **Building Owners Coverage Additions:**

Lessor's Leasehold Interest	\$ 25,000
Ordinance or Law – Increased Period of Restoration	\$ 50,000
Tenant Moveback Expenses	\$ 25,000
Utility Services Direct Damage	\$ 10,000

**OPTIONAL COVERAGES:**

<b>*Xtend Endorsement</b>	<b>Increased Coverage</b>
Air Craft Chartered with Crew	Included
Blanket Additional Insured:	
-Lessor of Leased Equipment	
-Managers or Lessors of Premises	
Blanket Waiver of Subrogation	Included
Broadened Named Insured	Included
Damage to Premises Rented to You Extension	Included
Extension of Coverage – Bodily Injury	Included
Incidental Medical Malpractice	Included
Injury to Co-Employees and Co-Volunteer Workers (Bodily Injury)	Included
Knowledge and Notice of Occurrence or Offence	Included
Non-Owned Watercraft	Increased to 50 Feet
Personal Injury	Assumed By Contract
Reasonable Force – Bodily Injury or Property Damage	Included
Unintentional Omission	Included

\* XTEND ENDORSEMENT replaces any previously mentioned coverage

**TOTAL PREMIUM:** \$ 6,693

## IV. Commercial Umbrella

### IV. COMMERCIAL UMBRELLA

**Named Insureds:**

Shao Lin Operating, LLC

**Location:**

2025 Broadway, Apartment 21-K. New York, NY 10023

**Term:**

TBD

**Carrier:**

Federal Insurance Company (Chubb)  
(Admitted, AM Best Rated: A++, XV)

**Limits of Liability:**

General Aggregate	\$ 50,000,000
Each Occurrence	\$ 50,000,000

**Rating Basis:**

Mercantile Square Footage:	250
Residential Units:	7

#### ENDORSEMENTS & EXCLUSIONS:

- Aircraft Exclusion
- Biological Agents Exclusion
- Care, Custody or Control Exclusion
- Contractual Liability Exclusion
- Garage Operations Exclusion
- Cap on Certified Terrorism Losses
- Coverage/Laws Various-Policy Exclusions
- Intellectual Property Laws or Rights Exclusion
- Lead Exclusion
- Non-Accumulation of Limits
- Professional Services Exclusion
- Personal Injury Exclusion
- Punitive Damages Exclusion
- Real Estate Development Exclusion

#### PREMIUM:

Base Premium:	\$ 2,450
Fee:	<u>\$ 300</u>
Total:	\$ 2,750

<b>The Annual Estimated Premiums Would Be:</b>	<b>\$ 9,443.00</b>
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*Note: Premium can change due to market condition. The above quotes are based on premiums charged in June 2008.*

There is NO COVERAGE BOUND AT THIS TIME. Coverage's are subject to the terms and Conditions set forth by the Insurance Company. The insurance market is extremely volatile and rates can change substantially. The above preliminary quote can be significantly higher or lower depending on market conditions at the time of the first closing.

By carrying \$2,000,000 (this would be at a replacement cost of \$200 per square foot), the hazard insurance company will include a provision known as an "Agreed Amount & Replacement Cost" endorsement, whereby the carrier agrees to reimburse the insured for property losses up to the full amount of the policy regardless of the actual replacement value of the Building. This clause has the effect of "waiving" any co-insurance penalty that the insurer might otherwise invoke. Based upon the sponsor's representation of the cost to construct the building, the proposed insurance coverage will be adequate to replace the building in the event of a total loss but that in the event that construction costs increase, a higher amount of coverage may be necessary and, therefore, possibly a higher premium. The Condo Association should periodically review the amount of insurance for the building to insure that the amount of coverage carried is sufficient.

The above insurance will meet the requirements of any mortgage lender procured by Sponsor including Sponsor's construction lender. The fire, casualty and general liability insurance will be on terms that provide: that each Unit Owner is an additional insured; that there will be no cancellation without notice to the Board of Managers; a waiver of subrogation; a waiver of invalidity because of the acts of the insured and Unit owners; and a waiver of pro-rate reduction if Unit Owners obtain additional coverage.

Each individual Unit Owner should consider the desirability of obtaining additional insurance at his own cost for the following coverage, which is not included in the above Letter of Adequacy:

1. Fire or casualty losses to the contents of his Unit including replacements, additions, upgraded fixtures and improvements therein; and
2. Liability for personal injury or property damage as a result of occurrences in his Unit, including water damage legal liability to cover damage arising from leaks or other conditions within the Unit.

\* Estimate includes an additional 10% to represent reasonably anticipated increases.

**(10) Management Fee**

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$15,000	\$14,250.00	\$750.00

The Condominium will be managed by General Property Management who is independent of the Sponsor, having principal offices at 250 W. 57<sup>th</sup> Street, New York, NY 10107. The period of the initial management agreement shall be two years at a fee of \$15,000 per annum. This management fee reflects the prevailing cost for similar services. It is based on the size of the building, number of Residential Units, and the level of service to be provided.

**(11) Legal & Accounting**

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$8,450	\$8,027	\$423

All Condominium Unit Owners are entitled to receive annually from the Condominium at the Condominium's expense an annual audited statement prepared by an independent certified public accountant. Estimates have been obtained with respect to professional fees as follows:

- The amount set aside for Accounting services is \$5,950 based on a proposal received from Czarnowski & Beer LLP, CPAs, 554 Fifth Avenue, New York, NY 10036.
- An amount of \$2,500 will also be set aside, both to engage counsel on retainer and to cover miscellaneous legal matters which may arise during the first year of operation.

**(12) Administrative Expenses**

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$2,500	\$2,375	\$125

Administrative costs cover photocopying, faxing and postage, fees, permits and filings as well as messenger services as required. Bank fees and charges are also included.

**(13) Contingency**

<u>Total</u>	<u>Residential</u>	<u>Commercial</u>
\$2,941	\$2,794	\$147

The Contingency provides a fund for possible expenses not included in the projected budget, or possible increases in one or more categories of operating expense beyond the projected amounts.

There can be no assurance that such fund will be sufficient to pay for major capital repairs or replacement items which may be needed within the first five years of the Condominium's operation. If additional funds are required over and above these funds, it may be necessary to increase Common Charges or separately assess all unit owners.

IF THE ACTUAL OR ANTICIPATED DATE OF COMMENCEMENT OF THE FIRST YEAR OF CONDOMINIUM OPERATION IS TO BE DELAYED MORE THAN 6 MONTHS FROM JANUARY 1, 2008, THE PLAN WILL BE AMENDED TO INCLUDE A REVISED BUDGET DISCLOSING CURRENT PROJECTIONS. IF SUCH AMENDED PROJECTIONS EXCEED THE ORIGINAL PROJECTIONS BY 25% OR MORE, THE SPONSOR WILL OFFER ALL PURCHASERS THE RIGHT TO RESCIND AND A REASONABLE PERIOD OF TIME THAT IS NOT LESS THAN 15 DAYS AFTER THE DATE OF PRESENTATION TO EXERCISE THE RIGHT. WHETHER OR NOT SPONSOR OFFERS TO GUARANTEE THE PREVIOUS BUDGET PROJECTION, SPONSOR WILL RETURN ANY DOWN PAYMENT OR DEPOSIT PROMPTLY TO SUBSCRIBERS WHO RESCIND.

## SCHEDULE B-1

**THE DEUCE CONDOMINIUM**  
**534 West 42nd Street**  
**PROJECTED UTILITY COSTS**  
**For Residential Units**

**Estimated Electrical Consumption per Residential Unit**  
**(Individually Sub-metered)**

Apartment Loads: Cost of electricity for residential use were calculated as follows:

\$0.1288 for the first 3000 KW  
\$0.138 over 3000 KW

The apartments will be individually metered by Con Edison and will be billed based on their monthly consumption calculated at the aforementioned per kw. For the purpose of this analysis, we have estimated the monthly consumption for the various types of apartments.

Summary of the apartment types and estimated annual electrical cost per apartment is as follows:

<u>Apartment Type</u>	<u>Total Annual KWH</u>	<u>Annual Cost/Unit</u>
Typical Apartment 3, 4, 5, 6, 7 Floors	7,400	\$993.60
Duplex Apartment 8/9 Floors	12,930	\$1,756.74

# RIVKINRADLER<sup>®</sup>

ATTORNEYS AT LAW

JEFFREY S. GREENER

PARTNER

(516) 357-3177

[jeffrey.greener@rivkin.com](mailto:jeffrey.greener@rivkin.com)

September 6, 2007

SHAO LIN OPERATING LLC

Attention: Mr. Gary Schaeffer  
 2035 Broadway  
 Suite 21JK  
 New York, New York 10023



Re: The Deuce Condominium,  
 534 West 42nd Street  
 New York, New York

Dear Sirs:

This is with respect to the plan of condominium organization of the premises at the above address and the allocation of the percentages of common interest to the respective units therein.

We have reviewed the allocation of common interests to be included in the Declaration of Condominium for the referenced property. It is our opinion that the percentages of common interest allocated to the respective units, as set forth in Declaration, comply with the method of allocation contained in Section 339-i (I)(iv) of the New York Condominium Act and that such allocations have been based upon floor space, subject to the location of such space and additional factors of relative, value to other units in the condominium, the uniqueness of the unit, the availability of the common elements of exclusive or shared use, and the overall dimensions of the particular unit.

In formulating our opinion we have discussed the allocation of common interest with Joseph Taube of Taube Management Corp., a licensed real estate broker under the laws and regulations of the State of New York. Taube Management Corp. has been a licensed real estate brokerage firm with the State of New York for more than 25 years and has one New York City office.

We have no beneficial interest in the Sponsor and no interest in the profits of this conversion plan other than the fee for this service.

926 Reckson Plaza  
 Uniondale, NY  
 11556-0926  
 Tel: 516.357.3000  
 Fax: 516.357.3333

555 Madison Avenue  
 New York, NY  
 10022-3338  
 Tel: 212.455.9555  
 Fax: 212.687.9044

21 Main Street  
 Court Plaza South • West Wing  
 Hackensack, NJ 07601-7021  
 Tel: 201.287.2460  
 Fax: 201.489.0495

**RIVKIN RADLER**  
ATTORNEYS AT LAW

Shao Lin Operating LLC

September 6, 2007

Page 2

We hereby authorize the use of our name and this letter in connection with proposed plan of condominium organization.

Very truly yours,

RIVKIN RADLER LLP

Jeffrey S. Greener

SG/ad

## COMMERCIAL UNIT

The Commercial Unit will be located on street level of the Building and may be used for any lawful commercial purpose under the New York City Zoning Resolution. The type of business which may presently occupy the Commercial Unit include, but are not limited to, a wide variety of local consumer and public service needs. These include convenience retail shops, dry cleaners, cafes and restaurants, food stores, banks, professional offices, bookstores, fire and police stations and like establishments. Manufacturing and industrial uses which generate truck traffic, loading and unloading of materials and other uses not compatible with the residential character of the upper floors are prohibited. If used as a food establishment, noise and fumes may emanate from the Commercial Units and traffic in and out of the Building may increase.

The Condominium Board and the Residential Unit Owners have no control over the use or any change in the uses of the Commercial Unit or any part thereof. Other than provided herein, no representation is made with respect to the uses to which the Commercial Unit or any part thereof may be put at any time. No representation is made with respect to the continued ownership by Sponsor of all or any portion of the Commercial Unit or as to who the tenants of any portion of the Commercial Unit may be at any time or as to the uses to which any portion of the Commercial Unit may be put at any time (except as described above), and no assurance, representation or warranty is given that such tenants, occupants or uses will not be objectionable to Residential Unit Owners or other parties.

Sponsor reserves the right, to the extent not prohibited by law, without obtaining the consent or approval of the Condominium Board, other Unit Owners, or Mortgage Representatives (if any), (i) to make alterations, additions and/or improvements (whether structural or nonstructural, interior or exterior, ordinary or extraordinary) in and to the Commercial Units; (ii) to change the layout of, or number of rooms in, the Commercial Unit; (iii) to change the size and/or number of the Commercial Unit by subdividing such Commercial Unit into additional Commercial Units, or altering the boundary walls of the Commercial Units (including, without limitation, incorporating in such Commercial Unit a wall, space, hallway or other area forming a part of the Common Elements if such incorporation does not affect access to any other Unit), provided and on the condition that: (a) no physical modification shall be made to any other Units and the Common Interests and interior dimensions of any other Unit shall not be changed by reason thereof, unless the owner of any such other affected Unit shall consent thereto; (b) the owners of the Commercial Unit shall comply with the law and governmental rules and regulations and file such plans and amend the Declaration as may be necessary with respect thereto and to seek any approval or consent of any governmental authority or agency which may have jurisdiction or take any other action which may be necessary with respect thereto; (c) the owner of the Commercial Unit shall indemnify and hold harmless the Condominium Board and all other Unit Owners from any liability arising therefrom; (d) such alteration, addition or improvement shall not jeopardize the soundness or structural integrity of any part of the Building or the safety of any tenant or other Persons at the Property; (e) the Commercial Unit as a whole or as further subdivided units, will be offered for sale only after the Plan has been appropriately amended or after a new plan has been accepted for filing; and (f) no such alteration

shall affect the exterior of the Building. The aforementioned rights shall not impact the Condominium in a materially adverse manner.

The Common Charges payable by the Commercial Unit Owner are sufficient to cover the expenses fairly attributable to the Commercial Unit. The allocation of Common Charges to the Commercial Units shall also reflect any special or exclusive use or availability or exclusive control of particular common areas. Residential Unit Owners will not have any interest in the rents, profits or reserves from the sale, rental or use of any space in the Commercial Unit. The projected share of expenses of the Commercial Units is based upon the relative square footage of the Commercial Unit to all of the Residential Units in the Building.

The owner of the Commercial Unit shall be entitled to designate one (1) member of the Board of Managers, unless the Commercial Unit is owned by the Sponsor at the expiration of the Initial Control Period and the Sponsor would then be entitled to designate a majority of the members of the Board of Managers, in which case Sponsor or its designee will not use its right as the owner of the Commercial Unit to designate a majority of the Board of Managers. In addition to the right to designate, the owners of the Commercial Unit shall be entitled to vote all of the Common Interests allocated to the Commercial Unit in any elections held by the Condominium. (See "Control by Sponsor" for further discussion.)

### CHANGES IN PRICES AND UNITS

The Sponsor will not make any changes in the size or number of Residential Units, their respective percentage of Common Interest or in the amount or quality of Common Elements except by amendment to the Plan and in the event of a change, by amendment to the Declaration with the consent of all Residential Unit Owners directly affected thereby, if the Declaration was recorded prior to such change. Unless prohibited by law, the Sponsor shall have the right to amend or cause the Board of Managers to amend the Declaration to reflect any such change and to file such amendment and any such plans, specifications and maps in connection therewith. In addition, the Sponsor reserves the right to make any change in unit size, layout, appliances, percentage of Common Interest or in the amount or quality of Common Elements directly affecting or servicing any Unit. No such changes shall be made with respect to a Unit for which a Purchase Agreement has been executed and delivered to the Sponsor and where the Purchaser is not in default under the terms of said Purchase Agreement, unless the Purchaser consents in writing to such change.

Unless all Purchasers consent, no material change will be made in the size and no material adverse change will be made in the quality of the Common Elements.

The sales prices at which the Residential Units are being offered initially are shown in Schedule A. The sales prices of one or more Units set forth in Schedule A may be changed by a duly filed amendment to the Plan. Notwithstanding the above, prices are negotiable unless such

negotiation would constitute a discriminatory inducement. The Sponsor may enter into a Purchaser Agreement with an individual Purchaser to sell one or more Units at prices lower than those set forth in Schedule A without filing an amendment.

Except to the extent prohibited by law, and subject to certain restrictions set forth in the Declaration, the Sponsor will have the right, without the vote or consent of the Board, or other Unit Owners, if any to: (a) make alterations, additions or improvements, whether structural or nonstructural, interior or exterior, ordinary or extraordinary, of any type or nature whatsoever, in, to and upon (i) the Commercial Unit, and/or (ii) the Commercial Limited Commercial Limited Common Elements; (b) change the layout of the Commercial Unit from time to time; (c) subject to compliance with all applicable laws and governmental regulations, if any (i) change the size of the Commercial Unit by subdividing the same into any desired number of commercial condominium units; (ii) designate a Commercial Limited Common Element as a part of a newly created unit or designate part of the Commercial Unit as a newly created Commercial Limited Common Element; (iii) reapportion among the newly created commercial condominium units resulting from the subdivision (or combination) their appurtenant Common Interests, provided, however, that in no case may such division result in a greater percentage of Common Interest for the total of the new commercial units than existed for the original Commercial Unit before subdivision thereof; and (iv) change, alter or modify the facade and exterior portion of the Commercial Unit; and (d) subject to compliance with all applicable laws and governmental regulations, including, but not limited to zoning requirements, if any, (i) change the size of the Commercial Unit by subdividing the same into any desired number of residential condominium units; (ii) designate part of the Commercial Unit as a newly-created residential unit or units; and (iii) reapportion among the newly-created residential condominium unit or units resulting from any such subdivision (or combination) their appurtenant Common Interests, provided, however, that in no case may such division result in a greater percentage of Common Interests for the total of the newly-created residential units than existed for the original Commercial Unit before subdivision of the Commercial Unit. As more particularly provided in the Declaration, the Sponsor will have the right to amend the Declaration to the extent required to effectuate the changes contemplated by this section without obtaining the consent of the Board. In addition, the Sponsor shall have all other rights which an owner of a commercial building ordinarily has, including the rights to make renovations and structural changes to the Commercial Units, to lease or sell all or a part of the Commercial Unit, to enter into contracts for services to be performed on or with respect to the Commercial Unit, and to mortgage or otherwise encumber the Commercial Unit.

### INTERIM LEASES

The Sponsor reserves the right to enter into interim leases for Units that are vacant on the Filing Date, or which become vacant thereafter. However, once a Purchase Agreement for a vacant Unit has been executed, and for so long as such Purchase Agreement is in effect, the Sponsor shall only lease the Unit to the Purchaser thereof.

The terms of such interim lease will be for a period which will expire in one (1) year or on the Unit Closing Date, whichever is earlier. In addition, the Sponsor may require Purchasers who

execute interim leases to take physical possession of the Unit within a reasonable time after an interim lease is executed. If the Plan is abandoned, the tenant under an interim lease may either (i) remain in possession of the Unit in accordance with the lease, or (ii) terminate such lease and vacate the Unit as of the last day of any month on not less than thirty (30) days' prior written notice to the Sponsor. As security for the interim lease, Sponsor reserves the right to increase the Downpayment to twenty (20%) percent of the purchase price.

All such interim leases executed by a Unit Purchaser will provide, among things, that (i) an uncured default under the Purchase Agreement for the Unit will constitute a substantial and material default under the interim lease, entitling the landlord (the Sponsor), at its sole option, to immediately terminate such interim lease, and (ii) an uncured default under the interim lease will constitute a substantial and material default under the Purchase Agreement. However, before the Sponsor may utilize any such default under the interim lease to declare a default under the Purchase Agreement, either: (i) the Sponsor must obtain an order of eviction or other judgment or order from a court or agency of competent jurisdiction against the interim lessee or (ii) the interim lessee must have vacated the Unit.

In the event that an interim lease is terminated by the Sponsor upon default under such lease or a Purchase Agreement, the interim lessee shall have thirty (30) days in which to vacate the Residential Unit.

Any right to rescind a Purchase Agreement to which the interim lessee may become entitled will be conditioned upon the prior surrender of his interim lease and vacation by such lessee of the Residential Unit within thirty (30) days of the exercise of the rescission right.

The rent payable for any such Unit and other terms under an interim lease will be negotiated by the Sponsor and the interim lessee, but will in no event exceed the maximum rent that may be legally collectible, if any.

It should be noted that until the Purchaser acquires title to the Unit, the purchaser of a Unit will not be able to claim the income tax deductions in the Plan. Such deductions may become available only when and if (a) the Plan is declared effective and there is a sale to a purchaser hereunder, and (b) the conditions set forth in the Attorney's Income Tax Opinion have been met, and then only for period subsequent to the Unit Closing Date. NO PART OF THE RENT PAID PURSUANT TO AN INTERIM LEASE WILL BE APPLIED TOWARD THE PURCHASE PRICE OF ANY RESIDENTIAL UNIT.

## STORAGE UNITS

A Purchaser desiring to acquire the right to use a Storage Unit must execute the Storage Unit Rider to the Purchase Agreement or, if acquired subsequent to the Closing, the Storage Unit License Purchase Agreement set forth in Part II of the Plan. Sponsor may elect to sublicense and not sell and assign its license to all or any portion of the Storage Units. The purchase prices for each Storage Unit Rider are set forth on Schedule A in Part I of this Plan. The Storage Units will be constructed of woven wire mesh and will generally measure 50 sq. feet.

A default by a Purchaser under the Storage Unit Rider shall constitute a default under the Purchase Agreement for the Unit. Similarly, a default by Purchaser under any of the other terms of the Purchase Agreement shall be a default under the Storage Unit Rider. Purchasers are advised that based upon the status of construction of the Building, the Storage Units may not be available for use at the time of the closing of title to the Residential Unit, and a Purchaser will be required to close title to the Residential Unit and pay the balance of the Purchase Price therefor as well as the Purchase Price for the Storage Units notwithstanding any delay in completion of the Storage Units. Insofar as the Storage Units are located in the cellar, Sponsor cannot make any representation that the Storage Units will remain dry or will not experience any water infiltration and neither the Sponsor nor any Board will be responsible for any damage to items placed in the Storage Units. Residential Unit Owners who place items in the Storage Units do so at their own risk and Purchasers are advised to consult with their insurance brokers regarding appropriate coverage for such stored items. Set forth in Part II of the Plan is the form of Storage Unit License to be assigned by Sponsor to the Purchaser at Closing.

A Unit Owner will be limited to holding one (1) Storage Unit License at a time. The Storage Units may only be used in accordance with Law and only for the storage of the personal effects of the Residential Unit Owner having exclusive access to such Storage Unit and nothing can be stored in the Storage Units which would constitute a threat to the health or safety of the Unit Owners or other occupants of the Building or otherwise create a nuisance in the Building. The Board will be responsible for assigning the Storage Units among the Residential Unit Owners. Each Residential Unit Owner licensee will be responsible for all normal maintenance to the licensed Storage Units. The Board has the authority to promulgate rules regarding use of and access to the Storage Units.

A Unit Owner may assign its Storage Unit License only to another Residential Unit Owner. Upon conveyance of a Unit, the Board will enter into a new Storage Unit License with the transferee of such Unit, in such form then required by the Board. A Unit Owner may sublicense a Storage Unit, but only to a Residential Unit Owner or, the Board, as the case may be and only under such terms as may be required by the Board. In no event may a Residential Unit Owner retain use or rights to a Storage Unit after conveyance or transfer of such Unit Owner's Unit. In the event a Residential Unit Owner elects to terminate a Storage Unit License and does not transfer same to another Residential Unit Owner, the rights to the Storage Unit in question will devolve to the Board which shall have the right to issue a new Storage Unit License to another Residential Unit Owner in its sole discretion. The foregoing limitations do not apply to an owner of Unsold Residential Units.

### **PROCEDURE TO PURCHASE**

The Sponsor hereby offers for sale the Units for occupancy subject to applicable governmental regulations. The sales prices, at which the units are being offered, are shown in detail in Schedule A.

Any person may accept the Sponsor's offer to sell the Units by entering into a Purchase Agreement with the Sponsor in the form annexed in Part II of the Plan. The Purchase Agreement provides that the Purchaser will purchase from the Sponsor a designated Unit in the Condominium described in the Declaration.

A Purchaser will be offered a minimum of three (3) days to review the Offering Plan and all filed amendments prior to executing binding Purchase Agreement. Any conflict between the Plan and the Purchase Agreement shall be resolved in favor of the Plan.

Upon signing the Purchase Agreement the Purchaser shall make a Downpayment of ten (10%) percent of the total price of his/her Unit. Sponsor in its sole discretion may accept a smaller Downpayment, but not less than \$1,000.00. Additional deposits may be required to pay for the cost of such custom work, upgrades or extras that the Purchaser and Sponsor may agree upon. These additional deposits will be placed in the Escrow Account (as defined herein) with the Downpayment. However, the funds deposited in connection with custom work upgrades and/or extras may be released from the Escrow Account by the Escrow Agent (as defined herein) so long as Sponsor uses such funds to pay for the costs of the custom work, upgrades and/or extras. As a result, in the event that a Purchaser shall become entitled to rescission of a Purchase Agreement, the Purchaser will not receive a refund of any funds used for custom work, upgrades and/or extras.

### **Financing**

The Purchase Agreement, in the form set forth in Part II of the Plan, is not contingent upon the Purchaser obtaining financing nor does this Plan contain any provision requiring the Sponsor to provide or aid the Purchaser in obtaining financing for the purchase of a Unit. Accordingly, a Purchaser who is unable to tender the balance due at closing will be in default of his/her Purchase Agreement entitling the Sponsor to retain such Purchaser's down payment and all accrued interest thereon.

No representation is made that bank financing will be available to any Purchasers under the Plan or as to the amount, terms and conditions upon which such financing may be granted or the cost to obtain it. Purchasers should be aware that even if a loan commitment is given, its term may expire prior to the date of the closing. In the event a Purchaser's loan commitment does expire, the Purchaser will remain obligated to close on the Unit under the terms of the Purchase Agreement.

The balance of the purchase price (including the proceeds of any mortgage loan) will be due on the closing of title of the Unit. Such sum shall be paid by Purchaser's certified check drawn on, or a cashier's check of, a bank which is a member of the New York Clearing House Association to

the order of the applicable escrow agent, as defined later in this Section. Upon full payment of the purchase price at the closing, in cash or by mortgage, the Purchaser will receive a bargain and sale deed with covenant against grantor's acts and containing the provisions set forth in Section 13 Subdivision 5 of the Lien Law, which will convey good and marketable title to him of fee ownership in the Unit and such percentage of Common Interest in the Common Elements as is set forth on Schedule A, free and clear of all liens and encumbrances other than those set forth in the section of the Plan entitled "Closing of Title to Units." The Purchase Agreement may be modified with the consent of the Purchaser and Sponsor with respect to all Units, subject to the terms of this Plan.

Once the Purchaser has executed a Purchase Agreement the Sponsor must either accept the Purchase Agreement and return a fully executed counterpart to the Purchaser within twenty (20) days or reject the Purchase Agreement and refund the Downpayment deposit to the Purchaser. If the Sponsor takes no action within said twenty (20) day period the Purchase Agreement shall be deemed rejected. The risk of loss or damage to the interior components of the Unit by fire or any other cause is assumed by the Sponsor until the earlier of delivery of the deed or delivery of possession pursuant to an interim lease.

Simultaneously with the delivery of a Purchase Agreement each Unit Purchaser will be required to execute a unit power of attorney (the "Power of Attorney") in favor of the Board of Managers substantially in the form set forth in Part II of this Plan. The Power of Attorney will enable the Board of Managers to exercise certain rights on behalf of the Condominium, such as exercising or waiving a right of first refusal to purchase or lease a Unit, protesting the Condominium's real estate taxes valuation with the City of New York, or amending the Declaration or By-Laws of the Condominium. The Power of Attorney must be signed and acknowledged and returned to the Selling Agent within five (5) days after request and the failure to do so shall constitute a material default under the Purchase Agreement and the Downpayment will be forfeited unless the default is cured within thirty (30) days after notice to the Unit Purchaser.

#### Escrow Provisions

The Escrow Agent, as hereinafter, will hold all Downpayments in compliance with the escrow and trust fund requirements of General Business Law Sections 352-3 (2-b) and 352-h and the Attorney General's regulations promulgated pursuant thereto.

Any provisions of any contract or agreement, whether oral or in writing, by which a Purchaser purports to waive or indemnify any obligation of the Escrow Agent holding trust funds is absolutely void. The provisions of the Attorney General's regulations concerning escrow/trust shall prevail over any conflicting or inconsistent provision in the Plan or in a Purchase Agreement. Purchasers shall not be obligated to pay any legal or other expenses of the Sponsor in connection with the establishment, maintenance or defense of obligations arising from the handling or disposition of trust funds.

All deposits, down payments, or advances made by Purchasers prior to closing of each individual transaction, whether received before or after the date of consummation of the Plan, will be

placed, within five (5) business days after the Purchase Agreement is signed by all necessary parties, in a segregated special escrow account of Rivkin Radler LLP, the Escrow Agent, whose address is 926 RexCorp Plaza, Uniondale, New York 11556. The name of the account will be "Rivkin Radler LLP" located in North Fork Bank ("North Fork"), at North Fork Bank, 424 Madison Avenue, New York, New York 10017 in account no. 7424023187 (the "Escrow Account"). The signatory on the Escrow Account shall be Jeffrey S. Greener, Esq. North Fork Bank is covered by federal bank deposit insurance (FDIC) to a maximum of \$100,000.00 per individual deposit.

The Account will be interest-bearing and, unless the Purchaser defaults, interest will be credited to the Purchaser at closing. The interest rate to be earned will be the prevailing rate for these accounts, which currently is approximately 1%. Interest will begin to accrue within five (5) business days of tender of the Downpayment.

All instruments shall be made payable to or endorsed to the order of Rivkin Radler LLP, as Escrow Agent.

Within ten (10) business days after tender of a Downpayment submitted with a Purchase Agreement, the Escrow Agent will notify the Purchaser that such funds have been deposited into the Escrow Account and will provide the account number and the initial interest rate. If the Purchaser does not receive notice of such deposit within fifteen (15) business days after tender of the Downpayment, the Purchaser may cancel the Purchase Agreement and rescind so long as the right to rescind is exercised within ninety (90) days after tender of the Downpayment. Rescission may not be afforded where proof satisfactory to the Attorney General is submitted establishing that the escrowed funds were timely deposited and requisite notice was timely mailed to the Purchaser in conformity with the Attorney General's regulations.

The Escrow Agent will hold funds in escrow until otherwise directed in:

- (i) a writing signed by both the Sponsor and Purchaser; or
- (ii) a determination of the Attorney General pursuant to the dispute resolution procedures contained in the Attorney General's regulations; or
- (iii) a judgment or order of a court of competent jurisdiction.

At the closing of title to a Unit, Purchaser and Sponsor shall execute a joint instruction letter which will authorize the Escrow Agent to release the Downpayment. If there is no written agreement between the parties to release the escrowed funds, the Escrow Agent will not pay the funds to the Sponsor until the Escrow Agent has given the Purchaser written notice of not fewer than ten (10) business days. Thereafter, the funds may be paid to the Sponsor unless the Purchaser has already made application to the Department of Law pursuant to the dispute resolution provisions of the Attorney General regulations and has so notified the Escrow Agent in accordance with such provisions.

The Sponsor will not object to the release of the escrowed funds to:

- (i) a Purchaser who timely rescinds in accordance with an offer of rescission contained in the Plan or an amendment to the Plan; or
- (ii) all Purchasers after an amendment abandoning the Plan is accepted for filing by the Department of Law.

Purchasers and the Escrow Agent may apply to the Attorney General in the event of a dispute for a determination on the disposition of the Downpayment and any interest thereon. The sponsor must avail itself of this procedure if there is a dispute which needs to be resolved. A form for this purpose is attached in Part II of this Plan. The party applying for a determination must send all other parties a copy of the application.

Pending the determination of the Attorney General to grant or deny the application, Seller, Purchaser and Escrow Agent shall abide by any interim directive issued by the Attorney General.

Attached to this Plan in Part II is a model of the escrow agreement which incorporates the terms of the Attorney General's regulations.

For the convenience of prospective Purchasers who desire to purchase a Unit but are not ready to execute a Purchase Agreement, the Selling Agent may, but shall not be required to, accept deposits from such persons of \$150.00, to assure the return of this Plan in good condition. If within seven (7) days of acceptance of the deposits a Purchaser enters into a Purchase Agreement or returns the Plan in good condition to the Selling Agent, the deposit will be refunded. Any such deposit will be treated as trust funds pursuant to applicable law.

#### Notice of Closing

After the Plan has been declared effective, Sponsor will fix dates for the closing of title to all Units for which Purchase Agreements have been executed, by serving a notice on each Purchaser stating the date of the First Closing and setting such Purchaser's Unit Closing Date.

Each Purchaser will be given at least thirty (30) days' written notice in advance of his/her obligation to pay the balance of the purchase price. Notice will also be given (and may be given at the Sponsor's option at the time of notice of the due date of the balance of the purchase price) of the date of a Unit closing which will be no earlier than forty (40) days from the giving of the notice. Sponsor may permit Purchasers to waive this forty (40) day provision by including such waiver in the Plan or any amendment thereto. Such notice will state when Common Charges will be due and payable. The balance is to be paid by unendorsed certified check of Purchaser or official bank check or cashier's check, in either case drawn on a New York State bank which is a member of the New York Clearinghouse Association payable as directed by the Sponsor.

If though no fault of Sponsor a Purchaser fails for any reason to close on the date originally scheduled for the closing of title to his/her Unit (the "Original Closing Date"), the (A) the closing adjustments shall be made as of midnight preceding the Original Closing Date and (B) Purchaser shall pay to Sponsor an amount equal to 0.03% of the Purchase Price for each day starting from (and including) the Original Closing Date to (and including) the day before the actual Closing Date; (NOTE: If the Unit is vacant, the Purchaser will be required to reimburse Sponsor for all Common Charges, real estate taxes and any special assessments payable during such interim period).

Notwithstanding the foregoing, if a Purchaser is obtaining financing from a bank, trust company or other lending institution, then only that portion of the balance of the purchase price which is not being financed need be paid within said thirty (30) day period. However, in such case, the Purchaser must submit together with such payment a copy of a written commitment from the lending institution (in form satisfactory to counsel for the Sponsor) for the portion of the purchase price to be financed. If the Purchaser complies with the foregoing, then the financed portion of the balance of the purchase price will be payable on the Unit Closing Date.

If a Purchaser fails to pay any portion of the purchase price when due, fails to close title to his/her Unit on the date specified by the Sponsor pursuant to the Purchase Agreement or otherwise defaults, the Sponsor may elect to cancel the Purchase Agreement by thirty (30) days' written notice to the Purchaser and shall, upon the expiration of such 30-day period (unless such default be cured within said period), be entitled to liquidated damages in an amount equal to the amount of the Downpayment (but in no event to exceed ten (10%) percent of the purchase price) plus any monies paid by Purchaser for the cost of optional extras or changes within the Unit and spent for such extras and thereafter neither party shall have rights or obligations against the other.

#### Final Inspection of Unit

At least five (5) business days before the Unit Closing Date, the Sponsor will notify the Purchaser that the Unit is ready for final inspection. Upon receipt of the notice, Purchaser will promptly arrange an appointment with the Sponsor or Selling Agent to inspect the Unit during such five (5) business day period. Purchaser or Purchaser's duly authorized agent shall attend such inspection, accompanied by a representative of Sponsor, and shall complete, date and sign an inspection report (the "Inspection Report") and deliver same to the Sponsor or Selling Agent at the conclusion of the inspection. The failure of the Purchaser either to inspect the Unit within the five (5) business day period or to so sign and deliver a completed Inspection Report, shall not excuse Purchaser from paying the balance when due and shall constitute Purchaser's full acceptance of the Unit in the as-built condition existing on the day of the Closing. A Purchaser is obligated to pay the entire balance of the Purchase Price, without provision for escrow, notwithstanding Sponsor's obligation to complete or correct the construction items noted on Purchaser's Inspection Report, provided a temporary certificate of occupancy has been obtained for the Unit. However, nothing herein shall relieve Sponsor of its obligations as set forth in "Rights and Obligations of Sponsor."

The Purchase Agreements will not be modified so as to abrogate a Purchaser's right under Article 23-A of the General Business Law. Any material modification of the form of Purchase Agreement to be used by tenant Purchasers must be modified by duly filed amendment to the Plan.

The risk of loss from fire or other casualty to the interior components of the Unit remains with the Sponsor unless and until the earlier to occur of (a) a non-tenant Purchaser takes actual possession of a Unit pursuant to an interim lease or (b) legal title to the Unit has been conveyed to the Purchaser. Non-tenant Purchasers are advised to obtain appropriate insurance if they obtain possession of a Unit pursuant to an interim lease.

Any conflict between this Plan and the Purchase Agreement shall be resolved in favor of this Plan.

#### **ASSIGNMENT OF PURCHASE AGREEMENT**

Purchase Agreements may not be assigned without the consent of the Sponsor.

#### **EFFECTIVE DATE OF THE PLAN**

The Sponsor's offer to sell the Units is contingent upon the Plan being declared effective and no closing to a Unit will be held or a date fixed for such closing until the Plan is declared effective. The Plan will be declared effective by (i) an amendment to Plan filed with the Department of Law, or (ii) the serving of a written notice, which will be delivered personally or sent by regular, registered or certified mail, with or without return receipt requested, to each Purchaser followed by the submission of an amendment of the Plan to the Department of Law of the State of New York within five (5) business days thereafter, confirming that the Plan was declared effective.

#### **Effective Date**

The Plan may be declared effective if written Purchase Agreements have been executed and delivered for at least fifteen (15%) percent of all Units in the Building. In calculating the percentage, no Unit Purchaser will be counted more than once, and only one Purchase Agreement will be counted for any one Unit. If a Purchaser enters into Purchase Agreements for more than one Unit, each of the Purchase Agreements will be included in calculating the fifteen (15%) percent figure. Ancillary units (such as the storage units) may not be counted towards effectiveness.

The Sponsor must declare the Plan effective when and if Purchase Agreements have been executed and accepted for the sale to Purchasers of at least eighty (80%) percent of the Units offered under the Plan, and the conditions referred to in the aforesaid paragraph above have been met.

The Plan will not be declared effective based on Purchase Agreements (i) signed by Purchasers who have been granted a right of rescission that has not yet expired or been waived, (ii) with any Purchaser who is the Sponsor, the Selling Agent, or the Managing Agent, or is a principal of the Sponsor or the Selling Agent, or is related to the Sponsor or the Selling Agent by blood, marriage, or adoption or a business associate, an employee, a shareholder or a limited partner of the Sponsor or the Selling Agent; except that such a Purchaser other than the Sponsor or a principal of the Sponsor may included if the Sponsor has submitted proof satisfactory to the Department of Law establishing that the Purchaser is bona fide.

Once the Plan is declared effective, it may not thereafter be withdrawn or abandoned by Sponsor except in the event of (i) the existence of one or more defects in title affecting one or more Units that cannot be cured without litigation or cannot be cured for less than an amount equal to  $\frac{1}{2}\%$  of the amount of this offering in the aggregate and which are not waived by the Purchaser thereof, or (ii) substantial damage or destruction of the Building by fire or other casualty which cannot be repaired or restored for less than an amount equal to  $\frac{1}{2}\%$  of the amount of this offering in the aggregate, provided that the Sponsor is entitled to collect the proceeds of any applicable fire insurance policy in an amount at least equal to the actual cost of repairs, or (iii) the taking of any material portion of the Property by condemnation or eminent domain. Any stated dollar amount relied upon as a basis for abandonment after effectiveness must exclude any attorney fees or any such title defects or determinations of any authority or regulatory association which exist on the date of presentation of the Plan and are either known to the Sponsor or are a matter of public record.

If and when the Plan is abandoned, the Sponsor will give notice thereof by regular mail to all Purchasers and existing tenants and will within five (5) business days thereafter submit to the Department of Law a notice of abandonment on the appropriate form along with an amendment to the Plan disclosing the same. All monies paid by a Purchaser pursuant to a Purchase Agreement will be returned in full within twenty (20) days thereafter, with interest. Upon the return of the Downpayments, the Purchase Agreements will be null and void and neither the Sponsor nor the Selling Agent will have any further liability to Purchasers thereunder or under this Plan. In the event of abandonment, Sponsor shall file an amendment together with Form RS-3 Notification of Abandonment, disclosing that the Plan has been abandoned.

### **TERMS OF SALE**

A Unit Closing Date will be set by the Sponsor in accordance with the Purchase Agreement upon thirty (30) days written notice to the Purchaser. Said notice will also include notice of the Obligation to pay the balance of the purchase price, will offer the Purchaser the opportunity to inspect his/her Unit and the Condominium, and will state when the Purchaser will be required to pay his/her first month's Common Charges, unless the date of commencement of payment of such charges has not been set by the Board of Managers. On the Unit Closing Date, fee title to the Unit will be conveyed to the Purchaser along with the Purchaser's undivided interest in the Common Elements. All personal property located within the Unit on the date the Purchase Agreement is executed or located within the Common Elements on the date the declaration is filed, that is owned by the Sponsor, will be included in the conveyance. The closing of title to the first Units are expected to commence on or about March 1, 2008. Such closing, however, will only take place after or simultaneously with the happening of the following events:

1. The Declaration, By-Laws, floor plans and engineer's and tax authority certification required by Section 339-p of Article 9-B of the Real Property Law of the State of New York shall be recorded or filed as required by law.
2. The Unit and its undivided interest in the Common Elements shall not be subject to the lien of any mortgage at the time of closing except any mortgage requested by the Purchaser at the time of closing representing a purchase money mortgage or mortgages taken by the Purchaser.
3. The filing of an amendment to the Plan disclosing that (a) the Plan has been declared effective pursuant to the terms of the Plan; and (b) the Sponsor has complied with the requirements of paragraphs 1 through 6 herewith.
4. The delivery to the Unit Owner a bargain and sale deed with covenant against grantor's acts in the form set forth in Part II of the Plan.
5. The Purchaser shall execute an instrument (a unit power of attorney), in the form set forth in Part II of the Plan, designating the Board of Managers as his/her attorney in fact coupled with an interest, for the sole purpose of managing, selling, mortgaging, leasing, voting or otherwise dealing with any Units acquired by the Board of Managers in accordance with any of the provisions of the By-Laws.
6. If so requested by the Purchaser, the issuance to Purchaser, by the LandAmerica Title Insurance Company of New York or such other title company that is licensed to do business in New York State and approved by the Sponsor, of a policy of title insurance in the amount of the purchase price for the Unit which shall insure that (a) such Purchaser has good and marketable fee title in the Unit, free and clear of all

liens and encumbrances, except those set forth below in this Plan and subject to the provisions of the Declaration and By-Laws as recorded, and any mortgage executed by the Purchaser and (b) that the Condominium was validly formed pursuant to Article 9-B of the Real Property Law.

The Unit Owner, at his/her option, may purchase title insurance covering his/her interest in the Unit. See the Section of the Plan entitled "Closing Costs and Adjustments" for the cost of such insurance. Title to the Unit will be subject to the following:

1. Any state of facts of the Property as shown on a survey to be made prior to the closing of title provided such facts would not render title unmarketable.
2. Any sewer, steam, water, gas, electric, drainage, telephone, cable television or other utility easements or consents granted or to be granted hereafter, including the right to maintain and operate lines, wires, cables, pipes, conduits, poles and distribution boxes in, over, under, and upon the Condominium.
3. All of the terms, covenants and conditions of the Declaration, the By-Laws and the Plans and Specifications as they are subsequently filed or recorded and the Plan and any amendments thereto.
4. Zoning and building ordinances, resolutions, statements, description, restrictions and regulations of municipal authorities having jurisdiction and amendments thereto or Landmark designations, now or hereafter adopted, provided same will not be violated by the contemplated structure and use.
5. Beam and beam rights and party walls and party wall agreements.
6. Any variations between tax lot lines and lines of record title.
7. The lien of any unpaid real estate tax, and the lien of any water charges or sewer rents generally (which shall be apportioned at closing).
8. Standard printed exceptions contained in the form of title insurance policy then issued by the title insurance company insuring Purchaser's title to his/her Unit.
9. All easements and/or Party Wall Agreements set forth in the Declaration and By-Laws, as they are subsequently recorded, and in the Plan and Purchase Agreement, including but not limited to:
  - (a) Easement in favor of the Owners of other Units to use the pipes, wires, conduits, cable, television, and public utility lines located in the Common Elements, Residential Common Elements or in the Unit itself servicing such other Units and/or

the Common Elements, Residential Common Elements or Limited Residential Common Elements.

- (b) Easements in favor of the Board of Managers, its agents, contractors or employees to have a right of access to the Unit and to the Common Elements, Residential Common Elements, Limited Residential Common Elements to inspect, maintain or repair or to make repairs to the Unit to prevent damage to the Common Elements, Residential Common Elements and Limited Residential Common Elements or any other Units, to make repairs to the Common Elements, Residential Common Elements and Limited Residential Common Elements, to any wires, pipes, conduits or cable television system servicing any of the Units or to make repairs to any other Unit;
- (c) Easements in favor of those Units having portions of the Common Elements limited to their use;
- (d) Easements for the continuance of encroachments on the Unit and on the Common Elements, Residential Common Elements or Limited Residential Common Elements by other Units or portions of the Common Elements, Residential Common Elements or Limited Residential Common Elements, now existing by reason of the construction of the Units, or hereafter occurring by reason of the settling or shifting of the Units, or by reason of the repair and/or restoration by the Board of Managers of the Units or such other Units or such Common Elements, Residential Common Elements or Limited Residential Common Elements, after damage by fire or other casualty or after taking in condemnation or eminent domain proceedings, or by reason of an alteration to the Common Elements, Residential Common Elements or Limited Residential Common Elements made by the Board of Managers, so that any such encroachments may remain as long as the Units stand;
- (e) Restriction set forth in Reel 517 Page 1945 and in Reel 528 Page 1281;
- (f) Agreement, recorded in Reel 595 Page 322;
- (g) Covenant set forth in Reel 2747 Page 405;
- (h) Zoning Lot Certification, dated 12/23/2005 and recorded 2/24/2006 under CRFN 2006000107677;
- (i) Zoning Lot Certification and Ownership Statement, dated 1/23/2006 and recorded 2/24/2006 under CRFN 2006000107528.

The Sponsor will reserve the right to grant easements for additional utility, sewer and drainage lines and appurtenances in, over, under and through the Condominium, to relocate any

existing utility, sewer and drainage easements and to dedicate any or all such facilities to any governmental body, public benefit corporation or utility company, if the Sponsor shall deem it necessary or desirable for the proper operation and maintenance of the Condominium or any portion thereof, or for the general health and welfare of any Unit Owner, provided that such additional utilities or the relocation of existing utilities will not prevent or materially interfere with the use of the Units for their stated purposes. Any utility company or public benefit corporation furnishing services to the Condominium, and its employees and agents, shall have the right of access to any Unit and to the Common Elements, Residential Common Elements and Limited Residential Common Elements in furtherance of such easements provided such right of access is exercised in such a manner as not to unreasonably interfere with the use of the Units.

Each user of an easement referred to in this Section shall have the responsibility or repairing any damage resulting from his/her acts.

Any or all of the foregoing exceptions may be omitted from the deed to be delivered at the closing of the title, but all such exceptions so omitted shall nevertheless survive the delivery of the deed.

The Sponsor has been advised by its counsel, Rivkin Radler LLP that in counsel's opinion, none of the exceptions to title herein above set forth is of a serious nature or should discourage a willing Purchaser from purchasing any Unit or should affect the saleability of any Unit.

#### UNIT CLOSING COSTS AND ADJUSTMENTS

The estimated closing costs and expenses to be borne by each Purchaser are as follows:

(a) Fee title insurance, if ordered. LandAmerica Title Insurance Company of New York ("LandAm") quotes fee title insurance rates as of the date of this Plan as \$402.00 for the first \$35,000.00 of fee insurance plus from \$6.67 to \$2.76 for each \$1,000.00 of additional fee insurance or fraction thereof depending on the total amount of insurance. LandAmerica Title Insurance Company of New York will insure lenders at discounted simultaneous rates if a fee policy and mortgage policy are both obtained by Purchaser.

(b) Fee for recording the deed covering the Unit, the Power of Attorney in favor of the Board of Managers and any applicable Mortgage release on the Unit: LandAmerica charges \$32.00 as a base recording charge plus \$5 per page plus \$30.00 documents service charge and charges a mortgage recording fee (if any) at a rate of \$62.00 per instrument plus \$5 per page. Each title company established its own additions service and surcharges in this regard.

(c) The New York State transfer tax of \$2.00 per \$500.00 or fractional portion thereof of the gross consideration (less, where the gross consideration is less than \$500,000, any pre-existing and continuing mortgages) and the New York City transfer tax of 1% of the purchase price where the consideration is less than \$500,000 and 1.425% where the consideration is more than \$500,000 with

respect to residential transfers. WHILE THE NEW YORK STATE AND NEW YORK CITY TRANSFER TAXES ARE CUSTOMARILY PAID FOR BY THE SELLER IN SINGLE FAMILY HOME TRANSACTIONS, THE BURDEN OF PAYING SUCH TAXES MAY BE MODIFIED BY CONTRACT. Thus, as is common with many other condominium developments in New York State, this Plan and the Purchase Agreement provides that the Purchaser of a Unit will be required to pay these transfer taxes at the closing. Purchasers should also be aware that Units acquired for purchase prices in excess of \$1,000,000.00 are subject to the so called "Mansion Tax," which is one (1%) percent of the total purchase price and is payable by Purchaser at closing to the State of New York Department of Taxation and Finance. It should be noted that the New York City Department of Finance and New York State Department of Taxation and Finance have taken the position that where the Purchaser pays such taxes the amount of such taxes shall be added to the consideration subject to the taxes, for purposes of calculating the appropriate payment of transfer taxes, including without limitation the Mansion Tax.

**For purposes of calculating the taxes payable, the amounts of such taxes will be included in the consideration subject to tax. Therefore, the steps to compute the tax are as follows:**

1. Multiply the purchase price by the RPT Tax rate to compute the tentative City tax.
2. Multiply the purchase price by the NYS Tax rate to compute the tentative NYS Tax.
3. Add the tentative taxes to the Purchase Price.
4. Multiply the total calculated in line #3 above by the RPT Tax rate to determine the RPT Tax payable.
5. Multiply the total calculated in line #3 above by the NYS Tax rate to determine the NYS Tax payable.
6. Multiply the total calculated in line #3 above by the Mansion Tax rate to determine the Mansion Tax payable.

**EXAMPLE: Purchase Price = \$1,500,000.00**

1.  $\$1,500,000 \times 1.425\% = \$21,375.00$  (Tentative RPT Tax payable)
2.  $\$1,500,000 \times .4\% = \$6,000.00$  (Tentative NYS Tax payable)
3.  $\$1,500,000 + \$27,375 = \$1,527,375.00$  (Adjusted Purchase Price)
4.  $\$1,527,375 \times 1.425\% = \$21,765.09$  (Actual RPT Tax payable)

5. \$1,527,375 x .4%	=	\$6,110.50 (Actual NYS Tax payable)
6. \$1,527,375 x 1%	=	\$15,273.75 (Actual Mansion Tax payable)

(d) If the Purchaser obtains a mortgage from an institutional lender, he shall pay at the closing of title the following costs, or if any such costs has been paid by the Sponsor, the Purchaser shall pay to the Sponsor the sum of sum of such costs paid by the Sponsor: (i) recording fee for the mortgage, (ii) mortgage recording tax in the amount provided by law (at the date of this Plan the tax is 2% of the amount of any mortgages securing debts of less than \$500,000.00 and 2.125% of the amount of any mortgages securing debts of \$500,000.00 or more, but in either event the Purchaser is entitled to a \$25.00 credit and the Mortgagee is obligated to pay 1/4% of said tax; and any mortgage tax credit received pursuant to Section 339-ee of the Real Property Law, by virtue of the mortgage recording taxes Sponsor has paid on the Property or Building, will inure to the benefit of Sponsor; (iii) the premium for the mortgage title insurance policy, the present rates being (i) \$344.00 for the first \$35,000, plus from \$5.55 to \$2.31 (which rate decreases as the amount of the Insurance increases) for each \$1,000.00 of additional mortgage title insurance or fraction thereof depending on the total amount of insurance and (iv) the lending institution's closing costs and expenses, including, without limitation, points, credit search and appraisal fees and attorney's fees pertaining to the mortgage. No representations or warranties are made with respect to the amounts of such closing costs and expenses or the availability or cost of mortgage loans. In addition, should the Purchaser elect to obtain a mortgage, he may be required by the lending institution to provide to the lending institution a deposit towards the payment of real estate taxes based upon a multiple estimated monthly real estate taxes which will vary with the closing date. The Sponsor is unable to estimate the total closing costs and expenses to be borne by each Purchaser in the event Purchaser obtains a loan from a lending institution.

(e) All Purchasers, except for the Sponsor, shall pay at closing two (2) months Common Charges to the Condominium as initial working capital. While Sponsor is in control of the Board of Managers the working capital fund (the "Working Capital Fund") will not be used to reduce the Common Charges. If any portion of the Working Capital Fund is used during this period to pay for items in the budget set forth as Schedule B, such amounts will be repaid to such fund out of Common Charges collected at each closing.

(f) Each Purchaser shall be responsible for the payment of fees of his own attorney and in the event of the establishment of an additional real property transfer tax or any other tax imposed with relation to delivery of the deed, such tax payment. The mortgage and the fee title insurance premiums, the recording charges and the mortgage recording and transfer taxes set forth above are those in effect as of the date of this Plan. If said premiums, charges or rates are subsequently revised by the title company and/or the State and City of New York, each Purchaser shall be required to pay the title insurance premiums, recording charges and transfer taxes in effect as of the date of the closing of title to his Unit.

(g) Each Purchaser shall be required to pay the following counsel fees to Rivkin Radler LLP attorneys for the Sponsor:

- (i) \$1,500.00 for each closing;
- (ii) \$350.00 for each assignment of a Purchase Agreement;
- (iii) \$500 if a closing is held outside the Sponsor's attorney's office (but such location must remain within New York County);
- (iv) \$350.00 if a default letter is required to be sent by the Sponsor's attorneys; and
- (v) \$1,000.00 if a title insurance company other than the LandAmerica Title Insurance Company of New York is used by a Purchaser.

Example: Mandatory Closing Costs

Purchaser will pay approximately the following mandatory Closing costs based on rates in effect in March 2005 and assuming the Purchase Price is \$1,500,000 and the form of documents in the Part II of this Plan are used (all amounts are approximate and rounded to the nearest dollar).

1.	Fee to record Unit deed (assuming 4 pages + 1 cover page) and Unit Owner's Power of Attorney (assuming 3 pages + 1 cover page) at a rate of \$18 for each instrument plus \$5 per page, plus an additional \$32 for recording each instrument.	\$135.00
2.	Title insurer's service charge and recording fee to record the Unit deed and Unit Owner's Power of Attorney.	\$60.00
3.	New York State transfer tax (also call the documentary stamps) at the rate equal to the Adjusted Purchase Price (see Example above) x .4% (rounded up to the nearest \$500) plus a "Mansion Tax" of 1% of the Adjusted Purchase Price (if the Adjusted Purchase Price is \$1,000,000 or more)	\$21,384.00
4.	New York City transfer tax (at the rate of 1% of an Adjusted Purchase Price of \$500,000 or less, or at the rate of 1.425% of an Adjusted Purchase Price of more than \$500,000)	\$21,790.00
Total projected mandatory Closing costs:		\$43,369.00 (estimated and approximate)

Note: This figure does not include the required Working Capital Fund payment equal to two (2) month's projected Common Charges and the legal fee due Sponsor's attorneys. In addition, governmental recording fees may vary from time to time. Title company service charges (if any) may also be imposed depending on the title agent or insurer.

Example: Elective Closing Costs

Assuming the purchase of the Unit is financed with a mortgage loan for 80% of the Purchase Price (or \$1,200,000) and both fee and mortgage title insurance are obtained simultaneously for Purchaser and Purchaser's mortgage lender, Purchaser would pay the following projected elective Closing costs based upon rates in effect as of March 2008 (all amounts are approximate and rounded to the nearest whole dollar):

1.	Mortgage recording tax (at a rate of 2% of the mortgage - if less than \$500,000 - or 2.125% of the mortgage - if \$500,000 or more), minus \$25 and minus .25% payable by the mortgage lender before deducting the statutory credit against the mortgage tax credit payable to Sponsor.	\$22,475.00
2.	Mortgage recording fee (assuming 20 pages) at the rate of \$62 per instrument, \$5 per page.	\$162.00
3.	Municipal charge to record the mortgage tax credit affidavit.	\$62.00
4.	Premium for simultaneous fee (\$4,436) and mortgage (\$919) title insurance.	\$5,382.00
5.	Other projected potential mortgage loan costs (assuming: "points" of 1% of mortgage amount, appraisal of \$250, lender's legal fee of \$750, UCC-1 filing fee of \$50 and \$200 allowance for miscellaneous expenses)	\$13,350.00
6.	Allowance for title closer gratuity and contingencies.	<u>\$250.00</u>
Total projected elective closing costs:		\$41,681.00 (estimated and approximate)

Note: This projection does not include: (a) escrows for real estate taxes, Common Charges or other sums that might be required by Purchaser's mortgage lender, (b) a travel fee to Sponsor's attorneys

in the event the Purchaser's lender or its counsel refuses to close at the office of Sponsor's attorneys or (c) a fee to any attorney Purchaser may engage.

Purchaser's actual Closing costs will be based upon the applicable governmental and title company rates in effect on the Unit Closing Date.

The foregoing projection of mandatory and elective Closing costs are not guaranteed. Although the projections are believed to be reasonable, there are a number of unknown factors (such as the mortgage loan Closing costs, which may vary widely amongst different lenders). As a result, the actual Closing costs may be higher or lower, perhaps substantially, than those projected.

#### Closing Apportionments

At the closing of title to each Unit, Sponsor and the Purchaser shall apportion, as of midnight of the day preceding the Unit Closing Date:

- (a) rent, if any, due from Purchaser for the month in which the closing occurs;
- (b) Common Charges for the month in which the closing occurs;
- (c) real estate taxes and assessments, if any (including water charges and sewer rents if separately assessed), on the basis of the period for which they are assessed. If the Units have not been separately assessed for such period, the Purchaser will pay his share of said payments in proportion to said Purchaser's interest in the Common Elements.

If Units have not been separately assessed for real estate tax purposes (including water charges and sewer rates, if any) prior to the First Closing, the Sponsor shall place, in a special escrow account on behalf of the Board of Managers, an account estimated to be sufficient to pay real estate taxes for the entire Property for half of the tax year following the half of the tax year in which the First Closing occurs (the "Half Tax Year"). The Board of Managers will pay out of such escrow account the real estate taxes, as and when same become due and payable.

At the closing of each Unit, the Managing Agent, on behalf of the Board of Managers, will collect from each Purchaser a sum reasonably estimated to pay the real estate taxes for the Half Tax Year. Such sums shall be held in a separate escrow account by the Board of Managers pending payment of such real estate taxes. Upon the payment of such real estate taxes, the Board of Managers will promptly reimburse the Sponsor for the sum deposited in escrow by it for the Half Tax Year in an amount equal to the proportionate share of the real estate taxes allocable to the Units for which title has closed prior to the Half Tax Year.

If, the Board of Managers reasonably believes that more than one half of a tax year may elapse before the Units are individually assessed, the Board of Managers shall collect monthly

escrow deposits from the Unit Owners or their Lenders, if any, of their proportionate share (based on Common Interest) of the estimated tax bill for the entire Property at the tax rate announced for the applicable period or higher rate, reasonably taking into account a possible tax increase for such subsequent period. Real estate taxes shall be paid out of such escrow deposits and the Board shall bill each Unit Owner for his proportionate share of such taxes if the escrow deposits were insufficient to pay the actual amount of the taxes, or shall reimburse the Unit Owners also on a proportionate basis if the actual real estate taxes were less than the escrow deposits collected. Until separate tax bills are issued for each Unit, each Unit Owner will make payments to the Board of Managers for his proportionate share (based on Common Interest) of the real estate tax allocable to his respective Unit ( in accordance with the foregoing), and the Board of Managers will have a lien on each Unit for non-payment thereof, as if such charges were Common Charges. At such time as the Unit is separately assessed, the Unit Owner will pay taxes directly to the taxing authority, or, in the event that the Unit is mortgaged, the Unit Owner may be required to make escrow deposits for real estate taxes to his lender who shall pay such taxes.

Immediately prior to the First Closing, Sponsor shall apportion the following items with the Condominium Board as of the midnight of the day immediately preceding such closing:

- (a) employees' wages, vacation and severance pay, pension and welfare benefits and all other payments or obligation relative to all employees of the Building;
- (b) fees for assignable permits and license, if any;
- (c) cost of fuel;
- (d) charges for electricity, gas and other utilities for the Common Elements;
- (e) payments under assignable service and maintenance contracts and concession agreements, if any;
- (f) water and sewer charges;
- (g) senior citizens' exemptions, if any;
- (h) premiums for transferable insurance policies;
- (i) vault charges, if any;
- (j) cost of supplies on hand, at Sponsor's cost, plus sales tax; and
- (k) All other items customarily adjusted for when selling residential real estate in New York County.

The "Customs in Respect to Title Closings" recommended by the Real Estate Board of New York, Inc., as amended to date, shall apply to the adjustments and other matters therein mentioned except as otherwise provided herein. Any errors or omissions in computing apportionments set forth in this Section shall be corrected and payments made to the proper party promptly after discovery. This provision will survive the applicable closing of title.

### **RIGHTS AND OBLIGATION OF THE SPONSOR**

No bond or other security has been furnished to secure performance of the following obligations. All obligations pertaining to the Common Elements shall be enforceable only by the Board of Managers on behalf of the Unit Owners and not by the individual Unit Owners. Upon the first conveyance of title to a Unit, Sponsor will deliver an undertaking letter to the Board of Managers obligating Sponsor to perform the following obligations:

1. Sponsor will endeavor in good faith to sell, within a reasonable period of time, the Residential Units for the prices listed on Schedule A, as such Schedule may be amended from time to time. However, Sponsor retains the unconditional right to rent rather than sell Units. Sponsor will retain the Commercial Unit.
2. Sponsor will be obligated to pay off and otherwise comply with the terms of any mortgages on the Property. After the recording of the Declaration and before the First Closing, the respective mortgages will be satisfied, released, or subdivided, extended and consolidated with the individual permanent mortgage which will be placed on the Units of those Purchasers obtaining a purchase money mortgage. Any mortgage, pursuant to which Sponsor is a mortgagor, will be subordinated to the Declaration and released as to any Unit sold to a Purchaser. In addition, before the First Closing, all liens and mortgages affecting the Condominium shall be paid satisfied or the Unit being conveyed and its appurtenant Common Interest shall be released therefrom by a partial release duly recorded.
3. The Sponsor reserves the right to change the size, number and location of the Units and other improvements or Common Elements, provided such changes do not change or affect the value or percentage of Common Interest of any Unit which title has closed or for which a Purchase Agreement has been executed and is in effect, unless all affected Unit Owners consent in writing to such a change. No such change will be made other than pursuant to a duly filed amendment to the Plan and to the Declaration in the event the Declaration was recorded prior to such change. The Sponsor reserves the right to maintain a sales office on the Property and to erect signs to be affixed to the outside of the Property indicating that Units are being sold.

It is the present intention of the Sponsor to not maintain a model sales unit in the Building. Sponsor reserves the right to change that designation or to establish model units in its sole discretion.

4. The Sponsor will pay all expenses incurred prior to the establishment of the Condominium in connection with the operation and maintenance of the Building, and Sponsor will bear and pay all costs and expenses incurred in connection with the creation of the Condominium whenever such costs or expenses are incurred or are in connection with the sale of all of the Units held or owned by the Sponsor and will pay all selling expenses including, but not limited to, advertising and printing costs, architect fees, attorney fees, and costs of filing this Plan amendments thereto.

5. Sponsor has no obligation to defend any suits or to indemnify the Board of Managers or any Unit Owners arising out of any act or occurrence occurring prior to the recording of the Declaration, except claims arising out of the acts, omissions or representations of the Sponsor.

6. All representations under the Plan, all obligation pursuant to the General Business Law, and such additional obligations under the Plan which are to be performed subsequent to the closing date, will survive delivery of the deed.

7. The Sponsor will cause the Board of Managers to maintain the Property until the Sponsor no longer controls the Board of Managers.

8. Until title to all Units is passed to bona fide Purchasers, Sponsor will pay its Common Charges, special assessments as are assessed by the Board of Managers and real estate taxes with respect to all Unsold Units. Sponsor has the financial resources to meet its obligations with respect to the Unsold Units and will fund its financial obligations to the Condominium through the sale of Units. No bond or other security has been furnished to secure Sponsor's obligations as disclosed in the "Special Risk" section of the Plan.

9. The Sponsor will initially procure for the Condominium fire and casualty insurance on the terms set forth in Schedule B of the Plan. The amount of fire insurance to be maintained on the Building upon the first transfer of title to a Unit, and until the first meeting of Unit Owners will be in the amount shown in the notes to Schedule B.

10. Pursuant to Section 352-e (9) of the General Business Law, copies of all documents mentioned in this Plan, are and will be kept on file at the office of the Sponsor set forth on the cover page of this Plan, as may be changed from time to time.

11. No bond or other security has been posted to secure the Sponsor's obligations under this Plan. The ability of the Sponsor to perform its obligations hereunder will depend upon its financial condition at the time it is called upon to perform. Except as provided above, no representation is being made that Sponsor will be financially able to perform any or all of its obligations. However, as of the date hereof, Sponsor has the financial resources to meet its obligations with respect to Unsold Units. The Sponsor's liability is limited to its net proceeds from the sale of Units, provided that such limitation shall not apply to any violation of Article 23-A of the General Business Law.

12. In accordance with Section 339-p of the Real Property Law, a registered architect or licensed professional engineer shall certify within reasonable tolerance that the floor plans filed with the recording of the Declaration are an accurate copy of portions of the plans of the Building as filed with and approved by the municipal or other governmental subdivision having jurisdiction over the issuance of permits for the construction of buildings.

13. In event of the dissolution or liquidation of the Sponsor or the transfer of ten (10) or more Units or of twenty (20%) percent or more of the total number of Residential Units in the Condominium, whichever is less, principals of the Sponsor will provide financially responsible entities or individuals who will assume the status and all of the obligations of the Sponsor for the Residential Units under the Plan, applicable laws or regulations.

14. Sponsor has obtained construction financing through Gateway Arms Realty Corporation ("Gateway"), 285 St. Marks Place, Staten Island, New York 10301, and has in connection therewith granted Gateway a mortgage encumbering the Property as security for the repayment of the Gateway debt (the "Gateway Debt").

15. The Sponsor shall build and complete the Condominium in accordance with the building plans and specifications identified in the Plan. The Sponsor may substitute equipment or materials or make modifications of layout or design, provided, however, that Sponsor may not:

- (i) substitute equipment or materials of lesser quality or design once a purchase agreement has been executed and accepted; or
- (ii) change the size, location of Units or other improvements or Common Elements if such changes affect the percentage of Common Interests or adversely affect the value of any Unit to which title has closed or for which a Purchase Agreement has been executed and is in effect unless all affected Unit Owners and contract vendees consent in writing to such change.
- (iii) make a materially adverse change in the offer unless the affected Purchaser consents.

16. Notwithstanding Sponsor's obligation to correct original defects resulting from improper construction of the Units and Common Elements in violation of applicable building codes, Sponsor assumes no responsibility and will not be liable to repair to replace any of the following:

- a. any condition resulting from normal wear and tear or natural deterioration or from the normal movement, settlement and shrinkage of the Building and/or Building materials; or
- b. defects of an insubstantial nature, such as, without limitation, partial or total death of any trees, shrubs, bushes or other landscape improvements,

protruding dry wall fastening, ridging on gypsum board, lumber shrinkage, door or window sticking due to weather, door warpage including, without limitation, warpage of the main entrance door within reasonable tolerances of doors of similar size and weight, slight scratches in plastic laminate, vitreous china, stainless steel, tile, porcelain or stone surfaces, bathroom finish, grouting, adjustment of bi-fold doors, walls not square, electrical plates not straight, discoloration or shrinkage, slight separation between base and floor;

- c. normal settlement and deflection or any consequential damage resulting therefrom including, without limitation, cracks in roof ballast, or concrete cracks which do not reduce the structural integrity of the Building;
- d. deviations in the level of ceilings, and imperfections in ceiling finishes;
- e. imperfections in painting finishes;
- f. variations and imperfections in floor stains or finishes;
- g. deviations in the level of a floor, or buckling, sinking, gapping or spacing due to expansion or shrinkage;
- h. alignment of bathroom finishes and variation in grouting thickness;
- i. air infiltration and water infiltration from windows in accordance with the Architectural Aluminum Manufacturers Condominium Standard A-Z;
- j. noise and vibration from normal plumbing, heating, ventilating, air conditioning and elevator operation, including boiler, water heaters, elevators machine room and other equipment;
- k. floor noises and creaking;
- l. carpet or floor discoloring or stretching;
- m. variations in width, length, thickness, finish or color range of wood flooring;
- n. minor chips, scratches, mars, dents, cracks, imperfections, other defects in windows, window glass, frames and hardware, sliding glass doors, frames, door glass and hardware, louvers, shower doors, lighting fixtures, lenses, baffles and globes, all painted surfaces, all sinks, tubs, basins, water closets, kitchen cabinets, back splashes and counter tops, vanity tops and cabinets, all tile, stone or marble floors, saddles, all appliances, woodwork, millwork and doors, mirrors, all hardware, appliance cabinets, ceilings and flooring;

- o. after the Unit Closing Date, paint touch-ups, repair dented appliances, or replace light bulbs;
- p. variations in tone or color or marble or stone or variations in tone or color of vanity tops or countertops or other marble or stone surfaces;
- q. leaching or color variation in exterior color mortar and colored brick, and dimensional variation in brick joints, and mortar droppings on bricks and window surfaces;
- r. ponding and/or controlled drainage on the roof or terrace surface;
- s. television, radio or other telecommunications reception;
- t. discoloration to hardware and plumbing finishes;
- u. stains, runs, lumps, shags, or imperfections in weave in fabric panels;
- v. terrace pavers not laid flat, or color variation in pavers, or stained pavers;
- w. any other imperfection or defect, except as expressly warranted pursuant to this Plan.

Sponsor shall have discharged its obligation to repair abnormal scratches in title, stone, wood, marble, plastic, laminate, vitreous china, porcelain and stainless steel surfaces by filing or refinishing and Sponsor shall not be obligated to replace such surfaces.

17. Prior to the First Unit Closing, Sponsor must obtain a temporary, partial or permanent Certificate of Occupancy for the Unit or the Building. Sponsor must obtain the permanent Certificate of Occupancy before the partial or temporary Certificate of Occupancy expires, unless extended.

18. All alteration and improvements to the common areas and public portions of the Building may not be substantially completed before the First Unit Closing.

19. If the First Unit Closing takes place prior to the issuance of a permanent Certificate of Occupancy for the property:

- (i) Sponsor is required to maintain all deposits and funds in the special escrow account required by GBL Section 352-(2-b) unless the Sponsor's engineer, architect or other qualified expert certifies that a lesser amount will be reasonably necessary to complete the work needed to obtain a permanent

Certificate of Occupancy, in which case the sum exceeding the amount so certified by the Sponsor's engineer, architect or other qualified expert may be released from the special escrow account. Alternatively, the Sponsor may deposit with an escrow agent an unconditional, irrevocable letter of credit, post a surety bond in the amount so certified, or provide other collateral deposit with an escrow agent an unconditional, irrevocable letter of credit, post a surety bond in the amount so certified, or provide other collateral acceptable to the Department of Law to cover the costs reasonable necessary to complete the work needed to obtain a permanent Certificate of Occupancy.

- (ii) Notwithstanding subparagraph (i) above, if the Plan is subject to the provision of GBL Section 352-ee, Sponsor is required to maintain all deposits and funds in the special escrow account required by GBL Section 352-3 (2-b) unless the Sponsor's engineer or architect certifies that a lesser amount will be reasonably necessary to complete all alterations and improvements to the public portions and common areas of the Building. In such case the sum exceeding the amount so certified by the Sponsor's engineer or architect may be released from the special escrow account. Alternatively, Sponsor may deposit with an escrow agent an unconditional, irrevocable letter of credit, post a surety bond in the amount so certified, or provide other collateral acceptable to the Department of Law to cover the costs reasonably necessary to complete all alterations and improvements to the public portions and commercial areas of the Building.

20. At or prior to the closing of a Unit, Sponsor shall assign any manufacturer's warranties with respect to equipment and appliances installed in the Unit and assign any warranties with respect to equipment and appliances installed in the Common Elements to the Board of Managers.

21. Sponsor agrees to pay for the authorized and proper work involved in the construction and establishment and sale of the Condominium that Sponsor is obligated to complete under the Plan and Sponsor will cause all mechanics liens with respect to such construction to be promptly discharged or bonded.

22. Upon completion of all work the Sponsor shall deliver a set of "as-built" plans to the Board of Managers.

23. No bond or other security has been furnished to secure Sponsor's obligations including Sponsor's obligations to complete construction of the Condominium.

### Unsold Units

The Sponsor may offer all or any Unsold Units for sale or lease after filing of the Declaration without first offering such Unit to the Board of Managers. Purchasers of any leased Unit will be purchasing Units that have been previously occupied. Sponsor will pay its Common Charges with respect to Unsold Units.

### CONTROL BY SPONSOR

The Sponsor, as owner of the Unsold Units, will have voting control of the Board of Managers until the earlier of (i) five (5) years from date of the First Closing or (ii) conveyance of title to Units representing ninety (90%) percent of the Residential Common Interests. The Sponsor, during this interim control period, thus will have control of maintenance, facilities and services to be provided and will determine the Common Charges to be paid by all Unit Owners, including the Sponsor and the enforcement of the Sponsor's obligations. However, during such control period, the Sponsor will not decrease the services set forth in the Estimate of Income and Expenses (Schedule B) of this Plan without the consent of a majority of all Unit Owners (other than Sponsor voting as a Unit Owner) present at duly called meeting of the Unit Owners. See also the section of this Plan entitled "Rights and Obligations of Unit Owners."

The first Board of Managers of the Condominium will consist of three (3) members to be designated by the Sponsor and who may be officers and employees of the Sponsor. The Sponsor shall retain the right to substitute other persons in the place of the first Board of Managers as set forth below. Within sixty (60) days of the First Closing, the Sponsor shall call a Unit Owners meeting at which time a new Board of Managers shall be elected to consist of five (5) members, subject to the Sponsor's designation rights set forth below. The period prior to the fifth anniversary of the First Closing or the date by which Sponsor has sold Units representing ninety (90%) of the Residential Common Interests is referred to as the "Initial Control Period."

During the Initial Control Period, Sponsor or its designee will have the right to designate three (3) members of the Board (regardless of the number of votes Sponsor has the right to cast). After the earlier of (i) five (5) years after the conveyance of the First Unit or (ii) conveyance of the title to Units representing ninety (90%) percent of the Residential Common Interests, Sponsor or its designee shall have the right to designate three (3) members of the Board for so long as the Common Interests attributable to any Unsold Units owned by Sponsor or its designee equals in the aggregate, thirty-five (35%) percent or more of the Residential Common Interests; and Sponsor or its designee shall have the right to designate two (2) members of the Board for as long as the Common Interests attributable to any Unsold Units owned by Sponsor or its designee equals in the aggregate fifteen (15%) percent or more of the Residential Common Interests; and Sponsor or its designee shall have the right to designate one (1) member of the Board, for as long as Sponsor or its designee shall own Unsold Units with any Residential Common Interest attributable thereto. The owner of the Commercial Unit shall be entitled to designate one (1) member of the Board of Managers unless the Commercial Unit is owned by the Sponsor and the Sponsor is then entitled to designate members of

the Board, in which case Sponsor shall not be entitled to designate a majority of the members to the Board of Managers after the termination of the Initial Control Period by virtue of Sponsor's ownership of the Commercial Unit. Notwithstanding the foregoing, Sponsor shall have the right to vote all of the Common Interests attributable to the Units owned by Sponsor in Sponsor's sole discretion.

Members of the Board of Managers shall not be compensated for their services. Members of the Board of Managers may be removed for cause by an affirmative vote of a majority of the Unit Owners. Officers of the Condominium may be removed with or without cause, at anytime, by the affirmative vote of a majority of the Board of Managers. While the Sponsor is in control of the Board of Managers any contract with a managing agent will include a clause that said contract can be terminated upon sixty (60) days written notice of any party.

### **RIGHTS AND OBLIGATION OF UNIT OWNERS**

#### **Sale or Lease of Units**

Units can be sold or leased by a Unit Owner, subject to the right of first refusal of the Condominium to purchase or lease the Unit as provided in the Condominium's Declaration and By-Laws, exclusive of the Commercial Unit and the Unsold Units and the restrictions contained in the mortgage encumbering the Unit, if any, and provided that the Unit Owner is not in arrears on the payment of Common Charges (except where the payment of such unpaid Common Charges is paid by the Purchaser or provided for out of the proceeds of the sale). A Purchaser is free to make a gift of his Unit to anyone during his lifetime or to devise his Unit by will or to have it pass by intestacy without any restriction. No Unit can be sold or leased without a simultaneous sale or lease of the undivided interest in the Common Elements attributable thereto.



No Unit Owner (except for the Sponsor or the owner of the Commercial Unit) may sell or lease their Unit without complying with the right of first refusal provisions contained in the Condominium's By-Laws, a copy of which is contained in Part II of the Plan. Any Unit Owner who receives a bona fide offer to sell or lease his Unit must give the Board of Managers of the Condominium notice of such offer. The Board will notify the Unit Owner within thirty (30) days of receipt of such notification if it intends to exercise its right of first refusal. If it elects to exercise such right, it must close within ninety (90) days after the giving of notice by the Board of Managers of its election to accept such offer. The Board of Managers may not discriminate against any person on the basis of race, creed, color, national origin, sex, age, disability, marital status or other grounds prohibited by law.

Section 339-kk of the Condominium Act has been enacted to provide financial protection to condominium associations in the instance where a non-occupying unit owner defaults on his/her monetary obligations to the condominium association (a copy of Section 339-kk has been reproduced as Exhibit K). Section 339-kk provides, in part, that in the event that a non-occupying unit owner leases his/her unit to a rental tenant and then fails to make payments due to the condominium (for a

period of 60 days or longer) the condominium association can take steps to collect the amount due directly from the Unit Owner's tenant (See Exhibit J for further details).

#### Restrictions on Occupancy and Use

Occupancy of Residential Unit, however, may only be for residential purposes in accordance with the applicable governmental regulation. No immoral, improper, offensive or unlawful use shall be made of the Condominium nor any part thereof and all valid laws, zoning ordinances and regulation of all governmental bodies having jurisdiction thereof shall be observed. Unit Owners, their families, employees, guests and pets shall not use or permit the use of the Units and Common Elements in any manner that would be illegal, disturbing or a nuisance to other Unit Owners. Other than the Commercial Unit Owner, no resident shall put any advertisement or posters of any kind in or in the Community without the consent of the Board of Managers. Unit Owners are prohibited from hanging garments, rugs, etc. from the windows or from the Building or from stringing clothes lines on or over the Common Elements or from using any of the Common Elements for storage. No Unit Owner shall paint the exterior surfaces of the windows, walls or doors opening out of his Unit.



#### Mortgage of Unit by Home Owners

**THE UNIT OWNER MAY MORTGAGE HIS UNIT AT ANY TIME, WITHOUT RESTRICTION, PROVIDED, HOWEVER, ALL LIENS FOR COMMON CHARGES, IF ANY, ARE PAID IN FULL AT CLOSING. ANY UNIT OWNER MAY, UPON THE RESALE OF HIS UNIT, GRANT A PURCHASE MONEY MORTGAGE TO A PURCHASER OF HIS UNIT.**

#### Use of Residential Units

In order to provide for congenial occupancy of the Building and for the protection of the values of the Units, the By-Laws provide that the use of the Residential units shall be restricted to and be in accordance with the following provisions:

(a) The Residential Units (other than those owned by the Sponsor or a Sponsor-affiliate) shall be used for residential use only. The Sponsor or a Sponsor affiliate shall have the right, without charge, (i) to maintain general and sales offices in one or more Units or elsewhere on the site, to use one or more Units as models and for other promotional purposes in connection with the sale or lease of Units and to erect and maintain signs on the site; (ii) to have its employees, contractors and sales agents present on the site; and (iii) to do all things reasonably necessary or appropriate, including the use of the Common Elements or the Residential Common Elements, to sell or lease Units, and to complete improvements on the Property to comply with its obligations under this Plan. The Sponsor will exercise such rights in a manner consistent with the purpose and character of the Condominium.

(b) The Common Elements and the Residential Common Elements shall be used only for the furnishing of the services and facilities for which they are reasonably intended and which are

incident to the use and occupancy of Units. No Residential Unit Owner shall make any addition, alteration, improvement or change in or to any Common Elements and the Residential Common Elements without the prior written consent of the Board of Managers.

(c) No immoral, improper, offensive or unlawful use shall be made of the Property nor any part thereof and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. Notices of any violation of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the respective Unit Owners or by the Board of Managers, whichever shall have the obligation to maintain or repair such portion of the Property.

(d) Residential Unit Owners, members of their families, their employees and guests shall not use or permit the use of the Unit or any part of the Property in any manner which would be illegal or disturbing or a nuisance to other Unit Owners, or in such a way as to be injurious to the reputation of the Condominium.

(e) The Common Elements and the Residential Common Elements shall not be obstructed, littered, defaced or misused in any manner.

(f) A Residential Unit owned or leased by an individual, corporation, partnership, fiduciary, or other entity may be occupied only by the individual, or by a designated officer, director, stockholder, or employee of such corporation, or by a designated partner or employee of such partnership, or by a fiduciary (including designated officers, directors, stockholders or employees of corporate fiduciaries), or by the beneficiary of the fiduciary, or by a principal or designated employee of such other entity, respectively, or by members of the immediate family or guests or any of the foregoing. Within thirty (30) days after a Residential Unit is acquired by other than an individual, such non-individual owner shall notify the Managing Agent of the officer, director, stockholder, partner or employee designated by such owner to occupy the Unit. The person so designated may be changed from time to time by the non-individual owner by similar written notice to the Managing Agent. However, all designees must be bona fide officers, directors, stockholders, partners or employees of non-individual owner. Rules and regulations concerning the use of the Residential Units, the Common Elements, the Residential Common Elements and the Limited Residential Common Elements may be promulgated and amended from time to time by the Board of Managers in accordance with the terms of the By-Laws. The Condominium's initial rules and regulation are included in Part II.

#### Use of Commercial Unit

In order to provide for congenial occupancy of the Building and for the protection of the values of the Units, the By-Laws provide that the use of the Commercial Unit shall be restricted to and be in accordance with the following provisions:

(a) The Commercial Unit may be used for any purpose permitted by Law and any existing certificate of occupancy, provided such use is as defined in the New York City Zoning Resolution.

(b) Commercial Unit Owner, its employees, clients, invitees and guests shall not use or permit the use of the Unit or any part of the Property in any manner which would be illegal or disturbing or a nuisance to other Unit Owners, or in such a way as to be injurious to the reputation of the Condominium.

(c) The Common Elements shall not be obstructed, littered, defaced or misused in any manner.

#### Common Charges - Assessment and Collection

The Board of Managers will prepare and furnish its budget to the Unit Owners annually. Based upon such budget and any modification thereof approved by the Board of Managers, the Unit Owners will be charged for the cost of the operation of the Condominium in accordance with their percentage interest in the Common Elements. Any special assessments will also be charged to the Unit Owners in accordance with their percentage interest in the Common Elements. The Common Charges assessments and other normal operational costs, may include, in the discretion of the Board of Managers, reserves, working capital and other sums necessary to carry on the affairs of the Condominium.

The estimates of Condominium expenditures in Schedule B were made by the Sponsor and passed upon by Taube Management Corporation, whom Sponsor retained as a consultant. Although the Sponsor is of the opinion that such estimates are accurate and reasonable, they are not intended and cannot be construed as an assurance of the actual expenses and are merely based upon information available at this time. Actual costs may be more or less than the amounts set forth herein.

It is presently anticipated that the Common Charges are to be used primarily to pay for fire and other casualty insurance on the Buildings and the Common Elements, public liability and property damage insurance as set forth in Schedule B of the Plan, maintenance costs, fuel costs, legal and accounting expenses, water charges and sewer rents in connection with the Building (unless same are separately assessed to individual Units), and a reserve for future contingencies. The Common Charge do not include maintenance, repairs or decoration of the interior of the Units or portions thereof, electric and gas services supplied to the Units, payments required pursuant to the terms of Units Owners' mortgages or real estate taxes covering the individual Units.

The Common Charges which will be collected monthly by the Board of Managers and other costs of maintenance of the Units are set forth on Schedule B. However, additional services which the Unit Owners may desire or other factors can increase these charges. The Board of Managers will commence the collection of the Common Charges upon the First Unit Closing or at such subsequent date as in its sole discretion it may determine. The Board's assessment of Common Charges will be

in an amount no greater than necessary to carry out the duties of the Board of Managers as set forth in this Plan. Such Common Charges shall be paid by the Unit Owners and the Sponsor, as owner of the Unsold Units, in accordance with the percentage of Common Interest allocated to each Unit set forth herein. Sponsor shall be liable for monthly Common Charges attributable to Unsold Units, title to which has not been transferred to a bona fide Purchaser, commencing with the First Closing. The Common Charges will be placed in an account in the name of the Board of Managers in North Fork Bank, 424 Madison Avenue, New York, New York 10017.

Where a Unit is damaged by casualty and the proceeds of insurance are not sufficient to cover the repair of the damage, the amount necessary to restore the Unit, over and above the proceeds from any fire insurance on the Units, will be a common charge to all Unit Owners. In order to protect the Unit Owner against the possibility of such Common Charges, the Board of Managers shall determine the amount of blanket casualty insurance covering all Units (the cost of such insurance is part of the Common Charges) and shall review the amount of such coverage annually.

#### Unsold Units and Common Charges Applicable Thereto

Sponsor will be responsible for and will pay the Common Charges, special assessments as are assessed by the Board of Managers and real estate taxes to all Unsold Units until sold. No bond or other security will be posted by the Sponsor for this obligation (as disclosed in the "Special Risk" section of the Plan) and its ability to perform will depend upon its financial condition at the time it is called upon to perform. If Sponsor is unable to perform, this Plan will be amended, sales will cease and rescission will be offered to all of the Purchasers under contract with the Sponsor. If the Sponsor fails to pay Common Charges for the Unsold Units, the Board of Managers will have the same rights and remedies against it as against any other defaulting Unit Owner, but the non-defaulting Unit Owners may be required to pay additional monies to cover any resulting deficit. Sponsor has the financial resources to meet its obligation with respect to the Unsold Units and will fund its financial obligations to the Condominium through the sale of Units.

#### Liens for the Non-Payment of Common Charges

Under Section 339-z of the Real Property Law of the State of New York, the Board of Managers shall have a lien against each Unit for its unpaid Common Charges and legal interest thereon, prior to all other liens except liens for the payment of taxes and all sums unpaid on any permitted first mortgage of record. The lien shall continue in force even after resale of a Unit except that the Board shall, in accordance with the Declaration, release the lien and right to collect unpaid Common Charges against any Purchaser of a Unit where such purchase arises out of a foreclosure of an institutional mortgage. In accordance with Section 339-aa of the Real Property Law of the State of New York the Board of Managers may foreclose the lien in the same manner as a mortgage on real property and in doing so shall be entitled to recover all costs incurred including reasonable attorney's fees. In any such foreclosure, the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to a sale pursuant to a judgment of foreclosure and sale, and the Board of Managers shall be entitled to the appointment of a receiver to collect the same. The Board

of Managers, acting on behalf of the Unit Owners, shall have the power unless prohibited by the By-Laws, to bid at the foreclosure sale, and to acquire and hold, lease, mortgage and convey same. The Board of Managers shall also have the right to commence a plenary action to recover unpaid Common Charges, however, the commencement of such an action shall be maintainable without foreclosing or waiving the lien securing the same, and foreclosure shall be maintainable notwithstanding the pending of the suit to recover a money judgment.

The liability of each Unit Owner for the payment of Common Charges thereafter assessed against his Unit shall terminate upon a sale, transfer or conveyance of such Unit in accordance with the provisions of the Declaration and By-Laws. Further, any Unit Owner may convey his Unit to the Board of Managers or its nominee, on behalf of all other Unit Owners, without any compensation and in accordance with the Declaration and By-laws, and in such event he shall be exempt from any Common Charges thereafter assessed, but not relieved of his obligation to pay his mortgage. However, a Unit Owner may not exempt himself from liability for his Common Charges by waiver of the use of enjoyment of any of the Common Elements or by abandonment of his Unit.

Upon a resale, the Purchaser of a Unit shall be liable for the payment of unpaid Common Charges assessed against such Unit prior to the acquisition of such Unit by the Purchaser, except that a mortgagee who acquires title to a Unit or a purchaser at a foreclosure sale shall not be liable and the Unit shall not be subject to a lien for the payment of Common Charges assessed prior to the acquisition of title to such Unit by the mortgagee or purchaser at a foreclosure sale. In such event and in the event of a foreclosure by the Board of Managers of its lien on any Unit for unpaid Common Charges where the proceeds of the foreclosure sale are not sufficient for the payment of such unpaid Common Charges, the unpaid balance shall be charged to all Unit Owners as a Common Expense.

#### Repairs, Alterations and Improvements to Units

The Unit Owner can make any interior alterations improvements to the Unit he or she desires without obtaining the consent of the Condominium so long as such alterations or improvements do not affect the Building or its structural systems or any other Common Elements, Residential Common Elements or Limited Residential Common Element. In the event such alterations or improvements affect the structural soundness of the Building in which the Unit is located, the Unit Owner must first obtain the written consent of the Board of Managers. Consent may be requested by mailing a letter certified mail, receipt requested to the Managing Agent, if any, or to the President of the Board of Managers, if no Managing Agent is employed. The Board of Managers shall have the obligation to answer the request to make such structural alterations within sixty (60) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

No additional enclosed area can be built as-of-right on the building roof terraces or balconies and any additional roof terrace or balcony construction, including any paving, plumbing work, electrical work, or structure, shall require the approval of the New York City Department of

Buildings. Unit Owners should also be aware that any application they may file in order to obtain the right to build on the building terraces, may or may not be contested by the Board of Managers.

In the event the Board grants its permission to a Unit Owner's alteration request, pursuant to the By-Laws, the Board may regulate the alteration process, including but not limited to: (i) the hours during which work is permitted; (ii) the manner in which construction debris will be handled; (iii) measures which must be taken to prevent compromising the security of the building during construction; (iv) the interruption of services during construction; and (v) the contractor liability insurance requirements.

Notwithstanding the foregoing, the Sponsor, for so long as it is the owner of any Residential Units may, if not prohibited by law, and without the consent or approval of the Board of Managers, make alterations, additions or improvements, structural and non-structural, interior and exterior, in, to and upon the Unsold Units and Limited Residential Common Elements (if any) (including without limitation, the removal of walls, floors, ceilings, and other structural portions of the Building and the enlargement of the existing apartments), provided, however, that it shall comply with all rules, ordinances and regulations of all governmental authorities having jurisdiction thereof and shall agree to hold the Board of Managers harmless from any liability arising therefrom.

Except as may be provided to the contrary in this Plan, the By-Laws or in Section 339 (i) of the Real Property Law, the Board, Managing Agent, other Unit Owners, or representatives of holders of mortgages encumbering Units shall not have the right to approve (a) non-structural alterations, additions, improvements or repairs in or to any Unit owned by the Sponsor or is appurtenant Limited Residential Common Elements made by Sponsor or its designee, interior or exterior, or (b) any subdivision, combination or change in the boundary walls of any Units owned by the Sponsor or its designee. See the section of the Plan entitled "Alterations, Additions, Improvements or Repairs in and to the Units and the Limited Residential Common Elements" for further discussion as to Unsold Units. Sponsor may make structural or extraordinary interior or exterior alterations, additions, improvements or repairs in or to any Unsold Units or the appurtenant Limited Residential Common Elements without the written consent of the Board of Managers.

At the request of Sponsor (or its designee), the Board will execute any application or other document required to be filed with any governmental authority having or asserting jurisdiction in connection with any such addition, alteration, improvement, or repair proposed to be made to any Unit owned by the Sponsor (or their Limited Residential Common Elements), or to the Common Elements or the Residential Common Elements (as the case may be), at which time Sponsor (or its designee) shall indemnify and hold the Board and the Unit Owners harmless from any expense or liability by virtue of the execution of the application or such other documents.

All maintenance to the Units including electrical repairs, plumbing stoppages, window cleaning, painting and decorating (expect painting or cleaning of the exterior surface of windows and doors which open from a Unit, which are performed by the Board of Managers) repairs and replacements to the Unit including windows and doors (including all glass breakage) and repairs to

pipes, wires, and conduits located in and servicing the same Units other than as set forth herein shall be made by the respective Unit Owners at their own expense. Repairs to Common Elements shall be the responsibility of the Board of Managers and the cost of such repairs shall be a Common Expense. Repairs to Residential Common Elements shall be the responsibility of the Board of Managers and the cost of such repairs shall be a Common Expense to all Residential Unit Owners. Notwithstanding the foregoing, each Unit Owner will be responsible for the maintenance of the Limited Residential Common Elements appurtenant to his/her Unit.

In the event that the Unit Owner fails to make any repair or creates any condition which affects the Building, the Common Elements or Residential Common Elements or any other Unit, the Board of Managers, may, upon notice given in accordance with the provisions of the By-Laws, make such repair or correct such condition and charge the Unit Owner for the cost of such service. In the event it becomes necessary for the Board of Managers to make such repair or correct such condition or to collect any sum due on account thereof, the Board of Managers shall also be entitled to collect reasonable attorney's fees in connection with such suit or proceeding.

Notwithstanding the foregoing, all maintenance, repairs and replacements to the Common Elements or Residential Common Elements, whether structural or non-structural, ordinary or extraordinary, that are necessitated by the negligence, misuse, or abuse of a Unit Owner, will be made by the Board of Managers at the Unit Owner's sole cost and expense.

The By-Laws require that each Unit, all Limited Residential Common Elements appurtenant thereto and all portions of the Common Elements be maintained in first-class condition (and with respect to any part of the Property exposed to the elements, free of snow, ice and accumulation of water) by the Unit Owner or the Board, whichever is responsible for the maintenance thereof. The By-Laws further require that those public or other areas of the Building that are exposed to public view (whether the same are required to be maintained by a Unit Owner or by the Board) be maintained in good appearance in conformity with the dignity and character of the Building by such Unit Owner or the Board, as the case may be. In the event that any Unit Owner fails to keep his Unit or its appurtenant Limited Residential Common Elements in such condition, the Board may, at the expense of such Unit Owner, enter his Unit or its appurtenant Limited Residential Common Elements to perform such acts as are necessary to cure such default. See "Right of Access" below for a further discussion.

#### Insurance

The Board of Managers shall obtain and maintain, to the extent obtainable, fire insurance with extended coverage, water damage, vandalism and malicious mischief endorsements insuring the Building, including all of the Units (but not including furniture, furnishings or other personal property supplied or installed by Unit Owners), covering the interest of the Condominium, the Board of Managers and all Unit Owners and their mortgagees, as their interest may appear, in an amount equal to the full replacement value of the Building (based on an agreed amount). Each of such policies shall contain a New York Standard Mortgagee clause in favor of each mortgagee of a Unit,

which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Board of Managers and the Insurance Trustee hereinafter set forth; and such other insurance as the Board of Managers may determine. Schedule B to this Plan sets forth the amount of coverage which will be procured during the first year of Condominium operation.

In addition to the insurance set forth herein, the Purchaser may desire to insure his personal effects and the interior of the Unit itself for fire and liability. Such insurance, if taken by the Purchaser, will be payable by the Purchaser directly.

The proceeds of all policies of physical damage insurance carried by the Board shall be payable to the Board of Managers in the event of a loss amounting to \$100,000.00 or less, and to the Insurance Trustee if the loss shall amount to more than \$100,000.00 to be applied for the purpose of repairing, restoring or rebuilding the Building unless otherwise determined by the Unit Owners, as hereinafter set forth.

If available, all policies of physical damage insurance shall contain waivers of subrogation and of any reduction of pro-rata liability of the insurer as a result of any insurance carried by the Unit Owners or of the invalidity arising from any acts of the insured or any Unit Owners and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days prior written notice to all of the insured, including all mortgagees of Units.

The amount of fire insurance to be maintained on the Condominium until the first meeting of the Board of Managers, following the first annual meeting of Unit Owners, will be in the amount of at least \$10,000.00. The Board of Managers shall review the amount of fire insurance annually. Although there is no requirement for annual appraisals to ascertain whether the insurance coverage is adequate, such appraisals are required prior to renewal of any fire policy. See Schedule B for the estimated insurance costs of the Condominium.

Unit Owners shall not be prohibited from carrying other insurance for their own benefit provided such policies contain waivers of subrogation and further provided that the liability of the carriers issuing insurance procured by the Board of Managers shall not be affected or diminished by reason of any Unit Owner's other insurance.

The Condominium insurance coverage does not cover fire and liability insurance for the Purchaser's personal effects and interior of the Unit. Purchasers are advised to secure such coverage.

The public liability insurance policy to be maintained until the first meeting of the Board of Managers, following the first annual meeting of the Unit Owners, will be a limit of \$1,000,000 per occurrence, \$2,000,000 in the aggregate, covering all claims for bodily injury and for property damage arising out of any one occurrence in the Common Elements. The insurance the Sponsor will initially procure for the Condominium will also contain officers and directors liability and fidelity and bond insurance.

The Board will arrange for repair of the Units in the event of casualty loss. In the event the insurance proceeds are not sufficient to cover the costs for repairs to Units, the balance of the cost of such repairs will be assessed against all Unit Owners. For further provisions regarding repair or reconstruction of Units, after fire or casualty and condemnation provisions see the Condominium's By-Laws contained in Part II of the Plan. In the event of a casualty loss, the Unit Owner will continue to pay the Common Charges on his Unit.

A New York bank or trust company will be designated as Insurance Trustee by the Board of Managers. In the event that the Insurance Trustee shall resign, the new Insurance Trustee, designated by the Board of Managers, shall also be a bank or trust company in the State of New York. The Insurance Trustee shall hold all proceeds of insurance policies in accordance with Section 254(4) of the Real Property Law.

The cost of all insurance and the fees and expenses of the Insurance Trustee shall be paid by the Board of Managers and shall constitute a Common Expense. The Board of Managers shall also obtain and maintain, to the extent obtainable: (1) fidelity insurance covering all employees of the Condominium who handle Condominium funds (in no event less than \$100,000.00); (2) Workers' Compensation insurance; (3) Boiler and Machinery Insurance; (4) Elevator Collision Insurance; (5) Director and Officer Liability Insurance; and (6) in order to limit the liability of Unit Owners for personal injury and tort, public liability insurance covering each member of the Board of Managers and each Unit Owner, in such limits as the Board of Managers may deem proper. the Board of Managers shall review such limits once each year.

#### Access by Board of Managers

The Board of Managers and its agents, employees and contractors shall have a right of access to any Unit and to all portions of the Common Elements and Limited Common Elements, including the roofs, terraces and cellar areas, for the purpose of carrying out any of its obligations under this Plan, the Declaration and By-Laws.

#### Compliance with Terms of Declaration, By-Laws and Rules and Regulations

Ownership of a Unit in the Condominium subjects the Unit Owner to compliance with the provisions of the Declaration and By-Laws as well as any rules and regulations contained in the Declaration or By-Laws or established by the Condominium in accordance therewith. The rule and regulations set forth in the Declaration and By-Laws can be found in Part II of the Plan. The Board of Managers can institute legal actions to enforce compliance with the provisions of the Declaration and By-Laws as well as the rules and regulations, if any established therewith.

The provision of the Declaration and By-Laws that requires written consent of the Board of Managers prior to a Unit Owner making an alteration that would impair the structural soundness of the Buildings does not apply to the Sponsor.

The provisions of the By-Laws which requires members of the Board of Managers to be Unit Owners, adult family members of Unit Owners, employees or partners of a partnership owning a Unit or a mortgage covering a Unit, shareholders, officers, directors or employees of corporate owners or employees or fiduciaries who are owners or mortgagees of Units, will not apply to the first Board of Managers or to the members designated by Sponsor or Sponsor's designee.

#### Other Liens

There are no other liens or encumbrances on the Unit or Common Elements other than the lien for non-payment of Common Charges and unpaid real estate taxes, the lien of a first mortgage which arises if the Purchaser obtains a first mortgage on his Unit and the liens and encumbrances set forth in the section of the Plan entitled "Closing of Title to Units."

#### The Commercial Unit Owner

The owner of the Commercial Unit shall be entitled to designate one (1) member of the Board of Managers. The Commercial Unit Owner's consent shall be required for (i) a voluntary discontinuation of the Condominium, (ii) an amendment to the Declaration or By-Laws which would impact the rights of the Commercial Unit Owners, change the uses permitted in the Commercial Unit, or deprives the owners of the Commercial Unit the right to designate a Board member, or (iii) a reallocation or alteration of the Common Elements which would affect access to or the size of the Commercial Unit.

## **RIGHTS AND OBLIGATIONS OF BOARD OF MANAGERS AND SUMMARY OF DECLARATION AND BY-LAWS**

Primary responsibility for operating the Condominium rests with the Board of Managers who are elected by the Unit Owners. The form of the By-Laws and the Declaration of Condominium referred to in the Plan appear in Part II.

The following is a summary of certain provisions of the Declaration and By-Laws.

### **BOARD OF MANAGERS**

The affairs of the Condominium shall be governed by a Board of Managers (the "Board). The first Board shall consist of three (3) Managers designated by the Sponsor. Thereafter, the Board of Managers shall consist of five (5) Managers.

All members of the Board of Managers (other than the designees of Sponsor) shall be Unit Owners, adult family members of Unit Owners, employees or partners of a partnership owning a Unit or a mortgagee having a mortgage secured by a Unit, shareholders, officers, directors or employees of corporate owners or employees or fiduciaries who are owners or mortgagees of Units. Members of the Board of Managers do not have to be owner-occupants or members of an Owner-Occupant's household.

At all meeting of Unit Owners, each Unit Owners shall entitled to cast the votes appurtenant to such Unit based on the percentage of Common Elements attributable to the Unit. See the Section of the Plan entitled "Control by Sponsor" as to the Sponsor's initial control of the Board. Each member of the Board of Managers shall serve for a one-year term and shall be elected annually. To insure the Sponsor minimum representation of the Board after it turns over control (i.e., upon the earlier to occur of (i) five (5) years from the date of the First Closing, or (ii) conveyance of title to ninety (90%) percent of the Residential Common Interest) of the Board to the Unit Owners, the Sponsor shall have the following designation powers. So long as Sponsor continues to own Units representing at least thirty (35%) percent of the Residential Common Interest Sponsor shall be entitled to designate three (3) members of the Board. So long as Sponsor continues to own Units representing fifteen (15%) percent of the Residential Common Interest, Sponsor shall be entitled to designate two (2) members of the Board. So long as Sponsor continues to own Units representing any Residential Common Interests Sponsor shall be entitled to designate one (1) member to the Board. The owner of the Commercial Unit shall be entitled to designate one (1) member of the Board of Managers, unless the Commercial Unit continues to be owned by Sponsor after the expiration of the Initial Control Period and the Sponsor would by virtue of such ownership be entitled to designate a majority of the members to be elected in which event Sponsor will not exercise its designation powers to designate a majority of the Board. Notwithstanding the foregoing, Sponsor and the owners of the Commercial Unit shall have the right to vote all of the Common Interests attributable to their Units in their sole discretion.

### REMOVAL OF MEMBERS OF THE BOARD OF MANAGERS

Managers may be removed for cause by an affirmative vote of a majority of the Unit Owners. No manager other than a member of the first Board of Managers or the Sponsor's designees or nominees shall continue to serve on the Board if, during his term of office, he shall cease to be a Unit Owner.

### POWERS AND DUTIES OF BOARD OF MANAGERS

The powers and duties of the Board of Managers include, but are not limited to, the following items:

1. To determine and levy monthly assessments ("Common Charges") to cover the cost of Common Expenses, payable in advance;
2. To collect, use, and expend the assessments collected to maintain, care for and preserve the Units, Building, and other Common Elements;
3. To make repairs, restore or alter any Unit or the Common Elements after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings;
4. To enter into and upon the Units when necessary and at as little inconvenience to the Unit Owners as possible in connection with the maintenance, care and preservation of the Property;
5. To insure and keep insured the Common Elements and Units;
6. To make reasonable rules and regulations;
7. To collect delinquent assessments by suit or otherwise, to abate nuisances and to enjoin or seek damages from the Unit Owners for violations of the rules and regulations, if any;
8. To employ and terminate the employment of employees and independent contractors and to purchase supplies and equipment, to enter into contracts, and generally to have the powers of a manager in connection with the matters herein above set forth;
9. To bring and defend actions by or against more than one Unit Owner and pertinent to the operation of the Condominium and to levy special assessments to pay for the cost of such litigation;
10. To acquire Units in foreclosure or as a result of abandonment and to take any or all steps necessary to repair or renovate any Unit so acquired and to vote as a Unit

Owner, offer such Unit for sale or lease or take any other steps regarding such Unit shall be deemed proper by the Board of Managers.

11. To make additions, alterations, or improvements to the Common Elements of the Condominium, the cost of which addition, alteration, or improvement does not exceed \$50,000.00. The Board of Managers may make additions, alterations or improvements to the Common Elements costing in excess of \$50,000.00 only with the approval of the Unit Owners owning a majority of the interests in the Common Elements. While the Sponsor is in control of the Board of Managers, the Board may make additions, alterations, or improvements to the Common Elements costing in excess of \$50,000.00 or enter into service or maintenance contracts the duration of which will extend more than one year after the Sponsor loses control of the Board of Managers, only with the approval of the Unit Owners owning a majority of the interests in the Common Elements, excluding the Sponsor, voting at a duly held meeting of the Unit Owners. In addition, the Sponsor must give its written approval pursuant to the requirements contained in the section of the Plan entitled "Repairs, Alterations and Improvements to Unit.". See the Section of the Plan entitled "Control By Sponsor" as to the length of the Sponsor's control.
12. To borrow money on behalf of the Condominium when required in connection with the operation, care, upkeep and maintenance of the Common Elements, provided, however, that (i) the consent of a majority of the Unit owners as required by the Declaration of the Condominium, obtained at a meeting duly called and held for such purpose in accordance with the provisions of the By-Laws, shall be required for the borrowing of any sum in excess of \$50,000.00 and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the written consent of the Owner of said Unit; and
13. To institute, with the consent of all Unit Owners, proceedings to review the real estate tax assessments of each Unit.

#### LIABILITY OF BOARD OF MANAGERS, OFFICERS OF THE CONDOMINIUM AND UNIT OWNERS

In order to limit the liability of the Unit Owners, any contract, agreement or commitment made by the Board of Managers or Officers of the Condominium shall state that it is made by the Board of Managers as agent for the Unit Owners as a group only and that no member of the Board of Managers or officers of the Condominium nor individual Unit Owners shall be liable for such contract, agreement or commitment except that every Unit Owner shall be liable to the extent that his proportionate interest in the Common Elements bears to the total liability under such commitment. The Board of Managers and officers of the Condominium shall have no liability to the Unit Owners in the management of the Condominium except for willful misconduct or bad faith and the Unit Owners shall severally indemnify all members of the Board of Managers or officers of the Condominium against any liabilities or claims arising from acts taken by a member of the Board of

Managers or officers of the Condominium in accordance with his duties except acts of willful misconduct or acts made in bad faith. Such several liability of the Unit Owners shall, however, be limited to the extent that his proportionate interest in the Common Elements bears to the total liability of the Board of Managers, or officers of the Condominium.

### OFFICERS

The officers of the Condominium shall be chosen by the Board of Managers and shall be a president, a vice president, a secretary and a treasurer. The Board of Managers may also choose one or more assistant secretaries and assistant treasurers and such other officers as in their judgment may be necessary. All officers must be Unit Owners or members of the Board of Managers. Two or more offices may not be held by the same person.

The President shall be the chief executive officer of the Condominium, shall preside at all meetings, shall have general and active management of the business of the Condominium and shall see that all orders and resolutions of the Board are carried into effect.

The Vice President shall take the place of the President and perform his duties whenever the President is unable to do so.

The Secretary shall record all votes and the minutes of all proceedings in a minute book to be kept at the office of Condominium.

The Treasurer shall have the custody of the Condominium funds and securities and shall keep full and accurate chronological accounts of receipts and disbursements in books belonging to the Condominium including the vouchers for such disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Condominium in such depositories as may be designated by the Board of Managers.

The treasurer shall also disburse the funds of the Condominium and shall keep detailed financial records and books of account of the Condominium, including a separate account for each Unit which, among other things, shall contain the amount of each assessment of Common Charges against such Unit, the date when due, the amount paid thereon the balance remaining unpaid.

### REPAIRS, ALTERATIONS AND IMPROVEMENTS TO COMMON ELEMENTS

All maintenance, repairs and replacements to the Common Elements and the Residential Common Elements of the property including but not limited to exterior walls of the Building, roof and roof members, as well as all maintenance, repairs and replacements to any pipes, wires, conduits and public utility lines, any portion of which is located in one Unit and services another Unit or more than one Unit or so much of any pipes, wires, conduits and public utility lines as are located in the Common Elements or in the Residential Common Elements but serve one or more Units and painting and cleaning of doors and windows which open from a Unit shall be performed by the

Board of Managers and the cost thereof shall be a Common Expense to all Unit Owners as to the costs incurred in connection with the Common Elements and to all Residential Unit Owners as to the costs incurred in connection with the Residential Common Elements. All normal (non-structural) maintenance of Limited Residential Common Elements is the responsibility of the Unit Owner to whom such Limited Residential Common Element is limited in use. All repairs to the exterior of any door, fence, building, open area or other generally visible portion of the Condominium must be in conformation with the style and colors initially installed by the Sponsor. The Board of Managers shall repair all plumbing stoppages and electrical repairs occurring in the Common Elements. The Board of Managers shall have a right of access to any Unit and to all portions of the Common Elements for the purpose of carrying out any of its obligations under this Plan, the By-Laws or the Declaration.

#### **RESTORATION OR RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY**

In the event of damage to or destruction of any of the Building as a result of fire or other casualty, the Board of Managers shall arrange for the prompt repair and restoration of the Building and the Board of Managers or the Insurance Trustee shall disburse the proceed of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the insurance proceeds shall constitute a Common Expense and the Board of Managers may assess all the Unit Owners for such deficit as part of the Common Charges.

If seventy-five (75%) percent or more of the Units are destroyed or substantially damaged and seventy-five (75%) percent or more of the Unit Owners do not resolve to proceed with repair or restoration, the Property shall be subject to an action for partition at the suit of any Unit Owner or lienor, as if owned in common in which event the net proceeds of sale, together with the net proceeds of insurance policies shall be divided by the Board of Managers or the Insurance Trustee, as the case may be, among all the Unit Owners in proportion to their respective Common Interest, after first paying out of the share of each Unit Owner the amount of any unpaid liens on his Unit, in the order of the priority of such liens.

#### **INSURANCE**

As described in detail in the Notes in Schedule B, the Board of Managers shall obtain and maintain, to the extent obtainable, fire insurance with extended coverage, elevator, water damage, vandalism and malicious mischief endorsements insuring the Building, including all of the Units (but not including furniture, furnishings, or other personal property supplied or installed by Unit Owners), together with all heating, air-conditioning equipment and other service machinery contained therein, covering the interest of the Condominium, the Board of Managers and all Unit Owners and their mortgagees, as their interests may appear, in an amount equal to the full replacement value of the Building. Each of such policies shall contain a New York Standard Mortgagee Clause in favor of each mortgagee of Unit which shall be payable to such mortgagee as its interest may appear, subject,

however, to the loss payment provision in favor of the Board of Managers and the Insurance Trustee herein set forth; and such other insurance as the Board of Managers may determine.

See also the Section of the Plan entitled "Rights and Obligation of Unit Owners."

### REPORTS TO UNIT OWNERS

All Unit Owners will receive within five (5) months of the end of each fiscal year, copies of an annual report of the Condominium including a balance sheet and profit and loss statement certified by an independent public accountant, a statement regarding any taxable income attributable to the Unit Owners, and a notice of the holding of the annual Unit Owners meeting. All Unit Owners shall be entitled to examine the books and records of the Condominium on reasonable notice to the Board but no more often than once a month.

### AMENDMENTS

The Declaration may be amended upon a vote of the Unit Owners holding more than sixty-six and two thirds (66-2/3%) percent of interest in the Common Elements attributable to the Units, held at a duly called meeting of the Unit Owners, provided however, that:

- (i) No amendment shall change any Condominium parcel, nor a Unit Owner's proportionate share of the Common Charges, nor the voting rights appurtenant any Unit, unless one hundred (100%) percent of record owner(s) in number and Common Interest thereof and the first mortgagees, if any, of any, of each of these same Units agree to such change by recorded instrument.
- (ii) No amendment shall be passed which shall impair or prejudice the rights and priorities of mortgagees.
- (iii) No amendment shall be passed which shall impair the rights, benefits and exemptions of the Sponsor, holders of Unsold Units or the Commercial Unit Owner without the prior written consent of the Sponsor, holders of Unsold Units or Commercial Unit Owner as the case may be.

The By-Laws may be amended at any duly called Unit Owners meeting, provided: (1) that the notice of the meeting shall contain a full statement of the proposed amendment; (2) that the amendment shall be approved by the Owners holding more than sixty-six and two thirds (66-2/3%) percent of interest in the Common Elements attributable to the Units; (3) said amendment shall be set forth in a duly recorded amendment to the Declaration.

### UNITS ACQUIRED BY THE BOARD OF MANAGERS

All Units which are acquired by the Board of Managers, or its designee, shall be held by it on behalf of all Unit Owners whose respective interests shall be in proportion to the Common Interest attributed to such Unit Owners and the votes appurtenant to such Unit shall be cast by the Board of Managers or its designee at all meeting of the Unit Owners, except that the Board will not vote in any election of members of the Board.

The Board of Managers shall be authorized to purchase Units at foreclosure or other judicial sales or for the use of a superintendent and to borrow money on behalf of all Unit Owners in connection therewith; provided that, except for Units purchased in connection with a foreclosure of a lien for unpaid Common Charges or the purchase of a superintendent's unit, any purchasing and/or borrowing must first be approved by majority of the Unit Owners and provided further that the borrowing for this purpose shall require the affirmative consent of at least two-thirds of the Members of the Board of Managers (in the case of a sum in excess of \$10,000.00) or at least a Majority of all Unit Owners (in the case of a sum in excess of \$50,000.00).

### TERMINATION OF CONDOMINIUM

This property shall not be withdrawn from the provisions of Article 9-B of the Real Property Law unless at least eighty (80%) percent of the Unit Owners in number and in Common Interest and the first mortgagees, if any, of these same Units agree to the withdrawal of this Property from the provisions of such Article. The Sponsor or its nominee will not cast any of its votes for withdrawal, unless eighty (80%) percent of Unit Owners in number and in Common Interest other than the Sponsor so vote.

### MECHANIC'S LIENS

Under the provisions of Section 339(i) of the Real Property Law of the State of New York, no lien of any nature may arise or be created against the Common Elements except with the unanimous consent of all Unit Owners. Liens may arise or be created only against the several Units and their respective interest in the Common Elements. A lien for labor performed on or materials furnished to a Unit may be filed against the Unit of a Unit Owner who has expressly requested or consented to such labor or materials but may not be filed against the Unit of any Unit or Unit Owner who has not expressly consented to or requested the labor or materials, except in the case of emergency repairs. No labor performed on or materials furnished to the Common Elements shall be the basis for a lien thereon, but all Common Charges received by the Board of Managers shall constitute trust funds for the purpose of paying the cost of the labor performed or materials furnished at the request or with the consent of the Board of Managers or the Managing Agent.

## **COVENANT AGAINST PARTITION OF COMMON ELEMENTS**

The Common Elements are not subject to partition nor are they severable from the Unit except in accordance with the Real Property Law.

## **RESERVES**

The Condominium has the right to accumulate reserves for capital replacements or other general repairs of the Condominium. However, the Condominium may be taxed on any excess of income over expenses from unrelated sources. Examples of unrelated source income, includes interest earned on reserve or other invested funds.

## **EASEMENTS**

Each Unit Owner will have an easement in common with all other Unit Owners for the use, maintenance and repair of all pipes, wires, conduits and public utility lines located in the Common Elements, Residential Common Elements or Limited Residential Common Elements or located in other Units and servicing his Unit. Further, each Unit Owner will have an easement for the continuance of any encroachment by his Unit on any adjoining Unit or Common Element, Residential Common Elements or Limited Residential Common Elements now existing or which may come into existence hereafter as a result of the settling of Units or repair or alteration of the Unit by the Board of Managers, after damage by fire or other casualty or as result of condemnation or eminent domain proceedings, or by reason of an alteration made by the Board to the Common Elements so that any such encroachment may remain undisturbed so long as the Unit stands. Each Unit will be subject to such encroachments and easements in favor of all other Units. The Board of Managers, its agents and employees shall have a right of access to the Units and to the Common Elements (irrespective of the restricted nature of such Common Element) to inspect, maintain or repair the Common Elements or any pipe, wire, or conduit common therein or to make repairs to the Unit to prevent damage to the Common Elements or any other Unit.

## **COMPLIANCE WITH RENT LAWS**

The Board of Managers shall operate the Property at the same level of services as those supplied on the date of recording the Declaration in accordance with the New York Law, as it may apply, except for those services which, under the Declaration or the By-Laws, are the obligation of Sponsor to provide to its Units. The Board of Managers shall not impose any charge or fee against the tenants and occupants of the Residential Units owned by Sponsor or Sponsor-affiliate on account of the Residential Units owned by Sponsor or Sponsor-affiliate on account of any services provided to such tenants and occupants unless the Sponsor or Sponsor-affiliate is permitted by the Rent Laws to impose such charge or fee against such tenants or occupants. Such permitted charge or fee may be increased by the Board of Managers, but only to the extent permitted under the Law.

If, on account of the above limitation, the amount of such charges or fees collected by the Board of Managers is insufficient to cover the cost of providing such services, then such additional cost will be included in Common Charges and borne by all Unit Owners.

If the demand for the particular service is greater than the existing supply or capacity, the Board of Managers shall maintain a non-discriminatory waiting list and make the service available to Unit Owners and non-purchasing tenants on a first-come, first-served basis.

#### **BOARD OF MANAGERS AS AGENT OF UNIT OWNERS WITH RESPECT TO REAL ESTATE TAXES**

Each Unit Owner shall designate the Board of Managers as his attorney-in-fact, which power shall be deemed coupled with an interest, to act as agent for such Unit Owner in accordance with Section 339(y) of the Condominium Act to complain or apply to the board of assessment review of the assessing agency by filing a single complaint on behalf of all such Unit Owners, to commence and prosecute a special proceeding for the review of assessments or real property as an aggrieved person, and to seek administrative and judicial review of assessments. The Board of Managers may retain legal counsel on behalf of all such Unit Owners, a pro rata share of expenses, disbursements and legal fees for which charge the Board of Managers shall have a lien pursuant to Section 339-z of the Condominium Act. Notwithstanding the foregoing, the Commercial Unit Owner may or may not, at their sole discretion, elect to appoint the Board its attorney-in-fact with respect to any such tax certiorari proceedings.

#### **ALLOCATION OF COMMON INTEREST**

The Common Interest of the Condominium establishes the Unit Owner's percentage of ownership in the Common Elements and percentage of liability for the payment of Common Charges. The Common Interests were allocated to the Units pursuant to Section 339-i(1)(iv) of the Condominium Act. Each Unit Owner has the percentage of Common Interest in the Condominium set forth on Schedule A. Such allocation has been based on floor space, subject to the location of such space and the additional factors of relative value to other space in the Condominium, the uniqueness of the Unit, the availability of Common Elements for exclusive or shared use, and the overall dimensions of the particular Unit.

The percentage of the undivided interest in the Common Elements shall not be changed except with the consent of all of the Unit Owners affected expressed in a duly recorded amendment to the Declaration.

Copies of both the Declaration and By-Laws are contained in Part II of the Plan.

## REAL ESTATE TAXES

### TAXES - DEDUCTIONS TO UNIT OWNERS AND TAX STATUS OF THE CONDOMINIUM

The Sponsor has been advised by its counsel, Rivkin Radler LLP, that each Residential Unit Owner will be entitled under present law to a deduction for Federal and New York State income tax purposes for the real estate taxes paid by him covering his Unit and for the interest paid by him on any mortgage covering his Unit subject to recent legislation regarding limits on the deductibility of such amounts. See the Opinion of Counsel contained following this section of the Plan. Similarly, the Sponsor has been advised by counsel that certain Unit Owners who are veterans of the United States Armed Forces may be entitled to exemptions covering part of the real estate taxes applicable to their respective Units. Sponsor's counsel's opinion is based upon the facts represented by Sponsor and neither the Sponsor nor its counsel shall be liable if it shall be held that Residential Unit Owners are not entitled to such deductions aforementioned due to changes in the applicable law, regulations or decisional law.

The Sponsor has been advised by its counsel that the Condominium may be taxed on any excess of income over expenses from unrelated sources. Further, Sponsor has been advised by its counsel that the Condominium may not be eligible for the tax exemption status under Internal Revenue Code Section 528. See the Opinion of Counsel contained following this section of the Plan. Examples of unrelated source income include interest earned on reserve and other invested funds, income from concessions and income dues or fees received from persons other than the Unit Owners. If the Condominium is required to pay taxes, the amount thereof will be levied as an additional Common Charge.

The Sponsor intends to retain a law firm to apply on behalf of the Sponsor for the benefit of all of the Unit Owners, to the New York City Department of Housing Preservation and Development for a Certificate of Eligibility for property tax benefits pursuant to Section 421-a of the New York State Real Property Tax Law. The Sponsor has engaged Lawrence Berger, P.C. ("Berger") to make estimates and projections set forth herein with regard to the assessed valuation of the Units and any possible 421-a benefits. Berger's projections are based on information provided to Berger by the Sponsor and on Berger's knowledge of New York City Department of Finance policies, practices and procedures. These estimates are not intended and should not be construed as warranties. The Sponsor and Berger make no representations or guarantees regarding 421-a tax benefits or the accuracy of related estimates of assessed valuation or real property tax liability.

The 421-a benefits when applied for, would, if approved, provide an exemption based on the increase in assessed valuation over the Property's preconstruction taxable assessed value. If approved, the amount of assessed value attributable solely to the construction of the Units is exempted from real property taxation (other than special assessments for local improvements) for a period of ten (10) years: During years one and two, the exemption is equal to one hundred percent (100%) of the assessment increase; exemption benefits are thereafter phased out at twenty percent (20%) per year and two years thereafter.



JEFFREY S. GREENER

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November 9, 2007

Shao Lin Operating LLC  
2035 Broadway  
Suite 21JK  
New York, New York 10023

Re: The Deuce Condominium

Dear Sirs:

In connection with your conversion of the premises located at and known as 534 West 42nd Street, New York, New York, to condominium ownership pursuant to that certain condominium offering plan submitted by you to the Department of Law for acceptance for filing (the "Plan"), you have requested our opinion concerning: (i) the deductibility for Federal, New York State and New York City income tax purposes, of mortgage interest and real estate taxes paid by individual residents of New York who purchase residential units ("Residential Units") under the Offering Plan for the Deuce Condominium (the "Plan"), and (ii) the Federal income tax treatment to the condominium association of the Deuce Condominium (the "Condominium") of the assessments payable by unit owners to meet common expenses of the Condominium ("Common Charges").

In connection with rendering this opinion, we have reviewed the Plan, the schedules and exhibits thereto, the Declaration of the Condominium Plan (the "Declaration"), the By-Laws of the Condominium (the "By-Laws"), the relevant sections of the Internal Revenue Code of 1986, as amended (the "Code"), the New York State Tax Law, the New York City Administrative Code, the Regulations promulgated thereunder and such other material as we have deemed relevant. The opinions expressed herein are based upon the assumptions that (1) the Plan becomes effective and is consummated in accordance with its terms, (2) condominium ownership of Residential Units located in the premises known as the Deuce Condominium is established under applicable law and (3) the legal consequences of the Plan are as described therein. Except where otherwise indicated, the terms used in this opinion have the same meaning as in the Plan.

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The Plan provides for the establishment of condominium ownership of the land and building, and appurtenances thereto, comprising the Deuce Condominium, situated at 534 West 42nd Street, New York, New York. The Condominium will be comprised of Residential Units, storage units ("Storage Units"), commercial units ("Commercial Units"), and the common elements (the "Common Elements"). This opinion addresses the tax consequences that would result from the ownership of a Residential Unit by an individual taxpayer for use as his or her own primary or secondary residence. It does not address the tax consequences of ownership of Storage Units or Commercial Units by any person or entity, and does not address the tax consequences of the ownership of Residential Units by corporations, other entities or foreign persons.

#### **1. Deductibility of Mortgage Interest and Real Estate Taxes**

Each Residential Unit Owner will own his or her Residential Unit and an undivided interest in the Common Elements in fee simple and, under New York State Law, each Residential Unit (including its undivided interest in the Common Elements) will be taxed as a separate parcel for real estate tax purposes. Each Residential Unit Owner may mortgage his or her Residential Unit and become individually liable for the payment of the principal and any finance charges or interest on such mortgage indebtedness, and will be liable to the local tax authority for the tax assessment with respect to his or her interest in the Residential Unit. Under these circumstances, the Internal Revenue Service has ruled that the owner of a residential condominium unit who itemizes deductions in filing his or her Federal income tax returns may deduct interest paid on his or her mortgage indebtedness and the real estate taxes assessed and paid on his or her interest in the property Rev. Rul. 64-31, 1964-1 (Part I) C.B. 300.

Based on the foregoing, it is our opinion that each individual Residential Unit Owner who itemizes deductions will be entitled under current law to deduct from his or her gross income in the appropriate year according to his method of accounting, subject to an overall limitation on itemized deductions as set forth in section 68 of the Code, for Federal income tax purposes, real estate taxes assessed against his or her Residential Unit and paid to the local authority. However, no deduction for real estate taxes is permitted for purposes of the Federal alternative minimum tax. Residential Unit Owners should consult their tax advisers regarding the applicability of the overall limitation on itemized deductions to the deductibility of real estate taxes and the effect of the alternative minimum tax.

A taxpayer generally is entitled to a deduction for Federal income tax purposes for interest paid during the taxable year on "acquisition indebtedness" or "home equity indebtedness" with respect to a "qualified residence" of the taxpayer. A "qualified residence" means the principal

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residence of the taxpayer and one other residence of the taxpayer selected by the taxpayer for the taxable year. "Acquisition indebtedness" means any indebtedness which is secured by any qualified residence of the taxpayer and which is incurred in acquiring, constructing or substantially improving the qualified residence (or which constitutes a refinancing thereof, to the extent that such indebtedness does not exceed the amount of the refinanced debt). The aggregate amount treated as acquisition indebtedness for any period cannot exceed \$1,000,000 (\$500,000 in the case of a married individual filing a separate return). "Home equity indebtedness" means any indebtedness (other than acquisition indebtedness) secured by a qualified residence, up to the excess of the fair market value of such qualified residence over the amount of acquisition indebtedness with respect to such residence. The aggregate amount treated as home equity indebtedness for any period cannot exceed \$100,000 (\$50,000 in the case of a married individual filing a separate return).

Accordingly, an owner of a Residential Unit who itemizes deductions and who uses such Residential Unit as a qualified residence will be entitled, under current law, to deduct from his or her gross income, subject to an overall limitation on itemized deductions as set forth in Section 68 of the Code, for Federal income tax purposes, interest paid by him or her on (i) acquisition indebtedness incurred with respect to such Residential Unit to the extent that such indebtedness, when added to the amount of acquisition indebtedness incurred with respect to a second qualified residence (if any), does not exceed \$1,000,000 (\$500,000 in the case of a married individual filing a separate return) and (ii) home equity indebtedness with respect to such Residential Unit to the extent that such indebtedness, when added to the amount of home equity indebtedness incurred with respect to a second qualified residence (if any), does not exceed \$100,000 (\$50,000 in the case of a married individual filing a separate return). Since the rules and limitations regarding the deductibility of home mortgage interest are complex, purchasers are urged to consult their, tax advisers regarding the application of such rules to them, as well as regarding the deductibility of interest with respect to their Residential Units for alternative minimum tax purposes (which at present is subject to rules different from those described above for regular tax purposes). In addition, owners of Residential Units should consult their tax advisers regarding potential limitations on the deductibility of points and prepaid interest, if any, on their mortgage loans and on the overall limitation on the allowance of itemized deductions.

Each owner of a Residential Unit who uses such Residential Unit as a residence will generally be entitled to the same deduction for interest and real estate taxes paid or accrued with respect to such Residential Unit for New York State and New York City income tax purposes as is allowed for Federal income tax purposes. However, although the overall limitation set forth in Section 68 of the Code does not apply, under New York State and New York City income tax law, itemized deductions, such as interest and real estate tax deductions, are subject to reduction by as much as 50%

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in the case of individuals having income exceeding certain prescribed levels. Furthermore, purchasers should consult their tax advisers to determine the application, if any, of the New York State and New York City minimum tax to the deduction for interest and real estate taxes with respect to their Residential Units. We express no opinion with respect to these items under the New York State and the New York City income tax on non-residents.

## 2. Common Charges

Under the Plan, the Residential Common Charges will be borne by the Residential Unit owners and assessed and collected by the Residential Board. The Commercial Common Charges will be borne by the Commercial Unit Owner(s) and assessed and collected by the Commercial Board. The General Common Charges will be determined by the Condominium Board and borne by the Unit Owners through the Residential and Commercial Boards. The Residential Common Charges, Commercial Common Charges, and the General Common Charges are hereinafter referred to as the "Common Charges." The Common Charges will be assessed against the Residential Unit Owners generally in proportion to their respective percentage interests in the Common Elements order to pay the costs and expenses of operating, repairing, and maintaining the Common Elements.

Under the Code, condominium boards may elect to be treated as a "homeowners association" within the meaning of Code section 528(c) and, therefore, be exempt from Federal income tax on its exempt function income. In order for the Condominium Board to qualify to make such election, section 528 requires among other things, that 60 percent or more of the gross income of the Condominium for the taxable year be exempt function income, that 90 percent or more of the expenditures of the Condominium for the taxable year be qualifying expenditures for the acquisition, construction, management, maintenance, and care of the association's property and that substantially all of the Units in the Condominium be used by individuals for residences. "Exempt function income" means amounts received as membership dues, fees, or assessments from Residential Unit Owners in their capacity as such, if such amounts are used by the Condominium for qualifying purposes. The Treasury Regulations promulgated under section 528 state that substantially all of a condominium's units will be considered as used by individuals for residences if at least 85% of the total square footage of all the units within the project is used by individuals for residential purposes. You have advised us that it is currently anticipated that less than 85% of the total square footage of all the Units in the Condominium will be used for residential purposes, thereby making it uncertain whether the Condominium will be eligible to elect tax exempt status under section 528. Absent the application of section 528, the law is uncertain as to the proper reporting and tax treatment of the income of the Condominium derived from Unit Owners ("membership income") and others ("nonmembership income") in excess of appropriate deductions and credits. It is possible that the Condominium could

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be viewed as an agent or conduit for Unit Owners, in which case each Unit Owner would be required to report his or her proportionate share of nonmembership and possibly membership income (and the deductions attributable thereto) directly on his or her own tax return. Alternatively, the Internal Revenue Service may take the position that the Condominium should be treated as a separate entity, which entity may be taxable as a partnership. If the Condominium is so treated, the Unit Owners (but not the Condominium) would be subject to Federal and New York State income tax on the taxable income of the Condominium. While there is little authority on the point, the Condominium's income and expenses would likely be bifurcated between membership and investment income. Therefore, in determining the taxable income of the Condominium, the Condominium's deductions attributable to furnishing services to Unit Owners may be limited to its membership income. Certain amounts expended for the benefit of Unit Owners, and possibly rebates, if any, to Unit Owners of excess membership dues, fees or assessments, may be treated as distributions to them. In addition, the Condominium may be subject to the New York City Unincorporated Business Tax.

We express no opinion concerning (a) any Federal, New York State, or New York City tax consequences not explicitly discussed in this opinion, including, without limitation, the New York City earnings tax on non-residents, (b) any other aspects of the Plan other than those consequences and aspects explicitly discussed in this opinion, or (c) the tax status and tax consequences of the Plan under the laws of any other local or foreign jurisdiction. Except as explicitly provided, this opinion does not address (i) tax consequences which may result with respect to any Units held in connection with a trade or business, or any Units held for purposes of investment or for the production of income, (ii) tax consequences which may result to a foreign Unit Owner by reason of his or her foreign status, or (iii) tax consequences which may result from the purchase of a Storage Unit or a Commercial Unit. This opinion also does not discuss the tax consequences which may arise if Units or Common Elements are acquired and/or leased by the Condominium or the issue of whether a Residential Unit Owner may be deemed to be a resident of the United States, New York State, or New York City as a result of the ownership of a Residential Unit and the attendant income, estate or other tax consequences. We advise, therefore, that each person contemplating the purchase of a Unit consult his or her own tax adviser concerning all such tax matters, as well as with respect to the matters discussed in this opinion.

It should be noted that this opinion is based solely on the facts and documents referred to above and is not binding on the Internal Revenue Service, the New York State Department of Taxation and Finance, or the New York City Department of Finance. Moreover, the Federal, New York State and New York City tax laws and regulations and the rulings and decisions thereunder may change and thereby affect the opinions stated above in whole or in part. We undertake no obligation

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to update, modify or supplement this opinion in the event of any such change in applicable law, although we have advised Sponsor that it is obligated to do so.

In our opinion, the condominium will be eligible for tax-exempt status, if it elects such status, and unit owners will be entitled to income tax deductions (or the unit owners will be eligible for the real estate tax benefits described above). However, this opinion is not a guarantee; it is based on existing rules of law applied to the facts and documents referred to above. No assurances can be given that the tax laws upon which counsel base this opinion will not change. In no event will the sponsor, the sponsor's counsel, the board of managers of the condominium, the selling agent or any other person be liable if there are changes in the facts on which counsel relied in issuing this opinion or if there are changes in the applicable statutes, regulations, decisional law or Internal Revenue Service rulings on which counsel relied which cause the condominium to cease to meet the requirements of Section 528 of the Internal Revenue Code of 1986, as amended, or the New York State tax law, as amended, and cause the unit owners not to be entitled to income tax deductions (or which cause unit owners not to be or to cease to be entitled to the benefits or the level or duration of benefits described above).

Very truly yours,

RIVKIN RADLER LLP

Jeffrey S. Greener

## TUCHMAN, KORNGOLD, WEISS, LIPPMAN &amp; GELLES, LLP

COUNSELORS AT LAW

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(212) 687-3747

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BERT TUCHMAN  
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 ERIC S. WEISS  
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JENNIFER POLOVETSKY

WALTER R. GELLES  
 COUNSEL

May 9, 2008

Shao Lin Operating LLC  
 2025 Broadway, Suite 21K  
 New York, New York 10023

Re: 534 West 42<sup>nd</sup> Street  
 Block: 1070 Lot:49  
Borough : Manhattan

Dear Sirs:

Pursuant to your request, we have reviewed the information you have furnished us regarding the conversion of the above-referenced property to a condominium. These opinions are presented only for your assistance in preparation of your offering plan.

You have advised us that the purpose of this analysis is to furnish you with a projection of the assessed valuation and an estimate of real estate taxes which would be applicable to the property upon completion of construction and conversion to condominium which is projected to begin January 1, 2009. These opinions assume there will be no 421-a benefits.

In arriving at our estimate of real estate taxes, we have considered all facts influencing market value and thus the eventual assessed valuation. Included in these factors are location, neighborhood and economic trends. In addition, we have researched and analyzed the assessed valuations of similar residential rental buildings and condominium buildings in the borough of Manhattan.

Assessments in New York City are made on a fiscal year basis running from July 1<sup>st</sup> of any one year to the next succeeding June 30<sup>th</sup>. The status of the property on January 5<sup>th</sup> of any one year is the basis for the assessment for the fiscal year beginning July 1<sup>st</sup> of the same calendar year. The Real Property Tax Law in effect for New York City provides that when there is an increase in actual assessed valuation between one year and the next year, that increase will be phased in over a five year period. However, in the event of an

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increase due to new construction or physical improvement, there is no phase in and the amount attributable to such construction or improvement is added in its entirety to the assessment in the succeeding tax year.

The current standard of assessment utilized by the property division of the New York City Department of Finance is to assess at 45% of fair market value. The relevant statutes which are set forth in the New York State Real Property Tax Law provides that the sale prices of residential units of a cooperative apartment building and the sale prices of condominium units are not the measure of value for assessment purposes. Therefore, the selling price of the individual condominium units will not be the standard of value for assessment purposes with respect to the subject property.

The projections made herein and to be contained in the condominium offering plan for the subject property are based upon information received and reviewed by us from the sponsor of the plan. We have been advised that the property currently consists of nine stories from grade level containing seven residential units and one commercial unit. We have also been advised that after construction and conversion to condominium, the property will consist of seven residential units consisting of approximately 12,084 square feet, one commercial unit consisting of approximately 199 square feet and 8 storage units consisting of approximately 100 square feet. Said storage units will not be sold.

The property is currently assessed as a tax class 2B property. Tax Class 2B is defined in the New York State Real Property Tax Law as a building that consists of six to ten primarily residential units. The assessments for properties in tax class 2B can only be increased a maximum of eight percent a year and no more than thirty percent over a five year period, except for new construction or physical improvement. New construction or physical improvement of a class 2B property causes the assessment to be increased by 15% of the construction costs. There is a possibility that after the demolition of the current building and the property consists of vacant land, that the property could be changed to tax class 4, which would cause a physical increase to be added at 45% of the construction costs. We have had discussions with the New York City Department of Finance and feel that this likelihood is remote.

Upon conversion to a condominium and the issuance of a certificate of occupancy for the property, the building should be reclassified by the New York City Department of Finance to a tax class 2C. Tax Class 2C is a protected residential tax class which limits the increases in assessed value that may be imposed on the residential condominium units. Pursuant to Real Property Tax Law Section 1805, the assessor shall not increase the assessment of any parcel in this tax class in any one year, as measured from the actual assessment on the previous year's assessment roll, by more than 8% and shall not increase such assessment by more than 30% in any five-year period. Increases in assessments for tax class 2C are not phased in and therefore there are no transitional assessments. Increases

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due to physical improvements are added in full to the next year's assessment and are not subject to the 8% and 30% limitations.

The projected first year of the condominium's operation from January 1, 2009 through December 31, 2009 will encompass two tax years. As previously discussed, assessments in New York City are made on a fiscal year basis running from July 1<sup>st</sup> of any one tax year to the next succeeding June 30<sup>th</sup>. The projections made herein are based on the actual assessment for the second half of tax year 2008/09 and the tentative actual assessment for the first half of tax year 2009/10. Based on the information provided and assumptions made by us, we project the real estate taxes for the entire premises for the projected first year of the condominium's operation from January 1, 2009 through December 31, 2009 to be an estimated \$87,782. This estimate is based upon *averaging* our projections of the assessed valuations for tax years 2008/09 and 2009/10. The projections are based upon the following estimates:

	<u>Tax Year 2008/09</u>	<u>Tax Year 2009/10</u>
Actual Assessed Valuation	\$249,318 (Tentative)	\$1,134,318 (Projected)
Residential Tax Rate <sup>1</sup>	12.000% (Estimated)	12.840% (Estimated)
Taxes	\$29,918 (Projected)	\$145,646 (Projected)

The *averaging* of the foregoing projected real estate tax assessments for the premises for the projected first year of the condominium's operation from January 1, 2009 through December 31, 2009 is computed as follows:

Average Projected Actual Assessed Valuation for Tax Year 2008/09 and 2009/10  
\$691,818 (\$249,318 + \$1,134,318 = \$1,383,636 ÷ 2)

It should be noted that for the full tax year of July 1, 2009 to June 30, 2010, which is the first full tax year after the projected date of commencement of condominium operation, the projected taxable value for the entire premises is \$1,134,318 and the projected taxes for the entire premises are estimated to be \$145,646

The foregoing projection does not take into consideration two (2) potential partial tax abatement and exemption benefits currently available to qualified unit owners who meet the eligibility requirements of sections 425 and 467-a of the Real Property Tax Law of the State of New York ("RPTL").

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<sup>1</sup>Per \$100 of assessed valuation, expressed herein as a percentage

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RPTL section 467-a provides a partial tax abatement to owners of residential units held in a cooperative or condominium form of ownership. Eligible dwelling units with an average assessed valuation of greater than \$15,000<sup>2</sup>, after deduction of any abatement received pursuant to RPTL 489 ("J-51" benefits)<sup>3</sup>, are entitled to a 17.5% abatement of the net property taxes due. In order to qualify for these benefits under the current law, the following requirements must be met: (1) eligible units must be used primarily for residential purposes and may not be owned by sponsor or any unit owner who owns three or more units; and (2) the Board of Managers must file a complete application for the entire premises in a timely manner. **The foregoing is only for informational purposes since this statute contains a "sunset provision" which presently provides benefits through June 30, 2008. On such date, the statute and benefits expire, unless otherwise extended.** No representation is made that the statute will be extended or if it is extended, the benefits will remain the same. Prospective purchasers of residential units should not rely upon the continuation of the benefits.

RPTL section 425 (school tax relief (STAR) exemption) provides a partial exemption from the school tax portion of a property's assessed valuation. This exemption presently amounts to \$1,710 for an eligible condominium unit located within the City of New York, assuming the unit owner is less than 65 years of age. An enhanced benefit, presently amounting to \$2,850, is available to senior citizens who have a combined household income (adjusted gross income as reported on applicant's latest available federal or state income tax return) which does not exceed \$60,000. The benefit is only available to units which serve as the primary residence of one or more of the owners thereof. A qualified unit owner must file an application on or before the applicable tax status date (i.e., the January 5<sup>th</sup> preceding the fiscal tax year beginning July 1<sup>st</sup>). Only those qualified purchasers who close title and timely file said application by no later than January 5, 2008 will be eligible for this benefit for the tax year beginning July 1, 2008. Those purchasers who qualify for this benefit who apply after January 5, 2008 and on or before January 5, 2009 will be eligible to receive this benefit for the July 1, 2009 to June 30, 2010 tax year.

We believe that the above projections and estimates reflect the current assessment policies of the City of New York. However, it is possible that the tax assessor may determine the assessment on a basis that differs from the assessments contained herein. In no event will we, as Sponsor's real estate tax counsel, be liable if there are changes in the facts on which we have relied in issuing this opinion, or if there are changes in the applicable statutes, rules and regulations of the City of New York, decisional laws or administrative agency rulings, interpretations and policies on which we have relied which cause this opinion to be

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<sup>2</sup>Eligible dwelling units in a property whose average unit assessed value is less than or equal to \$15,000 shall receive a partial abatement of real property taxes of 25% of the net property taxes. It is projected that the average assessed valuation per unit at the subject premises will exceed \$15,000 per unit.

<sup>3</sup>A property receiving J-51 exemption benefits may not receive benefits under RPTL 467-a. We have been advised that the Sponsor shall not be applying for any such benefits.

TUCHMAN, KORNGOLD, WEISS, LIPPMAN & GELLES, LLP

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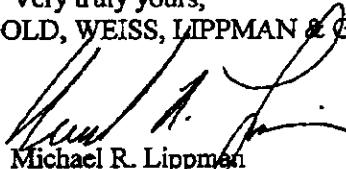
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inaccurate. Interested parties should be aware that the estimate of the real estate tax assessment covers a period into the future. Neither we nor any person can guarantee what the real estate taxes will be at any future date. As stated above, law or policies of government agencies may radically change the opinions expressed herein.

The opinion expressed herein is that of the undersigned, and does not purport to express the opinion of the New York City Department of Finance or any city or government agency. The City's opinion may result in substantially different taxes for both budget years as well as tax years than set forth herein. We consent to the use of the foregoing projections in, and the incorporation of this opinion as an exhibit to, the condominium offering plan for the subject premises.

Very truly yours,

TUCHMAN, KORNGOLD, WEISS, LIPPMAN & GELLES, LLP



Michael R. Lippman

### RESERVE FUND

Sponsor has made no provision for the establishment of a Reserve Fund. Sponsor has elected not to provide for a Reserve Fund to be used for capital replacements or repairs because the Building, upon completion of the construction contemplated by the Sponsor, will substantially new construction or will contain mechanical systems which were replaced within the last few years. In the event that funds are needed to pay for capital improvements, the Board of Managers may either (i) impose a special Assessment on all Unit Owners either for a specific capital project or to create such a fund, as described in Section 2.4 and 2.5 of Article 2 of the By-Laws of the Condominium; and/or (ii) seek to obtain financing is available. Certain amendments to the Real Property Law enacted in 1997 may facilitate the borrowing of funds for capital improvements by condominiums, but no assurances can be given that funds will be available when sought and Sponsor makes no presentations or warranties regarding the availability or procuring of such financing at the time it may be sought. Certain limitations are placed on the Board's expenditures for capital purposes during the Initial Control Period. The Reserve Fund may not be used to make ordinary repairs or to cure violations.

### WORKING CAPITAL FUND

At the first Closing the Purchasers other than the Sponsor will contribute a sum equal to (2) month's Common Charges for the Unit to the capital of the Condominium Board as a capital fund (the "Working Capital Fund"). The initial Working Capital Fund will be used to pay for insurance premiums and other items in the budget which will be payable prior to the time that sufficient monthly Common Charges and assessments have accrued to pay these items. Further, such Working Capital Fund (plus or minus closing adjustments) will constitute the Condominium Board's working capital and may be used for repairs and other appropriate purposes as determined by the Board of Managers. During the period of the Sponsor's control of the Board of Managers, the Working Capital Fund will not be used to reduce Common Charges. If the closing adjustments exceed the funds raised, the excess will be paid pursuant to a promissory note executed by the Board of Managers and delivered to the Sponsor at the First Unit Closing. Such promissory note will bear interest at the prime rate then announced by State Bank of Long Island and will be paid by the Condominium Board in twelve (12) equal consecutive monthly installments commencing on the first day of the second month subsequent to the First Closing. If the Condominium does not have the funds necessary to pay the note, it may be necessary to require additional Common Charges or levy a special assessment to pay off the note.

The working capital contribution is only for the first closings.

No representation is made that the Working Capital Fund will be adequate to cover current or future expenses including repairs or replacements; and if additional funds are required over and above the Working Capital Fund, it may be necessary to increase Common Charges.

THE ENTIRE PROPERTY, INCLUDING THE RESIDENTIAL UNITS AND THE FIXTURES AND APPLIANCES CONTAINED THEREIN, IS OFFERED IN ITS CURRENT CONDITION, AS SET FORTH IN THIS OFFERING PLAN. NEITHER THE DEPARTMENT OF LAW NOR ANY GOVERNMENT AGENCY HAS PASSED UPON THE ADEQUACY OF THE WORKING CAPITAL FUND, THE RESERVE FUND OR THE PHYSICAL CONDITION OF THE BUILDING.

**MANAGEMENT AGREEMENT AND OTHER CONTRACTUAL AGREEMENTS**

At prior to the First Unit Closing, the Board of Managers shall enter into a non-assignable (except to an affiliate) management agreement with Taube Management Corp., at terms which are no more expansive or restrictive to the Board of Managers other than those set forth below (the "Management Agreement"). The Management Agreement shall be for a term of two (2) years and may be cancelled for cause by either party at any time on not less than thirty (30) days written notice.

After the expiration of the two (2) year term the Management Agreement may be cancelled by either party upon sixty (60) days written notice. The fee for such management services is set forth in Schedule B to this Plan.

The duties and services to be rendered by the Managing Agent include, among others:

- (a) Billing and Collecting Common Charges;
- (b) Causing the Common Elements and the Residential Common Elements to be maintained, repaired and altered in the manner deemed advisable by the Board of Managers, except that the approval of the Board of Managers is necessary for any expenditure of over \$2,500.00 for any one item of ordinary repairs or alterations (other than emergency repairs);
- (c) Contracting for necessary services for the Common Elements and the Residential Common Elements (such as utility, exterminator, elevator and fuel services), but no contract shall be for a term longer than one (1) year or shall require annual payments in excess of those in effect at the time of the First Unit Closing for the same or similar services, unless authorized by the Board of Managers;
- (d) Purchasing all supplies necessary to properly maintain and operate the Common Elements and the Residential Common Elements;
- (e) Checking all bills received in connection with the operation of the Common Elements and the Residential Common Elements and causing all such bills and other expenses to be paid;
- (f) Supervising, hiring and discharging employees;
- (g) Rendering monthly statements of receipts and disbursements to the Board of Managers;
- (h) Maintaining payroll records and filing the necessary forms for unemployment insurance, withholding and Social Security tax statements and other forms relating to employment of building employees;
- (i) Maintaining accurate sets of books for the Condominium and orderly files of rent

records, insurance policies, leases, receipted bills, Unit mortgages, and the like;

- (j) Preparing and submitting to the Board of Managers, on an annual basis, operating budgets setting forth the anticipated income and expenses for the ensuing year;
- (k) Sending notices, preparing agendas and attending meetings of the Board of Managers and Unit Owners and keeping minutes thereof;
- (l) Collecting, without additional charge, all rents from tenants of Unsold Units owned by Sponsor, without a guarantee by the Managing Agent of the payment of rent by such tenants;
- (m) Providing any repairs, services, and facilities required to be made in respect of any Unsold Unit owned by Sponsor which are required by law, regulation or order or pursuant to the terms of any lease of such Unsold Units, on a non-discriminatory basis, with the cost thereof to be promptly reimbursed to the Condominium by Sponsor; and
- (n) Providing any repairs, services and facilities to be made in respect of any Unit owned by a non-occupant Purchaser which are required by any law, regulation or order or pursuant to the terms of any leases of such Unsold Units, on a non-discriminatory basis, with the cost thereof to be defrayed from the Working Capital Fund account deposited at the closing of such Unit with the Managing Agent by the non-occupant Purchaser thereof.

The annual certified financial statement with respect to the Condominium will not be prepared by the Managing Agent. Such statement will be prepared by an independent certified public accountant engaged by the Board of Managers, whose fees are to be paid by the Board of Managers and charged to the Unit Owners as a Common Expense.

All expenses incurred by the Managing Agent in performance of its duties as Managing Agent shall be paid by the Board of Managers and charged to the Unit Owners as a Common Expense. In addition, the Board of Managers will indemnify the Managing Agent against any liability for acts properly performed by it pursuant to the management agreement or instructions of the Board of Managers or for injury to person or property not resulting from the Managing Agent's gross negligence or willful failure to comply with its obligation under the Management Agreement.

All officers and employees of the Condominium and the Managing Agent who handle funds will be bonded at all times from and after the First Unit Closing during the term of the Management Agreement under a fidelity bond in favor of the Condominium in the amount of \$100,000.00 for each loss. The cost of the bond will be included in the Common Charges payable by all Unit Owners.

The Sponsor's responsibility for supervising repairs and alterations to the Common Elements and the Residential Common Elements is limited to those routine repairs and incidental alterations required in the course of the ordinary maintenance and care of the Common Elements and the Residential Common Elements. Non-emergency repairs and alterations involving an expenditure in excess of \$2,500.00 for any one item will be made only with the prior approval of the Board of Managers.

## IDENTITY OF PARTIES

### Sponsor

The Sponsor entity is **SHAO LIN OPERATING, LLC**, formed and existing under the laws of the State of New York. **SHAO LIN OPERATING, LLC** has offices at 2025 Broadway, Suite 21JK, New York, New York 10023.

Gary Schaeffer, the Managing Member and President of Shao Lin Operating, LLC, has a wealth of experience as a member of the New York Stock Exchange, a position that he held for almost eighteen years before retiring. He was employed with a specialist firm on the floor of the Exchange and quickly rose through the ranks to become an exchange "Floor Official" in addition to being made a partner in his firm. In 1997, Mr. Schaeffer was brought in as a partner to Walter N. Frank, a specialist firm. In addition, Mr. Schaeffer was a board member of the United States Specialists Association, a seven year position that allowed him to oversee the governing of the Specialist industry on a nationwide level covering the seven exchanges in the United States. Mr. Schaeffer has handled all major aspects of LLC formation, finance, budgets, design and contracts. He has also been actively involved in the renovation and management of personal residences and rental property.

Shannon Shae Spalten is Shao Lin's Vice President of Operations and bring over 12 years of experience in business development, management, marketing and sales. Prior to working with Shao Lin, Ms. Spalten worked with The Sports Club L.A. She assisted in the development and opening of the Sports Club L.A. Company's largest and premier location on the Upper East Side of Manhattan. She has extensive experience in developing and implementing marketing and sales designs, for which she was awarded with numerous achievements. Currently, Ms. Spalten handles all of Shao Lin's operations including business development, finance, budgets, contracts, schedules, construction design and concepts, sales and marketing.

Cyril Montoya is Shao Lin's Vice President of Development. Having previously worked in France for many years as a Contractor, Mr. Montoya works on-site as field executive with BFI (Shao Lin's Construction Manager) in an effort to manage costs, construction trouble-shooting and overall efficiency of the project. His constant insight and experience have proven to be necessities in the success of all aspects of the development of the project.

None of the principals of Sponsor have made any prior public offerings nor any principal of any of them has (i) been convicted of a felony, (ii) had any prior convictions, injunctions or judgments recorded against them which would be material to this Plan, and (iii) has offered for sale any cooperatives, condominiums, planned unit development homes or time shares within the last five (5) years.

Selling Agent

The Selling Agent for this Plan is the Sponsor. The Sponsor is SHAO LIN OPERATING, LLC with offices at 2025 Broadway, Suite 21JK, New York, NY 10023. The Sponsor has no real estate sales experience. Sponsor's principal is Gary B. Schaeffer with business address at 2025 Broadway, Suite 21JK, New York 10023.

Managing Agent

The Managing Agent, selected by Sponsor in connection with the management of the Condominium is Taube Management Corp. with an address at 204 E. 83<sup>rd</sup> Street, New York, New York 10028, has over 25 years experience in managing residential properties in the City of New York, including more than 20 condominium, cooperative and rental buildings. A list of these properties is attached as Exhibit "L".

Sponsors' Attorney

Rivkin Radler LLP, 926 RexCorp Plaza, Uniondale, New York 11556, has been retained by the Sponsor in connection with the preparation and consummation of the Plan, including the Declaration, By-Laws, Purchase Agreement and unit Power of Attorney. Rivkin Radler LLP has also rendered an opinion with respect to the availability or income tax deduction to Unit Owners. Jeffrey S. Greener, Esq., a partner in Rivkin Radler LLP prepared the Plan. Rivkin Radler LLP has also been selected by the Sponsor to represent the Condominium in connection with all legal matters incident to the operation and management of the Condominium. No legal fee will be charged for such representation except for work actually performed after the formation of the Condominium. The Condominium can at any time choose to select different attorneys to represent it.

All legal matters in connection with the establishment of the Condominium, the tax opinion of counsel contained herein and the preparation of this Plan have been passed upon for the Sponsor by Rivkin Radler LLP.

Sponsor's Real Property Tax Counsel

The law firm of Lawrence J. Berger, P.C., has been retained by Sponsor in connection with the preparation and submission of certain tax exemption program applications. Tuchman, Korngold, Weiss, Lippman & Gelles, LLP has also been selected by the Sponsor to represent the Condominium in certain tax related matters. No legal fees will be charged to the Condominium for Lawrence J. Berger, P.C. or Tuchman, Korngold, Weiss, Lippman & Gelles, LLP representation of the Condominium, except for work actually performed after the formation of the Condominium. The Condominium can at any time choose to select a different attorney to represent it in its tax related matters.

### Sponsor's Architects

The Sponsor retained Brian Boyle, AIA to prepare and file the construction and floor plans in connection with the construction to be performed at the Building. Brian Boyle, AIA, is the architect of record and has an address at 75 Spring Street, New York, New York 10012. The Sponsor has no ownership interest in Brian Boyle, AIA. The Sponsor retained Brian Boyle, AIA to prepare the Description of Property Report contained in Part II.

### REPORTS TO UNIT OWNERS



The Board of Managers will provide each Unit Owner annually (i) a financial statement of the Condominium prepared by a certified public accountant for the prior calendar year; (ii) prior notice of the Unit Owners' meeting; and (iii) a copy of the proposed annual budget of the Condominium prior to the date set for adoption thereof by the Board of Managers for the succeeding calendar year. So long as the Sponsor shall remain in control of the Board of Managers the financial statements shall be certified by a certified public accountant and the annual budget shall be certified by a certified public accountant or qualified real estate professional.

### DOCUMENTS ON FILE

All documents referred to in this Plan and all Exhibits submitted to the Department of Law in connection with the filing of this Plan shall be maintained by Sponsor for a period of six (6) years after the First Unit Closing and will be available for inspection at the Sponsor's office or such other place as may be designated by the Sponsor. Such inspection will be without charge, but will only be permitted by appointment during the Sponsor's normal business hours and only following prior written request. Interested parties will be permitted to obtain copies of documents upon reasonable written pursuant to a fee schedule commensurate with fees charged for similar services by photocopying services.



A copy of the approved building plans (indicating, among other things, the various ceiling height measurements throughout the Units) will be maintained and available for review at the office of the Sponsor's attorneys, Rivkin Radler LLP, 926 RexCorp Plaza, Uniondale, New York 11556.

### GENERAL INFORMATION

#### Pending Litigation

At the date of this Plan, there is no litigation or administrative proceedings pending against the Condominium, Sponsor or any other party which would affect their ability to perform their obligations relating to this offering, or which would in any way affect this offering.

Prior Offerings

This Property has not been the subject of any prior public offerings.

Non-Discrimination

In accordance with the provisions of the laws of the State of New York, the Sponsor represents that it will not discriminate against any person because of his or her race, creed, sex, color, disability, martial status, national origin or ancestry in the sale of Units under this Plan.

Plan as Fair Summary

This Plan contains a fair summary of the pertinent provisions of the various documents referred to herein and does not knowingly omit any material fact or contain any untrue statement of a material fact relating to the offering. Any information or representation made, not contained in this Plan must not be relied upon.

The Plan may be amended at any time to time provided that, if the amendment is a material and substantial modification of the Plan which adversely affects Purchasers, then anyone who has theretofore executed a Purchase Agreement shall be given not less than fifteen (15) days after a copy of the duly filed amendment is mailed or otherwise delivered to them by written notice to the Sponsor to cancel the Purchase Agreement and to obtain a refund, in full, of the Downpayment made therewith with interest, if any. No person has been authorized to make any representation which is not expressly contained herein. This Plan may not be changed or modified orally.

No Contracts or Deposits

Sponsor has not entered into any contracts or agreements, oral or written, for the sale or transfer of any of the units offered in the plan and no deposits or advances of funds have been taken by or on behalf of the Sponsor in connection with the reservation, sale or transfer of such units, as of the date the Plan is accepted for filing.

**SPONSORS' STATEMENT OF BUILDING CONDITION**

The Sponsor has retained the firm of Brian Boyle, AIA to prepare the Description of Property and Building Condition report contained in Part II of this Plan. Sponsor has no knowledge of any material defect or need for major repairs to the Property except as set forth in said report. Sponsor will obtain a temporary certificate of occupancy for the Building which will allow for the proposed residential uses. The temporary certificate of occupancy will be obtained prior to the First Unit Closing and the Sponsor intends to obtain the final certificate of occupancy by June, 2009.

At or prior to the First Closing, Sponsor will, to the extent required, have current inspection certificates and permits for air resources, oil storage, elevators, boiler safety and the sprinkler system, if any.

THE PURCHASE OF A CONDOMINIUM HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES. THE SPONSOR STRONGLY URGES YOU TO READ THIS OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING A PURCHASE AGREEMENT.

Dated: September 9, 2007



SHAO LIN OPERATING, LLC,  
Sponsor

**EXHIBIT A - EXHIBIT M**

**[SEPARATELY BOUND]**

