

PROPRIETARY LEASE

_____ of
Housing Development Fund Corporation,
a Limited-Equity HDFC

Address of Building: _____

Resident Shareholder(s): _____

Apartment Number: _____

Zoning Rooms: _____

Number of Shares: _____

Commencement Date: _____

Termination Date: _____

TABLE OF CONTENTS

I.	MAINTENANCE CHARGES AND HDFC FINANCES	3
1.01	Maintenance Charges Determination; Special Assessments	
1.02	Maintenance and Operating Expenses Definition, etc.	
1.03	Inspection of Books of Account	
II.	LIENS AND CREDITORS	6
2.01	Lien of City and HDFC	
2.02	Lease Subordinate to Mortgage	
2.03	Effect of Liens on Alterations in Apartment	
2.04	Foreclosure - Receiver of Rents	
2.05	Discharge of Mechanic's Lien	
III.	PROPRIETARY LEASES	7
3.01	Signing and Holding of Originals	
3.02	Legal Effect and Interpretation	
3.03	Changes Shareholders' Approval; Written Form	

IV. CERTIFICATE OF SHARES	9
4.01 Share Certificates Accompany Leases	
4.02 Issuance of Additional Shares	
4.03 Unsold Shares	
V. SHAREHOLDER (LESSEE) - RIGHTS AND DUTIES	9
5.01 Rights of Possession	
5.02 Duties (Maintenance Payments, House Rules, Repairs, etc.)	
5.03 Restrictions on Use (Primary Residency, Obnoxious or Costly Uses, Compliance with Laws, etc.)	
5.04 Requirements for Alterations	
5.05 Restrictions on Transfer and Pledges (Subletting, Assignment, etc.)	
VI. HDFC (LESSOR) - RIGHTS, DUTIES AND IMMUNITIES	16
6.01 Right to Remedy Shareholder's Default	
6.02 Right of Entry	
6.03 Waiver by HDFC - Requirements	
6.04 Physical Maintenance and Repair of the Building	
6.05 HDFC's Immunities; Indemnity	
VII. TERMINATION OF LEASES	20
7.01 Termination by HDFC (Lessor) - Conditions	
7.02 HDFC's Rights After Shareholder's Default	
7.03 Impact of Termination on Shareholder	
7.04 Cancellation by Shareholder (Lessee)	
7.05 Mass Cancellations	
7.06 Expiration of Lease Due to Damage	
7.07 Continuation of Cooperative Management After All Leases Terminate	
7.08 Exercise of HDFC Right of First Refusal and Option to Purchase	
VIII. MISCELLANEOUS	26
8.01 Notices	
8.02 More Than One Shareholder on Lease	
ATTACHMENTS	
Exhibit A – House Rules	
Exhibit B – Profit Sharing Schedule for Initial Shareholders	
Exhibit C – Resale Chart	

PROPRIETARY LEASE, made as of the _____ day of _____, 200___ by and between 1187 Cooperation Housing Development Fund HDFC (hereinafter "HDFC" or "Lessor"), having an office for the conduct of business at _____, NY _____ and _____ ("Shareholder" or "Lessee").

WHEREAS, the HDFC is the owner of the land and the building on it which are located in the City and State of New York and are known as and by the street number and _____

WHEREAS, the Shareholder is the owner of _____ shares issued by the HDFC, to which this lease pertains and which have been allocated to Apartment _____ in the Building.

NOW, THEREFORE, the HDFC hereby leases to the Shareholder and the Shareholder leases from the HDFC, subject to the terms and condition hereof, apartment listed above herein (the "Apartment") for a term listed above herein (the "Commencement Date") until and unless sooner terminated as hereinafter provided ("Termination Date"). The term "Apartment" shall mean the rooms in the building(s) of the HDFC as partitioned on the Commencement Date and designated by the above stated apartment number, together with their attachment and fixtures and any closets, terraces, balconies, roof, or portion thereof outside of said partitioned rooms, which are allocated solely for use by the occupants of the Apartment.

Introduction

The purpose of _____ Housing Development Fund Corporation (hereinafter "HDFC") is to provide its member Shareholders with affordable limited-equity cooperative homeownership in compliance with the Certificate of Incorporation, By-Laws, this Proprietary Lease and, if any, a Regulatory Agreement. The HDFC is not organized for pecuniary profit or financial gain. All income and earnings of the HDFC shall be used exclusively for corporate purposes, and no part of the net income or net earnings of the HDFC shall inure to the benefit or profit of any private individual, firm, corporation or association. The Shareholders shall in good faith endeavor to observe and promote the cooperative purposes for which the HDFC was established.

I. MAINTENANCE CHARGES AND HDFC FINANCES

1.01 Maintenance Charges

(a) Determination of Amount - Number of Rooms

The maintenance charge (sometimes called rent) is payable by the Shareholder for each year, or portion of a year, as defined in Paragraph 1.02 (a) of this lease, which results from dividing the number of zoning rooms in the Apartment by the total number of zoning rooms in all of the apartments in the building on the date of the determination of such maintenance and operating expenses. The calculation of maintenance shall be based upon zoning rooms, which shall be 2.5 zoning rooms for a studio, 3.5 zoning rooms for a one-bedroom, 4.5 zoning rooms for a two-bedroom, 5.5 zoning rooms for a three-bedroom, and 6.5 rooms for a four-bedroom. Such maintenance charges shall be

payable in equal monthly installments, in advance, on the first of each month, unless the Board of Directors of the HDFC (the "Board"), shall decide otherwise when determining the maintenance and operating expenses. The maintenance charge will increase automatically by two (2%) percent which will take effect annually on the first of July unless the Board decides otherwise. In the event a Regulatory Agreement exists which dictates a mandatory 2% increase of maintenance annually, the Board must first seek approval of the Agent, as that term is defined in the Regulatory Agreement, before implementing any decision contrary to the mandatory 2% increase. If the Board increases or decreases the maintenance charge pursuant to Paragraph 1.02(b) of this lease, the Shareholder shall pay the new maintenance charges after receiving thirty (30) days written notice by certified or regular mail. If the Shareholder shall fail to pay any installment of Maintenance Fee when due, the Shareholder shall be subject to a late fee, to be determined by the Board of Directors, which shall be added to the Maintenance Fee.

(b) Section 8 Limitations

In the event Shareholder receives housing assistance payments under Section 8 of the United States Housing Act of 1937 ("Section 8"), the "monthly carrying charge" under the Proprietary Lease shall be subject to the Section 8 limitations on "rent to owner," as set forth in 24 C.F.R. § 982.619.

(c) Special Assessments

Special assessments to pay for particular repairs or other unforeseen financial outlays may be imposed by the Board on a per zoning room basis or such other reasonable basis, as determined by the Board. The Shareholder shall pay such special assessments as the Board may require after providing thirty (30) days written notice, or shorter notice, in the event of an emergency.

(d) Fees for Use of Appliances, Facilities and Services

The Board may impose reasonable fees for use of appliances within the apartment, including but not limited to washing machines, dryers, dishwashers, air conditioners, or other appliances which shall require the consent of the Board before installation. The Board may also charge a fee for facilities and services provided. Utilities which may be charged on a uniform fee or usage basis include, but are not limited to, water, electricity, cable TV, and internet services. Services or facilities which may be charged on a uniform basis include, but are not limited to, parking, laundry facilities, and health club, number of bathrooms or storage areas.

(e) Maintenance Charge Reduction

If the damage resulting from fire or other cause (see Paragraph 6.04(c)) shall be so extensive as to render the Apartment partly or wholly uninhabitable, or if its means of access shall be destroyed, the maintenance charge hereunder shall be reduced temporarily until the Apartment shall again be made wholly habitable or the means of access restored. However, if said damage shall be caused by the act or negligence of the Shareholder or the agents, employees, guests, roommate or family members of the Shareholder or any occupant of the Apartment, such maintenance charge shall be

reduced only to the extent of the rental value insurance, if any, collected by HDFC with respect to the Apartment.

1.02 Maintenance and Operating Expenses

(a) Definition, etc.

"Maintenance and operating expenses" whenever used herein shall mean the estimated amount in cash which the Board shall determine on a yearly basis to be necessary for (1) the operation, maintenance, alteration and improvement of any building owned by the HDFC during the year or portion of the year for which such determination is made; (2) the creation of an adequate reserve for contingencies; and (3) the payment of any obligations, liabilities or expenses incurred or to be incurred, including but not limited to any underlying mortgage or other debt service which is the responsibility of the HDFC. In determining maintenance and operating expenses, the Board shall consider (i) income expected to be received during such period (other than maintenance charges from proprietary leases), and (ii) cash on hand which the Board in their discretion may choose to apply.

(b) Increases and Decreases

The Board may from time to time increase or decrease the amount previously determined as maintenance and operating expenses of the HDFC for a year or a portion thereof, subject to any prior necessary approvals which may be deemed necessary under a Regulatory Agreement, if any. No determination of any maintenance and operating expenses shall have any retroactive effect on the amount of the maintenance charge payable by the Shareholder for any period prior to the date of such determination. All determinations of maintenance and operating expenses shall be binding on all Shareholders.

(c) Failure of Board to Determine

The failure of the Board to determine the HDFC's maintenance and operating expenses for any year or portion thereof shall not be deemed a waiver or modification in any respect of the covenants and provisions hereof, or a release of the Shareholder from the obligation to pay the maintenance charge or any installment thereof. The maintenance charge last determined by the Board for any year or portion thereof shall continue to be the maintenance charge until the Board makes a new determination of maintenance and operating expenses.

(d) Accounting

The Board may from time to time determine how much of the maintenance charge and other receipts (but not more than an amount equal to payments on account on principal of any mortgages on the land and the Building and other capital expenditures), when received, shall be credited on the accounts of the HDFC, to "Fund Balance" or "Paid in Surplus". Unless the Board shall determine otherwise, the amount of payments on account of principal of any mortgages shall be credited to the Fund Balance or Paid in Surplus.

1.03 Inspection of Books of Account

The HDFC shall keep full and correct books of account at its principal office or at such other place as the Board may from time to time determine, and the same shall be open during all reasonable hours to inspection by the Shareholder or a representative of the Shareholder. The HDFC shall deliver to the Shareholder within a reasonable time after the end of each fiscal year an annual report of corporate financial affairs. The report shall include a balance sheet and a statement of income and expenses, verified by the president and treasurer or by a majority of the Board, and prepared by an independent public or certified public accountant. The Board shall also comply with any requirements set forth within any Regulatory Agreement which may require an Agent to review all books of accounts from time to time, and/or on an annual basis.

II. LIENS AND CREDITORS

2.01 Regulatory Agreement and HDFC Lien

(a) Regulatory Agreement

The building owned by the HDFC shall be encumbered described under the Regulatory Agreement entered into between the New York City Department of Housing Preservation and Development ("HPD") and the HDFC for a restriction period lasting until the later of (i) thirty eight (38) years from the date of the Regulatory Agreement, or (ii) until the exemption and/or abatement from taxation on the property pursuant to Section 577 of the New York State Private Housing Finance Law (the "Restriction Period"). All requirements and restrictions set forth within the Regulatory Agreement shall apply during the Restriction Period. In the event of a conflict between this Proprietary Lease and the Regulatory Agreement, the Regulatory Agreement shall prevail, but only for the Restriction Period.

(b) HDFC Lien

The Shares to which this lease pertains are subject to a lien by the HDFC, details of which are set forth in Article IX, Section 6 of the By-Laws of the HDFC and in a legend on the Certificate for said Shares.

2.02 Lease Subordinate to Mortgages

(a) Subordination

This lease is and shall be subject and subordinate to all present and future leases, and to any present or future mortgages that are liens upon such leases on the land and building(s), and to any and all extensions, modifications, consolidations, renewals and replacements thereof. Such subordination shall be self-operative and no further instrument of subordination shall be required by any such mortgagee or lessee.

(b) Automatic Consent by Shareholder

Upon demand, made at any time, Shareholder shall confirm or formalize said subordination or subjecting of this lease by signing any instruments that may be required under any Regulatory Agreement, any mortgagee or by the HDFC. Each officer of the

HDFC is hereby irrevocably appointed the attorney-in-fact and agent of the Shareholder to sign said instruments if Shareholder fails to comply with such demand and the Shareholder hereby ratifies any such instrument which is signed in the future pursuant to the said power of attorney.

2.03 Effect of Lien on Alterations in Apartment or Transfer of Possession

If any mortgage affecting the Property shall contain any provisions pertaining to the right of the Shareholder to make changes or alterations in the Apartment or to remove any of the fixtures, appliances, equipment or installations or to sell, assign, transfer or sublet the Apartment, the Shareholder shall comply with the applicable requirements of such mortgage. Upon the Shareholder's written request, the HDFC will furnish Shareholder with copies of the provisions of each and every such mortgage which applies to said alterations or transfer rights.

2.04 Foreclosure - Receiver of Rents

If any mortgagee shall sue to foreclose any mortgage on any building of the HDFC, then regardless of any other provision in this lease, the Shareholder shall, on demand, pay to the receiver of the rents appointed in such lawsuit, rent, profit or other sums, if any, owing on the date of such appointment and shall pay thereafter to such receiver in advance, on the first day of each month during the existence of such lawsuit, the maintenance charges for the Apartment as last determined and established by the Board prior to the beginning of the lawsuit. Such maintenance charges shall be paid during the period of such receivership, even if the Board fail to determine maintenance charges for any part of the period of the receivership. The provisions of this paragraph are intended to benefit present and future mortgagees of the land or the building and may not be modified or annulled without the prior written consent of such mortgagees.

2.05 Discharge of Mechanic's Lien

If a notice of mechanic's lien shall be filed against the building(s) for labor or material furnished or delivered at the building(s) or the Apartment to or for the Shareholder or anyone claiming under the Shareholder, the Shareholder shall promptly cause such lien to be discharged by payment, bonding or otherwise. If the Shareholder shall fail to do so within ten days after notice from the HDFC, then the HDFC may cause such lien to be discharged by payment, bonding or otherwise, without investigation whether the lien is valid or whether it is subject to any offsets or defenses and the HDFC shall have the right to collect, from the Shareholder who caused the lien, as additional maintenance charge, all amounts so paid and all costs and expenses paid or incurred in connection therewith, including reasonable attorney's fees and disbursements, together with interest from the time or times of payment.

III. PROPRIETARY LEASES

3.01 Signature and Holding of Originals

The HDFC and the Shareholder shall sign two (2) duplicate originals of this lease. The HDFC shall retain one of the originals and shall present the second signed original to the Shareholder.

3.02 Legal Effect and Interpretation

- (a) If any clause or provision herein contained shall be declared invalid by any appropriate court, that invalidity shall not affect the validity of any other clause or provision of this lease or provide grounds for a lawsuit between the HDFC and the Shareholder.
- (b) The captions and marginal headings of the several paragraphs of this lease shall not be deemed to be part of this lease.
- (c) If, at the Commencement Date of this lease, the Shareholder has the right to possess the Apartment under any agreement or statutory tenancy, this lease shall supersede such agreement or statutory tenancy which shall be of no further effect after the start of this lease, except for claims which arose before the start of this lease.
- (d) The references in this lease to a Shareholder of this HDFC shall be deemed to include the executors, administrators, legal representatives, legatees, distributees and assigns of the Lessee or Shareholder. The covenants contained in this lease shall apply to, bind and inure to the benefit of the HDFC (Lessor) and its successors and assigns and the Shareholder (Lessee) and its executors administrators, legal representatives, legatees, distributees and assigns, except as herein above stated.
- (e) To the extent permitted by law, the HDFC and Shareholder shall and they hereby do waive trial by jury in any action, proceeding or counter claim brought by either of them against the other on any matter whatsoever arising out of or in any way connected with this lease, the Shareholder's use or occupancy of the Apartment or any claim of damage resulting from any act or omission by the HDFC or Shareholder which is any way connected with this lease or the Apartment.
- (f) Neither the HDFC nor the Shareholder will discriminate against any person because of his or her race, creed, religion, color, national origin, age, sex, sexual orientation or affectional preference or other ground prohibited by the New York Human Rights Law or the Federal Fair Housing Act, when exercising any right under this lease.
- (g) Unless stated otherwise, references in this lease to numbered articles refer to Articles I through VIII of this lease, references to numbered sections refer to decimal subdivisions of each article and references to paragraphs refer to alphabetic paragraphs under each section.

3.03 Changes - Shareholders' Approval; Written Form

- (a) Each proprietary lease shall be in the form of this lease. A variation in the terms of the lease of any shareholder must be authorized by the shareholder affected and by a vote of two-thirds (66 2/3%) of the shareholders eligible to vote under the By-Laws. The form and provisions of all current and future proprietary leases may be changed by a vote of 66 2/3% of the Shareholders eligible to vote under the By-Laws. Changes approved by a vote of 66 2/3% of the Shareholders shall be binding on all Shareholders even if they did not vote for such changes. Approval by Shareholders as provided for herein shall be evidenced by written consent or by affirmative vote taken at a meeting called for such purpose.

(c) The provisions of this lease cannot be changed orally.

IV. CERTIFICATES OF SHARES

4.01 Share Certificates Accompany Leases

Every lease which has been or will be executed by the HDFC shall be accompanied by a Certificate of Stock which indicates the number of shares in the HDFC (the "Shares") which are issued to the Shareholder.

4.02 Issuance of Additional Shares

If the HDFC shall in the future issue shares (whether now or hereafter authorized) in addition to those issued on the Commencement Date such shares shall be issued in accordance with the By-Laws and as follows: The holders of such additional shares shall be obligated to pay maintenance charges at the same rate as other Shareholders from and after the date of issuance. If any such shares are issued on a date other than the first or last day of the month, the maintenance charge for the month in which issued shall be apportioned.

4.03 Unsold Shares

Any Unsold Shares shall be allocated in accordance with the By-Laws. The term "Unsold Shares" includes the shares of the HDFC which are issued by the HDFC and are allocated either to (a) the apartments of non-purchasing tenants or, (b) the apartments which are unoccupied at the time the cooperative conversion plan for the HDFC is declared effective. The HDFC shall retain all Unsold Shares and may sell such shares when vacant, subject to the resale policies set forth within the By-Laws and Regulatory Agreement. All shares which are Unsold Shares retain their character as such until such shares become the property of a purchasing Shareholder(s) for bona fide occupancy of the apartment to which such shares are allocated. Once previously Unsold Shares are purchased, this paragraph shall no longer apply to such Shares.

V. SHAREHOLDER (LESSEE) - RIGHTS AND DUTIES

5.01 Rights of Possession

(a) The Shareholder, upon paying the maintenance charge, performing the covenants and complying with the conditions, which Shareholders are subject to under this lease, shall quietly have, hold and enjoy the Apartment without any suit, trouble or hindrance from the HDFC, subject, to the requirements of the House Rules, By-Laws, a Regulatory Agreement, if any and the rights of present tenants or occupants of the Apartment and subject to any and all mortgages and secured liens on any building owned by the HDFC.

(b) If the Apartment includes a terrace, balcony or a portion of the roof adjoining a penthouse ("Exterior Property"), the Shareholder shall have and enjoy the exclusive use of the Exterior Property, subject to the applicable provisions of this lease and to the use of the Exterior Property by the HDFC to the extent herein permitted. The Shareholder

shall be subject to such regulations as may from time to time be prescribed by the Board. The HDFC shall have the right to erect equipment on the roof, including radio and television aerials and antennas for its use and the use of the lessees in the Building, and shall have the right of access thereto for such installations and for the repair thereof. The Shareholder shall keep the Exterior Property clean and free from snow, ice, leaves and other debris and shall maintain all screens and drain boxes in good condition. No planting, fences, structures or lattices shall be erected or installed on the Exterior Property without the prior written approval of the HDFC. No cooking shall be permitted on any Exterior Property nor shall the walls thereof be painted by the Shareholder without the prior written approval of the HDFC. Any planting or other structures erected by the Shareholder or the prior owner of Shares allocated to the Apartment may be removed and restored by the HDFC at the expense of the Shareholder for the purpose of repairs, upkeep or maintenance.

5.02 Duties Relating to Possession

(a) The Shareholder shall pay the maintenance charge to the HDFC upon the terms and at the times provided in this lease, without any deduction on account of any set-off or claim which the Shareholder may have against the HDFC. If the Shareholder shall fail to pay any installment of maintenance charge promptly, the Shareholder shall pay interest thereon at the maximum legal rate from the date when such installment shall have become due to the date of the payment thereof and such interest shall be deemed an additional maintenance charge hereunder.

(b) The HDFC has adopted house rules ("House Rules") which are attached to this lease. The Board may alter, amend or repeal such House Rules and adopt new rules. This lease shall be in all respects subject to such House Rules which, when a copy thereof has been furnished to the Shareholder, shall be treated as part of this lease. The Shareholder hereby covenants to comply with all such House Rules and see that they are faithfully observed by the family, guests, employees, roommates and subtenants of the Shareholder. Breach of the House Rules shall be a default under this lease. The HDFC shall not be responsible to the Shareholder for the nonobservance or violations of House Rules by any other Shareholder or person.

(c) The Shareholder shall always in good faith endeavor to observe and promote the cooperative purposes for the accomplishment of which the HDFC is incorporated.

(d) The Shareholder shall take possession of the Apartment and its attachments and fixtures in its "as is" condition and state of repair as of the Commencement Date of this lease. The Shareholder shall be solely responsible for: (i) the painting and decorating required for the Apartment; (ii) the maintenance and repair of the interior of the Apartment (including interior wall, floors and ceilings, but excluding windows, window panes, window frames, sashes, sills, entrance and terrace doors, frames and saddles); and (iii) the maintenance, repair and replacement of plumbing, gas and heating fixtures and equipment in the Apartment and such refrigerators, dishwashers, removable and through-the-wall air conditioners, washing machines, ranges and other appliances that may be in the Apartment. Plumbing, gas and heating fixtures as used herein shall include: (1) exposed gas, steam and water pipes attached to fixtures, appliances and equipment; (2) the fixtures, appliances and equipment to which they are attached; and (3) any special pipes or equipment which the Shareholder may install within the wall or ceiling or under the floor, but shall not include gas, steam, water or other pipes or

conduits within the walls, ceilings or floors or air conditioning or heating equipment which is part of the standard building equipment. The Shareholder shall be solely responsible for the maintenance, repair and replacement of all lighting and electrical fixtures, appliances and equipment and all meters, fuse boxes or circuit breakers and electrical wiring and conduits from the junction box at the riser into and through the Apartment.

5.03 Restrictions on Shareholder's Use

(a) The Shareholder shall not occupy or use the Apartment or permit it or any part of it to be occupied or used for any purpose other than as a private residence for the Shareholder, Shareholder's spouse, children, parents, brothers, sisters, grandparents, grandchildren and domestic employees. Occupancy of the Apartment by any other person shall require prior written approval in writing by the HDFC on such conditions as the HDFC may prescribe and in compliance with any restrictions against subletting, as set forth within the Regulatory Agreement, if any.

(b) The Shareholder must use the Apartment as his or her primary residence, which is defined as follows: (A) Shareholder is domiciled at the Apartment or (B) if not domiciled at the Apartment, Shareholder had spent more than 187 days in the preceding calendar year at the Apartment, unless such individual proves to the Board, by providing documentation, that their inability is based on hospitalization, institutionalization, or active service in the Armed Forces of the United States, or unless the Shareholder began occupancy of the Apartment during the preceding calendar year. The Shareholder shall also be required to provide proof to the Board, as the Board deems appropriate, including but not limited to that he or she has filed a New York City Resident Income Tax Return at the Apartment for the most recent preceding calendar year. If the Apartment ceases to be the Shareholder's primary residence, then no occupancy or use of the Apartment, including any sublease or assignment, which otherwise complies with this lease will be permitted.

(c) Restrictions on Obnoxious, Costly or Unlawful Uses

(i) The Shareholder shall not permit any odors which may be a health violation to escape into any building owned by the HDFC. The Shareholder shall not permit or allow any unreasonable noises or anything which will interfere with the rights of other Shareholders or unreasonably annoy them or obstruct the public halls or stairways.

(ii) If, in the sole judgment of the Board, any of the Shareholder's equipment or appliances shall damage the Building or diminish or interrupt service to other portions of the Building or overload or damage facilities maintained by the HDFC for the supplying of water, gas, electricity or air conditioning to the building, the Shareholder shall promptly, on notice from the Board, remedy the condition and, pending such remedy, shall cease using any appliance or equipment which may be creating the objectionable condition.

(iii) The Shareholder will not require, permit, or allow the cleaning of any window in the Apartment from the outside (within the meaning of Section 202 of the New York Labor Law) unless the equipment and safety devices required by law, ordinance, rules and regulations, including, without limitation, Section 202 of the New York Labor Law, are provided and used and unless the industrial code of the State of New York is fully complied with; and the Shareholder agrees to indemnify the HDFC and its employees,

other lessees and the managing agent, for all losses, damages or fines suffered by them as a result of the Shareholder's requiring, permitting or allowing any window in the Apartment to be cleaned from the outside in violation of the requirements of the aforesaid laws, ordinances, regulations and rules.

(iv) The Shareholder shall not permit or suffer anything to be done or kept in the Apartment which will increase the rate of fire insurance on the Building or the contents thereof. If the rate of fire insurance on the Building or an Apartment or the contents of either shall be increased because of the manner in which the Apartment is occupied or used by the Shareholder, the Shareholder shall (if such occupancy or use continues for more than thirty (30) days after written notice from the HDFC specifying the objectionable occupancy or use) become liable for the additional insurance premiums incurred by the HDFC or any lessee or Shareholder in a building owned by the HDFC on all policies so affected and the HDFC shall have the right to collect the same for its benefit or the benefit of any such lessees as additional maintenance charge for the Apartment due on the first day of the calendar month following written demand therefore by the HDFC.

(v) The Shareholder shall comply with all the requirements of the Board of Fire Underwriters, insurance authorities, the Division of Code Enforcement and all other governmental authorities and with all laws, ordinances, rules and regulations with respect to the occupancy or use of the Apartment.

(vi) The Shareholder may obtain and maintain insurance against loss or damage by fire and other such risks and hazards as are insurable under then available standard forms of home owner or renter insurance policies with extended coverage for the insurable value of the apartment's replacement value.

5.04 Restrictions on Alterations

(a) The Shareholder shall not, without first obtaining the written consent of the HDFC, make in the Apartment or building or on any Exterior Property as defined in paragraph 5.01(b), any alteration, enclosure or addition or any alteration of or addition to the water, gas or steam risers or pipes, heating or air conditioning system or units, electrical conduits, wiring or outlets, plumbing fixtures, intercommunication or alarm system or any other installation or facility in the Apartment or Building. The performance by Shareholder of any work in the Apartment shall be in accordance with any applicable rules and regulations of the HDFC and governmental agencies having jurisdiction thereof. The Shareholder shall not, in any case, install any appliances which will overload the existing wires or equipment in the building where the Apartment is located.

(b) Without the HDFC's written consent, the Shareholder shall not remove any fixtures, appliances, additions or improvements ("Removable Property") from the Apartment except as hereinafter provided. If the Shareholder or a prior lessee shall have heretofore placed or the Shareholder shall hereafter place in the Apartment, at the Shareholder's own expense, any Removable Property which can be removed without structural alterations or permanent damage to the Apartment (including, but not limited to, lighting fixtures, refrigerators, air conditioners, dishwashers, washing machines, ranges, woodwork, wall paneling, ceilings, special doors or decorations, special cabinet work, special stair railings or other built in ornamental items), then title to the Removable Property shall remain and the Shareholder may remove the same at the Shareholder's

own expense before this lease is terminated, provided: (i) that the Shareholder at the time of such removal shall not be in default in the payment of maintenance charges or in the performance or observance of any other covenants or conditions of this lease; (ii) that the Shareholder shall at the Shareholder's own expense, before this lease is terminated, repair all damage to the Apartment which shall have been caused by either the installation or removal of any such Removable Property; (iii) that if the Shareholder shall have removed from the Apartment any articles or materials owned by the HDFC or any fixtures or equipment necessary for the use of the Apartment, the Shareholder shall either restore such removed items and repair any damage resulting from their removal and restoration or replace them with others of a kind and quality customary in comparable buildings and satisfactory to the HDFC; and (iv) that if any mortgagee acquired a lien on any such property prior to the execution of this lease, Shareholder shall give the HDFC written consent to such removal by such mortgagee.

5.05 Restrictions on Transfers and Pledges

(a) Subletting.

Subletting shall not be permitted for the first three years of the HDFC operation, except under extraordinary circumstances, as defined by the Regulatory Agreement. In the fourth year of the HDFC operation, a vote of two-thirds (66 2/3%) of the eligible shareholders shall approve the adoption of a subletting policy which shall comply with the restrictions set forth in the Regulatory Agreement. Regardless of any Regulatory Agreement, the Shareholder shall not sublet the whole or any part of the Apartment or extend any previously authorized sublease without the consent of the Board of Directors given by a resolution of the Board or in writing by a majority of the Board or if the Board refuses or fails to give such consent, then with the consent of two-thirds (66 2/3%) of the shareholders, given either in writing or by affirmative vote taken at a meeting called for this purpose in the manner provided in the By-Laws. Any consent to subletting may be subject to such additional conditions as the Board or Shareholders, as the case may be. In the event the Shareholder is subletting the entire Apartment, then the monthly rent charged under such sublease shall not exceed the maintenance charge under this lease plus ten (10%) percent. If the Shareholder is subletting any part of the Apartment, including but not limited to having a roommate while the Shareholder is still in occupancy of part of the Apartment, then the monthly rent charged shall not exceed one-half (1/2) of the total maintenance charge plus ten (10%) percent. No sublease shall take effect against the HDFC for any purpose until (i) a sublet agreement in a form approved by the HDFC is executed and acknowledged by the Sublessee and is delivered to the HDFC and (ii) in the sublet agreement, the Sublessee affirms that it is an individual or family of low income earning no more than 120% of the area median income for the corresponding household size as determined from time to time by the United States Department of Housing and Urban Development ("120% of the Median Income") and that he or she assumes and agrees to be bound by and perform all the covenants and conditions of this lease and to perform and comply with them throughout the term of the sublet agreement.

(b) Affordable Housing Policy

(i) In accordance with the HDFC's policy of maintaining affordable housing and HDFC's obligations under the Private Housing Finance Law, Tenant understands and agrees that there are restrictions on both the resale of shares to which this Proprietary Lease is

appurtenant and the amount of profit Shareholder may realize on a sale of Shareholder's shares.

(ii) Limits on Profits. Sales to Eligible Purchasers who are not purchasers on the Inside Waiting List shall be subject to the following limitations:

(iii) Sales by Initial Shareholders. Profits from the sale of a unit by a Tenant who is an Initial Shareholder (as defined below) shall be allocated in the percentages listed on Exhibit B attached hereto and made a part hereof to the project's reserve account, to the Tenant and to HPD for the purpose of paying down the mortgage held by HPD. An "Initial Shareholder" shall mean a person or persons who (x) initially purchased shares from the HDFC and (y) were leaseholding tenants as of the date of the conveyance of the Property by HPD to Neighborhood Restore Housing Development Fund HDFC ("Neighborhood Restore") or became leaseholding tenants during the period of Neighborhood Restore's ownership and remained leaseholding tenants.

(iv) Sales by Subsequent Shareholders. Profits from the sale of a unit by a Shareholder that purchased from an Initial Shareholder or from the HDFC after the conversion was completed (a "Subsequent Shareholder"), shall be allocated 10% to the HDFC's reserve account (or another account controlled by the HDFC) and 90% to the Shareholder.

(c) Assignment

(i) Conditions. The Shareholder shall not assign this lease or transfer the related shares in the HDFC, and no such assignment or transfer shall take effect as against the HDFC for any purpose, except in compliance with the restrictions of the HDFC's Certificate of Incorporation, the By-Laws and any Regulatory Agreement through the entire Restriction Period, and each of the following conditions:

(A) A written request of assignment in a form approved by the Board and signed and acknowledged by the assignor before a notary shall be delivered to the HDFC.

(B) (1) The assignee signs and acknowledges an agreement, in form approved by the HDFC, by which the assignee affirms that he or she is a person of low income who earns no more than 120% of the Median Income of the standard metropolitan statistical area and that he or she assumes and agrees to be bound by all the covenants and conditions of the HDFC's Certificate of Incorporation, the By-Laws, Regulatory Agreement, if during the Restriction Period, and this lease, to be performed or complied with by the Shareholder on and after the effective date of said assignment, and said assignment shall have been delivered to the HDFC, or (2) at the request of the HDFC, the assignee shall have surrendered the assigned lease and entered into a new lease in the same form for the remainder of the term, in which case the Shareholder's lease shall be deemed canceled as of the effective date of said assignment.

(C) All Shares of the HDFC to which this lease pertains shall have been transferred to the assignee, with proper transfer taxes paid and stamps affixed; and

(D) All sums due to the Board from the Shareholder under this Lease or otherwise arising shall have been paid to the Board, together with a sum to be fixed by the Board to cover reasonable legal and other expenses of the Board and its managing agent in connection with such assignment and transfer of shares; and

(E) The Annual Household Income of the assignee shall be no less than three hundred percent (300%) of the annual rent for the Apartment, unless assignee has otherwise demonstrated to the satisfaction of the HDFC an ability to pay the rent.

(F) A transfer fee, sometimes referred to as a flip tax, made payable to the HDFC by any Shareholder upon any transfer of the shares of stock of the HDFC, other than transfers to a spouse, whether by gift, bequest, operation of law, or otherwise. During the Restriction Period the transfer fee shall be set forth in the Regulatory Agreement. At no time shall the flip tax be less than ten (10%) percent; and

(G) A satisfactory search or certification from a title or abstract company, as the Board may require shall have been delivered to the Board prior to the approval of any assignment, transfer or bequest, which shall be paid for by the shareholder; and

(H) The deliverance of a reasonable administrative fee, if said fee is approved by the Board, which shall cover administrative costs associated with the assignment herein.

(I) Except in the case of an assignment, transfer or bequest except for the assignment of Unsold Shares as provided in Section 4.03 of this lease, consent to such assignment shall have been authorized by resolution of the Board or given in writing by a majority of the Board or, if the Board shall have failed or refused to give such consent within thirty (30) days after submission of references to them or HDFC's Agent, then by a vote of two thirds of the shareholders eligible to vote under the By-Laws. Consent by Shareholders as provided for herein shall be evidenced by written consent or by affirmative vote taken at a meeting called for such purpose in the manner as provided in the By-Laws.

(ii) Standards and Particular Situations.

(A) The Board or Shareholders, as the case may be, may grant or withhold consent to an assignment at their sole discretion except that such discretion shall comply with the nondiscrimination provisions of Paragraph 3.02(f) or this lease.

(B) The Board or Shareholders, as the case may be, may not unreasonably withhold consent for a Shareholder to assign the lease and transfer the Shares, upon the death of the Shareholder, to financially responsible adult members of the Shareholder's family, who are either the Shareholder's spouse (or equivalent in a civil union or domestic partnership, in which case no consent shall be necessary), child, grandchild, parent or sibling, who have lived in the Apartment with the Shareholder for at least the previous two (2) years and who shall have accepted all the terms and conditions of this lease.

(C) Except for an assignment of this lease pursuant to Section B above, all other assignments shall be made to members of the HDFC's waiting list which shall be maintained in accordance to the terms and conditions set forth within the By-Laws. The Board shall maintain an "Insider Waiting List" and an "Outsider Waiting List" with priority given to the earliest applicant on the lists subject to the following limitations. The Insider Waiting List shall be a list of Shareholders wishing to change or acquire an additional contiguous Apartment because of reasons including, but not limited to, family size, disability, or physical need. The Outsider Waiting List shall be a list of households including, but not limited to, non-purchasing tenants and non-Shareholder adult children

of the Shareholder's household, who have requested to become Shareholders (if a suitable apartment becomes available). Households on the Insider Waiting List shall receive preference over applicants on the Outsider Waiting List. Households on the Insider Waiting List are not subject to the Annual Household Income restrictions described above. The HDFC shall give priority to Shareholders on the Insider Waiting List. The HDFC shall establish a policy that defines when applicants on the Outsider List shall be offered an Apartment.

(D) If the lease is assigned in compliance herewith, Shareholder-assignor shall have no further liability on any of the covenants of this lease to be performed after the assignment.

(E) Regardless of any consent which is given pursuant to this lease, neither the Shareholder nor his executor, administrator, any trustee or anyone to whom the interests of the Shareholder's interests shall pass by law, may further assign this lease or sublet the Apartment, or any part thereof, except upon compliance with the requirements of this lease.

(F) If this lease is then in force and effect, the HDFC will, upon request of Shareholder, deliver to the assignee a written statement that this lease remains in force and effect on the date thereof; but no such statement shall be deemed an admission that there is no default under the lease.

(c) Pledge of Shares.

(i) This lease and the related Shares may be pledged or assigned as security for a construction or rehabilitation loan made to the Shareholder by a bank, trust company, insurance company or other recognized lending institution (the "Lender") without violating this lease; but during the Restriction Period (as defined in Section 2.01) any pledge of security interest in this lease and the related shares shall be subject to a lien in favor of the HDFC, which is set forth in greater detail in the By-Laws and in a legend on the Certificate of Shares. Neither the pledgee nor any transferee may have the shares transferred or recorded on the books of the HDFC, vote such Shares, occupy or permit the occupancy by others of the Apartment or sell such shares of this lease without first obtaining the consent of the HDFC, which shall not be unreasonably withheld and which will be granted in accordance with and after complying with all of the provisions of Paragraphs 3.02(f), 5.03(a), 5.05(a) and (b) and the restrictions contained in the HDFC's Certificate of Incorporation and By-Laws as the case may be. The acceptance by the HDFC or designated managing agent of payments by the pledgee or any transferee on account of rent or additional rent shall not constitute a waiver of the aforesaid provisions.

(ii) The rights and duties of HDFC and Lender with respect to a pledge or security interest pursuant to (c)(i) (above) may be governed by a recognition agreement in a form typically used by Lenders in the State of New York or a similar agreement which is mutually acceptable to the HDFC and the Lender.

(iii) During the Restriction Period, this lease and the Shares allocated to the Apartment may not be pledged or assigned as security for a home equity loan.

VI. HDFC/LESSOR - RIGHTS, DUTIES AND IMMUNITIES

6.01 Right to Remedy Shareholder's Default

(a) (i) The HDFC may direct the Shareholder, upon thirty (30) days written notice, to repair any part of the Apartment, its fixtures or equipment (see Paragraph 5.02(d)) or to remedy an objectionable condition (see Paragraph 5.03(c)) if the item in need of repair or said objectionable condition causes or may cause damage to the apartments of other Shareholders, the public areas or structural damage to the Building or if said item or condition impairs or may impair the HDFC's ability to provide essential services. If prompt action is necessary, notice of less than thirty (30) days may be given. In case of emergency, no notice is required.

(ii) If the Shareholder shall fail to perform the repair or remedy the objectionable condition as directed by the HDFC pursuant to 6.01(a)(i) within the time specified by the HDFC, or if the Shareholder or any person dwelling in the Apartment shall request the HDFC, its agents or servants to perform any act not hereby required to be performed by the HDFC, the HDFC may perform such repairs, remedy or arrange for others to do the same, without liability on the part of the HDFC. In all such cases the HDFC, its agents, servants and contractors shall, as between the HDFC and the Shareholder, be conclusively deemed to be acting as agents of the Shareholder and all contracts therefore made by the HDFC shall be so construed whether or not made in the name of the Shareholder.

(iii) If the Shareholder shall fail to perform or comply with any of the other covenants or provisions of this lease within the time required, then the HDFC, by notice of not less than five (5) days, may but shall not be obligated to, remedy the default and for such purposes, may enter the Apartment.

(c) The HDFC shall be entitled to recover from the Shareholder all expenses incurred under Paragraphs 6.01(a) or (b). If the Shareholder shall at any time be in default under this lease and the HDFC shall incur any expense (whether paid or not) in performing acts which the Shareholder is required to perform or in beginning any lawsuit or proceeding based on such default or defending or asserting a counterclaim in any action or proceeding brought by the Shareholder, said expense including reasonable attorney's fees and disbursements, shall be paid by the Shareholder to the HDFC, on demand, as additional maintenance charges.

(d) In the event of a breach or threatened breach by Shareholder of any provision hereof, the HDFC shall have the right of injunction and the right to invoke any remedy at law or in equity, as if re-entry, summary proceedings and other remedies were not herein provided for and the choosing of one or more remedies shall not preclude the HDFC from any other remedy.

6.02 Right of Entry

(a) The HDFC, its agents and their authorized workers may visit, examine or enter the Apartment and any storage space assigned to Shareholder at any reasonable hour of the day upon notice or at any time and without notice in case of emergency, to make or facilitate repairs in any part of the Building or to cure any default by the Shareholder and

to remove such portions of walls, floors and ceilings of the Apartment and storage space as may be required for any such purpose. The HDFC shall thereafter restore the Apartment and storage space to its proper and usual condition. Such restoration shall be at HDFC's expense if such repairs are the obligation of HDFC or at Shareholder's expense if such repairs are the obligation of Shareholder or are caused by the act or omission of the Shareholder or any of the Shareholder's family, guests, roommates, agents, employees or subtenants.

(b) In order that the HDFC shall at all times have access to the Apartment or storage rooms for the purposes provided for in this lease, the Shareholder shall provide the HDFC with a key to each lock providing access to the Apartment and any storage rooms and if any lock shall be altered or replaced, the Shareholder shall promptly provide the HDFC with a new key. If the Shareholder shall not be personally present to open and permit an entry at any time when an entry therein shall be necessary or permissible under this lease and shall not have provided a key to the HDFC, the HDFC or its agents may forcibly enter the Apartment or storage space in an emergency when specifically authorized by an officer of the HDFC, without liability for damages by reason thereof (if during such entry the HDFC shall accord reasonable care to the Shareholder's property), and without in any manner affecting the obligations and covenants of this lease. The right and authority hereby reserved do not impose, nor does the HDFC assume by reason thereof, any responsibility or liability for the care or supervision of the Apartment or any of the pipes, fixtures, appliances or attachments therein contained, except as specifically provided in this lease.

6.03 Waivers By HDFC - Requirements

The failure of the HDFC to insist, in any one or more instances, upon a strict performance of any of the provisions of this lease or to exercise any right or option herein contained or to serve any notice or to institute any action or proceeding, shall not be construed as a waiver or relinquishment for the future, of any such provisions, options or rights and such provisions, options or rights shall continue and remain in full force and effect. The receipt by the HDFC on maintenance payment or rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach. No waiver by the HDFC of any provision hereof shall be deemed to have been made unless in writing expressly approved by the Board.

6.04 Physical Maintenance and Repair of the Building

(a) The HDFC shall at its expense keep in good repair all of the Building including all of the apartments, the surrounding sidewalks and courts, and its equipment and apparatus, except those portions of which the Shareholder is expressly responsible for repairs and maintenance pursuant to Paragraph 5.02(d).

(b) The HDFC shall maintain and manage the Building in a habitable condition and shall keep the elevators and the public halls, cellars and stairways clean and properly lighted and heated and shall provide the number of employees which are necessary, in the judgment of the Board, for the proper care and service of the Building. The HDFC shall also provide the Apartment with a proper and sufficient supply of hot and cold water and of heat. If central air conditioning equipment is supplied by the HDFC, air conditioning shall be supplied when deemed appropriate by the Board. The covenants by the HDFC herein contained are subject, however, to the discretionary power of the Board to

determine from time to time what services and what employees shall be proper and the manner of maintaining the operation of the Building and also what existing services shall be increased, reduced, changed, modified or terminated.

(c) (i) If the Apartment or the means of access thereto or the Building shall be damaged by fire or other cause covered by fire and casualty policies commonly carried by HDFC Apartment Corporations in New York City (any other damage to be repaired by HDFC or Shareholder pursuant to Paragraph 5.02(d) or 6.04(a) as the case may be), the HDFC shall repair or replace or cause to be repaired or replaced, the Building, the Apartment and the means of access thereto, including the walls, floors, ceilings pipes, wiring and conduits in the Apartment. Such repair or replacement shall be performed by the HDFC or its agents at the HDFC's cost or expense, reasonably soon after it receives notice of the damage and with materials and quality which are customary for buildings of the same type as the Building. Anything in this Paragraph or Paragraph 6.04(a) to the contrary, the HDFC shall not be required to repair or replace or cause to be repaired or replaced, equipment, fixtures, furniture, furnishings or decorations installed by the Shareholder or any previous owner of shares for the Apartment nor shall the HDFC be obligated to repaint or replace wallpaper or other decorations in the Apartment.

(ii) The HDFC agrees to use its best efforts to obtain a provision in all insurance policies carried by it waiving the insurer's right of subrogation against the Shareholder; and, to the extent that any loss or damage is covered by the HDFC by any insurance policies which contain such waiver of subrogation, the HDFC releases the Shareholder from any liability with respect to such loss or damage. If the Shareholder suffers loss or damage for which the HDFC would be liable and Shareholder carries insurance which covers such loss or damage and such insurance policy or policies contain a waiver of subrogation against the HDFC, then in such event Shareholder releases the HDFC from any liability with respect to such loss or damage.

6.05 HDFC's Immunities; Indemnity

(a) The HDFC shall not be liable, except by reason of the HDFC's negligence, for any failure or insufficiency of heat, water supply, electric current, gas, telephone or elevator service or other service to be supplied by the HDFC hereunder or for interference with light, air view or other interests of the Shareholder.

(b) Unless due to the HDFC's negligence, no abatement of maintenance or other compensation or claim of eviction shall be made or allowed if accidents, alterations, repairs or strikes, difficulty or delay in securing supplies or labor or other circumstance beyond the HDFC's control causes (i) the making or failure to make or delay in making any repairs, alterations or decorations to the Building or any fixtures or appurtenances therein or (ii) the taking of space to comply with any law, ordinance or governmental regulation or (iii) the interrupting or curtailing of any service agreed to be furnished by the HDFC.

(c) If the HDFC shall provide to the Shareholder any storage bins or space, the use of a laundry or any facility outside the Apartment, including but not limited to a television antenna, the same shall be deemed to have been provided by the HDFC without compensation and subject to recall by the HDFC at any time under a revocable license. The Shareholder shall not use such storage space to store valuables or perishable property and shall keep the storage space clean and free of combustibles. If washing

machines or other equipment are made available to the Shareholder, the Shareholder shall use the same on the understanding that such machines or equipment may or may not be in good order and repair and that the HDFC is not responsible for such equipment, nor for any damage caused to the property of the Shareholder resulting from the Shareholder's use thereof and that any use that Shareholder may make of such equipment shall be at his own cost, risk and expense.

(d) The HDFC shall not be responsible for any damage to, or loss of, any automobile or any other property left with or entrusted to any employee of the HDFC or for the loss of or damage to any property within or without the Apartment by theft or otherwise. The Shareholder hereby agrees to hold the HDFC harmless from any liability arising from any injury to person or property caused by or with such automobile or other vehicle while in the care of such employee.

(e) The Shareholder agrees to hold the HDFC harmless from all liability, loss, damage and expense arising from injury to person or property occasioned by the failure of the Shareholder to comply with any provision hereof or due wholly or in part to any act, default or omission of the Shareholder or of any person dwelling or visiting in the Apartment or by the HDFC, its agents, servants or contractors when acting as agent for the Shareholder as provided in this lease. This Paragraph shall not apply to any loss or damage when the HDFC is covered by insurance which provides for waiver of subrogation against the Shareholder.

VIII. TERMINATION OF LEASES

7.01 Termination by HDFC/Lessor - Conditions

If at any time during or after the happening of any of the events mentioned in subdivisions (a) to (j) of this Section 7.01, or if the HDFC's right of first refusal or option to purchase is exercised in accordance with Section 7.08, the HDFC shall give to the Shareholder a notice stating that the term hereof will expire on a date at least five days thereafter, then (1) the term of this lease shall expire on the date so fixed in such notice as fully and completely as if it were the date herein fixed for the expiration of the lease, (2) all right, title and interest of the Shareholder hereunder shall thereupon wholly cease and expire and (3) the Shareholder shall hereupon quit and surrender the Apartment to the HDFC. If such events and notice occur, the HDFC and the Shareholder intend by this provision to create hereby a conditional limitation, which grants the HDFC the right to re-enter the Apartment and to remove all persons and personal property there from, either by summary dispossession proceedings or by any suitable action or proceeding at law or in equity or otherwise and to repossess the Apartment as if this lease had not been made and no liability whatsoever shall attach to the HDFC by reason of the exercise of the right of re-entry, repossession and removal herein granted and reserved:

(a) If the Shareholder shall cease to be the holder of the Shares to which this lease pertains or if this lease shall pass or be assigned to anyone who is not then the holder of the Shares;

(b) If at any time during the term of this lease (i) a federal court shall determine that the Shareholder is bankrupt or (ii) a receiver of all the property of the Shareholder of this lease shall be appointed under any provisions of the laws of the State of New York or

under any statute of any other state or the United States and the order appointing such receiver shall not be vacated within thirty (30) days; (iii) or Shareholder shall make a general assignment for the benefit of creditors; or (iv) the Shares of such holder which accompany this lease shall be duly levied upon under the process of any court whatsoever unless such levy shall be discharged within thirty (30) days; or (v) this ease or any of the Shares to which it pertains shall pass by operation of law or otherwise to anyone other than the Shareholder named in this lease or a person to whom such Shareholder has assigned this lease in the manner herein permitted, but this subsection (v) shall not apply if this lease shall pass to the executors or administrators of the Shareholder and provided that within sixty (60) days (which period may be extended by the Board) after the death of the Shareholder, said lease and shares shall have been transferred to any assignee in accordance with Paragraph 5.05(c);

(c) If there is an assignment of this lease or any subletting hereunder, or the Shareholder purports a sale of Shares or assignment of this lease, without full compliance with the requirements of the Proprietary Lease, House Rules, or By-Laws; or if any person not authorized by Paragraph 5.03(a) shall be permitted to use or occupy the Apartment and the Shareholder shall fail to cause such unauthorized person to vacate the Apartment within thirty (30) days after written notice from the HDFC;

(d) If the Shareholder is in default for a period of two (2) months in the payment of any maintenance charges, additional maintenance charges or of any installment thereof, special assessment or payment of any Profit that is required of Shareholder pursuant to this lease and shall fail to cure such default within ten (10) days after written notice from the HDFC;

(e) If the Shareholder shall be in default in the performance of any covenant or provision hereof, other than the covenant to pay maintenance charges and such default shall continue for thirty (30) days after written notice from the HDFC;

(f) If at any time the HDFC shall determine, by an affirmative vote of two-thirds (66 2/3%) of the Board of Directors, at a meeting duly called for that purpose, that the tenancy of the Shareholder is undesirable, because of objectionable conduct, including but not limited to, vexatious litigation against the HDFC or Shareholders or violations of the House Rules, by the Shareholder or by a person dwelling or visiting in the Apartment, which is repeated or not cured after written notice from the HDFC;

(g) If the Shareholder's legal right of possession of the Apartment is terminated, the Shareholder becomes deceased (subject to HDFC's obligations under Section 5.05(ii)(B) herein), the Shareholder fails to continue to reside at the Apartment for any period of 187 consecutive days without approval of each member of the Board, or the Shareholder vacates the apartment and gives the Board of Directors written notice of an intent to abandon;

(h) If at any time the HDFC shall determine, upon the affirmative vote of two-thirds of its then Board of Directors at a meeting of such Board duly called for that purpose and the affirmative vote of 80% of all Shareholders, voting at a Shareholders' meeting duly called for that purpose, to terminate all proprietary leases;

(i) If the Building shall be destroyed or damaged and the Shareholders shall decide not to repair or rebuild as provided in Section 7.06;

(j) If at any time the Building or a substantial portion thereof shall be taken by condemnation proceedings.

7.02 HDFC's Right After Shareholder's Default

(a) (i) If the HDFC resumes possession of the Apartment, either by summary proceedings, action of ejectment or otherwise, because of default by the Shareholder in the payment of any maintenance charge, additional maintenance charge, Profit or payment due hereunder or on the expiration of the lease term pursuant to a notice given as provided in Section 7.01 upon the happening of any event specified in Paragraphs (a) to (g) of Section 7.01, Shareholder shall continue to remain liable for the payment of a sum equal to the maintenance charge or Profit which would have become due hereunder and shall pay the same in installments at the time such maintenance charge or Profit would be due hereunder. No suit brought to recover any installment of such maintenance charge, additional maintenance charge or Profit shall prejudice the right of the HDFC to recover any later installment.

(ii) After resuming possession, the HDFC may, at its option, from time to time (A) relet the Apartment for its own account, or (B) relet the Apartment as the agent of the Shareholder, in the name of the Shareholder or in its own name, for a reasonable term, until the shares and proprietary lease are assigned to a primary resident pursuant to Section 7.02(c) of this lease and may grant concessions or free rent, in its discretion. Any reletting of the Apartment shall be deemed for the account of the Shareholder unless, within ten (10) days after such reletting, the HDFC shall notify the Shareholder that the premises have been relet for the HDFC's own account. The fact that the HDFC may have relet the Apartment as agent for the Shareholder shall not prevent the HDFC from thereafter notifying the Shareholder that it proposes to relet the Apartment for its own account. If the HDFC relets the Apartment as agent for the Shareholder it shall, after reimbursing itself for its reletting expenses, including leasing commissions and a reasonable amount for attorney's fees and expenses and decorations, alterations and repairs in and to the Apartment, apply the remaining amount of such reletting income against the Shareholder's continuing obligations under this lease.

(iii) There shall be a final accounting between the HDFC and the Shareholder upon the earliest of the following dates: (A) the date of expiration of the term of this lease as stated in the first clause of this lease; (B) the date on which a new proprietary lease covering the Apartment shall become effective; (C) the date the HDFC gives written notice to the Shareholder that it has relet the Apartment for its own account; (D) the date upon which all leases of the HDFC terminate. From and after the date upon which the HDFC becomes obligated to account to the Shareholder, as above provided, the HDFC shall have no further duty to account to the Shareholder for any amount of reletting. The Shareholder shall have no further liability for sums accruing under this lease after said final accounting, but such termination of the Shareholder's liability shall not affect any liabilities which accrued before the date the accounting obligation began.

(b) If the Shareholder shall at any time sublet the Apartment and shall default in the payment of any Profit, maintenance charge or additional maintenance charge, the HDFC may, at its option, for as long as such default shall continue, demand and receive from the subtenant the Profit, rent due or becoming due from the subtenant to the Shareholder and apply the amount to pay sums due and to become due from the

Shareholder to the HDFC. Any payment by the subtenant to the HDFC shall discharge the subtenant's obligation to the Shareholder to the extent of the amount paid. The acceptance of Profit or rent from any subtenant shall not be deemed a consent or approval by the HDFC as to any subletting or assignment by the Shareholder or a release or discharge of any of the obligations of the Shareholder hereunder.

(c) (1) Upon the termination of this lease under the provisions of Paragraphs (a) to (g) of Section 7.01, the Shareholder shall surrender to the HDFC the Certificate for Shares of the HDFC held by the Shareholder to which this lease pertains. Whether or not the Shares are surrendered, the HDFC may issue a new lease for the Apartment and issue a new Certificate for the Shares of the HDFC owned by the Shareholder and allocated to the Apartment when a purchaser for the Shares is obtained, provided that the issuance of the Shares and the lease to such purchaser is authorized by a resolution of the Board or by a written consent signed by a majority of the Board or by a majority of the eligible shareholders. Upon such issuance of shares to a new purchaser, the Certificate of Shares previously issued by the HDFC shall be automatically canceled and rendered null and void. The HDFC shall apply the proceeds received for the issuance of such shares towards the payment of the Shareholder's indebtedness hereunder, including interest, attorney's fees and other expenses incurred by the HDFC and, if the proceeds are sufficient, the HDFC shall pay over any surplus to the Shareholder, however, if the proceeds are insufficient, the Shareholder shall remain liable for the balance of the indebtedness. Upon the issuance of any new lease and Shares, the Shareholder's liability hereunder shall cease and the Shareholder shall only be liable for maintenance charge and expenses accrued to that time. The HDFC, however, is not required to sell such Shares and appurtenant lease or otherwise make any attempt to mitigate or minimize damages.

7.03 Impact of Termination on Shareholder

(a) The Shareholder hereby expressly waives any and all right of redemption in case the Shareholder shall be dispossessed judgment or warrant of any court or judge. The words "enter", "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning.

(b) Upon the termination of this lease under the provisions of Paragraphs (a) to (g) of Section 7.01, the Shareholder shall remain liable as provided in Section 7.02. Upon the termination of this lease under any other of its provisions, including, but not limited to, Paragraphs (h) to (j) of Section 7.01, the Shareholder shall be and remain liable to pay all profit, maintenance charge, and other charges due or accrued and to perform all covenants and agreements of the Shareholder up to the date of such termination. On or before any such termination, the Shareholder shall leave the Apartment and surrender possession thereof to the HDFC or its assigns and, upon demand of the HDFC or its assigns, shall sign, acknowledge and deliver to the HDFC or its assigns any instrument which may reasonably be required to evidence the surrender of all estate and interest of the Shareholder in the Apartment or in the Building.

(c) On the expiration or termination of this lease, the Shareholder shall surrender to the HDFC possession of the Apartment with all Removable Property as defined in Paragraph 5.04(b) except that Property which may be removed by the Shareholder as provided in Paragraph 5.04(b). Any Removable Property not removed from the Apartment by the Shareholder on or before such expiration or termination of this lease

shall, at the option of the HDFC, be treated as abandoned and shall become the property of the HDFC and may be disposed of by the HDFC without liability or accountability to the Shareholder.

7.04 Cancellation by Shareholder/Lessee

(a) This lease may be canceled by the Shareholder, upon acceptance by the Board, on the last day of any month ("Date of Cancellation"), upon complying with all the provisions hereinafter set forth. Written notice of intention to cancel is irrevocable and must be given by the Shareholder to the HDFC at least three (3) months prior to the Date of Cancellation. At the time of giving such notice of intention to cancel there must be deposited with the HDFC by the Shareholder:

(i) the Shareholder's counterpart of this lease with a written assignment, in the form required by the HDFC, in blank, effective as of the Date of Cancellation, free from all subleases, tenancies, liens, encumbrances and other charges whatsoever;

(ii) the Shareholder's shares of the HDFC endorsed in blank for transfer and with all necessary transfer tax stamps affixed and with payment of any transfer taxes due thereon;

(iii) a written statement setting forth in detail the Removable Property which the Shareholder has, under the terms of this lease, the right to remove and which the Shareholder intends to remove;

(iv) a written statement setting forth and detailing any sale, assignment, exchange or sublease undertaken or proposed by the Shareholder during the term of this lease.

(b) All Removable Property which is removable under the terms of this lease and which are set forth in the statement made as provided in subdivision (iii), above, shall be removed by the Shareholder prior to the Date of Cancellation and on or before the Date of Cancellation the Shareholder shall deliver possession of the Apartment to the HDFC in good condition with all required equipment, fixtures and appliances installed and in proper operating condition and free from all subleases and tenancies, liens, encumbrances and other charges and pay to the HDFC all Profit, maintenance charge, additional maintenance charge and other charges which shall be payable under this lease up to and including the Date of Cancellation.

(c) The HDFC and its agents may show the Apartment to prospective Shareholders, contractors and architects at reasonable times after notice of Shareholder's intention to cancel.

(d) If the Shareholder is not otherwise in default hereunder and if the Shareholder shall have complied with all of the provisions of Paragraphs (a) and (b) above, then this lease shall be canceled and all rights, duties and obligations of the parties hereunder shall cease as of the Date of Cancellation fixed in said notice.

(e) If the Shareholder shall give notice but fail to comply with any of the other provisions of this Section, the HDFC shall have the option of (i) returning to the Shareholder this lease, the shares and other documents deposited and thereupon the Shareholder shall be deemed to have withdrawn the notice of intention to cancel this lease or (ii) treating

this lease as canceled as of the Date of Cancellation and bringing such proceedings and actions as it may deem best to enforce the covenants of the Shareholder hereinabove contained and to collect from the Shareholder the payments which the Shareholder is required to make hereunder, together with reasonable attorney's fees and expenses.

7.05 Mass Cancellations

(a) If on the last day of any month 66 2/3 % or more of the shareholders eligible to vote have given notice pursuant to Section 7.04 of intent to cancel such proprietary leases on a Date of Cancellation three (3) months thereafter, then the HDFC shall, prior to the last day of the following month, give written notice to all shareholders stating the total number of shares then outstanding and in its treasury and the total number of shareholders who have given notice of intention to cancel.

(b) If 66 2/3% of Shareholders eligible to vote shall exercise their option to cancel their leases on the last day of one particular month then this and all other proprietary leases shall thereupon terminate on that Date of Cancellation as though every Shareholder had exercised such option. In such event, Shareholders shall be required to surrender his or her shares to the HDFC.

7.06 Expiration of Lease Due to Damage

If a building is damaged or destroyed the Board shall act in good faith to repair and restore the building. After making such efforts, if the Board determine that (1) the Building is totally destroyed by fire or other cause (see Paragraph 6.04(c)); and the Building has been so damaged it cannot be repaired within a reasonable time after the loss shall have been adjusted with the insurance carrier(s); or (2) the destruction or damage to the Building was caused by hazards which are not covered under the HDFC's insurance policies then in effect, and, if 66 2/3% of the Shareholders shall vote, at a Shareholders' meeting duly called for this purpose within 120 days of the Board's determination of either (1) or (2) above, not to repair, restore or rebuild the Building, then, upon notice to the Shareholders pursuant to Section 7.01, this lease and all other proprietary leases and all right, title and interest of the parties thereunder and the tenancies thereby created shall hereupon wholly cease and expire. At least 66 2/3% of shareholders eligible to vote must be represented at the Shareholders' meeting for the vote to be valid. Maintenance charges shall be paid to the date of such destruction or damage. The Shareholder hereby waives any and all rights to surrender the premises under Section 227 of the Real Property Law and in no event shall the Shareholder have any option or right to terminate this lease by reason of said destruction or damage.

7.07 Continuation of Cooperative Management After All Leases Terminate

No later than thirty (30) days after the termination of all proprietary leases, whether by expiration of their terms or otherwise, a special meeting of Shareholders shall be held to determine whether to (A) continue to operate the HDFC as an apartment corporation, (B) alter or rebuild the Building or any part thereof, or (C) sell the building(s) owned by the HDFC and distribute the assets of the HDFC as directed in the Certificate of Incorporation, By-Laws and Article XI of the Private Housing Finance Law.

7.08 Exercise of HDFC Right of First Refusal and Option to Purchase

The Board of Directors may exercise the HDFC's right of first refusal upon notice from a Shareholder of their intent to assign or transfer their Apartment or upon a Shareholder advertising, offering, selling or purporting to assign or transfer their Shares or Proprietary Lease. The Board of Directors may exercise the HDFC option to purchase the Apartment from a Shareholder after (A) the occurrence of an event described in Paragraph 7.01, and (B) providing Shareholder with notice of the exercise of the option to purchase and such notice to Shareholder as is provided under Paragraph 7.01, and (C) paying the maximum sales price permitted in the By-Laws, after deducting any amounts due to the HDFC. In the case of a decedent Shareholder, the Board of Directors may place the proceeds of sale in an escrow account on behalf of the decedent's estate and petition the Surrogate's Court to appoint an estate administrator to receive the payment.

VIII. MISCELLANEOUS

8.01 Notices

Any notice by or demand from either the Shareholder or the HDFC to the other shall be duly given only if in writing and either personally served or sent by registered or certified mail, return receipt requested; if by the Shareholder, addressed to the HDFC at the Building with a copy sent by regular mail to the HDFC's Managing Agent; if by the HDFC, addressed to the Shareholder at the Apartment. Either party may by notice served in accordance with this lease designate a different address for service of such notice or demand. Notices or demand shall be deemed given on the date when mailed.

8.02 More Than One Shareholder on Lease

If more than one person is named as Shareholder under this lease, the HDFC may require the signatures of all such persons in connection with any notice to be given or action to be taken by the HDFC hereunder, including, without limitation, the surrender or assignment of this lease or any request for consent to assignment or subletting. Each person named as Shareholder shall be jointly and severally liable for all of the Shareholder's obligations hereunder. Any notice by the HDFC to any person named as Shareholder shall be sufficient and shall have the same force and effect as though given to all persons named as Shareholder. At any meeting of the Shareholders of the HDFC any one or more of the Shareholders may cast, in person or in proxy, one vote only. In the event an attempt is made to cast conflicting votes, in person or in proxy, no vote shall be cast if the parties cannot agree.