
CITY OF COHOES
INDUSTRIAL DEVELOPMENT AGENCY
HARMONY MILLS RIVERVIEW, LLC PROJECT

TRANSCRIPT OF PROCEEDINGS

CLOSING DATE: FEBRUARY 14, 2005

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- Exhibit E - Preliminary Inducement Resolution and Preliminary Agreement;
- Exhibit F - Proof of publication of notice of the Public Hearing;
- Exhibit G - Proof of the mailing of notice of the Public Hearing to the chief executive officers of the affected tax jurisdictions;
- Exhibit H - Proof of the mailing of original deviation notice from the UTE Policy to the chief executive officers of the affected tax jurisdictions;
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CLOSING MEMORANDUM

CITY OF COHOES
INDUSTRIAL DEVELOPMENT AGENCY
HARMONY MILLS RIVERVIEW, LLC PROJECT

Date and Time of Closing: February 14, 2005

I. DESCRIPTION OF THE TRANSACTION:

The members of City of Cohoes Industrial Development Agency (the "Agency"), a public benefit corporation duly established under Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the 1972 Laws of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), adopted a resolution on August 20, 2004 (the "Preliminary Inducement Resolution"), pursuant to which the Agency agreed to accept an application (the "Application") from Harmony Mills Riverview, LLC (the "Company") and further agreed, subject to numerous conditions, to consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of An interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility") and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real estate taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

The requirements of Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the

State of New York being 6NYCRR Part 617, as amended (the "Regulations collectively with the SEQR Act, "SEQRA") applicable to the Project have been complied with.

Pursuant to the authorization contained in the Preliminary Inducement Resolution, the Agency (A) caused notice of public hearing of the Agency (the "Public Hearing") pursuant to Section 859-a of the Act, to hear all persons interested in the Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be mailed on October 21, 2003 to the chief executive officers of the county, the city and the school district in which the Project Facility is, or is to be located, (B) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, Albany County, New York, (C) conducted the Public Hearing on November 21, 2003 at 9:00 a.m., local time, at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Albany County, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency.

Pursuant to the authorization contained in the Preliminary Inducement Resolution, the Chairman of the Agency (A) caused notice of the meeting of the Agency to discuss a deviation from the Agency's Uniform Tax Exemption Policy to be mailed on October 21, 2003 to the chief executive officer of the county and of each city, town, village and school district in which the Project Facility is to be located (the "Original Pilot Deviation Letter"), and (B) conducted such meeting on November 21, 2003 at 9:00 o'clock a.m., local time at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Albany County, New York.

By resolution adopted by the members of the Agency on November 21, 2003, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes Agreement (the "Original PILOT Payment Schedule").

The Company requested that the Agency agree to a revised PILOT payment schedule (the "Revised PILOT Payment Schedule").

By resolution adopted by the members of the Agency on August 20, 2004 ("PILOT Resolution") the Agency determined to notify each Affected Tax Jurisdiction of the Company's request for Agency approval of the Revised PILOT Payment Schedule.

The Agency (A) caused a letter dated October 8, 2004 (the "Revised PILOT Deviation Letter") to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004, consider a proposed deviation from the Agency's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 12, 2004 at 9:00 o'clock a.m., local time in City Hall located at 97 Mohawk Street in the City of Cohoes, Albany County, New York.

By resolution adopted by the members of the Agency on November 12, 2004 ("Revised PILOT Resolution"), the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement that incorporated the Revised PILOT Schedule.

By resolution adopted by the members of the Agency on January 31, 2005 (the “Approval Resolution”), the Agency determined, to grant the Financial Assistance and to enter into a lease Agreement dated as of February 1, 2005 (the “Lease Agreement”) between the Agency and the Company and certain other documents related thereto, to the Financial Assistance and to the Project (collectively with the Lease Agreement, the “Basic Documents”). Pursuant to the terms of the Lease Agreement, (A) the Company will agree (1) to cause the Project to be undertaken and completed, and (2) as agent of the Agency, to undertake and complete the Project and (B) the Agency has leased the Project Facility to the Company for a lease term ending on the earlier to occur of (1) December 31, 2024 or (2) the date on which the Lease Agreement is terminated pursuant to the optional termination provisions thereof. The Lease Agreement grants to the Company certain options to acquire the Project Facility from the Agency.

Simultaneously with the execution and delivery of the Lease Agreement (the “Closing”), (A) the Company will execute and deliver to the Agency a certain lease to Agency dated as of February 1, 2005 (the “Underlying Lease”) by and between the Company, as landlord and the Agency, as tenant pursuant to which the Company will lease to the Agency the Land and all improvements now or hereafter located on the Land (collectively, the “Premises”) for a lease term ending on December 31, 2024, (B) the Company will execute and deliver to the Agency a bill of sale dated as of February 1, 2005 (the “Bill of Sale to Agency”), which conveys to the Agency all right, title and interest of the Company in the Equipment, (C) the Company and the Agency will execute and deliver a payment in lieu of tax agreement dated as of February 1, 2005 (the “Payment in Lieu of Tax Agreement”) by and between the Agency and the Company, pursuant to which the Company will agree to pay certain payments in lieu of taxes with respect to the Project Facility, (D) Uri Kaufman will execute a guaranty to agency (the “Guaranty”) with respect to payments due by the Company to the Agency, (E) the Agency will file with the assessor and mail to the chief executive officer of each “affected tax jurisdiction” (within the meaning of such quoted term in Section 854(16) of the Act) a copy of a New York State Board of Real Property Services Form 412-a (the form required to be filed by the Agency in order for the Agency to obtain a real property tax exemption with respect to the Project Facility under Section 412-a of the Real Property Tax Law) (the “Real Property Tax Exemption Form”) relating to the Project Facility and the Payment in Lieu of Tax Agreement, (F) the Agency will execute and deliver to the Company a letter (the “Sales Tax Exemption Letter”) to ensure the granting of the sales tax exemption which forms a part of the Financial Assistance and (G) the Agency will file with the New York State Department of Taxation and Finance the form entitled “IDA Appointment of Project Operator or Agent for Sales Tax Purposes” (the form required to be file pursuant to Section 874(9) of the Act) (the “Thirty-Day Sales Tax Report”).

In order to finance a portion of the costs of the Project, the Company will obtain a loan in the principal sum of \$12,125,000 (the “Loan”) from GMAC Commercial Mortgage Bank (the “Bank”), which loan will be secured by (A) a mortgage dated as of February 14, 2005 (the “Mortgage”) from the Company and the Agency to the Bank and (B) a security agreement dated as of February 14, 2005 (the “Security Agreement”) from the Company and the Agency to the Bank.

In connection with the Loan, the Company will (A) enter into a building loan contract dated as of February 14, 2005 (the “Building Loan Contract”) by and between the Company and the Bank, pursuant to which the Bank will advance the proceeds of the Loan from time to time to pay the costs

of the Project and (B) execute a mortgage note dated the date of Closing (the "Note") from the Company to the Bank.

In connection with a guaranty of the Mortgage by the U.S. Department of Housing and Urban Development, the Company, the Agency and the Secretary of Housing and Urban Development will execute a regulatory agreement (the "Regulatory Agreement").

Among the actions taken by the Agency with respect to the Project prior to the Closing Date were the following:

- June 16, 2003 The Company filed an application (the "Application") and an environmental assessment form (the "EAF") relating to the Project with the Agency.
- June 20, 2003 The Agency adopted the Preliminary Inducement Resolution agreeing to accept the Application and authorizing the execution and delivery of a preliminary Agreement (the "Preliminary Agreement") with the Company with respect to the Project.
- October 21, 2003 Notice of the Public Hearing was mailed to the chief executive officers of the affected tax jurisdictions.
- October 21, 2003 Notice of Public Hearing was published.
- October 21, 2003 Original Notice of the Agency meeting to discuss a deviation from the Agency's Uniform Tax Exemption Policy was mailed to the chief executive officers of the affected tax jurisdictions.
- November 21, 2003 The Agency conducted the Public Hearing.
- October 8, 2004 Revised Notice of the Agency meeting to discuss a deviation from the Agency's Uniform Tax Exemption Policy was mailed to the chief executive officers of the affected tax jurisdictions.
- January 31, 2005 The Agency adopted the SEQRA Resolution and the Approving Resolution.

II. PARTIES REPRESENTED AT CLOSING

AGENCY: (A)
John T. McDonald, III, Chairman
City of Cohoes Industrial Development Agency

AGENCY COUNSEL: (AC)
Darrin B. Derosia, Esq.

TRANSACTION COUNSEL: (G&F)
Connie Cahill, Esq.
Jo-Ann Kilmer, Paralegal
Girvin & Ferlazzo, P.C.

COMPANY: (C)
Uri Kaufman
Harmony Mills Riverview, LLC

COMPANY COUNSEL: (CC)
David P. Corsi, Esq.
Nixon Peabody LLP

BANK: (B)
Eric M. Keifer
GMAC Commercial Mortgage Bank

BANK'S COUNSEL: (BC)
F. Scott Molnar, Esq.
Byrne, Costello & Pickard, P.C.

III. ACTION TO BE TAKEN AT THE CLOSING:

The following documents, or copies thereof, are to be delivered (except as indicated) to the Agency, Agency's Counsel, the Company, Company's Counsel, the Bank and the Bank's Counsel as follows:

		<u>Production Respons.</u>	<u>Execution Respons.</u>
A.	<u>Basic Documents:</u>		
1.	Underlying Lease.	G&F	C,A
2.	Memorandum of Underlying Lease, together with a combined real estate transfer tax return and credit line mortgage certificate (TP-584).	G&F	C,A
3.	Bill of Sale to Agency.	G&F	C
4.	Lease Agreement.	G&F	C,A
5.	Memorandum of the Lease Agreement, together with a combined real estate transfer tax return and a credit line mortgage certificate (TP-584).	G&F	A,C
6.	Payment in Lieu of Tax Agreement.	G&F	C,A

		<u>Production Respons.</u>	<u>Execution Respons.</u>
7.	Certificates (and policies, if available) of casualty, liability, workers' compensation and other insurance required pursuant to the Lease Agreement.	C	--
8.	Mortgage.	BC	C,A
9.	Security Agreement.	BC	C,A
10.	Regulatory Agreement.	BC	C,A,HUD
11.	Closing Receipt.	G&F	A,C
12.	Guaranty to Issuer.	G&F	UK,A
B.	<u>Items to be delivered by the Agency:</u>		
1.	General Certificate of the Agency regarding incumbency and signatures of officers, execution of the Basic Documents and the other documents to be executed by the Agency in connection therewith (the "Agency Documents"), no litigation and continued existence, with the following items included as exhibits:	G&F	A
	Exhibit A - Chapter 313 of the Laws of 1972;	G&F	--
	Exhibit B - Certificate of Establishment and Certificates of Appointment of the current members of the Agency, certified by the New York State Department of State, Miscellaneous Records Unit;	G&F	--
	Exhibit C - By-Laws of the Agency;	G&F	--
	Exhibit D - SEQR Resolution;	G&F	A
	Exhibit E - Preliminary Inducement Resolution and Preliminary Agreement;	G&F	A,C
	Exhibit F - Proof of publication of notice of the Public Hearing;	G&F	--
	Exhibit G - Proof of the mailing of notice of the Public Hearing to the chief executive officers of the affected tax jurisdictions;	G&F	--

	<u>Production Respons.</u>	<u>Execution Respons.</u>
Exhibit H - Proof of the mailing of original notice of the deviation from the Agency's Uniform Tax Exemption Policy to the chief executive officers of the affected tax jurisdictions;	G&F	--
Exhibit I - Original PILOT Resolution;	G&F	A
Exhibit J - Proof of the mailing of revised notice of the deviation from the Agency's Uniform Tax Exemption Policy to the chief executive officers of the affected tax jurisdictions;	G&F	--
Exhibit K - Revised PILOT Resolution; and	G&F	A
Exhibit L - Approving Resolution.	G&F	A
2. Certificate Regarding No Conflicts of Interest.	G&F	A
3. Sales Tax Exemption Letter.	G&F	A
4. Mortgage Recording Tax Affidavit.	G&F	A
5. Real Property Tax Exemption Form.	G&F	A
6. Proof of mailing of Real Property Tax Exemption Form to the chief executive officers and tax assessor of the affected tax jurisdictions,	G&F	A
7. Thirty-Day Sales Tax Report.	G&F	A
8. Proof of Mailing of Thirty-Day Sales Tax Report to the New York State Department of Taxation and Finance.	G&F	G&F
C. <u>Items to be delivered by the Company:</u>		
1. General Certificate of the Company regarding incumbency and signatures of officers, execution of the Lease Agreement and other Basic Documents to which the Company is a party (the "Company Documents"), no litigation and continued existence, with the following items included as exhibits:	G&F,CC	CC
Exhibit A - Articles of Organization of the Company, certified by the New York State Department of State;	CC	--
Exhibit B - Operating Agreement of the Company;	CC	--

		<u>Production Respons.</u>	<u>Execution Respons.</u>
	Exhibit C - Certificate of Good Standing of the Company from the New York State Department of State, Corporations Unit; and	CC	--
	Exhibit D - Resolution of the Members of the Company approving and authorizing the execution and delivery by the Company of the Company Documents.	CC	C
D.	<u>Items To Be Delivered By the Bank:</u>		
	1. Mortgage Note.	BC	C
	2. UCC-1 Financing Statements.	BC	C,A,B
	3. Building Loan Contract.	BC	C,B
E.	<u>Opinion of Counsel:</u>		
	1. Opinion of Darrin Derosia, Esq., counsel to the Agency, addressed to the Agency, the Company and the Bank.	G&F	AC
	2. Opinion of Nixon Peabody LLP, counsel to the Company, addressed to the Agency and the Company.	G&F	CC
	3. Opinion of Girvin & Ferlazzo, P.C., as Transaction Counsel to the Agency, addressed to the Agency, the Company and the Bank.	G&F	G&F

IV. ACTION TO BE TAKEN CONCURRENTLY WITH
OR AFTER THE CLOSING:

1. The Underlying Lease (or a memorandum thereof), the Lease Agreement (or a memorandum thereof), the Mortgage and the Security Agreement are to be recorded in the office of the County Clerk of Albany County, New York.

2. The Building Loan Contract is to be filed in the office of the County Clerk of Albany County, New York.

3. The Real Property Tax Exemption Form, with a copy of the Payment in Lieu of Tax Agreement attached thereto, is to be mailed to the assessor and the chief executive officers of each affected tax jurisdiction.

4. The Thirty-Day Sales Tax Report is to be mailed to the New York State Department of Taxation and Finance.

CLOSING ITEM NO.: A-1

HARMONY MILLS RIVERVIEW, LLC
AS LANDLORD

AND

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY,
AS TENANT

UNDERLYING LEASE TO AGENCY

DATED AS OF FEBRUARY 1, 2005

RELATING TO PREMISES LOCATED IN THE CITY OF
COHOES, ALBANY, NEW YORK.

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and is for convenience of reference only.)

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UNDERLYING LEASE

THIS LEASE TO AGENCY dated as of February 1, 2005 (the "Underlying Lease") by and between HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company"), as landlord, and CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency"), as tenant;

WITNESSETH:

WHEREAS, Title I of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial, industrial or civic facility purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities and to issue its bonds for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon; and

WHEREAS, the Agency was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 313 of the Laws of 1972 of the State (collectively, with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, the Agency determined to accept an application (the "Application") from the Company and the Agency further agreed, subject to numerous conditions, to consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into

approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real property taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the Chairman of the Agency (A) caused notice of public hearing of the Agency (the "Public Hearing") pursuant to Section 859-a of the Act, to hear all persons interested in the Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be hand delivered on October 21, 2003 to the chief executive officers of the county, the city and the school district in which the Project Facility is, or is to be located, (B) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, Albany County, New York, (C) conducted the Public Hearing on November 21, 2003 at 8:30 a.m., local time, at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Schenectady County, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, the Agency (A) caused a letter dated October 21, 2003 (the "Original Pilot Deviation Letter") to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located (each an "Affected Tax Jurisdiction"), informing said individuals that the Agency would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Agency's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 21, 2003 at 9:00 o'clock a.m., local time in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York City Hall; and

WHEREAS, by resolution adopted by the members of the Agency on November 21, 2003, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement (the "Original PILOT Payment Schedule");

WHEREAS, the Company requested that the Agency agree to a revised PILOT payment schedule (the "Revised PILOT Payment Schedule"); and

WHEREAS, by resolution adopted by the members of the Agency on August 20, 2004 (the "Original Pilot Resolution") the Agency determined to notify each Affected Tax Jurisdiction of the Company's request for Agency approval of the Revised PILOT Payment Schedule; and

WHEREAS, the Agency (A) caused a letter dated October 8, 2004 (the "Revised PILOT Deviation Letter") to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004,

consider a proposed deviation from the Agency's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 12, 2004 at 9:00 o'clock a.m., local time in City Hall located at 97 Mohawk Street in the City of Cohoes, Albany County, New York; and

WHEREAS, by resolution adopted by the members of the Agency on November 12, 2004 ("Revised Pilot Resolution"), the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement that incorporated the Revised PILOT Schedule;

WHEREAS, the Company desires to convey a leasehold interest in the Project Facility to the Agency pursuant to the terms of this Underlying Lease; and

WHEREAS, all things necessary to constitute this Underlying Lease a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Underlying Lease have in all respects been duly authorized by the Agency and the Company;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, THE PARTIES HERETO HEREBY FORMALLY COVENANT, AGREE AND BIND THEMSELVES AS FOLLOWS, TO WIT:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. All of the capitalized terms used in this Underlying Lease and the preamble hereto not otherwise defined shall have the meanings assigned thereto below:

“Act” means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 313 of the 1972 Laws of the State, constituting Section 896-a of the General Municipal Law of the State, as amended from time to time.

“Agency” means (A) City of Cohoes Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which City of Cohoes Industrial Development Agency or its successors or assigns may be a party.

“Applicable Laws” means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Agency were the owner of the Project Facility and as if the Company and not the Agency were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi judicial Governmental Authority.

“Approving Resolution” means the resolution duly adopted by the Agency on January 31, 2005 authorizing and directing the undertaking and completion of the Project and the execution and delivery of the Basic Documents to which the Agency is a party.

“Assignment to Company” means the assignment from the Agency to the Company, substantially in the form attached as Exhibit C to the Lease Agreement, which assignment is intended to convey to the Company, upon certain termination of the Lease Agreement, all title and interest of the Agency in the Project Facility, including the leasehold interest created pursuant to the Underlying Lease.

“Authorized Representative” means the person or persons at the time designated to act on behalf of the Agency or the Company, as the case may be, by written certificate furnished to the Agency or the Company, as the case may be, containing the specimen signature of each such person and signed on behalf of (A) the Agency by its Chairman or Vice-Chairman or such other person as may be authorized by resolution of the members of the Agency to act on behalf of the Agency, and

(B) the Company by any member or such other person as may be authorized in writing by any member of the Company to act on behalf of the Company.

“Bank” means GMAC Commercial Mortgage Bank, and its successors and assigns as holder of the Mortgage.

“Basic Documents” means the Underlying Lease, the Bill of Sale to Agency, the Lease Agreement, the Payment in Lieu of Tax Agreement, the Mortgage, the Security Agreement, the Regulatory Agreement and all other instruments and documents related thereto and executed in connection therewith, and any other instrument or document supplemental thereto, each as amended from time to time.

“Bill of Sale to Agency” means the bill of sale delivered on the Closing Date from the Company to the Agency conveying all of the Company’s interest in the Equipment to the Agency.

“Bill of Sale to Company” means the bill of sale from the Agency to the Company conveying all of the Agency’s interest in the Equipment to the Company, substantially in the form attached as Exhibit D to the Lease Agreement.

“Business Day” means a day on which banks located in the City of Cohoes, New York are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Closing” means the closing at which the Basic Documents are executed and delivered by the Company and the Agency.

“Closing Date” means the date of the Closing.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department promulgated thereunder.

“Company” means Harmony Mills Riverview, LLC, a limited liability company duly organized and existing under the laws of the State.

“Completion Date” means the earliest to occur of (A) February 14, 2007 or (B) such date as shall be certified by the Company to the Agency as the date of completion of the Project pursuant to Section 4.2 of the Lease Agreement, or (C) such earlier date as shall be designated by written communication from the Company to the Agency as the date of completion of the Project.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

“Default Interest Rate” means a per annum rate of interest equal to twelve percent (12%) per annum, or the maximum rate of interest permitted by law, whichever is less.

“Equipment” means all equipment, fixtures, machines, building materials and items of personal property and all appurtenances intended to be acquired in connection with the completion of the Project prior to the Completion Date with the proceeds of any payment made by the Company pursuant to Section 4.1(H) of the Lease Agreement, and such substitutions and replacements therefor as may be made from time to time pursuant to the Lease Agreement, including without limitation, all the Property described in Exhibit B attached to the Lease Agreement.

“Event of Default” means, with respect to any particular Basic Document, any event specified as an Event of Default pursuant to the provisions thereof.

“Facility” means the reconstruction of existing facility of approximately 180,000 square feet into approximately 96 residential rental units and 107 indoor parking spaces to be constructed on the Land.

“Financial Assistance” shall have the meaning assigned to such term in the fifth recital clause to the Lease Agreement.

“Governmental Authority” means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, court, board, bureau or instrumentality of any of them.

“Gross Proceeds” means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to the settlement of any insurance or Condemnation award.

“Hazardous Materials” shall mean all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

“HUD” means the U.S. Department of Housing and Urban Development.

“Indebtedness” means (1) the monetary obligations of the Company to the Agency and its members, officers, agents, servants and employees under the Lease Agreement and the other Basic Documents, and (2) all interest accrued on any of the foregoing.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Company or the Agency.

“Land” means an approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York, as more particularly described on Exhibit A attached to the Lease Agreement.

“Lease Agreement” means the lease agreement dated as of February 1, 2005 by and between the Agency, as landlord, and the Company, as tenant, pursuant to which, among other things, the Agency has leased the Project Facility to the Company, as said lease agreement may be amended or supplemented from time to time.

“Lien” means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or a judgment against the Company. The term “Lien” includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics’, materialmen’s, warehousemen’s and carriers’ liens and other similar encumbrances affecting real property. For purposes of the Basic Documents, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“Loan” means a loan in the principal sum of up to \$12,125,000 to be made by the Bank to the Company and to be secured by, among other things, the Mortgage.

“Mortgage” means the mortgage dated as of February 14, 2005 from the Company and the Agency to the Bank to secure advances of up to \$12,125,000 under the Loan and any other mortgage with respect to the Project Facility executed by the Company and approved in writing by the Agency.

“Net Proceeds” means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys’ fees) incurred in obtaining such Gross Proceeds.

“Payment in Lieu of Tax Agreement” means the payment in lieu of tax agreement dated as of February 1, 2005 by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Project Facility, as such agreement may be amended or supplemented from time to time.

“Permitted Encumbrances” means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that exist on the Closing Date and benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar Liens, to the extent permitted by Section 8.8 of the Lease Agreement, (C) Liens for taxes, assessments and utility charges, to the extent permitted by Section 6.2(B) of the Lease Agreement, (D) any Lien on the Project Facility obtained through any Basic Document, (E) the Mortgage and (F) any Lien requested by the Company in writing and consented to by the Agency, which consent of the Agency shall not be unreasonably withheld or delayed.

“Person” means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

“Plans and Specifications” means the description of the Project appearing in the fifth recital clause to the Lease Agreement.

“Preliminary Agreement” means the preliminary agreement dated as of June 20, 2003 between the Agency and the Company with respect to the Project.

“Preliminary Inducement Resolution” means the resolution adopted by the members of the Agency on June 20, 2003 offering to consider undertaking the Project and authorizing the Agency to execute and deliver the Preliminary Agreement.

“Premises” means the Property leased to the Agency pursuant to the Underlying Lease.

“Project” means the project undertaken by the Agency consisting of (A) (1) the acquisition of the Land and the Existing Facility; (2) the reconstruction of the Existing Facility and the construction of the Facility on the Land, (3) the acquisition and installation of the Equipment, all of the foregoing to constitute a residential facility, (B) the granting of certain Financial Assistance with respect to the foregoing, and (C) the lease of the Project Facility to the Company pursuant to the Lease Agreement.

“Project Facility” means the Land, the Facility and the Equipment.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Real Property Tax Exemption Form” means a New York State Board of Real Property Services Form RP-412-a relating to the Project Facility.

“Regulatory Agreement” means the regulatory agreement dated as of February 14, 2005 by and among the Company, the Agency and the Secretary of Housing and Urban Development.

“Sales Tax Exemption Letter” shall have the meaning assigned to such term in Section 8.12 of the Lease Agreement.

“Security Agreement” means the security agreement dated as of February 14, 2005 from the Company and the Agency to the Bank to secure the Loan.

“SEQRA” means Article Eight of the Environmental Conservation Law of the State and the statewide regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York.

“State” means the State of New York.

“Term” means the term of the Underlying Lease.

“Termination of Lease Agreement” means a termination of lease agreement by and between the Company, as tenant, and the Agency, as landlord, intended to evidence the termination of the lease agreement, substantially in the form attached as Exhibit E to the Lease Agreement.

“Unassigned Rights” means (A) the rights of the Agency granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D) 4.1(E)(2), 4.1(F), 4.1(G), 5.2(A), 5.3(B), 5.4(B), 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 9.1; 9.3, 11.1, 12.4, 12.8 and 12.10 of the Lease Agreement, (B) the moneys due and to become due to the Agency for its own account or the members, officers, agents and employees of the Agency for their own account pursuant to Sections 2.2(F), 3.3, 4.1, 5.3(B)(2), 5.3(0), 6.4(B), 8.2, 10.2 and 10.4 of the Lease Agreement, (C) the moneys due as payments in lieu of taxes pursuant to Section 6.6 of the Lease Agreement and the Payment in Lieu of Tax Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Lease Agreement.

“Underlying Lease” means the lease to agency dated as of February 1, 2005 by and between the Company, as landlord, and the Agency, as tenant, pursuant to which the Company has conveyed a leasehold interest in the Premises to the Agency, as said lease to agency may be amended or supplemented from time to time, the form of which is attached to the Lease Agreement.

SECTION 1.2. INTERPRETATION. In this Underlying Lease, unless the context otherwise requires:

(A) The terms “hereby”, “hereof”, “herein”, “hereunder”, and any similar terms as used in this Underlying Lease, refer to in this Underlying Lease, and the term “heretofore” shall mean before, and the term “hereafter” shall mean after, the date of this Underlying Lease.

(B) Words of masculine gender shall mean and include correlative words of feminine and neuter genders.

(C) Words importing the singular number shall mean and include the plural number, and vice versa.

(D) Any headings preceding the texts of the several Articles and Sections of this Underlying Lease, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Underlying Lease nor affect its meaning, construction or effect.

(E) Any certificates, letters or opinions required to be given pursuant to this Underlying Lease shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Underlying Lease.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. REPRESENTATIONS AND WARRANTIES OF THE AGENCY. The Agency makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(A) The Agency is duly established under the provisions of the Act and has the power to enter into this Underlying Lease and to carry out its obligations hereunder.

(B) Neither the execution and delivery of this Underlying Lease nor the consummation of the transactions contemplated hereby will conflict with or result in a breach by the Agency of any of the terms, conditions or provisions of the Act, the by-laws of the Agency or any order, judgment, agreement or instrument to which the Agency is a party or by which the Agency is bound, or will constitute a default by the Agency under any of the foregoing.

SECTION 2.2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(A) The Company is a limited liability company duly organized and existing under the laws of the State, is qualified to do business in the State and all other jurisdictions in which its operations or ownership of Properties so require, and has the power to enter into this Underlying Lease and carry out its obligations hereunder and has been duly authorized to execute this Underlying Lease. This Underlying Lease and the transactions contemplated hereby have been duly authorized by all necessary action on the part of the members of the Company.

(B) Neither the execution and delivery of this Underlying Lease, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Underlying Lease will (1) conflict with or result in a breach of any of the terms, conditions or provisions of the articles of organization or operating agreement of the Company or any order, judgment, agreement or instrument to which the Company is a party or by which the Company is bound, or constitute a default under any of the foregoing, or (2) result in the creation or imposition of any Lien of any nature upon any Property of the Company, or (3) require consent (which has not been heretofore received) under any limited liability company restriction, agreement or instrument to which the Company is a party or by which the Company or any of its Property may be bound or affected, or (4) require consent (which has not been heretofore received) under, conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Company or any of the Property of the Company.

ARTICLE III

LEASE PROVISIONS

SECTION 3.1. LEASE. (A) The Company hereby demises and leases to the Agency, and the Agency hereby hires and leases from the Company, the Land, as said Land is more particularly described on Exhibit A attached hereto, and the improvements now and hereafter located thereon, including the Facility (the Land and the Facility being sometimes collectively referred to as the "Premises") for the term set forth in Section 3.2 hereof. The Premises are intended to include (1) all buildings and improvements located on the Land, (2) any strips or gores of land adjoining the Land, (3) any land lying in the bed of any street or avenue abutting the Land, to the centerline thereof, and (4) a non-exclusive right to use any easements or other rights in adjoining property inuring to the Company by reason of the Company's ownership of the Land.

(B) It is the intention of the Company and the Agency that the Agency shall hold leasehold title to the entire Premises. Accordingly, leasehold title to the Premises and any other improvements hereinafter constructed by the Agency and/or the Company on the Land shall vest in the Agency or its successors and assigns and, upon completion of the Project, to lease the Project Facility when the same is constructed thereon.

SECTION 3.2. TERM. (A) The term of this Underlying Lease (the "Term") shall commence as of February 1, 2005 (the "Commencement Date") and shall expire on the earlier to occur of (i) December 31, 2024, and (ii) so long as neither of the Lease Agreement nor the Company's right of possession as lessee thereunder shall have been terminated by the Agency pursuant to Article X thereof, the termination of the term of the Lease Agreement.

(B) So long as neither the Lease Agreement nor the Company's right, of possession as lessee thereunder shall have been terminated by the Agency pursuant to Article X thereof, upon any termination of this Underlying Lease, the Company shall prepare and the Agency will execute and deliver to the Company such instruments as the Company shall deem appropriate to evidence the release and discharge of this Underlying Lease.

SECTION 3.3. RENT. The rent payable by the Agency under this Underlying Lease shall be one dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged by the Company.

SECTION 3.4. ASSIGNMENT; LEASE AGREEMENT; NON-MERGER. (A) Except as provided in the Lease Agreement and the Mortgage, the Agency shall not sell, assign or lease (other than pursuant to the Lease Agreement and the Mortgage) its rights hereunder or the leasehold estate hereby created, except with the express written consent of the Company.

(B) Contemporaneously with the execution and delivery of this Underlying Lease, the Agency shall enter into the Lease Agreement, pursuant to which the Company as agent of the Agency agrees to undertake and complete the Project and the Agency agrees to lease the Premises to the Company. Pursuant to the Lease Agreement, the Company, as sublessee of the Premises under the Lease Agreement, is required to perform all of the Agency's obligations under this Underlying Lease.

Accordingly, and notwithstanding anything to the contrary contained in this Underlying Lease, the Company shall not be entitled to declare a default hereunder or exercise any rights or remedies hereunder if any asserted default by the Agency hereunder relates to a failure by the Company, as sublessee of the Premises under the Lease Agreement, to perform its corresponding obligations under the Lease Agreement.

(C) Pursuant to the Lease Agreement and this Section 3.4, during the term of this Underlying Lease, there shall be no merger of this Underlying Lease or of the leasehold estate created by this Underlying Lease with the fee estate in the Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (A) this Underlying Lease or the leasehold estate created by this Underlying Lease or any interest in this Underlying Lease or in any such leasehold estate, (B) the Lease Agreement or the leasehold estate created by the Lease Agreement or any interest in the Lease Agreement or in any such leasehold estate and (C) the fee estate in the Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities, including any mortgagee having any interest in (1) this Underlying Lease or the leasehold estate created by this Underlying Lease, (2) the Lease Agreement or the leasehold estate created by the Lease Agreement and (3) the fee estate in the Premises or any part thereof or any interest in such fee estate, shall join in a written instrument effecting such merger and shall duly record the same.

SECTION 3.5. ADDITIONS, ALTERATIONS AND IMPROVEMENTS. The Company shall have the right, from time to time, to make such changes, additions, improvements and alterations, demolition or new construction, structural or otherwise, to the Premises as the Company shall deem necessary or desirable. Fee title to improvements now located or hereafter constructed upon the Premises, and any modifications, additions, restrictions, repairs and replacements thereof, shall be in the Agency during the term of this Underlying Lease, except as provided in the Lease Agreement.

SECTION 3.6. POSSESSION; QUIET ENJOYMENT. (A) Pursuant to the terms of the Lease Agreement and except as otherwise provided therein and in the Mortgage, the Company has the exclusive right to possess and make improvements to the Premises leased hereby.

(B) The Agency, upon paying the rent and observing and keeping all covenants, warranties, agreements and conditions of this Underlying Lease on the Agency's part to be kept, shall quietly have, hold and enjoy the Premises during the Term.

SECTION 3.7. LIENS. So long as neither the Lease Agreement nor the Company's right of possession as lessee thereunder shall have been terminated by the Agency pursuant to Article X thereof, the Agency shall not, directly, or indirectly, create or permit to be created, any mortgage, lien, encumbrance or other charge upon, or pledge of, the Premises or the Agency's interest therein, without the Company's prior written consent.

SECTION 3.8. TAXES. (A) It is recognized that, under the provisions of the Act, the Agency is required to pay no taxes or assessments upon any property acquired by it or under its jurisdiction or control or supervision. Pursuant to the Lease Agreement, the Company has agreed to pay all taxes levied against the Premises.

(B) Pursuant to the Lease Agreement and the Payment in Lieu of Tax Agreement, the Agency has agreed to apply for the tax exemptions respecting the Premises to which the Agency may be entitled pursuant to the Act, upon the condition that the Company make certain payments in lieu of taxes respecting the Premises, as more fully set forth in the Lease Agreement and the Payment in Lieu of Tax Agreement. The Agency agrees to use its best efforts to apply for any tax exemptions to which the Agency may be entitled with respect to the Premises.

(C) In the event that (1) the Agency's interest in the Premises shall be conveyed to the Company, (2) on the date on which the Company obtains the Agency's interest in the Premises, the Premises shall be assessed as exempt upon the assessment roll of any one or more of any taxing entities, and (3) the fact of obtaining title to the Agency's interest in the Premises shall not immediately obligate the Company to make pro rata tax payments pursuant to legislation similar to Chapter 635 of the 1978 Laws of the State (codified as subsection 3 of Section 302 of the Real Property Tax Law and Section 520 of the Real Property Tax Law), the Company shall be obligated to make payments in lieu of taxes to the respective receivers of taxes in amounts equal to those amounts which would be due from the Company as real property taxes with respect to the Premises if the Premises were owned by the Company and not the Agency until the first tax year in which the Company shall appear on the tax rolls of the various taxing entities having jurisdiction over the Premises as the legal owner of record of the Agency's interest in the Premises.

SECTION 3.9. MAINTENANCE. Pursuant to the Lease Agreement, during the term of this Underlying Lease, the Company has agreed, at the Company's sole cost and expense, to keep and maintain or cause to be kept and maintained the Project Facility (including the Premises and all improvements now or hereafter located thereon) in good order and condition and make or cause to be made all repairs thereto, interior and exterior, structural and nonstructural, ordinary and extraordinary, and foreseen and unforeseen. The Agency will have no responsibility with respect to the foregoing.

SECTION 3.10. CONDEMNATION. Subject to the provisions of the Lease Agreement, in the event of a total, substantial or partial taking by eminent domain or for any public or quasi public use under any statute (or voluntary transfer or conveyance to the condemning agency under threat of condemnation), the Agency shall be entitled to its costs and expenses incurred with respect to the Premises (including any unpaid amounts due pursuant to the Basic Documents and the costs of participating in such condemnation proceeding or transfer), and thereafter the Agency shall not participate further in any condemnation award.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

SECTION 4.1. DEFAULT. (A) Any one or more of the following events shall constitute an "Event of Default" under this Underlying Lease:

(1) The failure of the Agency (or the Company on behalf of the Agency) to pay the rent due pursuant to this Underlying Lease within fifteen (15) days after written notice to the Agency specifying the nature of such default;

(2) The failure of the Agency (or the Company on behalf of the Agency) to observe and perform any covenant, condition or agreement on its part to be performed (other than as referred to in paragraph (1) above) and continuance of such failure for a period of thirty (30) days after notice to the Agency specifying the nature of such default; provided that if by reason of the nature of such default the same cannot be remedied within thirty (30) days, failure of the Agency (or the Company on behalf of the Agency) to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(B) Notwithstanding the provisions of Section 4.1 (A) hereof, if by reason of force majeure (as hereinafter defined) either party hereto shall be unable, in whole or in part, to carry out its obligations under this Underlying Lease and if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Underlying Lease of the party giving such notice so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (B) shall not be deemed an event of default under this Section. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of government authority or any civil or military authority, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, and partial or entire failure of utilities. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties. Notwithstanding anything to the contrary contained herein, "force majeure" shall not include any acts or events caused by the negligence of the Company.

SECTION 4.2. REMEDIES ON DEFAULT. Whenever any Event of Default hereunder by one party hereto shall have occurred and be continuing for more than fifteen (15) days after written notice of default by the other party, the other party may enforce the provisions of this Underlying Lease and may enforce and protect its right by a suit or suits in equity or at law for (1) the specific performance of any covenant or agreement contained herein or (2) any other appropriate legal or equitable remedy.

SECTION 4.3. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Company is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Underlying Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 4.4. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event either party should default under any of the provisions of this Underlying Lease and the other party should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the defaulting party herein contained, the defaulting party shall, on demand therefor, pay to the other party the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

SECTION 4.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER. In the event any agreement contained herein should be breached by either party and thereafter such breach be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE V

MISCELLANEOUS

SECTION 5.1. SURRENDER. (A) The Agency shall, on the last day of the Term or on the last day of any earlier termination of the Term, surrender and deliver the Premises and all buildings, improvements, alterations, equipment and fixtures located thereon to the possession and use of the Company without delay and in good order, condition and repair, except for reasonable wear and tear.

(B) On the last day of the Term or on the last day of any earlier termination of the Term, title to all buildings, improvements, alterations, equipment located on the Premises shall automatically, and without the need of any further or additional instrument, vest in the Company. Notwithstanding the foregoing, upon the reasonable request of the Company, the Agency shall execute and deliver to the Company an instrument in the form of Exhibit C to the Lease Agreement to be recorded to confirm this vesting of title.

SECTION 5.2. NOTICES. (A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by an affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE COMPANY:

Harmony Mills Riverview, LLC
100 North Mohawk Street
Cohoes, New York 12047

WITH A COPY TO:

David P. Corsi, Esq.
Nixon Peabody LLP
Two Embarcadero Center
San Francisco, California 94111

IF TO THE AGENCY:

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047

WITH A COPY TO:

Darrin Derosia, Esq.
City Hall
97 Mohawk Street
Cohoes, New York 12047

M. Cornelia Cahill, Esq.
Girvin & Ferlazzo P.C.
20 Corporate Woods Boulevard
Albany, New York 12211

(C) The Agency and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificate or other communications shall be sent.

SECTION 5.3. APPLICABLE LAW. This Underlying Lease shall be governed exclusively by the applicable laws of the State.

SECTION 5.4. BINDING EFFECT. This Underlying Lease shall inure to the benefit of, and shall be binding upon the Agency and the Company and their respective successors and assigns; provided, that, except as provided elsewhere herein or in the Lease Agreement or the Mortgage, the interest of the Agency in this Underlying Lease may not be assigned, sublet or otherwise transferred without the prior written consent of the Company.

SECTION 5.5. SEVERABILITY. If any one or more of the covenants or agreements provided herein on the part of the Agency or the Company to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein shall be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining provisions hereof and shall in no way affect the validity of the other provisions of this Underlying Lease.

SECTION 5.6. AMENDMENTS, CHANGES AND MODIFICATIONS. This Underlying Lease may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto.

SECTION 5.7. EXECUTION OF COUNTERPARTS. This Underlying Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 5.8. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The Table of Contents and the headings of the several Sections in this Underlying Lease have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Underlying Lease.

SECTION 5.9. NO RECOURSE; SPECIAL OBLIGATION. (A) The obligations and agreements of the Agency contained herein shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent (other than the Company) or employee of the Agency in his individual capacity, and the members, officers, agents (other than the Company) and employees of the Agency shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Agency contained herein shall not constitute or give rise to an obligation of the State of New York or the City of Cohoes, New York, and neither the State of New York nor the City of Cohoes, New York shall be liable hereon or thereon and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility.

(C) No order or decree of specific performance with respect to any of the obligations of the Agency hereunder shall be sought or enforced against the Agency unless (1) the party seeking such order or decree shall first have requested the Agency in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Agency shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten (10) days, shall have failed to institute and diligently pursue action to cause compliance with such request) or failed to respond within such notice period, (2) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Agency an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify and hold harmless the Agency and its members, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Agency, furnish to the Agency satisfactory security to protect the Agency and its members, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request.

SECTION 5.10. RECORDING. The Agency and the Company agree that a Memorandum of this Underlying Lease shall be recorded by the Agency in the appropriate office of the County Clerk of Albany County, New York.

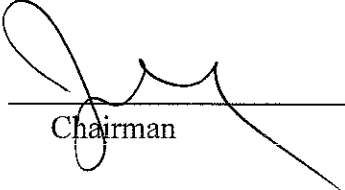
SECTION 5.11. INDEMNIFICATION. The Company hereby releases the Agency and its members, officers, agents (other than the Company) and employees from, agrees that the Agency and its members, officers, agents (other than the Company) and employees shall not be liable for and agrees to indemnify, defend and hold the Agency and its members, officers, agents (other than the Company) and employees harmless from and against any and all (i) claims and liability for loss or damage to Property or any injury to or death of any and all persons that may be occasioned by any

cause whatsoever pertaining to the Project Facility or arising by reason of or in connection with the occupation or the use thereof or the presence on, in or about the Project Facility, or (ii) claims and liability for loss or damages from the execution, delivery or performance of the Basic Documents, or (iii) liability arising from or expense incurred by the Agency's providing financial assistance, as such term is defined in Section 854(14) of the General Municipal Law of the State, including, without limiting the generality of the foregoing, all claims arising from the exercise by the Company of the authority conferred upon it pursuant to the Basic Documents, any sales or use taxes which are or may be payable with respect to goods supplied or services rendered with respect to the Project Facility and all causes of action and reasonable attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing, provided that any such claims, causes of action, judgments, losses, damages, liabilities or expenses of the Agency and its members, officers, employees and agents are not incurred or do not result from the intentional or willful wrongdoing of the Agency or any of its members, officers, agents (other than the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence on the part of the Agency or any of its officers, members, agents (other than the Company) or employees and notwithstanding the breach of any statutory obligation or any rule of comparative or apportioned liability.

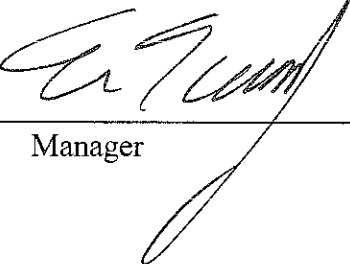
SECTION 5.12. SUBORDINATION. Notwithstanding anything in this document to the contrary, the provisions hereof are expressly subordinate to the HUD insured Mortgage, to the HUD Regulatory Agreement, and subordinate to all applicable HUD mortgage insurance (and Section 8, if applicable) regulations and related administrative requirements. In the event of any conflict between the provisions of this document and the provisions of an applicable HUD regulation, related HUD administrative requirement, or HUD/FHA loan document, the HUD regulations, related administrative requirements or loan documents shall control.

IN WITNESS WHEREOF, the Agency and the Company have caused this Underlying Lease to be executed in their respective names by their respective duly authorized officers and to be dated as of the day and year first above written.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

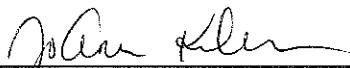
By:  _____
Chairman

HARMONY MILLS RIVERVIEW, LLC

By:  _____
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 11th day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared John T. McDonald, III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.




Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01KI5052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 20 05

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South $28^{\circ}41'30''$ East, 160.71 feet and South $32^{\circ}06'45''$ East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North $58/11'10''$ East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South $24/06'24''$ East, 41.80 feet to a point; 2) South $16/31'33''$ East, 150.00 feet to a point; 3) South $27/01'48''$ East, 275.00 feet to a point and 4) South $09/44'26''$ East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South $58/47'58''$ West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South $89/31'26''$ West, 27.56 feet to a point; 2) North $31/10'33''$ West, 447.52 feet to a point and 3) North $82/18'43''$ West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North $31/12'02''$ West, 119.31 feet to a point and 2) North $32/07'20''$ West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South $28^{\circ}41'30''$ East, 160.71 feet to a point; 2) South $32^{\circ}06'45''$ East, 434.90 feet to a point and 3) North $58/11'10''$ East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North $58/11'10''$ East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South $13/53'25''$ East, 122.91 feet to a point; 2) South $27/37'16''$ East, 50.88 feet to a point; 3) South $10/59'35''$ West, 29.30 feet to a point; 4) South $27/43'36''$ East, 113.85 feet to

a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

HARMONY MILLS RIVERVIEW, LLC,
AS LANDLORD

AND

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY,
AS TENANT

MEMORANDUM OF UNDERLYING LEASE

DATED AS OF FEBRUARY 1, 2005

RELATING TO PREMISES LOCATED IN THE CITY OF
COHOES, ALBANY COUNTY, NEW YORK.

RECORD AND RETURN TO:

M. Cornelia Cahill, Esq.
Girvin & Ferlazzo, P.C.
20 Corporate Woods Boulevard
Albany, New York 12211

THIS DOCUMENT IS INTENDED TO BE RECORDED IN LIEU
OF THE WITHIN-DESCRIBED UNDERLYING LEASE IN
ACCORDANCE WITH THE PROVISIONS OF SECTION 291-c OF
THE NEW YORK REAL PROPERTY LAW.

MEMORANDUM OF UNDERLYING LEASE

The undersigned, HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company"), as landlord (referred to in the hereinafter described Underlying Lease as the "Company") and CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency"), as tenant (referred to in the hereinafter described Underlying Lease as the "Agency") have entered into a certain lease to agency dated as of February 1, 2005 (the "Underlying Lease").

The Underlying Lease covers the approximately four (4) acres of land (the "Land") located at 100 North Mohawk Street in the City of Cohoes, Albany County, said Land being more particularly described on Exhibit A attached hereto and made a part hereof, together with any improvements now or hereafter located on the Land (the Land and all of said improvements being sometimes collectively referred to as the "Premises").

The Underlying Lease provides for the rental of the Premises for a term (the "Term") commencing as of February 1, 2005 and expiring on the earlier to occur of (A) December 31, 2024, or (B) so long as neither the term of a lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between the Agency and the Company nor the Company's right of possession as lessee thereunder shall have been terminated by the Agency pursuant to Article X thereof, the termination of the Lease Agreement. The Underlying Lease obligates the Agency, among other things, to pay rent of \$1.00 for the Term.

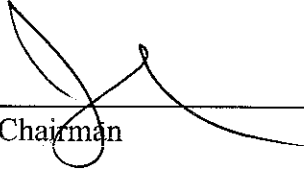
Pursuant to the Lease Agreement, the Company as agent of the Agency has agreed to improve the Premises by constructing certain improvements thereto and acquiring and installing certain personal property thereon and therein (collectively with the Premises, the "Project Facility"). The Lease Agreement grants to the Company various rights to purchase the Project Facility. Upon any such purchase of the Project Facility, the Agency shall surrender and deliver the Premises and all improvements located thereon to the Company. The Lease Agreement (or a memorandum thereof) is intended to be recorded in the Albany County Clerk's Office immediately subsequent to the recording of this memorandum of the Underlying Lease.

Notwithstanding the lease of the Project Facility by the Agency to the Company pursuant to the Lease Agreement, during the term of the Underlying Lease, there shall be no merger of the Underlying Lease nor of the leasehold estate created by the Underlying Lease with the fee estate in the Premises or any part thereof by reason of the fact that the same person or entity may acquire, own or hold the Underlying Lease or the leasehold estate created thereunder and the fee estate in the Premises.

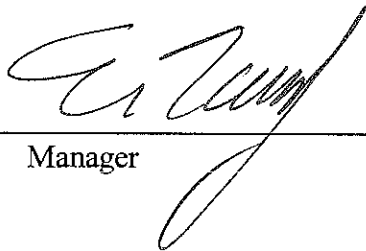
The Underlying Lease is available for inspection during normal business hours at the office of the Agency, currently located as indicated above.

IN WITNESS WHEREOF, the Company and the Agency have caused this Memorandum of Underlying Lease to be executed in their respective names, by their respective duly authorized officers and to be dated as of the day and year first written above.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

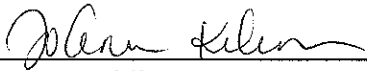
By:  _____
Chairman

HARMONY MILLS RIVERVIEW, LLC

By:  _____
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 11th day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared John T. McDonald, III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

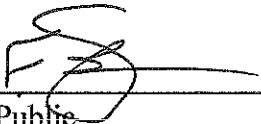


Notary Public
JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01KI5052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 2005

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

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New York State Department of Taxation and Finance

Combined Real Estate Transfer Tax Return, Credit Line Mortgage Certificate, and Certification of Exemption from the Payment of Estimated Personal Income Tax

Effective September 1, 2003, use this 7/03 version of Form TP-584; previous versions may no longer be used.

See instructions (TP-584-1) before completing this form. Please print or type.

Schedule A — Information relating to conveyance

Grantor/Transferor <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Estate/Trust <input type="checkbox"/> Other	Name (if individual; last, first, middle initial) Harmony Mills Riverview, LLC	Social security number
	Mailing address 100 North Mohawk Street	Social security number
	City State ZIP code Cohoes NY 12047	Federal employer ident. number
Grantee/Transferee <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Estate/Trust <input checked="" type="checkbox"/> Other	Name (if individual; last, first, middle initial) City of Cohoes Industrial Development Agency	Social security number
	Mailing address 97 Mohawk Street	Social security number
	City State ZIP code Cohoes NY 12047	Federal employer ident. number 52-1205328

Location and description of property conveyed

Tax map designation			Address	City/village	Town	County
Section	Block	Lot				
			100 North Mohawk Street	Cohoes		Albany

Type of property conveyed (check applicable box)

1 <input type="checkbox"/> one- to three-family house 2 <input type="checkbox"/> Residential cooperative 3 <input type="checkbox"/> Residential condominium 4 <input checked="" type="checkbox"/> Vacant land	5 <input type="checkbox"/> Commercial/Industrial 6 <input type="checkbox"/> Apartment building 7 <input type="checkbox"/> Office building 8 <input type="checkbox"/> Other _____	Date of conveyance <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border: 1px solid black; padding: 2px;">2</td> <td style="padding: 0 5px;">/</td> <td style="border: 1px solid black; padding: 2px;">05</td> </tr> <tr> <td style="font-size: 8px;">month</td> <td style="font-size: 8px;">day</td> <td style="font-size: 8px;">year</td> </tr> </table>	2	/	05	month	day	year	Percentage of real property conveyed which is residential real property _____ 0% <i>(see instructions)</i>
2	/	05							
month	day	year							

Condition of conveyance (check all that apply)

- | | | |
|--|--|--|
| a. <input type="checkbox"/> Conveyance of fee interest
b. <input type="checkbox"/> Acquisition of a controlling interest (state percentage acquired _____%)
c. <input type="checkbox"/> Transfer of a controlling interest (state percentage transferred _____%)
d. <input type="checkbox"/> Conveyance to cooperative housing corporation
e. <input type="checkbox"/> Conveyance pursuant to or in lieu of foreclosure or enforcement of security interest (attach Form TP-584.1, Schedule E) | f. <input type="checkbox"/> Conveyance which consists of a mere change of identify or form of ownership or organization (attach Form TP-584.1, Schedule F)
g. <input type="checkbox"/> Conveyance for which credit for tax previously paid will be claimed (attach Form TP-584.1, Schedule G)
h. <input type="checkbox"/> Conveyance of cooperative apartment(s)
i. <input type="checkbox"/> Syndication
j. <input type="checkbox"/> Conveyance of air rights or development rights
k. <input type="checkbox"/> Contract assignment | l. <input type="checkbox"/> Option assignment or surrender
m. <input type="checkbox"/> Leasehold assignment or surrender
n. <input checked="" type="checkbox"/> Leasehold grant
o. <input type="checkbox"/> Conveyance of an easement
p. <input checked="" type="checkbox"/> Conveyance for which exemption from transfer tax claimed (complete Schedule B, Part III)
q. <input type="checkbox"/> Conveyance of property partly within and partly outside the state
r. <input type="checkbox"/> Other (describe) _____ |
|--|--|--|

<i>For recording officer's use</i>	Amount received Schedule B., Part I \$ _____ Schedule B., Part II \$ _____	Date received	Transaction number
------------------------------------	--	---------------	--------------------

Schedule B — Real estate transfer tax return (Article 31 of the Tax Law)

Part I — Computation of tax due

1 Enter amount of consideration for the conveyance (if you are claiming a total exemption from tax, check the exemption claimed box, enter consideration and proceed to Part III) <input checked="" type="checkbox"/> Exemption claimed	1.	1.00
2 Continuing lien deduction (see instructions if property is taken subject to mortgage or lien)	2.	
3 Taxable consideration (subtract line 2 from line 1)	3.	
4 Tax: \$2 for each \$500, or fractional part thereof, of consideration on line 3	4.	
5 Amount of credit claimed (see instructions and attach Form TP-584.1, Schedule G)	5.	
6 Total tax due* (subtract line 5 from line 4)	6.	

Part II -- Computation of additional tax due on the conveyance of residential real property for \$1 million or more

1 Enter amount of consideration for conveyance (from Part I, line 1)	1.	
2 Taxable consideration (multiply line 1 by the percentage of the premises which is residential real property, as shown in Schedule A)	2.	
3 Total additional transfer tax due* (multiply line 2 by 1% (.01))	3.	

Part III -- Explanation of exemption claimed on Part I, line 1 (check any boxes that apply)

The conveyance of real property is exempt from the real estate transfer tax for the following reason:

- a. Conveyance is to the United Nations, the United States of America, the state of New York, or any of their instrumentalities, agencies, or political subdivisions (or any public corporation, including a public corporation created pursuant to agreement or compact with another state or Canada) a
- b. Conveyance is to secure a debt or other obligation b
- c. Conveyance is without additional consideration to confirm, correct, modify, or supplement a prior conveyance c
- d. Conveyance of real property is without consideration and not in connection with a sale, including conveyances conveying realty as bona fide gifts d
- e. Conveyance is given in connection with a tax sale e
- f. Conveyance is a mere change of identity or form of ownership or organization where there is no change in beneficial ownership. (This exemption cannot be claimed for a conveyance to a cooperative housing corporation of real property comprising the cooperative dwelling or dwellings.) Attach Form TP-584.1, Schedule F f
- g. Conveyance consists of deed of partition g
- h. Conveyance is given pursuant to the federal Bankruptcy Act h
- i. Conveyance consists of the execution of a contract to sell real property, without the use or occupancy of such property, or the granting of an option to purchase real property, without the use or occupancy of such property i
- j. Conveyance of an option or contract to purchase real property with the use or occupancy of such property where the consideration is less than \$200,000 and such property was used solely by the grantor as the grantor's personal residence and consists of a one-, two-, or three-family house, an individual residential condominium unit, or the sale of stock in a cooperative housing corporation in connection with the grant or transfer of a proprietary leasehold covering an individual residential cooperative apartment j
- k. Conveyance is not a conveyance within the meaning of section 1401(e) of Article 31 of the Tax Law (attach documents supporting such claim) k
- l. Other (attach explanation) l

*Please make check(s) payable to the county clerk where the recording is to take place. If the recording is to take place in New York City, make check(s) payable to the **NYC Department of Finance**. If a recording is not required, send this return and your check(s) made payable to the **NYS Department of Taxation and Finance**, directly to the NYS Tax Department, RETT Return Processing, PO Box 5045, Albany NY 12205-5045.

Schedule C -- Credit Line Mortgage Certificate (Article 11 of the Tax Law)

Complete the following only if the interest being transferred is a fee simple interest.

I (we) certify that: (check the appropriate box)

1. The real property being sold or transferred is not subject to an outstanding credit line mortgage.
2. The real property being sold or transferred is subject to an outstanding credit line mortgage. However, an exemption from the tax is claimed for the following reason:
 - The transfer of real property is a transfer of a fee simple interest to a person or persons who held a fee simple interest in the real property (whether as a joint tenant, a tenant in common or otherwise) immediately before the transfer.
 - The transfer of real property is (A) to a person or persons related by blood, marriage or adoption to the original obligor or to one or more of the original obligors or (B) to a person or entity where 50% or more of the beneficial interest in such real property after the transfer is held by the transferor or such related person or persons (as in the case of a transfer to a trustee for the benefit of a minor or the transfer to a trust for the benefit of the transferor).
 - The transfer of real property is a transfer to a trustee in bankruptcy, a receiver, assignee, or other officer of a court.
 - The maximum principal amount secured by the credit line mortgage is \$3,000,000 or more, and the real property being sold or transferred is **not** principally improved nor will it be improved by a one- to six-family owner-occupied residence or dwelling.

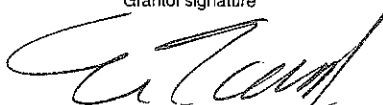

Please note: for purposes of determining whether the maximum principal amount secured is \$3,000,000 or more as described above, the amounts secured by two or more credit line mortgages may be aggregated under certain circumstances. See TSB-M-96(6)-R for more information regarding these aggregation requirements.

Other (attach detailed explanation).

3. The real property being transferred is presently subject to an outstanding credit line mortgage. However, no tax is due for the following reason:
 - A certificate of discharge of the credit line mortgage is being offered at the time of recording the deed.
 - A check has been drawn payable for transmission to the credit line mortgagee or his agent for the balance due, and a satisfaction of such mortgage will be recorded as soon as it is available.
4. The real property being transferred is subject to an outstanding credit line mortgage recorded in _____ (insert liber and page or reel or other identification of the mortgage). The maximum principal amount of debt or obligation secured by the mortgage is _____. No exemption from tax is claimed and the tax of _____ is being paid herewith. (Make check payable to county clerk where deed will be recorded or, if the recording is to take place in New York City, make check payable to the **NYC Department of Finance**.)

Signature (both the grantor(s) and grantee(s) must sign)

The undersigned certify that the above information contained in schedules A, B, and C, including any return, certification, schedule, or attachment, is to the best of his/her knowledge, true and complete.

Harmony Mills Riverview, LLC	City of Cohoes Industrial Development Agency	Chairman
Grantor signature	Title	Grantee signature
		
Grantor signature	Title	Grantee signature
Grantor signature	Title	Grantee signature

Reminder: Did you complete all of the required information in Schedules A, B, and C? Are you required to complete Schedule D? If you checked e, f, or g in Schedule A, did you complete Form TP-584.1? Have you attached your check(s) made payable to the county clerk where recording will take place or, if the recording is in New York City, to the **NYC Department of Finance**? If no recording is required, send your check(s), made payable to the **Department of Taxation and Finance**, directly to the NYS Tax Department, RETT Return Processing, PO Box 5045, Albany NY 12205-5045.

Schedule D - Certification of exemption from the payment of estimated personal income tax (Article 22, Tax Law section 663)

Complete the following only if a fee simple interest is being transferred by an individual or estate or trust.

Part I - New York State residents

If you are a New York State resident transferor(s)/seller(s) listed in Schedule A of Form TP-584 (or an attachment to Form TP-584), you must sign the certification below. If one or more transferors/sellers of the property is a resident of New York State, each resident transferor/seller must sign in the space provided. If more space is needed, please photocopy this Schedule D and submit as many schedules as necessary to accommodate all resident transferors/sellers.

Certification of resident transferor(s)/seller(s)

This is to certify that at the time of the sale or transfer of the real property, the transferor(s)/seller(s) as signed below was a resident of New York State, and therefore is not required to pay estimated personal income tax under Tax Law section 663(a) upon the sale or transfer of this property.

Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date

Note: A resident of New York State may still be required to pay estimated tax under section 685(c), but not as a condition of recording a deed.

Part II - Nonresidents of New York State

If you are a nonresident of New York State listed as a transferor/seller in Schedule A of Form TP-584 (or an attachment to Form TP-584) but are not required to pay estimated tax because one of the exemptions below applies under section 663(d) of the Tax Law, check the **box** of the appropriate exemption below. If any one of the exemptions below applies to the transferor(s)/seller(s), that transferor(s)/seller(s) is not required to pay estimated personal income tax to New York State under section 663 of the Tax Law. **Each** nonresident transferor/seller who qualifies under one of the exemptions below must sign in the space provided. If more space is needed, please photocopy this Schedule D and submit as many schedules as necessary to accommodate all nonresident transferors/sellers.

If none of these exemption statements apply, you must use Form IT-2663, *Application for Certification for Recording of Deed and Nonresident Estimated Income Tax Payment Voucher*.

Exemption for nonresident transferor(s)/seller(s)

This is to certify that at the time of the sale or transfer of the real property, the transferor(s)/seller(s) (grantor) of this property was a nonresident of New York State, but is not required to pay estimated tax under Tax Law section 663 due to one of the following exemptions:

- The property being sold or transferred was used exclusively as the transferor's/seller's principal residence (within the meaning of section 121 of the Internal Revenue Code) from _____ Date _____ to _____ Date _____ (see instructions).
- The transferor/seller is a mortgagor conveying the mortgaged property to a mortgagee in foreclosure, or in lieu of foreclosure with no additional consideration.
- The transferor or transferee is an agency or authority of the United States of America, an agency or authority of the state of New York, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or a private mortgage insurance company.

Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date

CLOSING ITEM NO.: A-3

BILL OF SALE

TO

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Grantor"), for the consideration of One Dollar (\$1.00), cash in hand paid, and other good and valuable consideration received by the Grantor from CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Grantee"), the receipt of which is hereby acknowledged by the Grantor, hereby sells, transfers and delivers unto the Grantee, and its successors and assigns, all right, title and interest of the Grantor in and to the materials, machinery, equipment, fixtures or furnishings which are described in Exhibit B attached hereto (the "Equipment"), whether now owned or hereafter acquired by the Grantor, which Equipment is located or intended to be located on the real property located at 100 North Mohawk Street (the "Land") in the City of Cohoes, Albany County, New York, which Land is more particularly described on Exhibit A attached hereto.

TO HAVE AND TO HOLD the same unto the Grantee, and its successors and assigns, forever, and the said Grantor, for itself, its successors and assigns, covenants and agrees to and with the Grantee, its successors and assigns, to warrant and defend the sale of said Equipment hereby made unto the Grantee, its successors and assigns against the claims and demands of every and all persons whomsoever.

IN WITNESS WHEREOF, the Grantor has caused this bill of sale to be executed in its name by its duly authorized officer and dated as of the 1st day of February, 2005.

HARMONY MILLS RIVERVIEW, LLC

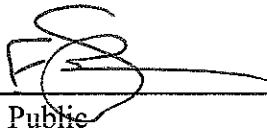
By: _____

Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58/11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24/06'24" East, 41.80 feet to a point; 2) South 16/31'33" East, 150.00 feet to a point; 3) South 27/01'48" East, 275.00 feet to a point and 4) South 09/44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58/47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89/31'26" West, 27.56 feet to a point; 2) North 31/10'33" West, 447.52 feet to a point and 3) North 82/18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31/12'02" West, 119.31 feet to a point and 2) North 32/07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58/11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58/11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13/53'25" East, 122.91 feet to a point; 2) South 27/37'16" East, 50.88 feet to a point; 3) South 10/59'35" West, 29.30 feet to a point; 4) South 27/43'36" East, 113.85 feet to

a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

EXHIBIT B

DESCRIPTION OF THE EQUIPMENT

All articles of personal property and all appurtenances by Harmony Mills Riverview, LLC (the "Company") pursuant to the lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between City of Cohoes Industrial Development Agency and the Company and now or hereafter attached to, contained in or used in connection with the Land (as defined in the Lease Agreement) or placed on any part thereof, though not attached thereto, including, but not limited to, pipes, screens, fixtures, heating, lighting, plumbing, ventilation, air conditioning, compacting and elevator plants, call systems, stoves, ranges, refrigerators, rugs, movable partitions, cleaning equipment, maintenance equipment, shelving, flagpoles, signs, waste containers, outdoor benches, drapes, blinds and accessories, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery; and together with any and all products of any of the above, all substitutions, replacements, additions or accessions therefor, and any and all cash proceeds or non-cash proceeds realized from the sale, transfer or conversion of any of the above.

CLOSING ITEM NO.: A-4

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

AND

HARMONY MILLS RIVERVIEW, LLC

LEASE AGREEMENT

DATED AS OF FEBRUARY 1, 2005

RESPECTING THE PREMISES LOCATED IN THE CITY OF
COHOES, ALBANY COUNTY, NEW YORK.

THIS LEASE AGREEMENT CONSTITUTES A SECURITY
AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE
OF THE STATE OF NEW YORK.

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LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of February 1, 2005 (the "Lease Agreement") by and between CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency"), and HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company");

WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency, for the purpose of carrying out any of its corporate purposes, to lease or sell any or all of its facilities; whether then owned or thereafter acquired; and

WHEREAS, the Agency was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 313 of the Laws of 1972 of the State (collectively, with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, the Agency determined to accept an application (the "Application") from the Company and the Agency further agreed, subject to numerous conditions, to consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the

“Equipment”) (the Land, the Facility and the Equipment being collectively referred to as the “Project Facility”); (B) the granting of certain “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real property taxes and mortgage recording taxes (collectively, the “Financial Assistance”); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the requirements of Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York as amended (the “SEQR Act”) and the regulations (the “Regulations”) adopted pursuant thereto by the Department of Environmental Conservation of the State of New York being 6NYCRR Part 617, as amended (the “Regulations collectively with the SEQR Act, “SEQRA”) applicable to the Project have been complied with; and

WHEREAS, the Chairman of the Agency (A) caused notice of public hearing of the Agency (the “Public Hearing”) pursuant to Section 859-a of the Act, to hear all persons interested in the Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be hand delivered on October 21, 2003 to the chief executive officers of the county, the city and the school district in which the Project Facility is, or is to be located, (B) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, Albany County, New York, (C) conducted the Public Hearing on November 21, 2003 at 8:30 a.m., local time, at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Schenectady County, New York, and (D) prepared a report of the Public Hearing (the “Report”) which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, the Agency (A) caused a letter dated October 21, 2003 (the “Original Pilot Deviation Letter”) to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located (each an “Affected Tax Jurisdiction”), informing said individuals that the Agency would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 21, 2003 at 9:00 o’clock a.m., local time in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York City Hall; and

WHEREAS, by resolution adopted by the members of the Agency on November 21, 2003, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement (the “Original PILOT Payment Schedule”);

WHEREAS, the Company requested that the Agency agree to a revised PILOT payment schedule (the “Revised PILOT Payment Schedule”); and

WHEREAS, by resolution adopted by the members of the Agency on August 20, 2004 (the "Original Pilot Resolution") the Agency determined to notify each Affected Tax Jurisdiction of the Company's request for Agency approval of the Revised PILOT Payment Schedule; and

WHEREAS, the Agency (A) caused a letter dated October 8, 2004 (the "Revised PILOT Deviation Letter") to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004, consider a proposed deviation from the Agency's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 12, 2004 at 9:00 o'clock a.m., local time in City Hall located at 97 Mohawk Street in the City of Cohoes, Albany County, New York; and

WHEREAS, by resolution adopted by the members of the Agency on November 12, 2004 ("Revised Pilot Resolution"), the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement that incorporated the Revised PILOT Schedule;

WHEREAS, by resolution adopted by the members of the Agency on January 31, 2005 (the "Approving Resolution"), the Agency determined, to grant the Financial Assistance and to enter into this Lease Agreement and certain other documents related thereto, to the Financial Assistance and to the Project (collectively with the Lease Agreement, the "Basic Documents"); and

WHEREAS, the Agency now proposes to acquire the leasehold interest created pursuant Underlying Lease (as defined below) from the Company, to undertake, the Project, to appoint the Company as agent of the Agency to undertake the acquisition, construction and installation of the Project Facility, and to lease the Project Facility to the Company, and the Company desires to act as agent of the Agency to undertake the acquisition, construction and installation of the Project Facility and to lease the Project Facility from the Agency, all pursuant terms and conditions hereinafter set forth in this Lease Agreement; and

WHEREAS, simultaneously with the execution and delivery of this Lease Agreement (the "Closing"),(A) the Company will execute and deliver to the Agency a certain lease to agency dated as of February 1, 2005 (the "Underlying Lease") by and between the Company, as landlord and the Agency, as tenant pursuant to which the Company will lease to the Agency the Land and all improvements now or hereafter located on the Land (collectively, the "Premises") for a lease term ending on December 31, 2024, (B) the Company and the Agency will execute and deliver a payment in lieu of tax agreement dated as of February 1, 2005 (the "Payment in Lieu of Tax Agreement") by and between the Agency and the Company, pursuant to which the Company will agree to pay certain payments in lieu of taxes with respect to the Project Facility, (C) the Agency will mail to the assessor and the chief executive officer of each "affected tax jurisdiction" (within the meaning of such quoted term in Section 854(16) of the Act) a copy of a New York State Board of Real Property Services Form RP-412-a (the form required to be filed by the Agency in order for the Agency to obtain a real property tax exemption with respect to the Project Facility under Section 412-a of the Real Property Tax Law) (the "Real Property Tax Exemption Form") relating to the Project Facility and the

Payment in Lieu of Tax Agreement, (D) the Agency will execute and deliver to the Company a sales tax exemption letter (the "Sales Tax Exemption Letter") to ensure the granting of the sales tax exemption which forms a part of the Financial Assistance and (E) the Agency will file with the State Department of Taxation and Finance the form entitled "IDA Appointment of Project Operator or Agent for Sales Tax Purposes" (the form required to be file pursuant to Section 874(9) of the Act) (the Thirty-Day Sales Tax Report"); and

WHEREAS the providing of the Project Facility and the lease of the Project Facility to the Company pursuant to this Lease Agreement is for a proper purpose, to wit, to advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of the State, pursuant to the provisions of the Act; and

WHEREAS, all things necessary to constitute this Lease Agreement a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Lease Agreement have in all respects been duly authorized by the Agency and the Company;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, THE PARTIES HERETO HEREBY FORMALLY COVENANT; AGREE AND BIND THEMSELVES AS FOLLOWS, TO WIT:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. The following words and terms used in this Lease Agreement shall have the respective meanings set forth below, unless the context or use indicates another or different meaning or intent:

“Act” means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 313 of the 1972 Laws of the State, constituting Section 896-a of the General Municipal Law of the State, as amended from time to time.

“Agency” means (A) City of Cohoes Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which City of Cohoes Industrial Development Agency or its successors or assigns may be a party.

“Applicable Laws” means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Agency were the owner of the Project Facility and as if the Company and not the Agency were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi judicial Governmental Authority.

“Approving Resolution” means the resolution duly adopted by the Agency on January 31, 2005 authorizing and directing the undertaking and completion of the Project and the execution and delivery of the Basic Documents to which the Agency is a party.

“Assignment to Company” means the assignment from the Agency to the Company, substantially in the form attached as Exhibit C to the Lease Agreement, which assignment is intended to convey to the Company, upon certain termination of the Lease Agreement, all title and interest of the Agency in the Project Facility, including the leasehold interest created pursuant to the Underlying Lease.

“Authorized Representative” means the person or persons at the time designated to act on behalf of the Agency or the Company, as the case may be, by written certificate furnished to the Agency or the Company, as the case may be, containing the specimen signature of each such person and signed on behalf of (A) the Agency by its Chairman or Vice-Chairman or such other person as may be authorized by resolution of the members of the Agency to act on behalf of the Agency, and (B) the Company by any member or such other person as may be authorized in writing by any member of the Company to act on behalf of the Company.

“Bank” means GMAC Commercial Mortgage Bank, and its successors and assigns as holder of the Mortgage.

“Basic Documents” means the Underlying Lease, the Bill of Sale to Agency, the Lease Agreement, the Payment in Lieu of Tax Agreement, the Mortgage, the Security Agreement, the Regulatory Agreement and all other instruments and documents related thereto and executed in connection therewith, and any other instrument or document supplemental thereto, each as amended from time to time.

“Bill of Sale to Agency” means the bill of sale delivered on the Closing Date from the Company to the Agency conveying all of the Company’s interest in the Equipment to the Agency.

“Bill of Sale to Company” means the bill of sale from the Agency to the Company conveying all of the Agency’s interest in the Equipment to the Company, substantially in the form attached as Exhibit D to the Lease Agreement.

“Business Day” means a day on which banks located in the City of Cohoes, New York are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Closing” means the closing at which the Basic Documents are executed and delivered by the Company and the Agency.

“Closing Date” means the date of the Closing.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department promulgated thereunder.

“Company” means Harmony Mills Riverview, LLC, a limited liability company duly organized and existing under the laws of the State.

“Completion Date” means the earliest to occur of (A) February 14, 2007 or (B) such date as shall be certified by the Company to the Agency as the date of completion of the Project pursuant to Section 4.2 of the Lease Agreement, or (C) such earlier date as shall be designated by written communication from the Company to the Agency as the date of completion of the Project.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

“Default Interest Rate” means a per annum rate of interest equal to twelve percent (12%) per annum, or the maximum rate of interest permitted by law, whichever is less.

“Equipment” means all equipment, fixtures, machines, building materials and items of personal property and all appurtenances intended to be acquired in connection with the completion of the Project prior to the Completion Date with the proceeds of any payment made by the Company pursuant to Section 4.1(H) of the Lease Agreement, and such substitutions and replacements therefor as may be made from time to time pursuant to the Lease Agreement, including without limitation, all the Property described in Exhibit B attached to the Lease Agreement.

“Event of Default” means, with respect to any particular Basic Document, any event specified as an Event of Default pursuant to the provisions thereof.

“Facility” means the reconstruction of existing facility of approximately 180,000 square feet into approximately 96 residential rental units and 107 indoor parking spaces to be constructed on the Land.

“Financial Assistance” shall have the meaning assigned to such term in the fifth recital clause to the Lease Agreement.

“Governmental Authority” means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, court, board, bureau or instrumentality of any of them.

“Gross Proceeds” means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to the settlement of any insurance or Condemnation award.

“Hazardous Materials” shall mean all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

“HUD” means the U.S. Department of Housing and Urban Development.

“Indebtedness” means (1) the monetary obligations of the Company to the Agency and its members, officers, agents, servants and employees under the Lease Agreement and the other Basic Documents, and (2) all interest accrued on any of the foregoing.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Company or the Agency.

“Land” means an approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York, as more particularly described on Exhibit A attached to the Lease Agreement.

“Lease Agreement” means the lease agreement dated as of February 1, 2005 by and between the Agency, as landlord, and the Company, as tenant, pursuant to which, among other things, the Agency has leased the Project Facility to the Company, as said lease agreement may be amended or supplemented from time to time.

“Lien” means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or a judgment against the Company. The term “Lien” includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics’, materialmen’s, warehousemen’s and carriers’ liens and other similar encumbrances affecting real property. For purposes of the Basic Documents, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“Loan” means a loan in the principal sum of up to \$12,125,000 to be made by the Bank to the Company and to be secured by, among other things, the Mortgage.

“Mortgage” means the mortgage dated as of February 14, 2005 from the Company and the Agency to the Bank to secure advances of up to \$12,125,000 under the Loan and any other mortgage with respect to the Project Facility executed by the Company and approved in writing by the Agency.

“Net Proceeds” means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys’ fees) incurred in obtaining such Gross Proceeds.

“Payment in Lieu of Tax Agreement” means the payment in lieu of tax agreement dated as of February 1, 2005 by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Project Facility, as such agreement may be amended or supplemented from time to time.

“Permitted Encumbrances” means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that exist on the Closing Date and benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar Liens, to the extent permitted by Section 8.8 of the Lease Agreement, (C) Liens for taxes, assessments and utility charges, to the extent permitted by Section 6.2(B) of the Lease Agreement, (D) any Lien on the Project Facility obtained through any Basic Document, (E) the Mortgage and (F) any Lien requested by the Company in writing and consented to by the Agency, which consent of the Agency shall not be unreasonably withheld or delayed.

“Person” means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

“Plans and Specifications” means the description of the Project appearing in the fifth recital clause to the Lease Agreement.

“Preliminary Agreement” means the preliminary agreement dated as of June 20, 2003 between the Agency and the Company with respect to the Project.

“Preliminary Inducement Resolution” means the resolution adopted by the members of the Agency on June 20, 2003 offering to consider undertaking the Project and authorizing the Agency to execute and deliver the Preliminary Agreement.

“Premises” means the Property leased to the Agency pursuant to the Underlying Lease.

“Project” means the project undertaken by the Agency consisting of (A) (1) the acquisition of the Land and the Existing Facility; (2) the reconstruction of the Existing Facility and the construction of the Facility on the Land, (3) the acquisition and installation of the Equipment, all of the foregoing to constitute a residential facility, (B) the granting of certain Financial Assistance with respect to the foregoing, and (C) the lease of the Project Facility to the Company pursuant to the Lease Agreement.

“Project Facility” means the Land, the Facility and the Equipment.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Real Property Tax Exemption Form” means a New York State Board of Real Property Services Form RP-412-a relating to the Project Facility.

“Regulatory Agreement” means the regulatory agreement dated as of February 14, 2005 by and among the Company, the Agency and the Secretary of Housing and Urban Development.

“Sales Tax Exemption Letter” shall have the meaning assigned to such term in Section 8.12 of the Lease Agreement.

“Security Agreement” means the security agreement dated as of February 14, 2005 from the Company and the Agency to the Bank to secure the Loan.

“SEQRA” means Article Eight of the Environmental Conservation Law of the State and the statewide regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York.

“State” means the State of New York.

“Term” means the term of the Underlying Lease.

“Termination of Lease Agreement” means a termination of lease agreement by and between the Company, as tenant, and the Agency, as landlord, intended to evidence the termination of the lease agreement, substantially in the form attached as Exhibit E to the Lease Agreement.

“Unassigned Rights” means (A) the rights of the Agency granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D), 4.1(E)(2), 4.1(F), 4.1(G), 5.2(A), 5.3(B), 5.4(B), 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 9.1; 9.3, 11.1, 12.4, 12.8 and 12.10 of the Lease Agreement, (B) the moneys due and to become due to the Agency for its own account or the members, officers, agents and employees of the Agency for their own account pursuant to Sections 2.2(F), 3.3, 4.1, 5.3(B)(2), 5.3(0), 6.4(B), 8.2, 10.2 and 10.4 of the Lease Agreement, (C) the moneys due as payments in lieu of taxes pursuant to Section 6.6 of the Lease Agreement and the Payment in Lieu of Tax Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Lease Agreement.

“Underlying Lease” means the lease to agency dated as of February 1, 2005 by and between the Company, as landlord, and the Agency, as tenant, pursuant to which the Company has conveyed a leasehold interest in the Premises to the Agency, as said lease to agency may be amended or supplemented from time to time, the form of which is attached to the Lease Agreement.

SECTION 1.2. INTERPRETATION. In this Lease Agreement, unless the context otherwise requires:

(A) the terms “hereby”, “hereof”, “herein”, “hereunder” and any similar terms as used in this Lease Agreement, refer to this Lease Agreement, and the term “heretofore” shall mean before, and the term “hereafter” shall mean after, the date of this Lease Agreement;

(B) words of masculine gender shall mean and include correlative words of feminine and neuter genders;

(C) words importing the singular number shall mean and include the plural number, and, vice versa; and

(D) any certificates, letters or opinions required to be given pursuant to this Lease Agreement shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Lease Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AGENCY. The Agency makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Agency is duly established under the provisions of the Act and has the power to enter into this Lease Agreement and the other Basic Documents to which the Agency is a party and to carry out its obligations hereunder and thereunder. Based upon the representations of the Company as to the utilization of the Project Facility, the Project will constitute a "project", as such quoted term is defined in the Act. By proper official action, the Agency has been duly authorized to execute, deliver and perform this Lease Agreement and the other Basic Documents to which the Agency is a party.

(B) Neither the execution and delivery of this Lease Agreement or the other Basic Documents to which the Agency is a party, the consummation of the transactions contemplated hereby or thereby nor the fulfillment of or compliance with the provisions of this Lease Agreement or the other Basic Documents to which the Agency is a party will conflict with or result in a breach by the Agency of any of the terms, conditions or provisions of the Act, the by-laws of the Agency or any order, judgment, agreement or instrument to which the Agency is a party or by which the Agency is bound, or will constitute a default by the Agency under any of the foregoing.

(C) Pursuant to the Basic Documents, the Agency will acquire a leasehold interest in the Premises from the Company, will cause the Project Facility to be acquired, constructed and installed and will lease the Project Facility to the Company pursuant to this Lease Agreement, all for the purpose of advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their standard of living.

(D) Except as provided in Article IX and Article X hereof, the Agency, to the extent of its interest therein, shall not sell, assign, transfer, encumber or pledge as security the Project Facility or any part thereof and shall maintain the Project Facility, free and clear of all Liens or encumbrances, except as contemplated or allowed by the terms of this Lease Agreement and the other Basic Documents.

SECTION 2.2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Company is a limited liability company duly organized and validly existing under the laws of the State, is qualified and authorized to do business in the State and all other jurisdictions

in which its operations or ownership of Properties so require, and has the power to enter into this Lease Agreement and the other Basic Documents to which the Company is a party and to carry out its obligations hereunder and thereunder. By proper action of its members, the Company has been duly authorized to execute, deliver and perform this Lease Agreement and the other Basic Documents to which the Company is a party.

(B) Neither the execution and delivery of this Lease Agreement or the other Basic Documents to which the Company is a party, the consummation of the transactions contemplated hereby and thereby nor the fulfillment of or compliance with the provisions of this Lease Agreement or the other Basic Documents to which the Company is a party will (1) conflict with or result in a breach of any of the terms, conditions or provisions of the Company's articles of organization or operating agreement or any other restriction, order, judgment, agreement or instrument to which the Company is a party or by which the Company or any of its Property is bound, or constitute a default by the Company under any of the foregoing, or result in the creation or imposition of any Lien of any nature upon any Property of the Company under the terms of any such instrument or agreement, other than the Permitted Encumbrances, (2) require consent (which has not been heretofore received) under any restriction, agreement or instrument to which the Company is a party or by which the Company or any of its Property may be bound or affected, or (3) require consent (which has not been heretofore obtained) under or conflict with or violate any existing law, rule, regulation judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Company or any of the Property of they Company.

(C) The completion of the Project will not result in the removal of a plant or facility or of any proposed occupant of the Project Facility from one area of the State of New York to another area in the State of New York and will not result in the abandonment of one or more plants or facilities of any occupant of the Project Facility located in the State of New York.

(D) The Project Facility does not and will not constitute a project where facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities constitute more than one-third of the total cost of the Project.

(E) The Basic Documents to which the Company is a party constitute, or upon their execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms.

(F) The Project Facility is, and so long as this Lease Agreement shall remain in effect, the Project Facility will continue to be a "project", as such quoted term is defined in the Act, and the Company will not take any action (or omit to take any action required by the Basic Documents or which the Agency advises the Company in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (1) cause the Project Facility not to constitute a "project", as such quoted term is defined in the Act, or (2) cause the Financial Assistance to be applied in a manner contrary to that provided in the Basic Documents.

(G) The Project Facility and the operation thereof will comply with all Applicable Laws, and the Company will defend and save the Agency and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith. The Company shall cause all notices as required by all Applicable Laws to be given, and shall comply or cause compliance with all Applicable Laws, and the Company will defend and save the Agency and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith.

(H) The Project will not have a “significant effect on the environment” (within the meaning of such term as used in SEQRA) and the Company hereby covenants to comply with all mitigating measures, requirements and conditions, if any, enumerated in the SEQR Resolution under SEQRA applicable to the acquisition, construction and installation of the Project Facility and in any other approvals issued by any other Governmental Authority with respect to the Project. No material changes with respect to any aspect of the Project Facility have arisen from the date of the issuance of such negative declaration which would cause the determination contained therein to be untrue.

(I) The Company acknowledges receipt of notice of Section 858-b of the Act, which requires that the Company as agent of the Agency must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Agency.

(J) The Company acknowledges receipt of notice of Section 874(8) of the Act, which requires that the Company list new employment opportunities created as a result of the Project with the following entities (hereinafter, the “JTPA Entities”); (1) the New York State Department of Labor Community Services Division and (2) the administrative entity of the service delivery area created by the federal job training partnership act (P.L. No. 97-300) in which the Project Facility is located. The Company agrees, where practicable, to first consider for such new employment opportunities persons eligible to participate in federal job training partnership programs who shall be referred by the JTPA Entities.

(K) The Company acknowledges receipt of notice of Section 874(9) of the Act, which requires the Company, as agent of the Agency, to file within thirty (30) days of the date the Company is appointed the agent of the Company, a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, identifying the Company as agent of the Agency, setting forth the taxpayer identification number of the Company, giving a brief description of the goods and/or services intended to be exempted from sales taxes as a result of such appointment as agent, indicating a rough estimate of the value of the goods and/or services to which such appointment as agent relates, indicating the date when such designation as agent became effective and indicating the date upon which such designation as agent shall cease.

ARTICLE III

CONVEYANCE AND USE OF PROJECT FACILITY

SECTION 3.1. CONVEYANCE TO THE AGENCY. Pursuant to the Underlying Leases the Company has or will convey, or will cause to be conveyed, to the Agency a leasehold interest in the Land and all improvements located or to be located thereon. Pursuant to the Bill of Sale to Agency the Company has or will convey, or will cause to be conveyed, to the Agency title to the Equipment. The Company hereby represents and warrants that it has good and marketable title to the portions of the Project Facility that exist on the Closing Date, free and clear from all Liens except for Permitted Encumbrances, and agrees that the Company will defend, indemnify and hold the Agency harmless from any expense or liability due to any defect in title thereto. The Company shall execute, deliver and record or file all instruments necessary or appropriate to so vest a leasehold in the Agency and shall take all action necessary or appropriate to protect such leasehold interest against claims of any third Persons. The Company also agrees to pay all reasonable expenses incurred by the Agency in defending any action with respect to title to or a Lien affecting the Project Facility, except for Permitted Encumbrances.

SECTION 3.2. USE OF PROJECT FACILITY. Subsequent to the Closing Date, the Company shall be entitled to use the Project Facility in any manner not otherwise prohibited by the Basic Documents or the Act, provided such use causes the Project Facility to qualify or continue to qualify as a "project" under the Act and does not tend, in the reasonable judgment of the Agency, to bring the Project Facility into disrepute as a public project.

SECTION 3.3. HAZARDOUS MATERIALS. (A) The Company represents, warrants and covenants that the Company has not used Hazardous Materials on, from or affecting the Project Facility in any manner which violates any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and, to the best of the Company's knowledge, no prior owner of the Project Facility or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from or affecting the Project Facility in any manner which violates any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials.

(B) The Company shall keep or cause the Project Facility to be kept free of all Hazardous Materials. Without limiting the foregoing, the Company shall not cause or permit the Project Facility to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all Applicable Laws, nor shall the Company cause or permit, as a result of any intentional or unintentional act or omission on the part of the Company or any tenant or subtenant of the Company, an unlawful release of Hazardous Materials onto the Project Facility or onto any other property.

(C) The Company shall comply with, and ensure compliance by all tenants and subtenants of the Company with, all Applicable Laws regarding Hazardous Materials whenever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants of the Company obtain and comply with, any and all approvals, registrations or permits required thereunder.

(D) To the extent required by any State or federal environmental regulator, the Company shall (1) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up, remove or contain all Hazardous Material on, from or affecting the Project Facility (a) in accordance with all Applicable Laws, (b) to the satisfaction of the Agency, and (C) in accordance with the orders and directives of all federal, state and local governmental authorities and (2) defend, indemnify, and hold harmless the Agency and its employees, agents, officers and members from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release or threatened release of any Hazardous Materials used, transported, stored, manufactured, refined, handled, produced or disposed of on or in the Project Facility which are on, from or affecting soil, water, vegetation, buildings, personal property, persons, animals or otherwise, (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (C) any lawsuit brought or threatened, settlement reached, or any, government order relating to such Hazardous Materials, and/or (d) any violations of Applicable Laws which are based upon or in any way related to such Hazardous Materials, including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. Costs under this subsection (D) will be repaid immediately with interest at the Default Interest Rate or the maximum permitted by law, whichever is less.

(E) In the event the Project Facility is foreclosed by the Agency, or the Company tenders a deed in lieu of foreclosure, the Company shall deliver the Project Facility to the purchaser free of any and all Hazardous Materials (except Hazardous Materials the presence of which do not violate any Federal, State or local laws, ordinances, rules and regulations governing the use and storage such materials), so that the condition of the Project Facility shall conform with all Applicable Laws affecting the Project Facility.

(F) The Company agrees that the Agency and its officers, agents or representatives, may at any reasonable time and at the Company's expense inspect the Company's books and records and inspect and conduct any tests on the Project Facility, including taking soil samples, in order to determine that the Company is in compliance with all Applicable Laws. The Agency may not exercise this right more than once a year.

SECTION 3.4. NON-MERGER. During the term of this Lease Agreement, there shall be no merger of this Lease Agreement nor of the leasehold estate created by this Lease Agreement with the fee estate in the Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (1) this Lease Agreement or the

leasehold estate created by this Lease Agreement or any interest in this Lease Agreement or in any such leasehold estate and (2) the fee estate in the Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities including any mortgagee having any interest in (x) this Lease Agreement or the leasehold estate created by this Lease Agreement and (y) the fee estate in the Premises or any part thereof or any interest in such fee estate, shall join in a written instrument effecting such merger and shall duly record the same.

SECTION 3.5. COMPLIANCE WITH UNDERLYING LEASE. (A) Notwithstanding the granting of the leasehold interest created by the Underlying Lease in the Premises to the Agency pursuant to the Underlying Lease, the Company agrees, in consideration of the undertakings of the Agency set forth herein, that the Company will be and remain solely liable under the Underlying Lease for the performance of all covenants, agreements, obligations and duties of the Agency as tenant under the Underlying Lease, including but not limited to the making of all rental and other payments thereunder, and the Company will perform all of the covenants, agreements and obligations of the Agency as tenant under the Underlying Lease, at no expense to the Agency, in consideration of the execution and delivery by the Agency of the Basic Documents.

(B) The Company shall, on behalf of the Agency, (1) pay all rents, additional rents and other sums required to be paid by the Agency as tenant under and pursuant to the provisions of the Underlying Lease and (2) diligently perform and observe all of the terms, covenants and conditions of the Underlying Lease on the part, of the Agency, as tenant thereunder, to be performed and observed, unless such performance or observance shall be waived or not required in writing by the landlord under the Underlying Lease, to the end that all things shall be done which are necessary to keep unimpaired the rights of the Agency, as tenant, under the Underlying Lease.

ARTICLE IV

UNDERTAKING AND COMPLETION OF THE PROJECT

SECTION 4.1. ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT FACILITY. (A) The Company shall, on behalf of the Agency, promptly acquire, construct, and install the Project Facility, or cause the acquisition, construction and installation of the Project Facility, all in accordance with the Plans and Specifications.

(B) No material change in the Plans and Specifications shall be made unless the Agency shall have consented thereto in writing (which consent of the Agency shall not be unreasonably withheld or delayed).

(C) Title to all materials, equipment, machinery and other items of Property presently incorporated or installed in and which are a part of the Project Facility shall vest in the Agency immediately upon execution of the Bill of Sale to Agency. Title to all materials, equipment, machinery and other items of Property acquired subsequent to the Closing Date and intended to be incorporated or installed in and to become part of the Project Facility shall vest in the Agency immediately upon deposit on the Land or incorporation or installation in the Project Facility, whichever shall first occur. The Company shall execute, deliver and record or file all instruments necessary or appropriate to vest title to the above in the Agency and shall take all action necessary or appropriate to protect such title against claims of any third Persons.

(D) The Agency shall enter into, and accept the assignment of, such contracts as the Company may request in order to effectuate the purposes of this Section 4.1; provided, however, that the liability of the Agency thereunder shall be limited to the moneys of the Company available therefor and advanced by the Company for such purpose pursuant to Section 4.1(H) hereof.

(E) The Agency hereby appoints the Company as its true and lawful agent to perform the following in compliance with the terms, purposes and intent of the Basic Documents, and the Company hereby accepts such appointment: (1) to acquire, construct and install the Project Facility, (2) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other Persons, and in general to do all things which may, be requisite and proper, all for the acquisition, construction and installation of the Project Facility, with the same powers and with the same validity as the Agency could do if acting in its own behalf, provided that the liability of the Agency thereunder shall be limited to the moneys made available therefore by the Company and advanced for such purposes by the Company pursuant to this Lease Agreement, (3) to pay all fees, costs and expenses incurred in the acquisition, construction and installation of the Project Facility from funds made available therefor in accordance with this Lease Agreement, and (4) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable to the Agency under the terms of any contract, order, receipt or writing in connection with the acquisition, construction and installation

of the Project Facility and to enforce the provisions of any contract, agreement, obligation, bond or other performance security in connection with the same.

(F) The Company has given or will give or cause to be given all notices and has complied or will comply or cause compliance with all Applicable Laws applying to or affecting the conduct of work on the Project Facility, and the Company will defend, indemnify and save the Agency and its officers, members, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. All permits and licenses necessary for the prosecution of work on the Project Facility shall be procured promptly by the Company.

(G) To the extent required by Applicable Law, the Company, as agent of the Agency will cause (1) compliance with the requirements of Article 8 of the New York Labor Law, and (2) any contractor, subcontractor and other person involved in the acquisition, construction and installation of the Project Facility to comply with Article 8 of the New York Labor Law. The covenant in this subsection is not intended as a representation that Article 8 of the New York Labor Law applies to the Project.

(H) The Company agrees, for the benefit of the Agency, to undertake and complete the Project and to pay all such sums as may be required in connection therewith. Title to portions of the Project Facility acquired, constructed and installed at the Company's cost shall immediately upon such acquisition, construction or installation vest in the Agency. The Company shall execute, deliver and record or file such instruments as the Agency may request in order to perfect or protect the Agency's title to such portions of the Project Facility.

(I) No payment by the Company pursuant to this Section 4.1 shall entitle the Company to any reimbursement for any such expenditure from the Agency or to any diminution or abatement of any amounts payable by the Company under this Lease Agreement.

SECTION 4.2. COMPLETION OF THE PROJECT FACILITY. The Company will proceed with due diligence to commence and complete the acquisition, construction and installation of the Project Facility. Completion of the same shall be evidenced by a certificate signed by an Authorized Representative of the Company delivered to the Agency stating (A) the date of such completion, (B) that all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid, (C) that the acquisition, construction and installation of the Project Facility has been completed, with the exception of ordinary punchlist items and work awaiting seasonal opportunity, (D) that the Company or the Agency has good and valid title to all Property constituting a portion of the Project Facility, free and clear of all Liens and encumbrances except Permitted Encumbrances, and (E) that the Project Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate may state (1) that it is given without prejudice to any rights of the Company against third parties which exist at the date of such certificate or which may subsequently come into being, (2) that it is given only for the purposes of this Section 4.2, and (3) that no Person other than the Agency may benefit therefrom. Such certificate shall be accompanied by a certificate of occupancy, or a letter from the local

Governmental Authority stating that no certificate of occupancy is required, and any and all permissions, licenses or consents required of Governmental Authorities for the occupancy, operation and use of the Project Facility for its intended purposes.

SECTION 4.3. REMEDIES TO BE PURSUED AGAINST CONTRACTORS, SUBCONTRACTORS, MATERIALMEN AND THEIR SURETIES. In the event of a default by any contractor, subcontractor or materialman under a contract made by it in connection with the acquisition, construction and installation of the Project Facility or in the event of a breach of warranty or other liability with respect to any materials, workmanship or performance guaranty, the Company shall proceed, either separately or in conjunction with others, to exhaust the remedies of the Company and the Agency against the contractor, subcontractor or materialmen so in default and against each surety for the performance of such contract. The Company may, in its own name or, with the prior written consent of the Agency, in the name of the Agency, prosecute or defend any action or proceeding or take any other action involving any such subcontractor, materialman or surety which the Company deems reasonably necessary, and in such event the Agency hereby agrees, at the Company's sole expense, to cooperate fully with the Company and to take all action necessary to effect the substitution of the Company for the Agency in any such action or proceeding. The Company shall advise the agency of any actions or proceedings taken hereunder. The Net Proceeds of any recovery secured by the Company as a result of any action pursued against a contractor, subcontractor, materialman or their sureties pursuant to this Section 4.3 shall be used to the extent necessary to complete the Project Facility, and thereafter be paid to the Company for its own use. The Company shall advise the Agency in writing of any actions or proceedings taken hereunder.

ARTICLE V

DEMISE OF PROJECT FACILITY; RENTAL PAYMENTS AND OTHER AMOUNTS PAYABLE

SECTION 5.1. LEASE OF THE PROJECT FACILITY. In consideration of the Company's covenant herein to make rental payments hereunder, and in consideration of the other covenants of the Company contained herein, including the covenant to make additional and other payments required hereby, the Agency hereby agrees to demise and lease to the Company, and the Company hereby agrees to rent and lease from the Agency, the Agency's interest in the Project Facility, subject only to Permitted Encumbrances. The obligation of the Agency under this Section 5.1 to lease the Project Facility to the Company shall be subject to there being no Event of Default existing hereunder, or any other event which would, but for the passage of time, be such an Event of Default.

SECTION 5.2. DURATION OF THE LEASE TERM; QUIET ENJOYMENT. (A) The Agency shall deliver to the Company possession of the Project Facility, and the leasehold estate created hereby shall commence, on the Closing Date, and the Company shall accept possession of the Project Facility on the Closing Date.

(B) Except as otherwise provided in Article X hereof, the leasehold estate created hereby shall terminate on the earlier to occur of (1) December 31, 2024 or (2) the date that this Lease Agreement shall terminate pursuant to Article X or Article XI hereof.

(C) The Agency shall take no action, other than pursuant to Article X of this Lease Agreement, to prevent the Company from having quiet and peaceable possession and enjoyment of the Project Facility during the term of this Lease Agreement and will, at the request of the Company and at the Company's expense, cooperate with the Company in order that the Company may have quiet and peaceable possession and enjoyment of the Project Facility.

SECTION 5.3. RENTAL PAYMENTS AND OTHER AMOUNTS PAYABLE. (A) The Company shall pay basic rental payments for the Project Facility as follows: On the date of execution and delivery of this Lease Agreement, the Company shall pay, as the basic lease payments due hereunder, (1) a single lump sum basic rental payment, equal to the Agency's administrative fee relating to the Project; and (2) the fees and expenses of counsel to the Agency relating to the Project.

(B) Within fifteen (15) days after receipt of a demand therefor from the Agency, the Company shall pay to the Agency the sum of the reasonable expenses (including attorney fees) of the Agency and the officers, members, agents and employees thereof incurred by reason of the Agency's ownership, leasing or sale of the Project Facility or in connection with the carrying out of the Agency's duties and obligations under this Lease Agreement or any of the other Basic Documents, and any other fee or expense of the Agency with respect to the Project Facility, the leasing or sale of the Project Facility to the Company, or any of the other Basic Documents, the payment of which is not otherwise provided for under this Lease Agreement.

(C) The Company agrees to make the above-mentioned payments, without any further notice, by check or wire transfer, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. In the event the Company shall fail to make any payment required by this Section 5.3 within ten (10) days of the date such payment is due, the Company shall pay the same, together with interest thereon at the Default interest Rate or the maximum rate permitted by law, whichever is less, from the date on which such payment was due until the date on which such payment is made.

SECTION 5.4. NATURE OF OBLIGATIONS OF THE COMPANY HEREUNDER. (A) The obligations of the Company to make the payments required by this Lease Agreement and to perform and observe any and all of the other covenants and agreements on its part contained herein shall be general obligations of the Company and shall be absolute and unconditional irrespective of any defense or any right of set-off, recoupment, counterclaim or abatement that the Company may otherwise have against the Agency. The Company agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, this Lease Agreement, or terminate this Lease Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, failure to complete the Project, any defect in the title, design, operation, merchantability, fitness or condition of the Project Facility or any part thereof or in the suitability of the Project Facility or any part thereof for the Company's purposes or needs, failure of consideration for destruction of or damage to, Condemnation of title to or the use of all or any part of the Project Facility, any change in the tax or other laws of the United States of America or of the State or any political subdivision thereof, or any failure of the Agency to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Lease Agreement.

(B) Nothing contained in this Section 5.4 shall be construed to release the Agency from the performance of any of the agreements on its part contained in this Lease Agreement, and, in the event the Agency should fail to perform any such agreement, the Company may institute such action against the Agency as the Company may deem necessary to compel performance or recover damages for non-performance (subject to the provisions of Section 12.10 hereof); provided, however, that the Company shall look solely to the Agency's estate and interest in the Project Facility for the satisfaction of any right or remedy of the Company for the collection of a judgment (or other judicial process) requiring the payment of money by the Agency in the event of any liability on the part of the Agency, and no other Property or assets of the Agency or of the members, officers, agents (other than the Company) or employees of the Agency shall be subject to levy, execution, attachment or other enforcement procedure for the satisfaction of the Company's remedies under or with respect to this Lease Agreement, the relationship of the Agency and the Company hereunder or the Company's use and occupancy of or purchase of or title to the Project Facility, or any other liability of the Agency to the Company.

SECTION 5.5. GRANT OF SECURITY INTEREST. The Company hereby grants the Agency a security interest in all of the right, title and interest of the Company in the Project Facility and in all additions and accessions thereto, all replacements and substitutions therefor and all proceeds thereof,

and all books, records and accounts of the Company pertaining to the Project Facility, and all proceeds thereof, as security for payment of the rental payments and all other payments and obligations of the Company hereunder. The Company hereby irrevocably appoints the Agency as its attorney-in-fact to execute and deliver and file any instruments necessary or convenient to perfect and continue the security interest granted herein.

ARTICLE VI

MAINTENANCE, MODIFICATIONS TAXES AND INSURANCE

SECTION 6.1. MAINTENANCE AND MODIFICATIONS OF THE PROJECT FACILITY. (A) During the term of this Lease Agreement, the Company shall (1) keep the Project Facility in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, (2) make all necessary repairs and replacements to the Project Facility or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen), and (3) operate the Project Facility in a sound and economic manner.

(B) The Company shall not make any structural additions, modifications or improvements to the Project Facility or any part thereof unless:

(1) the Company shall (a) give or cause to be given all notices and comply or cause compliance with all Applicable Laws applying to or affecting the conduct of work on such addition, modification or improvement to the Project Facility, or a part thereof, (b) defend and save the Agency and its officers, members, agents (other than the Company) and employees harmless from all fines and penalties due to failure to comply therewith, (C) promptly procure all permits and licenses necessary for the prosecution of any work described in this Section 6.1(B), and (d) make all payments in lieu of taxes required by Section 6.6 hereof and the Payment in Lieu of Tax Agreement, including those required by Section 2.03(D) thereof;

(2) the addition, modification or improvement to the Project Facility shall not constitute a default under any of the Basic Documents; and

(3) the Company shall furnish to the Agency, at least thirty (30) days prior to commencing such addition, modification or improvement to the Project Facility detailed plans and specifications therefor; provided, further, however, that such plans need not be furnished to the Agency for nonstructural additions, modifications or improvements to the Project Facility which do not exceed, at any one time, \$250,000 in value.

SECTION 6.2. TAXES, ASSESSMENTS AND UTILITY CHARGES. (A) The Company shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Project Facility, (2) all utility and other charges including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Project Facility, and (3) all assessments and charges of any kind whatsoever lawfully made against the Project Facility by any Governmental Authority for public improvements, and (4) all payments required under Section 6.6 hereof; provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company

shall be obligated hereunder to pay only such installments as are required to be paid during the term of this Lease Agreement.

(B) Notwithstanding the provisions of subsection (A) of this Section 6.2, the Company may in good faith actively contest any such taxes, assessments and other charges, provided that the Company (1) first shall have notified the Agency in writing of such contest and (2) is not in default under any of the Basic Documents. Otherwise, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

SECTION 6.3. INSURANCE REQUIRED. During the term of this Lease Agreement, the Company shall maintain insurance with respect to the Project Facility against such risks and for such amounts as are customarily insured against by businesses of like size and type, paying, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(A) Insurance protecting the interests of the Company and the Agency as insureds, as their interests may appear, against loss or damage to the Project Facility by fire, lightning, vandalism, malicious mischief and other perils normally insured against with a uniform extended coverage endorsement, such insurance at all times to be in an amount acceptable to the Company and the Agency.

(B) To the extent applicable, workers compensation insurance, disability benefits insurance and such other forms of insurance which the Company is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Company who are located at or assigned to the Project Facility or who are responsible for the acquisition, construction or installation of the Project Facility.

(C) Insurance protecting the Company and the Agency against loss or losses from liabilities imposed by law or assumed in any written contract (including, without limitation, the contractual liability assumed by the Company under Section 8.2 of this Lease Agreement) and arising from personal injury or death or damage to the Property of others caused by any accident or occurrence, with limits of not less than \$1,000,000 per person per accident or occurrence on account of personal injury, including death resulting therefrom, and \$500,000 per accident or occurrence on account of damage to the Property of others, excluding liability imposed upon the Company by any applicable workers' compensation law, and a separate umbrella liability policy protecting the Company and the Agency with a limit of not less than \$4,000,000.

(D) THE AGENCY DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE COMPANY'S BUSINESS OR INTEREST.

SECTION 6.4. ADDITIONAL PROVISIONS RESPECTING INSURANCE. (A) All insurance required by Section 6.3 hereof shall be procured and maintained in financially sound and generally

recognized responsible insurance companies selected by the Company and authorized to write such insurance in the State and satisfactory and having a Best rating satisfactory to the Agency. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Company is engaged. All policies evidencing such insurance shall name the Company and the Agency as insureds, as their interests may appear, and provide for at least thirty (30) days' written notice to the Company and the Agency prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. All insurance required hereunder shall be in form, content and coverage satisfactory to the Agency. Certificates satisfactory in form and substance to the Agency to evidence all insurance required hereby shall be delivered to the Agency on or before the Closing Date. The Company shall deliver to the Agency on or before the first Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect, with a term covering at least the next succeeding calendar year, insurance in the amounts and of the types required by Sections 6.3 and 6.4 hereof. At least thirty (30) days prior to the expiration of any such policy, the Company shall furnish to the Agency evidence that the policy has been renewed or replaced, or is no longer required by this Lease Agreement.

(B) All premiums with respect to the insurance required by Section 6.3 hereof shall be paid by the Company; provided, however, that, if the premiums are not timely paid, the Agency may pay such premiums and the Company shall pay immediately upon demand all sums so expended by the Agency, together with interest thereon at the Default Interest Rate or the maximum rate permitted by law, whichever is less.

SECTION 6.5. APPLICATION OF NET PROCEEDS OF INSURANCE. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.3 hereof shall be applied as follows: (A) the Net Proceeds of the insurance required by Section 6.3(A) hereof shall be applied as provided in Section 7.1 hereof, and (B) the Net Proceeds of the insurance required by Section 6.3(B) and 6.3(C) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6. PAYMENTS IN LIEU OF REAL ESTATE TAXES. (A) It is recognized that under the provisions of the Act, the Agency is required to pay no taxes or assessments upon any of the Property acquired by it or under its jurisdiction, control or supervision or upon its activities. It is not the intention, however, of the parties hereto that the Project Facility be treated as exempt from real property taxation. Accordingly, the parties hereto acknowledge that the Payment in Lieu of Tax Agreement is expected to be executed with respect to the Project Facility, and a Real Property Tax Exemption Form will be filed by the Agency with respect to the Project Facility once the Payment in Lieu of Tax Agreement is executed by the Agency and the Company. Until the expiration date of the Payment in Lieu of Tax Agreement, the Agency and the Company hereby agree that the Company (or any subsequent user of the Project Facility pursuant to this Lease Agreement) shall be required to make or cause to be made payments in lieu of real estate taxes in the amounts and in the manner set forth in the Payment in Lieu of Tax Agreement.

(B) In the event that (1) the Project Facility would be subject to real property taxation if owned by the Company but shall be deemed exempt from real property taxation due to the involvement of the Agency therewith, and (2) the Payment in Lieu of Tax Agreement shall not have been entered into by the Agency and the Company, or if entered into the Payment in Lieu of Tax Agreement shall for any reason no longer be in effect, the Agency and the Company hereby agree that the Company, or any subsequent user of the Project Facility under this Lease Agreement, shall in such event be required to make or cause to be made payments in lieu of taxes to the school district or school districts, city, town, county, village and other political units wherein the Project Facility is located having taxing powers (such political units are hereinafter collectively referred to as the "Taxing Entities") in such amounts as would result from taxes being levied on the Project Facility by the Taxing Entities if the Project Facility were privately owned by the Company and not deemed owned by or under the jurisdiction, control or supervision of the Agency, but with appropriate reductions similar to the tax exemptions and credits, if any, which would be afforded to the Company if it were the owner of the Project Facility. It is agreed that the Agency, in cooperation with the Company, (a) shall cause the Project Facility to be valued for purposes of determining the amounts due hereunder as if owned by the Company as aforesaid by the appropriate officer or officers of any of the Taxing Entities as may from time to time be charged with responsibility for making such valuations, (b) shall cause to be appropriately applied to the valuation or valuations so determined the respective tax rate or rates of the Taxing Entities that would be applicable to the Project Facility if so privately owned, (C) shall cause the appropriate officer or officers of the Taxing Entities charged with the duty of levying and collecting such taxes to submit to the Company, when the respective levies are made for purposes of such taxes upon Property privately owned as aforesaid, statements specifying the amounts and due dates of such taxes which the Taxing Entities would receive in such Property were so privately owned by the Company and not deemed owned by or under the jurisdiction, control or supervision of the Agency, and (d) shall file with the appropriate officer or officers any accounts or tax returns furnished to the Agency by the Company for the purpose of such filing.

(C) The Company shall pay or cause to be paid to the Taxing Entities when due all such payments in lieu of taxes with respect to the Project Facility required by Section 6.6(B) of this Lease Agreement to be paid to the Taxing Entities, subject in each case to the Company's right to (1) obtain exemptions and credits, if any, which would be afforded to a private owner of the Project Facility, including any available exemption under Section 485-b of the New York Real Property Tax Law with respect to the Project Facility, (2) contest valuations of the Project Facility made for the purpose of determining such payments therefrom, and (3) seek to obtain a refund of any such payments made.

(D) Pursuant to Section 874(5) of the Act, if the Company shall fail to make or cause to be made any payments in lieu of taxes required under this Section 6.6, the amount or amounts so in default shall continue as an obligation of the Company until fully paid, and the Company hereby agrees to pay or cause to be paid the same, together with a late payment penalty equal to five percent (5%) of the amount due. If the Company shall fail to make any payment required by this Section 6.6 when due and such delinquency shall continue beyond the first month, the Company's obligation to

make the payment so in default shall continue as an obligation of the Company to the affected Taxing Entity until such payment in default shall have been made in full, and the Company shall pay the same to the affected Taxing Entity together with (1) a late payment penalty of one percent (1%) per month for each month, or part thereof, that the payment due hereunder is delinquent beyond the first month, plus (2) interest thereon, to the extent permitted by law, at the greater of (a) the Default Interest Rate, or (b) the same rate per annum which would be payable if such amounts were delinquent taxes, until so paid in full.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. DAMAGE OR DESTRUCTION. (A) If the Project Facility shall be damaged or destroyed, in whole or in part:

(1) the Agency shall have no obligation to replace, repair, rebuild or restore the Project Facility.

(2) there shall be no abatement or reduction in the amounts payable by the Company under this Lease Agreement (whether or not the Project Facility is replaced, rebuilt or restored);

(3) the Company shall promptly give notice thereof to the Agency; and

(4) except as otherwise provided in subsection (B) of this Section 7.1, (a) the Company shall promptly replace, repair, rebuild or restore the Project Facility to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Agency, provided that such changes, alterations or modifications do not so change the nature of the Project Facility that it does not constitute a "project", as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Agency, and (b)(1) the Agency shall make available to the Company (from the Net Proceeds of any insurance settlement relating to the Project Facility, if any, on deposit with the Agency) such moneys as may be necessary to pay the costs of the replacement, repair, rebuilding or restoration of the Project Facility, and in the event that the funds from the Net Proceeds of any insurance settlement provided by the Agency to the Company are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Company shall nonetheless complete such work and shall pay from its own moneys that portion of the costs thereof in excess of such funds, and (2) any balance of such funds from the Net Proceeds of any insurance settlement relating to the Project Facility, if any, remaining on deposit with the Agency after payment of all of the costs of such replacement, repair, rebuilding or restoration shall be paid to the Company for its own purposes.

(B) Notwithstanding anything to the contrary contained in subsection (A) of this Section 7.1, the Company shall not be obligated to replace, repair, rebuild or restore the Project Facility, and the Net Proceeds of any insurance settlement shall not be applied as provided in subsection (A) of this Section 7.1, if the Company shall notify the Agency that it elects to exercise its option under Article XI hereof to purchase the Project Facility. In such event, or if an Event of Default shall have occurred and be continuing, the lesser of (1) the total amount of the Net Proceeds collected under any and all policies of insurance covering the damage to or destruction of the Project Facility, or (2)

the amount necessary to prepay the Indebtedness in full shall be applied to the prepayment of the Indebtedness in full. If the Net Proceeds collected under any and all policies of insurance are less than the amount necessary to prepay Indebtedness in full, the Company shall pay to the Agency the difference between the Hg Proceeds of such insurance and the amount necessary to prepay the Indebtedness in full.

(C) If all Indebtedness has been paid in full, all such Net Proceeds (or the balance thereof) shall be paid to the Company for its purpose.

(D) Unless an Event of Default under any of the Basic Documents shall have occurred and be continuing, the Company may adjust all claims under any policies of insurance required by Section 6.3(A) hereof.

SECTION 7.2. CONDEMNATION. (A) To the knowledge of the Company, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Project Facility. The Company shall notify the Agency of the institution of any condemnation proceedings and, within seven days after inquiry from the Agency inform the Agency in writing of the status of such proceeding.

(B) If title to, or the use of, all or any part of the Project Facility shall be taken by Condemnation:

- (1) the Agency shall have no obligation to restore the Project Facility;
- (2) there shall be no abatement or reduction in the amounts payable by the Company under this Lease Agreement (whether or not the Project Facility is restored);
- (3) the Company shall promptly give notice thereof to the Agency; and
- (4) except as otherwise provided in subsection (C) of this Section 7.2, (a) the Company shall promptly restore the Project Facility (excluding any part of the Land, the Facility or the Marian Facility taken by Condemnation) as a complete architectural unit of substantially the same usefulness, design and construction as existed immediately prior to such Condemnation, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Agency, provided that such changes, alterations or modifications do not so change the nature of the Project Facility that it does not constitute a "project" as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Agency, and (b)(1) the Agency shall make available to the Company (from the Net Proceeds of any Condemnation award relating to the Project Facility, if any, on deposit with the Agency) such moneys as may be necessary to pay the costs of the restoration of the Project Facility, and in the event that the funds from the Net Proceeds of any Condemnation award

on deposit with the Agency provided by the Agency to the Company are not sufficient to pay in full the costs of such restoration, the Company shall nonetheless complete such restoration and shall pay from its own moneys that portion of the costs thereof in excess of such funds, and (2) any balance of such funds from the Net Proceeds of any Condemnation award, if any, remaining on deposit with the Agency after payment of all of the costs of such restoration shall be paid to the Company for its own purposes.

(C) Notwithstanding anything to the contrary contained in subsection (B) of this Section 7.2, the Company shall not be obligated to restore the Project Facility, and the Net Proceeds of any Condemnation award shall not be applied as provided in subsection (B) of this Section 7.2, if the Company shall notify the Agency that it elects to exercise its option under Article XI hereof to purchase the Project Facility. In such event, or if an Event of Default shall have occurred and be continuing, the lesser of (1) the Net Proceeds of any Condemnation award, or (2) the amount necessary to prepay all of the Indebtedness in full shall be applied to the prepayment of the Indebtedness in full. If the Net Proceeds collected under any and all Condemnation awards are less than the amount necessary to prepay the Indebtedness in full, the Company shall pay to the Agency the difference between such amounts and the Net Proceeds of such Condemnation awards so that the Indebtedness shall be prepaid in full.

(D) If all of the Indebtedness has been paid in full, all such Net Proceeds or the balance shall be paid to the Company for its purposes.

(E) Unless an Event of Default under any of the Basic Documents shall have occurred and be continuing, the Company shall have sole control of any Condemnation proceeding with respect to the Project Facility or any part thereof and may negotiate the settlement of any such proceeding. The Company shall notify the Agency of the institution of any condemnation proceedings and, within seven days after inquiry from the Agency, inform the Agency in writing of the status of such proceeding.

(F) The Agency shall, at the expense of the Company, cooperate fully with the Company in the handling and conduct of any such Condemnation proceeding. In no event shall the Agency voluntarily settle, or consent to the settlement of, any such Condemnation proceeding without the written consent of the Company.

SECTION 7.3. ADDITIONS TO THE PROJECT FACILITY. All replacements, repairs, rebuilding or restoration made pursuant to Sections 7.1 or 7.2, whether or not requiring the expenditure of the Company's own money, shall automatically become part of the Project Facility as if the same were specifically described herein.

ARTICLE VIII

SPECIAL COVENANTS

SECTION 8.1. NO WARRANTY OF CONDITION OR SUITABILITY BY THE AGENCY; ACCEPTANCE "AS IS". THE AGENCY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE PROJECT FACILITY OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE PROJECT FACILITY OR ANY PART THEREOF FOR THE COMPANY'S PURPOSES OR NEEDS. THE COMPANY SHALL ACCEPT TITLE TO THE PROJECT FACILITY "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE AGENCY FOR ANY CONDITION NOW OR HEREAFTER EXISTING. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY ANY NATURE, WHETHER PATENT OR LATENT, THE AGENCY SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

SECTION 8.2. HOLD HARMLESS PROVISIONS. (A) The Company hereby releases the Agency and its members, officers, agents (other than the Company) and employees from, agrees that the Agency and its members, officers, agents (other than the Company) and employees shall not be liable for and agrees to indemnify, defend and hold the Agency and its members, officers, agents (other than the Company) and employees harmless from and against any and all claims, causes of action, judgments, liabilities, damages, losses, costs and expenses arising as a result of the Agency's undertaking the Project, including, but not limited to, (1) liability for loss or damage to Property or bodily injury to or death of any and all Persons that may be occasioned, directly or indirectly, by any cause whatsoever pertaining to the Project Facility or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Project Facility, (2) liability arising from or expense incurred by the Agency's acquiring, constructing, equipping, installing, owning, leasing or selling the Project Facility, including, without limiting the generality of the foregoing, any sales or use taxes which may be payable with respect to goods supplied or services rendered with respect to the Project Facility, all liabilities or claims arising as a result of the Agency's obligations under this Lease Agreement or any of the other Basic Documents or the enforcement of or defense of validity of any provision of any of the Basic Documents, (3) all claims arising from the exercise by the Company of the authority conferred on it pursuant to Section 4.1(E) hereof, and (4) all causes of action and attorneys' fees and other expenses incurred in connection with any suits or actions which may arise as a result of any of the foregoing; provided that any such claims, causes of action, judgments, liabilities, damages, losses, costs or expenses of the Agency are not incurred or do not result from the intentional wrongdoing of the Agency or any of its members, officers, agents (other than the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence in part of the Agency or any of its officers, members, agents (other than the Company) or employees and notwithstanding the breach of any statutory obligation or any rule of comparative or apportioned liability.

(B) In the event of any claim against the Agency or its members, officers, agents (other than the Company) or employees by any employee of the Company or any contractor of the Company or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Company hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Company or such contractor under workers' compensation laws, disability benefits laws or other employee benefit laws.

(C) To effectuate the provisions of this Section 8.2, the Company agrees to provide for and insure, in the liability policies required by Section 6.3(C) of this Lease Agreement, its liabilities assumed pursuant to this Section 8.2.

(D) Notwithstanding any other provisions of this Lease Agreement, the obligations of the Company pursuant to this Section 8.2 shall remain in full force and effect after the termination of this Lease Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses, charges and costs incurred by the Agency, or its officers, members, agents (other than the Company) or employees, relating thereto.

SECTION 8.3. RIGHT OF ACCESS TO THE PROJECT FACILITY. The Company agrees that the Agency and its duly authorized agents shall have the right at all reasonable times to enter upon and to examine and inspect the Project Facility. The Company further agrees that the Agency shall have such rights of access to the Project Facility as may be reasonably necessary to cause the proper maintenance of the Project Facility in the event of failure by the Company to perform its obligations hereunder.

SECTION 8.4. COMPANY NOT TO TERMINATE EXISTENCE OR DISPOSE OF ASSETS; CONDITIONS UNDER WHICH EXCEPTIONS ARE PERMITTED. The Company agrees that, during the term of this Lease Agreement, it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets or all or any portion of the Project Facility, and will not consolidate with or, merge into another entity, or permit one or more entities to consolidate with or merge into it.

SECTION 8.5. AGREEMENT TO PROVIDE INFORMATION. The Company agrees, whenever requested by the Agency, to provide and certify or cause to be provided and certified such information concerning the Company, its finances and other topics as the Agency from time to time reasonably considers necessary or appropriate, including, but not limited to, such information as to enable the Agency to make any reports required by law or governmental regulation.

SECTION 8.6. BOOKS OF RECORD AND ACCOUNT; COMPLIANCE CERTIFICATES. (A) The Company agrees to maintain proper accounts, records and books in which full and correct

entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of the Company.

(B) As soon as possible after the end of each fiscal year of the Company, but in any event within thirty (30) days after such date, the Company shall furnish to the Agency a certificate of an Authorized Representative of the Company stating that no Event of Default" hereunder has occurred or is continuing or, if any Event of Default exists, specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

SECTION 8.7. COMPLIANCE WITH APPLICABLE LAWS. (A) The Company agrees, for this the benefit of the Agency, that it will, during the term of this Lease Agreement, promptly comply with all Applicable Laws.

(B) Notwithstanding the provisions of subsection (A) of this Section 8.7, the Company may in good faith actively contest the validity or the applicability of any Applicable Law, provided that the Company (1) first shall have notified the Agency in writing, of such contest, (2) is not in default under any of the Basic Documents, (3) shall have set aside adequate reserves for any such requirement, and (4) demonstrates to the reasonable satisfaction of the Agency that noncompliance with such Applicable Law will not subject the Project Facility or any part thereof to loss or forfeiture. Otherwise, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

(C) Notwithstanding the provisions of subsection (B) of this Section 8.7, if the Agency or any of its members, officers, agents, servants or employees may be liable for prosecution for failure to comply therewith, the Company shall promptly take such action with respect thereto as shall be satisfactory to the Agency.

SECTION 8.8. DISCHARGE OF LIENS AND ENCUMBRANCES. The Company hereby agrees not to create or suffer to be created any Lien on any Properties of the Agency (other than the Project Facility) or on any funds of the Agency applicable to the Project Facility.

SECTION 8.9. PERFORMANCE OF THE COMPANY'S OBLIGATIONS. Should the Company fail to make any payment or to do any act as herein provided, the Agency may, but need not, without notice to or demand on the Company and without releasing the Company from any obligation herein, make or do the same, including, without limitation, appearing in and defending any action purporting to affect the rights or powers of the Company or the Agency, and paying all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Agency in connection therewith, and the Company shall pay immediately upon demand all sums so incurred or expended by the Agency under the authority hereof, together with interest thereon at the Default Interest Rate or the maximum rate permitted by law, whichever is less.

SECTION 8.10. DEPRECIATION DEDUCTIONS AND TAX CREDITS. The parties agree that as between them the Company shall be entitled to all depreciation deductions and accelerated cost

recovery system deductions with respect to any portion of the Project Facility pursuant to Sections 167 and 168 of the Code and to any investment credit pursuant to Section 38 of the Code with respect to any portion of the Project Facility which constitutes "Section 38 Property" and to all other State and/or federal income tax deductions and credits which may be available with respect to the Project Facility.

SECTION 8.11. EMPLOYMENT OPPORTUNITIES. (A) The Company shall insure that all employees and applicants for employment with regard to the Project are afforded equal employment opportunities without discrimination.

(B) Pursuant to, Section 858-b of the Act, except as otherwise provided by collective bargaining contracts or agreements, the Company agrees (1) to list all new employment opportunities created as a result of the Project with the New York State Department of Labor, Community Services Division ("NYSDOL") and with the administrative entity (collectively with NYSDOL, the "JTPA Referral Entities") of the service delivery area created by the federal Job Training Partnership Act (P.L. No. 97-300) ("JTPA") in which the Project is located and (2) where practicable, to first consider for such new employment opportunities persons eligible to participate in federal JTPA programs who shall be referred by the JTPA Referral Entities.

(C) Pursuant to the requirements of subsection one of Section 6 of Chapter 127 of the 1995 Laws of the State, the Company agrees to file with the Agency, on an annual basis, reports regarding the number of people employed at the Project Facility and certain other matters, the initial said annual employment report to be in the form requested by the Office of the New York State Comptroller.

SECTION 8.12. SALES AND USE TAX EXEMPTION. (A) Pursuant to Section 874 of the Act, the parties understand that the Agency is exempt from certain sales taxes and use taxes imposed by the State and local governments in the State, and that the Project may be exempted from those taxes due to the involvement of the Agency in the Project. The Agency makes no representations or warranties that any property is exempt from the payment of New York sales or use taxes. Any exemption from the payment of New York sales or use taxes resulting from the involvement of the Agency with the Project shall be limited to purchases of services and tangible personal property conveyed to the Agency or utilized by the Agency or by the Company as agent of the Agency as a part of the Project prior to the Completion Date, or incorporated within the Project Facility prior to the Completion Date. No operating expenses of the Project Facility, and no other purchases of services or property shall be subject to an exemption from the payment of New York sales or use tax. It is the intention of the parties hereto that the Company will receive a sales tax exemption with respect to the Project, said sales tax exemption letter to be issued on the date of the execution of this Lease Agreement.

(B) Pursuant to Section 874(8) of the Act, the Company agrees to annually file and cause any sublessee or other operator of the Project Facility to file annually, with the New York State Department of Taxation and Finance, on a form and in such manner as is prescribed by the New

York State Commissioner of Taxation and Finance (the "Annual Sales Tax Report"), a statement of the value of all sales and use tax exemptions claimed by the Company and all contractors, subcontractors, consultants and other agents of the Company under the authority granted to the Company pursuant to Section 4.1(E) of this Lease Agreement. Pursuant to Section 874(8) of the Act, the penalty for failure to file the Annual Sales Tax Report shall be removal of authority to act as agent of the Agency. Additionally, if the Company shall fail to comply with the requirements of this subsection (B), the Company shall immediately cease to be the agent of the Agency in connection with the Project. For future filings of the Annual Sales Tax Report, the Company is responsible for obtaining from the New York State Department of Taxation and Finance any updated or revised versions of such Annual Sales Tax Report.

(C) The Company agrees to furnish to the Agency a copy of each such Annual Sales Tax Report submitted to the New York State Department of Taxation and Finance by the Company pursuant to Section 874(8) of the Act.

(D) Pursuant to Section 874(9) of the Act, the Company agrees to file within thirty (30) days of the Closing Date with the New York State Department of Taxation and Finance, on a form and in such manner as is prescribed by the New York State Commissioner of Taxation and Finance (the "Thirty-Day Sales Tax Report"), a statement identifying the Company as agent of the Agency, setting forth the taxpayer identification number of the Company, giving a brief description of the goods and/or services intended to be exempted from sales taxes as a result of such appointment as agent, indicating a rough estimate of the value of the goods and/or services to which such appointment as agent relates, indicating the date when such designation as agent became effective and indicating the date upon which such designation as agent shall cease. The Company is responsible for obtaining from the New York State Department of Taxation and Finance any updated or revised versions of such Thirty-Day Sales Tax Report.

SECTION 8.13. IDENTIFICATION OF THE EQUIPMENT. All Equipment which is or may become part of the Project Facility pursuant to the provisions of this Lease Agreement shall be property identified by the Company by such appropriate records, including computerized records, as may be approved by the Agency.

ARTICLE IX

ASSIGNMENTS; MERGER OF THE AGENCY

SECTION 9.1. ASSIGNMENT OF THE LEASE AGREEMENT. Except as otherwise provided in Section 8.4 hereof, this Lease Agreement may not be assigned by the Company, in whole or in part, without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed.

SECTION 9.2. MERGER OF THE AGENCY. (A) Nothing contained in this Lease Agreement shall prevent the consolidation of the Agency with, or merger of the Agency into, or assignment by the Agency of its rights and interests hereunder to, any other public benefit corporation of the State or political subdivision thereof which has the legal authority to perform the obligations of the Agency hereunder, provided that upon any such consolidation, merger or assignment, the due and punctual performance and observance of all of the agreements and conditions of this Lease Agreement to be kept and performed by the Agency shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Agency's rights and interests under this Lease Agreement shall be assigned.

(B) As of the date of any such consolidation, merger or assignment, the Agency shall give notice thereof in reasonable detail to the Company. The Agency shall promptly furnish to the Company such additional information with respect to any such consolidation, merger or assignment as the Company may reasonably request.

SECTION 9.3. SALE OR LEASE OF THE PROJECT FACILITY. (A) Except as otherwise provided in Section 8.4, the Company may not sell, lease, transfer, convey or otherwise dispose of the Project Facility or any part thereof without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed.

(B) Notwithstanding anything to the contrary contained in this Lease Agreement, in any instance after the Completion Date where the Company determines that any portion of the Project Facility has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Company may remove such portion of the Project Facility and may sell, trade in, exchange or otherwise dispose of the same, as a whole or in part, without the prior written consent of the Agency, provided that such removal will not materially impair the value of the Project Facility as collateral and provided the same is forthwith replaced with similar items. At the request of the Company, the Agency shall execute and deliver to the Company all instruments necessary or appropriate to enable the Company to sell or otherwise dispose of any such item of Property free from the Liens of the Basic Documents. The Company shall pay all costs and expenses (including attorney fees) incurred in transferring title to and releasing from the Liens of the Basic Documents any item of Property removed pursuant to this Section 9.3.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. EVENTS OF DEFAULT DEFINED. (A) The following shall be "Events of Default" under this Lease Agreement, and the terms "Event of Default" or "default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(1) A default by the Company in the due and punctual payment of the amounts specified to be paid pursuant to subsection (B) of Section 5.3 hereof.

(2) A default by the Company in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.3 (other than subsection (B)) or Section 6.6 hereof, and the continuance thereof for a period of thirty (30) days after written notice thereof is given by the Agency the Company.

(3) A default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Company in this Lease Agreement and the continuance thereof for a period of thirty (30) days after written notice thereof is given by the Agency to the Company, provided that, if such default is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Company to commence to cure within such thirty (30) day period and to prosecute the same with due diligence.

(4) The occurrence of an "Event of Default" under any other Basic Document.

(5) The Company shall generally not pay its debts as such debts become due or cites its inability to pay its debts as they become due.

(6) The Company shall conceal, remove or permit to be concealed or removed any of its Property, with intent to hinder, delay or defraud its creditors, or any one of them, or shall make or suffer a transfer of any of its Property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall make any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall suffer or permit, while insolvent, any creditor to obtain a Lien upon any of its Property through legal proceedings or distraint which is not vacated within thirty (30) days from the date thereof.

(7) (a) The filing by the Company (as debtor) of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute, (b) the failure by the Company within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Company's ability to carry out its obligations hereunder, (C) the commencement of a case under Title 11 of the United States Code against the Company as the debtor or commencement under any other federal or state

bankruptcy statute of a case, action or proceeding against the Company and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days, (d) the entry of an order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Company, or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Company, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of such appointment.

(8) The imposition of a Lien on the Project Facility other than a Permitted Encumbrance.

(9) The removal of the Project Facility, or any portion thereof, outside the City of Cohoes, New York, without the prior written consent of the Agency, other than in connection with a removal under Section 9.3(C) hereof.

(9) The sale, transfer or other disposition by Uri Kaufinan of his interest in the Company, a sale, transfer or other disposition by the Company of the Project Facility or any material portion thereof, or the consolidation with or merger into another entity, by the Company or the consolidation with or merge into the Company by one or more entities.

(B) Notwithstanding the provisions of Section 10.1(A) hereof, if by reason of force majeure (as hereinafter defined) either party hereto shall be unable, in whole or in part, to carry out its obligations under this Lease Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Agency within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Lease Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (B) shall not be deemed an Event of Default under this Section 10.1. Notwithstanding anything to the contrary in this subsection (B), an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Company to make the payments required by Sections 4.1(H), 5.3, 6.2 and 6.6 hereof, to obtain and continue in full force and effect the insurance required by Article VI hereof, to provide the indemnity required by Sections 3.3 and 8.2 hereof and to comply with the provisions of Sections 2.2(G), 6.6, 8.2, 8.4, 8.5 and 8.7(C) hereof. The term "force majeure" as used herein shall include acts outside of the control of the Agency and the Company, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, partial or entire failure of utilities, or any other cause or event not reasonably within the control of the party claiming such inability. It is agreed that the

settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

SECTION 10.2. REMEDIES ON DEFAULT. (A) Whenever any Event of Default hereunder shall have occurred, the Agency may, to the extent permitted by law, take any one or more of the following remedial steps:

(1) declare, by written notice to the Company, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all amounts payable pursuant to Section 5.3 hereof, and (b) all other payments due under this Lease Agreement or any of the other Basic Documents;

(2) re-enter and take possession of the Project Facility, enforce or terminate this Lease Agreement, sell the Project Facility, subject to Permitted Encumbrances, at public or private sale, as a whole or piecemeal, for such consideration as may be deemed appropriate in the circumstances, and hold the Company liable for the amount, if any, by which the aggregate unpaid amounts due hereunder exceed the Net Proceeds received upon such sale, or manage and operate the Project Facility, collect all or any rents accruing therefrom, let or relet the Project Facility or any part thereof for the Agency's own account or the account of the Company, holding the Company liable for payments due up to the effective date of such leasing and for the difference in the rent and other amounts paid by the lessee pursuant to such lease and the rental payments and other amounts payable by the Company hereunder, cancel or modify leases, evict tenants, bring or defend any suits in connection with the possession of the Project Facility in its own name or in the Company's name, make repairs as the Agency deems appropriate, and perform such other acts in connection with the management and operation of the Project Facility as the Agency, in its discretion, may deem proper; or

(3) terminate this Lease Agreement and convey to the Company all the Agency's right, title and interest in and to the Project Facility (The conveyance of the Agency's right, title and interest in and to the Project Facility shall be effected by the recording the by Agency of the Assignment to Company and the Bill of Sale to Company. The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from any such transfer of title); or

(4) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due hereunder and to enforce the obligations, agreements or covenants of the Company under this Lease Agreement.

(B) No action taken pursuant to this Section 10.2 (including repossession of the Project Facility) shall relieve the Company from its obligations to make all payments required by this Lease Agreement and the other Basic Documents.

SECTION 10.3. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Agency is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Agency to exercise any remedy reserved to it in this Article X, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 10.4. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event the Company should default under any of the provisions of this Lease Agreement Agency should employ attorneys or incur other expenses for the collection of amounts payable thereunder or the enforcement of performance or observance of any obligations or agree on the part of the Company herein contained, the Company shall, on demand therefor, pay to the Agency the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

SECTION 10.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER. In the event any agreement contained herein should be breached by either party and thereafter such breach be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS AND OBLIGATION TO PURCHASE

SECTION 11.1. EARLY TERMINATION OF THE LEASE AGREEMENT. The Company shall have the option to terminate this Lease Agreement prior to the termination date specified in Section 5.2 hereof by filing with the Agency a certificate signed by an Authorized Representative of the Company stating the Company's intention to do so pursuant to this Section 11.1.

SECTION 11.2. OBLIGATION TO SELL AND PURCHASE THE PROJECT FACILITY. Contemporaneously with the termination of this Lease Agreement in accordance with Section 5.2 or Section 11.1 hereof, the Agency shall sell and the Company shall purchase all the Agency's right, title and interest in and to the Project Facility for a purchase price equal to the sum of One Dollar (\$1.00), plus payment of all sums due and payable to the Agency or any other Person pursuant to this Lease Agreement and the other Basic Documents. The obligation of the Agency under this Section 11.2 to convey the Project Facility to the Company will be subject to there being no Event of Default existing hereunder or under the Payment in Lieu of Tax Agreement or under any other Basic Document, or any other event which would, but for the passage of time or the giving of notice, or both, be such an Event of Default.

SECTION 11.3. CONVEYANCE ON PURCHASE OF THE PROJECT FACILITY. (A) At the closing of any purchase of the Project Facility pursuant to Section 11.2 hereof, the Agency shall, upon the satisfaction of the conditions set forth in Section 11.1 and Section 11.2 hereof, as appropriate, deliver to the Company all necessary documents (1) to convey to the Company all the Agency's right, title and interest in and to the Property being purchased, as such property then exists, subject only to the following: (a) any Liens or title defects to which title to such Property was subject when conveyed to the Agency, (b) any Liens created at the request of the Company or to the creation of which the Company consented, (C) any Permitted Encumbrances, and (d) any Liens resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Lease Agreement or arising out of an Event of Default; and (2) release and convey to the Company all of the Agency's rights and interest in and to any rights of action or any net proceeds of insurance settlements or Condemnation awards with respect to the Project Facility (but not including amounts relating to the Unassigned Rights).

(B) The sale and conveyance of the Agency's right, title and interest in and to the Project Facility shall be effected by the execution and delivery by the Agency to the Company of the Assignment to Company (an unexecuted copy of which is attached hereto as Exhibit C and by this reference made a part hereof). The sale and conveyance of the Agency's right, title and interest and to the Equipment shall be effected by the execution and delivery by the Agency to the Company of the Bill of Sale to Company (an unexecuted copy of which is attached hereto as Exhibit D and by this reference made a part hereof). The termination of this Lease Agreement shall be effected by the execution and delivery of the Company and the Agency of the Termination of Lease Agreement (an unexecuted copy of which is attached hereto as Exhibit E and by this reference made a part hereof).

The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from such transfers of title.

(C) The Company agrees to prepare the Assignment to Company and/or the Bill of Sale to Company and/or the Termination of Lease Agreement and all schedules thereto, together with all equalization and assessment forms and other necessary documentation, and to forward same to the Agency at least thirty (30) days prior to the date that the Project Facility or any portion thereof is to be conveyed to the Company.

(D) The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from the transfers contemplated by this Section 11.3.

(E) This Lease Agreement shall survive the transfer of the Project Facility to the Company pursuant to this Section 11.3 and shall remain in full force and effect until all of the Indebtedness shall have been paid in full, and thereafter the obligations of the Company shall survive as set forth in Section 12.8 hereof.

(F) Upon the payment in full of all Indebtedness under or secured by this Lease Agreement, and notwithstanding the survival of certain obligations of the Company as described in Section 12.8 hereof, the Agency shall upon the request of the Company execute and deliver to the Company such documents as the Company may reasonably request, in recordable form if so requested, to evidence the termination and release of all Liens granted to the Agency hereunder.

ARTICLE XII

MISCELLANEOUS

SECTION 12.1. NOTICES: (A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE COMPANY:

Harmony Mills Riverview, LLC
100 North Mohawk Street
Cohoes, New York 12047

WITH A COPY TO:

David P. Corsi, Esq.
Nixon Peabody LLP
Two Embarcadero Center
San Francisco, California 94111

IF TO THE AGENCY:

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047
Attention: Chairman

WITH A COPY TO:

Darrin Derosia, Esq.
City Hall
97 Mohawk Street
Cohoes, New York 12047

(C) The Agency and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communication shall be sent.

SECTION 12.2. BINDING EFFECT. This Lease Agreement shall inure to the benefit of the Agency and the Company and shall be binding upon the Agency, the Company and, as permitted by this Lease Agreement, their respective successors and assigns.

SECTION 12.3. SEVERABILITY. If any one or more of the covenants or agreements provided herein on the part of the Agency or the Company to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein shall be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Lease Agreement.

SECTION 12. AMENDMENT. This Lease Agreement may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto.

SECTION 12.5. EXECUTION OF COUNTERPARTS. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12.6. APPLICABLE LAW. This Lease Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

SECTION 12.7. RECORDING AND FILING. The Underlying Lease (or a memorandum thereof), this Lease Agreement (or a memorandum hereof, the Mortgage and the Assignment of Rents shall be recorded by the Agency in the office of the County Clerk of Albany County, New York, or in such other office as may at the time be provided by law as the proper place for the recordation thereof.

SECTION 12.8. SURVIVAL OF OBLIGATIONS. (A) The obligations of the Company to make the payments required by Sections 5.3 and 6.6 hereof and to provide the indemnity required by Section 8.2 hereof shall survive the termination of this Lease Agreement, and all such payments after such termination shall be made upon demand of the party to payment is due.

(B) The obligations of the Company to the Agency with respect to the Unassigned Rights shall survive the termination of this Lease Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the Unassigned Rights may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by the Agency, or its officers, members, agents or employees, relating thereto.

SECTION 12.9. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The Table of Contents and the headings of the several Sections in this Lease Agreement have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Lease Agreement.

SECTION 12.10. NO RECOURSE; SPECIAL OBLIGATION. (A) The obligations and agreements of the Agency contained herein and in the other Basic Documents and any other instrument or document executed in connection herewith or therewith, and any other instrument document supplemental thereto or hereto, shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent (other than the Company) or employee of the Agency shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Agency contained herein and therein shall not constitute or give rise to an obligation of the State of New York or Albany County, New York, and neither the State of New York nor Albany County, New York shall be liable hereon or thereon, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility (except for revenues derived by the Agency with respect to the Unassigned Rights).

(C) No order or decree of specific performance with respect, to any of the obligations hereunder shall be sought or enforced against the Agency unless (1) the party seeking such order or decree shall first have requested the Agency in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Agency shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Agency an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Agency refuses to comply with such request and the Agency's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Agency and its members, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Agency, furnish to the Agency satisfactory security to protect the Agency and its members, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request.

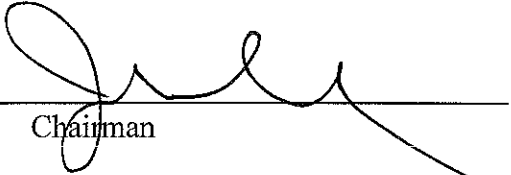
SECTION 12.11. SUBORDINATION TO THE MORTGAGE. This Lease Agreement and all rights of the Company and the Agency hereunder are and shall be subordinate to the Lien of the Mortgage

on the Project Facility. The subordination of this Lease Agreement to the Mortgage shall be automatic, without the execution of any further subordination agreement by the Company or the Agency. Nonetheless, if the Bank requires a further written subordination agreement, the Company and the Agency hereby agree to execute, acknowledge and deliver the same.

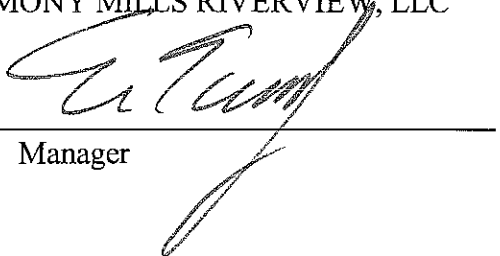
Notwithstanding anything in this document to the contrary, the provisions hereof are expressly subordinate to the HUD insured Mortgage, to the Regulatory Agreement, and subordinate to all applicable HUD mortgage insurance (and Section 8, if applicable) regulations and related administrative requirements. In the event of any conflict between the provisions of this document and the provisions of an applicable HUD regulation, related HUD administrative requirement, or HUD/FHA loan document, the HUD regulations, related administrative requirements or loan documents shall control.

IN WITNESS WHEREOF, the Agency and the Company have caused this Lease Agreement to be executed in their respective names by their respective duty authorized officers, all as of the day and year first above written.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: 
Chairman

HARMONY MILLS RIVERVIEW, LLC

By: 
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 11th day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared John T. McDonald, III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.



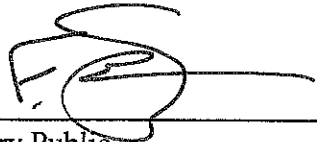
Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01K15052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 20 05

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony mills Fallsview, LLC, North 58/11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24/06'24" East, 41.80 feet to a point; 2) South 16/31'33" East, 150.00 feet to a point; 3) South 27/01'48" East, 275.00 feet to a point and 4) South 09/44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58/47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89/31'26" West, 27.56 feet to a point; 2) North 31/10'33" West, 447.52 feet to a point and 3) North 82/18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31/12'02" West, 119.31 feet to a point and 2) North 32/07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58/11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58/11'10" East, 49.63 feet to a point; thence

in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13/53'25" East, 122.91 feet to a point; 2) South 27/37'16" East, 50.88 feet to a point; 3) South 10/59'35" West, 29.30 feet to a point; 4) South 27/43'36" East, 113.85 feet to a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview. LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

EXHIBIT B

DESCRIPTION OF THE EQUIPMENT

All articles of personal property and all appurtenances by Harmony Mills Riverview, LLC (the "Company") pursuant to the lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between City of Cohoes Industrial Development Agency and the Company and now or hereafter attached to, contained in or used in connection with the Land (as defined in the Lease Agreement) or placed on any part thereof, though not attached thereto, including, but not limited to, pipes, screens, fixtures, heating, lighting, plumbing, ventilation, air conditioning, compacting and elevator plants, call systems, stoves, ranges, refrigerators, rugs, movable partitions, cleaning equipment, maintenance equipment, shelving, flagpoles, signs, waste containers, outdoor benches, drapes, blinds and accessories, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery; and together with any and all products of any of the above, all substitutions, replacements, additions or accessions therefor, and any and all cash proceeds or non-cash proceeds realized from the sale, transfer or conversion of any of the above.

EXHIBIT C

FORM OF ASSIGNMENT TO COMPANY

THIS ASSIGNMENT TO COMPANY (the "Assignment to Company") dated as of _____, _____ by and between CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized under the laws of the State of New York, having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency") and HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company").

In consideration of the sum of Ten Dollars (\$10.00), receipt and sufficiency of which is acknowledged, the Agency hereby sells, assigns and conveys to the Company all of the Agency's right, title and interest in and to a certain lease to agency dated as of February 1, 2005 (the "Underlying Lease") by and between the Company, as landlord, and the Agency, as tenant, whereby the Company granted to the Agency a leasehold interest in the parcel of the land more particularly described in Exhibit A attached thereto (the "Land") and in and to all those buildings, improvements, structures and other related facilities affixed or attached to the Land now or in the future.

The Company hereby agrees to indemnify the Agency as to any claims that have arisen heretofore or shall arise hereafter under the Underlying Lease and this Assignment to Company.

IN WITNESS WHEREOF, the Agency and the Company, for the purposes above set forth, have caused this Assignment to Company to be executed and delivered by their duly authorized officers, all as of the day and year first above written.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
(Vice) Chairman

HARMONY MILLS RIVERVIEW, LLC

By: _____
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the ____ day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
) SS..
COUNTY OF ERIE)

On the ____ day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

EXHIBIT D

FORM OF BILL OF SALE TO COMPANY

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Grantor"), for the consideration of One Dollar (\$1.00), cash in hand paid, and other good and valuable consideration received by the Grantor from HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Grantee"), the receipt of which is hereby acknowledged by the Grantor, hereby sells, transfers and delivers unto the Grantee, and its successors and assigns, all those materials, machinery, equipment, fixtures or furnishings which are described in Exhibit B attached hereto (the "Equipment") now owned or hereafter acquired by the Grantor, which Equipment is located or intended to be located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land"), which Land is more particularly described on Exhibit A attached hereto.

TO HAVE AND TO HOLD the same unto the Grantee, and its successors and assigns, forever.

THE GRANTOR MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE EQUIPMENT OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE EQUIPMENT OR ANY PART THEREOF FOR THE GRANTEE'S PURPOSES OR NEEDS. THE GRANTEE SHALL ACCEPT TITLE TO THE EQUIPMENT "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE GRANTOR FOR ANY CONDITION NOW OR HEREAFTER EXISTING. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE, WHETHER PATENT OR LATENT, THE GRANTOR SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

IN WITNESS WHEREOF, the Grantor has caused this bill of sale to be executed in its name by the officer described below and dated as of the ____ day of _____, _____.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
(Vice) Chairman

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

On the ____ day of _____ in the year ____ before me, the undersigned, a notary public in and for the State of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

Notary Public

EXHIBIT A
DESCRIPTION OF THE LAND

EXHIBIT B

DESCRIPTION OF THE EQUIPMENT

EXHIBIT E

FORM OF TERMINATION OF LEASE AGREEMENT

WHEREAS, Harmony Mills Riverview, LLC (the "Company"), as tenant, and City of Cohoes Industrial Development Agency (the "Agency"), as landlord, entered into a lease agreement dated as of February 1, 2005 (the "Lease Agreement") pursuant to which, among other things, the Agency leased the Project (as defined in the Lease Agreement) to the Company; and

WHEREAS, pursuant to the Lease Agreement, the Company and the Agency agreed that the Lease Agreement would terminate on the earlier to occur of (1) _____, 20____ or (2) the date of the Lease Agreement shall be terminated pursuant to Article X or Article XI of the Lease Agreement; and

WHEREAS, the Company and the Agency now desires to evidence the termination of the Lease Agreement;

NOW, THEREFORE, it is hereby agreed that the Lease Agreement has terminated as of the dated date hereof; provided, however, that, as provided in Section 12.8 of the Lease Agreement, certain obligations of the Company shall survive the termination of the Lease Agreement; and the execution of this termination of lease agreement by the Agency is not intended, and shall not be construed, as a waiver or alteration by the Agency or the Company of the provisions of Section 12.8 of the Lease Agreement.

IN WITNESS WHEREOF, the Company and the Agency have signed this termination of lease agreement and caused to be dated as of the ____ day of _____, ____.

HARMONY MILLS RIVERVIEW, LLC

By: _____
Manager

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
(Vice) Chairman

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

On the ____ day of _____ in the year ____ before me, the undersigned, a notary public in and for the State of New York, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

Notary Public

CLOSING ITEM NO.: A-5

CITY OF COHOES
INDUSTRIAL DEVELOPMENT AGENCY

AND

HARMONY MILLS RIVERVIEW, LLC

MEMORANDUM OF LEASE AGREEMENT

DATED AS OF FEBRUARY 1, 2005

THIS DOCUMENT IS INTENDED TO CONSTITUTE A MEMORANDUM OF
LEASE OF REAL ESTATE, AND IS INTENDED TO BE RECORDED IN LIEU
OF SUCH LEASE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION
294 OF THE NEW YORK REAL PROPERTY LAW.

MEMORANDUM OF LEASE AGREEMENT

The undersigned, CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized and existing under the laws of the State of New York (the "State") having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency"), and HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company"), have entered into a certain lease agreement dated as of February 1, 2005 (the "Lease Agreement").

The Lease Agreement covers a leasehold interest affecting the real property (the "Land") cubed on Exhibit A attached hereto and made a part hereof, certain improvements on the Land (the "Facility"), and the machinery, equipment and other personal property described on Exhibit B attached hereto and made a part hereof (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to in the Lease Agreement as the "Project Facility").

The Lease Agreement provides for the lease (with an obligation to purchase) of the Project Facility by the Agency to the Company for a term commencing on the date of execution delivery of the Lease Agreement and terminating on the earlier to occur of (A) December 31, 2024, or (B) the date that the Lease Agreement shall be terminated pursuant to Article X thereof (entitled "Events of Default and Remedies") or Article XI thereof (entitled "Options and Obligation to Purchase").

The Lease Agreement obligates the Company (A) to pay, on the date of execution and delivery of the Lease Agreement, a single lump sum basic rental payment equal to the Agency's administrative fee for the project which is the subject of the Lease Agreement and a fee to further the purposes of the Project, (B) throughout the term of the Lease Agreement, to provide indemnity to the Agency, (C) to make payments in lieu of taxes with respect to the Project Facility, and (D) to make certain payments to the Agency.

Subject to the provisions of the Lease Agreement, the Lease Agreement (A) obligates the Company to purchase the Project Facility at the end of the lease term, or under certain circumstances, upon the sooner termination of the Lease Agreement, and (B) grants to the Company the option, at any time the Company so elects, to purchase the Project Facility, in each case for a purchase price equal to the sum of One Dollar (\$1.00) plus certain other amounts payable to the Agency pursuant to the Lease Agreement.

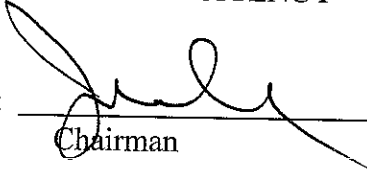
The Company, as tenant, is entitled to possession of the Project Facility from the date of hereof. The Company, as tenant, has the right to enter into leases affecting all or a portion of Project Facility as landlord, subject to the conditions set forth in the Lease Agreement.

The Company has granted the Agency a security interest in the Project Facility as security for the rental payments and all other obligations of the Company under the Lease Agreement.

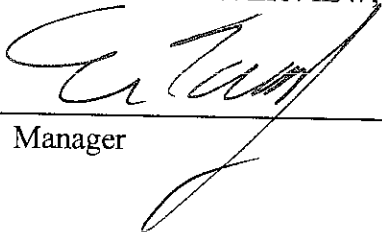
The Lease Agreement is available for inspection during normal business hours at the office of the Agency, currently located as indicated above.

IN WITNESS WHEREOF, the Agency and the Company have caused this Memorandum their respective names by their duly authorized officers sated as of the day and year first above written.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

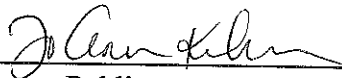
By:  _____
Chairman

HARMONY MILLS RIVERVIEW, LLC

By:  _____
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 11th day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared John T. McDonald, III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.



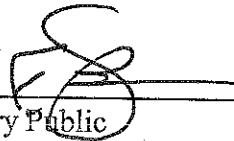
Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01KI5052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 2005

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South $28^{\circ}41'30''$ East, 160.71 feet and South $32^{\circ}06'45''$ East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North $58/11'10''$ East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South $24/06'24''$ East, 41.80 feet to a point; 2) South $16/31'33''$ East, 150.00 feet to a point; 3) South $27/01'48''$ East, 275.00 feet to a point and 4) South $09/44'26''$ East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South $58/47'58''$ West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South $89/31'26''$ West, 27.56 feet to a point; 2) North $31/10'33''$ West, 447.52 feet to a point and 3) North $82/18'43''$ West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North $31/12'02''$ West, 119.31 feet to a point and 2) North $32/07'20''$ West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & Light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South $28^{\circ}41'30''$ East, 160.71 feet to a point; 2) South $32^{\circ}06'45''$ East, 434.90 feet to a point and 3) North $58/11'10''$ East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North $58/11'10''$ East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South $13/53'25''$ East, 122.91 feet to a point; 2) South $27/37'16''$ East, 50.88 feet to a point; 3) South $10/59'35''$ West, 29.30 feet to a point; 4) South $27/43'36''$ East, 113.85 feet to

a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview. LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

EXHIBIT B

DESCRIPTION OF THE EQUIPMENT

All articles of personal property and all appurtenances by Harmony Mills Riverview, LLC (the "Company") pursuant to the lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between City of Cohoes Industrial Development Agency and the Company and now or hereafter attached to, contained in or used in connection with the Land (as defined in the Lease Agreement) or placed on any part thereof, though not attached thereto, including, but not limited to, pipes, screens, fixtures, heating, lighting, plumbing, ventilation, air conditioning, compacting and elevator plants, call systems, stoves, ranges, refrigerators, rugs, movable partitions, cleaning equipment, maintenance equipment, shelving, flagpoles, signs, waste containers, outdoor benches, drapes, blinds and accessories, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery; and together with any and all products of any of the above, all substitutions, replacements, additions or accessions therefor, and any and all cash proceeds or non-cash proceeds realized from the sale, transfer or conversion of any of the above.



New York State Department of Taxation and Finance

**Combined Real Estate
Transfer Tax Return,
Credit Line Mortgage Certificate, and
Certification of Exemption from the
Payment of Estimated Personal Income Tax**

Effective September 1, 2003, use this 7/03 version of Form TP-584; previous versions may no longer be used.

See instructions (TP-584-1) before completing this form. Please print or type.

Schedule A — Information relating to conveyance

Grantor/Transferor <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Estate/Trust <input checked="" type="checkbox"/> Other		Name (if individual: last, first, middle initial) City of Cohoes Industrial Development Agency	Social security number
		Mailing address 97 Mohawk Street	Social security number
		City State ZIP code Cohoes NY 12047	Federal employer ident. number 52-1205328
Grantee/Transferee <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Estate/Trust <input type="checkbox"/> Other		Name (if individual: last, first, middle initial) Harmony Mills Riverview, LLC	Social security number
		Mailing address 100 North Mohawk Street	Social security number
		City State ZIP code Cohoes NY 12047	Federal employer ident. number

Location and description of property conveyed

Tax map designation			Address	City/village	Town	County
Section	Block	Lot				
			100 North Mohawk Street	Cohoes		Albany

Type of property conveyed (check applicable box)

1 <input type="checkbox"/> one- to three-family house	5 <input type="checkbox"/> Commercial/Industrial	Date of conveyance <table border="1"> <tr> <td>2</td> <td>05</td> </tr> <tr> <td>month</td> <td>year</td> </tr> </table>	2	05	month	year	Percentage of real property conveyed which is residential real property <u>0</u> % (see instructions)
2	05						
month	year						
2 <input type="checkbox"/> Residential cooperative	6 <input type="checkbox"/> Apartment building						
3 <input type="checkbox"/> Residential condominium	7 <input type="checkbox"/> Office building						
4 <input checked="" type="checkbox"/> Vacant land	8 <input type="checkbox"/> Other _____						

Condition of conveyance (check all that apply)

- a. Conveyance of fee interest
- b. Acquisition of a controlling interest (state percentage acquired _____ %)
- c. Transfer of a controlling interest (state percentage transferred _____ %)
- d. Conveyance to cooperative housing corporation
- e. Conveyance pursuant to or in lieu of foreclosure or enforcement of security interest (attach Form TP-584.1, Schedule E)
- f. Conveyance which consists of a mere change of identify or form of ownership or organization (attach Form TP-584.1, Schedule F)
- g. Conveyance for which credit for tax previously paid will be claimed (attach Form TP-584.1, Schedule G)
- h. Conveyance of cooperative apartment(s)
- i. Syndication
- j. Conveyance of air rights or development rights
- k. Contract assignment
- l. Option assignment or surrender
- m. Leasehold assignment or surrender
- n. Leasehold grant
- o. Conveyance of an easement
- p. Conveyance for which exemption from transfer tax claimed (complete Schedule B, Part III)
- q. Conveyance of property partly within and partly outside the state
- r. Other (describe) _____

For recording officer's use	Amount received	Date received	Transaction number
	Schedule B., Part I \$ _____ Schedule B., Part II \$ _____		

Schedule B — Real estate transfer tax return (Article 31 of the Tax Law)

Part I — Computation of tax due

1 Enter amount of consideration for the conveyance (if you are claiming a total exemption from tax, check the exemption claimed box, enter consideration and proceed to Part III) <input type="checkbox"/> Exemption claimed	1.	1.00
2 Continuing lien deduction (see instructions if property is taken subject to mortgage or lien)	2.	00
3 Taxable consideration (subtract line 2 from line 1)	3.	00
4 Tax: \$2 for each \$500, or fractional part thereof, of consideration on line 3	4.	00
5 Amount of credit claimed (see instructions and attach Form TP-584.1, Schedule G)	5.	00
6 Total tax due* (subtract line 5 from line 4)	6.	00

Part II — Computation of additional tax due on the conveyance of residential real property for \$1 million or more

1 Enter amount of consideration for conveyance (from Part I, line 1)	1.	
2 Taxable consideration (multiply line 1 by the percentage of the premises which is residential real property, as shown in Schedule A)	2.	
3 Total additional transfer tax due* (multiply line 2 by 1% (.01))	3.	

Part III — Explanation of exemption claimed on Part I, line 1 (check any boxes that apply)

The conveyance of real property is exempt from the real estate transfer tax for the following reason:

- a. Conveyance is to the United Nations, the United States of America, the state of New York, or any of their instrumentalities, agencies, or political subdivisions (or any public corporation, including a public corporation created pursuant to agreement or compact with another state or Canada) a
- b. Conveyance is to secure a debt or other obligation b
- c. Conveyance is without additional consideration to confirm, correct, modify, or supplement a prior conveyance c
- d. Conveyance of real property is without consideration and not in connection with a sale, including conveyances conveying realty as bona fide gifts d
- e. Conveyance is given in connection with a tax sale e
- f. Conveyance is a mere change of identity or form of ownership or organization where there is no change in beneficial ownership. (This exemption cannot be claimed for a conveyance to a cooperative housing corporation of real property comprising the cooperative dwelling or dwellings.) Attach Form TP-584.1, Schedule F f
- g. Conveyance consists of deed of partition g
- h. Conveyance is given pursuant to the federal Bankruptcy Act h
- i. Conveyance consists of the execution of a contract to sell real property, without the use or occupancy of such property, or the granting of an option to purchase real property, without the use or occupancy of such property i
- j. Conveyance of an option or contract to purchase real property with the use or occupancy of such property where the consideration is less than \$200,000 and such property was used solely by the grantor as the grantor's personal residence and consists of a one-, two-, or three-family house, an individual residential condominium unit, or the sale of stock in a cooperative housing corporation in connection with the grant or transfer of a proprietary leasehold covering an individual residential cooperative apartment j
- k. Conveyance is not a conveyance within the meaning of section 1401(e) of Article 31 of the Tax Law (attach documents supporting such claim) k
- l. Other (attach explanation) l

*Please make check(s) payable to the county clerk where the recording is to take place. If the recording is to take place in New York City, make check(s) payable to the **NYC Department of Finance**. If a recording is not required, send this return and your check(s) made payable to the **NYS Department of Taxation and Finance**, directly to the NYS Tax Department, RETT Return Processing, PO Box 5045, Albany NY 12205-5045.

Schedule C — Credit Line Mortgage Certificate (Article 11 of the Tax Law)

Complete the following only if the interest being transferred is a fee simple interest.

I (we) certify that: (check the appropriate box)

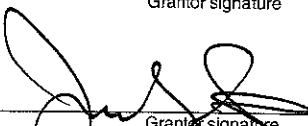
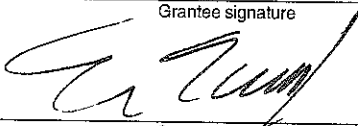
1. The real property being sold or transferred is not subject to an outstanding credit line mortgage.
2. The real property being sold or transferred is subject to an outstanding credit line mortgage. However, an exemption from the tax is claimed for the following reason:
 - The transfer of real property is a transfer of a fee simple interest to a person or persons who held a fee simple interest in the real property (whether as a joint tenant, a tenant in common or otherwise) immediately before the transfer.
 - The transfer of real property is (A) to a person or persons related by blood, marriage or adoption to the original obligor or to one or more of the original obligors or (B) to a person or entity where 50% or more of the beneficial interest in such real property after the transfer is held by the transferor or such related person or persons (as in the case of a transfer to a trustee for the benefit of a minor or the transfer to a trust for the benefit of the transferor).
 - The transfer of real property is a transfer to a trustee in bankruptcy, a receiver, assignee, or other officer of a court.
 - The maximum principal amount secured by the credit line mortgage is \$3,000,000 or more, and the real property being sold or transferred is **not** principally improved nor will it be improved by a one- to six-family owner-occupied residence or dwelling.

Please note: for purposes of determining whether the maximum principal amount secured is \$3,000,000 or more as described above, the amounts secured by two or more credit line mortgages may be aggregated under certain circumstances. See TSB-M-96(6)-R for more information regarding these aggregation requirements.

 - Other (attach detailed explanation).
3. The real property being transferred is presently subject to an outstanding credit line mortgage. However, no tax is due for the following reason:
 - A certificate of discharge of the credit line mortgage is being offered at the time of recording the deed.
 - A check has been drawn payable for transmission to the credit line mortgagee or his agent for the balance due, and a satisfaction of such mortgage will be recorded as soon as it is available.
4. The real property being transferred is subject to an outstanding credit line mortgage recorded in _____ (insert liber and page or reel or other identification of the mortgage). The maximum principal amount of debt or obligation secured by the mortgage is _____. No exemption from tax is claimed and the tax of _____ is being paid herewith. (Make check payable to county clerk where deed will be recorded or, if the recording is to take place in New York City, make check payable to the **NYC Department of Finance.**)

Signature (both the grantor(s) and grantee(s) must sign)

The undersigned certify that the above information contained in schedules A, B, and C, including any return, certification, schedule, or attachment, is to the best of his/her knowledge, true and complete.

City of Cohoes Industrial Development Agency	Chairman	Harmony Mills Riverview, LLC
Grantor signature	Title	Grantee signature
		
Grantor signature	Title	Grantee signature

Reminder: Did you complete all of the required information in Schedules A, B, and C? Are you required to complete Schedule D? If you checked e, f, or g in Schedule A, did you complete Form TP-584.1? Have you attached your check(s) made payable to the county clerk where recording will take place or, if the recording is in New York City, to the *NYC Department of Finance*? If no recording is required, send your check(s), made payable to the *Department of Taxation and Finance*, directly to the NYS Tax Department, RETT Return Processing, PO Box 5045, Albany NY 12205-5045.

Schedule D - Certification of exemption from the payment of estimated personal income tax (Article 22, Tax Law section 663)

Complete the following only if a fee simple interest is being transferred by an individual or estate or trust.

Part I - New York State residents

If you are a New York State resident transferor(s)/seller(s) listed in Schedule A of Form TP-584 (or an attachment to Form TP-584), you must sign the certification below. If one or more transferors/sellers of the property is a resident of New York State, **each** resident transferor/seller must sign in the space provided. If more space is needed, please photocopy this Schedule D and submit as many schedules as necessary to accommodate all resident transferors/sellers.

Certification of resident transferor(s)/seller(s)

This is to certify that at the time of the sale or transfer of the real property, the transferor(s)/seller(s) as signed below was a resident of New York State, and therefore is not required to pay estimated personal income tax under Tax Law section 663(a) upon the sale or transfer of this property.

Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date

Note: A resident of New York State may still be required to pay estimated tax under section 685(c), but not as a condition of recording a deed.

Part II - Nonresidents of New York State

If you are a nonresident of New York State listed as a transferor/seller in Schedule A of Form TP-584 (or an attachment to Form TP-584) but are not required to pay estimated tax because one of the exemptions below applies under section 663(d) of the Tax Law, check the box of the appropriate exemption below. If any one of the exemptions below applies to the transferor(s)/seller(s), that transferor(s)/seller(s) is not required to pay estimated personal income tax to New York State under section 663 of the Tax Law. **Each** nonresident transferor/seller who qualifies under one of the exemptions below must sign in the space provided. If more space is needed, please photocopy this Schedule D and submit as many schedules as necessary to accommodate all nonresident transferors/sellers.

If none of these exemption statements apply, you must use Form IT-2663, *Application for Certification for Recording of Deed and Nonresident Estimated Income Tax Payment Voucher*.

Exemption for nonresident transferor(s)/seller(s)

This is to certify that at the time of the sale or transfer of the real property, the transferor(s)/seller(s) (grantor) of this property was a nonresident of New York State, but is not required to pay estimated tax under Tax Law section 663 due to one of the following exemptions:

- The property being sold or transferred was used exclusively as the transferor's/seller's principal residence (within the meaning of section 121 of the Internal Revenue Code) from _____ Date to _____ Date (see instructions).
- The transferor/seller is a mortgagor conveying the mortgaged property to a mortgagee in foreclosure, or in lieu of foreclosure with no additional consideration.
- The transferor or transferee is an agency or authority of the United States of America, an agency or authority of the state of New York, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or a private mortgage insurance company.

Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date
Signature	Print full name	Date

CLOSING ITEM NO.: A-6

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

AND

HARMONY MILLS RIVERVIEW, LLC

PAYMENT IN LIEU OF TAX AGREEMENT

DATED AS OF FEBRUARY 1, 2005

RELATING TO THE PREMISES LOCATED AT IN THE CITY OF
COHOES, ALBANY COUNTY, NEW YORK.

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and is for convenience of reference only)

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PAYMENT IN LIEU OF TAX AGREEMENT

THIS PAYMENT IN LIEU OF TAX AGREEMENT dated as of February 1, 2005 (the "Payment in Lieu of Tax Agreement") by and between CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 97 Mohawk Street, Cohoes, New York 12047 (the "Agency") and HARMONY MILLS RIVERVIEW, LLC, a limited liability company organized and existing under the laws of the State of New York having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Company");

WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment, deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities and to issue its bonds for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon; and

WHEREAS, the Agency was created, pursuant to and in accordance with the provisions the Enabling Act, by Chapter 313 of the Laws of 1972 of the State (collectively with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, by resolution adopted by the members of the Agency on June 20, 2003 (the "Preliminary inducement Resolution"), the Agency agreed to accept an application (the "Application") from the Company and further agreed, subject to numerous conditions, to consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel

of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the ct) with respect to the foregoing, including potential exemptions from sales taxes, real property transfer taxes mortgage recording taxes and real estate taxes (collectively with the Bonds, the Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and greed upon by the Agency, and

WHEREAS, the requirements of Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York being 6NYCRR Part 617, as amended (the "Regulations collectively with the SEQR Act, "SEQRA") applicable to the Project have been complied with; and

WHEREAS, pursuant to the authorization contained in the Preliminary Inducement Resolution, the Chairman of the Agency (A) caused notice of a public hearing of the Agency pursuant to, Section 859-a of the Act to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project (the "Public Hearing") to be mailed on October 21, 2003 to the chief executive officer of the county and of each city, town, village and school district in which the Project Facility is to be located, (B) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to residents of the City of Cohoes, (C) conducted the Public Hearing on November 21, 2003 at 9:00 o'clock a.m., local time at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Albany County, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, the Agency (A) caused a letter dated October 21, 2003 (the "Original Pilot Deviation Letter") to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located (each an "Affected Tax Jurisdiction"), informing said individuals that the Agency would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Agency's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility ; and (B) conducted such meeting on November 21, 2003 at 9:00 o'clock a.m., local time in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York City Hall; and

WHEREAS, by resolution adopted by the members of the Agency on August 20, 2004 (the “Original Pilot Resolution”) the Agency determined to notify each Affected Tax Jurisdiction of the Company’s request for Agency approval of the Revised PILOT Payment Schedule; and

WHEREAS, the Agency (A) caused a letter dated October 8, 2004 (the “Revised PILOT Deviation Letter”) to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 12, 2004 at 9:00 o’clock a.m., local time in City Hall located at 97 Mohawk Street in the City of Cohoes, Albany County, New York; and

WHEREAS, by resolution adopted by the members of the Agency on November 12, 2004 (“Revised Pilot Resolution”), the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement that incorporated the Revised PILOT Schedule; and

WHEREAS, by resolution adopted by the members of the Agency on January 21, 2005 (the “Approving Resolution”), the Agency determined, to grant the Financial Assistance and to enter into a lease agreement dated as of February 1, 2005 (the “Lease Agreement”) by and between the Agency and the Company and certain other documents related thereto, to the Financial Assistance and to the Project (collectively with the Lease Agreement, the “Basic Documents”);

WHEREAS, under the present provisions of the Act and Section 412-a of the Real Property Tax Law of the State of New York (the “Real Property Tax Law”), the Agency is required to pay no taxes or assessments upon any of the property acquired by it or under its jurisdiction or supervision or control; and

WHEREAS, pursuant to the provisions of Section 6.6 of the Lease Agreement, the Company has agreed to make payments in lieu of taxes with respect to the Project Facility in an amount equivalent to normal taxes, provided that, so long as this Payment in Lieu of Tax Agreement shall be in effect, the Company shall during the term of this Payment in Lieu of Tax Agreement make payments in lieu of taxes in the amounts and in the manner provided in this Payment in Lieu of Tax Agreement, and during such period the provisions of Section 6.6 of the Lease Agreement shall not control the amounts due as payment in lieu of taxes with respect to that portion of the Project Facility which is covered by this Payment in Lieu of Tax Agreement;

WHEREAS, all things necessary to constitute this Payment in Lieu of Tax Agreement a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Payment in Lieu of Tax Agreement have in all respects been duly authorized by the Agency and the Company;

NOW, THEREFORE, in consideration of the matters above recited, the parties hereto formally covenant, agree and bind themselves as follows, to wit:

ARTICLE I

REPRESENTATIONS AND WARRANTIES

SECTION 1.01. REPRESENTATIONS OF AND WARRANTIES BY THE AGENCY. The Agency does hereby represent, warrant and covenant as follows:

(A) Power. The Agency is a public benefit corporation of the State, has been duly established under the provisions of the Act, is validly existing under the provisions of the Act and has the power under the laws of the State of New York to enter into the transactions contemplated by this Payment in Lieu of Tax Agreement and to carry out the transactions contemplated hereby and to perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement hereunder.

(B) Authorization. The Agency is authorized and has the corporate power under the Act, its by-laws and the laws of the State to enter into this Payment in Lieu of Tax Agreement and the transactions contemplated hereby and to perform and carry out all the covenants and obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement. By proper corporate action on the part of its members, the Agency has duly authorized the execution, delivery and performance of this Payment in Lieu of Tax Agreement and the consummation of the transactions herein contemplated.

(C) Conflicts. The Agency is not prohibited from entering into this Payment in Lieu of Tax Agreement and discharging and performing all covenants and obligations on part to be performed under and pursuant to this Payment in Lieu of Tax Agreement by the terms, conditions or provisions of any order, judgment, decree, law, ordinance, rule or regulation of any court or other agency or authority of government, or any agreement or instrument to which the Agency is a party or by which the Agency is bound.

SECTION 1.02. REPRESENTATIONS OF AND WARRANTIES BY THE COMPANY. The Company does hereby represent, warrant and covenant as follows:

(A) Power. The Company is a limited liability company duly organized and validly existing under the laws of the State is duly authorized to do business in the State, and has the power under the laws of the State to enter into this Payment in Lieu of Tax Agreement and the transactions contemplated hereby and to perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement; and by proper action of its members has been duly authorized to execute, deliver and perform this Payment in Lieu of Tax Agreement.

(B) Authorization. The Company is authorized and has the power under its articles of organization, operating agreement and the laws of the State to enter into this Payment in Lieu of Tax Agreement and the transactions contemplated hereby and to perform and carry out all covenants and

obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement. By proper action of its members, the Company has duly authorized the execution, delivery and performance of this Payment in Lieu of Tax Agreement and the consummation of the transactions herein contemplated.

(C) Conflicts. The Company is not prohibited from entering into this Payment in Lieu of Tax Agreement and discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement by (and the execution, delivery and performance of this Payment in Lieu of Tax Agreement, the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the provisions of this Payment in Lieu of Tax Agreement will not conflict with or violate or constitute a breach of or a default under) the terms, conditions or provisions of its articles of organization or operating agreement or any other restriction, law, rule, regulation or order of any court or other agency or authority of government, or any contractual limitation, restriction or outstanding indenture, deed of trust, mortgage, loan agreement, other evidence of indebtedness; or any other agreement or instrument to which the Company is a party or by which it or any of its property is bound, and neither the Company's entering into this Payment in Lieu of Tax Agreement nor the Company's discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Payment in Lieu of Tax Agreement will be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any of the foregoing, or result in the creation or imposition of any lien of any nature upon any of the property of the Company under the terms of any of the foregoing, and this Payment in Lieu of Tax Agreement is the legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(D) Governmental Consent. No consent, approval or authorization of, or filing, registration or qualification with, any governmental or public authority on the part of the Company is required as a condition to the execution, delivery or performance of this Payment in Lieu of Tax Agreement by the Company or as a condition to the validity of this Payment in Lieu of Tax Agreement.

ARTICLE II

COVENANTS AND AGREEMENTS

SECTION 2.01. TAX-EXEMPT STATUS OF THE PROJECT FACILITY. (A) Assessment of the Project Facility. Pursuant to Section 874 of the Act and Section 412-a of the Real Property Tax Law, the parties hereto understand that, upon acquisition of the Project Facility by the Agency and the filing by the Agency of a New York State Board of Real Property Services Form RP-412-a (a “Real Property Tax Exemption Form”) with respect to the Project Facility, and for so long thereafter as the Agency shall own the Project Facility, the Project Facility shall be assessed by the various taxing entities having jurisdiction over the Project Facility, including, without limitation, any county, city, school district, town, village or other political unit or units wherein the Project Facility is located (such taxing entities being sometimes collectively hereinafter referred to as the “Taxing Entities”, and each of such Taxing Entities being sometimes individually hereinafter referred to as a “Taxing Entity”) as exempt upon the assessment rolls of the respective Taxing Entities prepared subsequent to the acquisition by the Agency of the leasehold interest to, the Project Facility created by the Underlying Lease and the filing of the Real Property Tax Exemption Forms. The Company shall, promptly following acquisition by the Agency of the leasehold interest to the Project Facility created by the Underlying Lease, take such action as may be necessary to ensure that the Project Facility shall be assessed as exempt upon the assessment rolls of the respective Taxing Entities prepared subsequent to such acquisition by the Agency, including ensuring that a Real Property Tax Exemption Form shall be filed with the appropriate officer or officers of each respective Taxing Entity responsible for assessing properties on behalf of each such Taxing Entity (each such officer being hereinafter referred to as an “Assessor”). For so long thereafter as the Agency shall own such leasehold interest in the Project Facility, the Company shall take such further action as may be necessary to maintain such exempt assessment with respect to each Taxing Entity. The parties hereto understand that the Project Facility shall not be entitled to such tax-exempt status on the tax rolls of any Taxing Entity until the first tax year of such Taxing Entity following the tax status date of such Taxing Entity occurring subsequent to the date upon which the Agency becomes the owner of record of such leasehold interest in the Project Facility and the Real Property Tax Exemption Forms are filed with the Assessors. Pursuant to the provisions of the Lease Agreement, the Company will be required to pay all taxes and assessments lawfully levied and/or assessed against the Project Facility, including taxes and assessments levied for the current tax year and all subsequent tax years until the Project Facility shall be entitled to exempt status on the tax rolls of the respective Taxing Entities. The Agency will cooperate with the Company to obtain and preserve the tax-exempt status of the Project Facility.

(B) Special Assessments. The parties hereto understand that the tax exemption extended to the Agency by Section 874 of the Act and Section 412-a of the Real Property Tax Law does not entitle the Agency to exemption from special assessments and special ad valorem levies. Pursuant to the Lease Agreement, the Company will be required to pay all special assessments and special ad valorem levies lawfully levied and/or assessed against the Project Facility.

SECTION 2.02. PAYMENTS IN LIEU OF TAXES. (A) Agreement to Make Payments. The Company agrees that it shall make annual payments in lieu of property taxes in the amounts hereinafter provided to the respective Taxing Entities entitled to receive same pursuant to the provisions hereof. The Company also agrees to give the Assessors a copy of this Payment in Lieu of Tax Agreement. The payments due hereunder shall be paid by the Company to the respective appropriate officer or officers of the respective Taxing Entities charged with receiving payments of taxes for such Taxing Entities (such officers being collectively hereinafter referred to as the “Receivers of Taxes”) for distribution by the Receivers of Taxes to the appropriate Taxing Entities entitled to receive same pursuant to the provisions hereof.

(C) Amount of Payments in Lieu of Taxes. The payments in lieu of taxes to be paid by the Company to the Receivers of Taxes annually on behalf of each Taxing Entity pursuant to the terms of this Payment in Lieu of Tax Agreement shall be an amount equal to:

<u>Year</u>	<u>PILOT PAYMENT</u>
2005	\$ 5,000
2006	5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
2014	5,000
2015	5,000
2016	187,222
2017	187,222
2018	187,222
2019	187,222
2020	187,222
2021	187,222
2022	187,222
2023	187,222
2024	187,222

(D) Valuation of Additional Facilities. (1) The value of Additional Facilities for purposes of determining payments in lieu of taxes due under Section 2.02(D) hereof shall be determined by the Assessors of each respective Taxing Entity. The parties hereto agree that the Assessors shall (a) appraise the Additional Facilities in the same manner as other similar properties in the general area of the Project Facility, and (b) place a value for assessment purposes (hereinafter referred to as the “Additional Assessed Value”) upon the Additional Facilities, equalized if necessary

by using the appropriate equalization rates as apply in the assessment and levy of real property taxes. The Company shall be entitled to written notice of the initial establishment of such Additional Assessed Value and of any change in such Additional Assessed Value.

(2) If the Company is dissatisfied with the amount of the Additional Assessed Value of the Additional Facilities as initially established or as changed, and if the Company shall have given written notice of such dissatisfaction to the appropriate Assessor and the Agency within thirty (30) days of receipt by the Company of written notice of the initial establishment of such Additional Assessed Value, or of a change in such Additional Assessed Value, then the Company shall be entitled to protest before, and to be heard by, the appropriate Assessor and the Agency. If the Agency, the Company and any Assessor shall fail to reach agreement as to the proper Additional Assessed Value of the Additional Facilities for purposes of determining payments in lieu of taxes due under this Payment in Lieu of Tax Agreement, then such Assessor, the Company and the Agency shall each select one arbitrator in accordance with the rules of the American Arbitration Association, each of whom shall be a qualified real estate appraiser, experienced in valuation for the purposes of tax assessment in the general area of the Project Facility, which arbitrators shall, at the sole cost and expense of the Company, determine whether the Additional Assessed Value of the Additional Facilities has been properly established by the Assessor. It is understood that the arbitrator are empowered to confirm the Additional Assessed Value or to determine a higher or lower Additional Assessed Value. Any payments in lieu of taxes due upon such Additional Facilities pursuant to Section 2.02(D) hereof may not be withheld by the Company pending determination of the Additional Assessed Value by the arbitrators.

(E) Statements. Pursuant to Section 858(15) of the Act, the Agency agrees to give each Taxing Entity a copy of this Payment in Lieu of Tax Agreement within fifteen (15) days of the execution and delivery hereof, together with a request that a copy hereof be given to the appropriate officer or officers of the respective Taxing Entities responsible for preparing the tax rolls for said Tax Entities (each, a "Tax Billing Officer") and a request that said Tax Billing Officers submit to the Company and to the appropriate Receiver of Taxes periodic statements specifying the amount and due date or dates of the payments due each Taxing Entity hereunder, such periodic statements to be submitted to the Company at approximately the times that tax bills are mailed by such Taxing Entities.

(G) Time of Payments. The Company agrees to pay the amounts due hereunder to the Receivers of Taxes for the City of Cohoes for the benefit of each particular Taxing Entity in any fiscal tax year to the appropriate Receiver of Taxes within the period that such Taxing Entity allows payment of taxes levied in such fiscal tax year without penalty. The Company shall be entitled to receive receipts for such payments.

(H) Method of Payment. All payments by the Company hereunder shall be paid to the Receivers of Taxes in lawful money of the United States of America. The Receivers of Taxes shall in turn distribute the amounts so paid to the various Taxing Entities entitled to same.

SECTION 2.03. CREDIT FOR TAXES PAID. (A) Amount of Credit. The parties hereto acknowledge and agree that the obligation of the Company to make the payments provided in Section 2.02 of this Payment in Lieu of Tax Agreement shall be in addition to any and all other taxes and governmental charges of any kind whatsoever which the Company may be required to pay under the Lease Agreement. It is understood and agreed, however, that, should the Company pay in any fiscal tax year to any Taxing Entity any amounts in the nature of general property taxes, general assessments, service charges or other governmental charges of a similar nature levied and/or assessed upon the Project Facility or the interest therein of the Company or the occupancy thereof by the Company (but not including, by way of example, (1) sales and use taxes, and (2) special assessments, special ad valorem levies or governmental charges in the nature of utility charges, including but not limited to water, solid waste, sewage treatment or sewer or other rents, rates or charges), then the Company's obligation to make payments in lieu of property taxes attributed to such fiscal tax year to such Taxing Entity hereunder shall be reduced by the amounts which the Company shall have so paid to such Taxing Entity in such fiscal tax year, but there shall be no cumulative or retroactive credit as to any payment in lieu of property taxes due to any other Taxing Entity or as to any payment in lieu of proper taxes due to such Taxing Entity in any other fiscal tax year.

(B) Method of Claiming Credits. If the Company desires to claim a credit against any particular payment in lieu of tax due hereunder, the Company shall give the governing body of the affected Taxing Entity and the Agency prior written notice of its intention to claim any credit pursuant to the provision of this Section 2.03, said notice to be given by the Company at least thirty (30) days prior to the date on which such payment in lieu of tax is due pursuant to the provisions of Section 2.02(G) hereof. In the event that the governing body of the appropriate Taxing Entity desires to contest the Company's right to claim such credit, then said governing body, the Agency and the Company shall each select an arbitrator in accordance with the rules of the American Arbitration Association, each of whom shall meet the qualifications set forth in Section 2.02(B) hereof, which arbitrators shall, at the sole cost and expense of the Company, determine whether the Company is entitled to claim any credit pursuant to the provisions of this Section 2.03 and, if so, the amount of the credit to which the Company is entitled. It is understood that the arbitrators are empowered to confirm the amount of the credit claimed by the Company or to determine a lower or higher credit. When the Company shall have given notice, as provided herein, that it claims a credit, the amount of any payment in lieu of property taxes due hereunder against which the credit may be claimed may, be withheld (to the extent of the credit claimed by the Company, but only to the extent that such credit may be claimed against said payment in lieu of taxes pursuant to the provisions of this Section 2.03) until the decision of the arbitrators is rendered. After the decision of the arbitrators is rendered, the payment in lieu of taxes due with respect to any reduction or disallowance by the arbitrators in the amount of the credit claimed by the Company shall, to the extent withheld as aforesaid, be immediately due and payable and shall be paid by the Company within thirty (30) days of said decision.

SECTION.2.04. LATE PAYMENTS. (A) First Month. Pursuant to Section 874(5) of the Act, if the Company shall fail to make any payment required by this Payment in Lieu of Tax Agreement

when due, the Company shall pay the same, together with a late payment penalty equal to five percent (5%) of the amount due.

(B) Thereafter. If the Company shall fail to make any payment required by this Payment in Lieu of Tax Agreement when due and such delinquency shall continue beyond the first month, the Company's obligation to make the payment so in default shall continue as an obligation of the Company to the affected Taxing Entity until such payment in default shall have been made in full, and the Company shall pay the same to the affected Taxing Entity together with (1) a late payment penalty of one percent (1%) per month for each month, or part thereof, that the payment due hereunder is delinquent beyond the first month, plus (2) interest thereon, to the extent permitted by law, at the greater of (a) one percent (1%) per month, or (b) the rate per annum which would be payable if such amount were delinquent taxes, until so paid in full.

ARTICLE III

LIMITED OBLIGATION

SECTION 3.01. NO RECOURSE; LIMITED OBLIGATION OF THE AGENCY. (A) No Recourse. All obligations, covenants, and agreements of the Agency contained in this Payment in Lieu of Tax Agreement shall be deemed to be the obligations, covenants, and agreements of the Agency and not of any member, officer, agent, servant or employee of the Agency in his individual capacity, and no recourse under or upon any obligation, covenant or agreement contained in this Payment in Lieu of Tax Agreement, or otherwise based upon or in respect of this Payment in Lieu of Tax Agreement, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future member, officer, agent (other than the Company), servant or employee, as such, of the Agency or any successor public benefit corporation or political subdivision or any person executing this Payment in Lieu of Tax Agreement on behalf of the Agency, either directly or through the Agency or any successor public benefit corporation or political subdivision or any person so executing this Payment in Lieu of Tax Agreement, it being expressly understood that this Payment in Lieu of Tax Agreement is a corporate obligation, and that no such personal liability whatever shall attach to or is or shall be incurred by, any such member, officer, agent (other than the Company), servant or employee of the Agency or of any successor public benefit corporation or political subdivision or any person so executing this Payment in Lieu of Tax Agreement under or by reason of the obligations, covenants or agreements contained in this Payment in Lieu of Tax Agreement or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every such member, officer, agent (other than the Company), servant or employee under or by reason of the obligations, covenants or agreements contained in this Payment in Lieu of Tax Agreement or implied therefrom are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution of this Payment in Lieu of Tax Agreement by the Agency.

(B) Limited Obligation. The obligations, covenants and agreements of the Agency contained herein shall not constitute or give rise to an obligation of the State of New York or the City of Cohoes, New York, and neither the State of New York nor the City of Cohoes, New York shall be liable thereon, and further such obligations, covenants and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility (except for revenues derived by the Agency with respect to the Unassigned Rights, as defined in the Lease Agreement).

(C) Further Limitation. Notwithstanding any provision of this Payment in Lieu of Tax Agreement to the contrary, the Agency shall not be obligated to take any action pursuant to any provision hereof unless (1) the Agency shall have been requested to do so in writing by the Company, and (2) if compliance with such request is reasonably expected to result in the incurrence by the Agency (or any of its members, officers, agents, servants or employees) of any liability, fees, expenses or other costs, the Agency shall have received from the Company security or indemnity and

an agreement from the Company to defend and hold harmless the Agency satisfactory to the Agency for protection against all such liability, however remote, and for the reimbursement of all such fees, expenses and other costs.

ARTICLE IV

EVENTS OF DEFAULT

SECTION 4.01. EVENTS OF DEFAULT. Any one or more of the following events shall constitute an event of default under this Payment in Lieu of Tax Agreement, and the terms “Event of Default” or “default” shall mean, whenever they are used in this Payment in Lieu of Tax Agreement, any one or more of the following events:

(A) Failure of the Company to pay any amount due and payable by the Company pursuant to this Payment in Lieu of Tax Agreement and continuance of said failure for a period of fifteen (15) days after written notice to the Company stating that such payment is due and payable;

(B) Failure of the Company to observe and perform any other covenant, condition or agreement on its part to be observed and performed hereunder (other than as referred to in paragraph (A) above) and continuance of such failure for a period of thirty (30) days after written notice to the Company specifying the nature of such failure and requesting that it be remedied; provided that if such default cannot reasonably be cured within such thirty (30) day period and if the Company shall have commenced action to cure the breach of covenant, condition or agreement within said thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as the Company shall require in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of ninety (90) days in the aggregate from the date of default; or

(C) Any warranty, representation or other statement by or on behalf of the Company contained in this Payment in Lieu of Tax Agreement shall prove to have been false or incorrect in any material respect on the date when made or on the effective date of this Payment in Lieu of Tax Agreement and (1) shall be materially adverse to the Agency at the time when the notice referred to below shall have been given to the Company and (2) if curable, shall not have been cured within thirty (30) days after written notice of such incorrectness shall have been given to a responsible officer of the Company, provided that if such incorrectness cannot reasonably be cured within said thirty-day period and the Company shall have commenced action to cure the incorrectness within said thirty-day period and, thereafter, diligently and expeditiously proceeds to cure the same, such thirty-day period shall be extended for so long as the Company shall require, in the exercise of due diligence, to cure such default.

SECTION 4.02. REMEDIES ON DEFAULT. (A) General. Whenever any Event of Default shall have occurred with respect to this Payment in Lieu of Tax Agreement, the Agency (or if such Event of Default concerns a payment required to be made hereunder to any Taxing Entity, then with respect to such Event of Default such Taxing Entity) may take whatever action at law or in equity as may appear necessary or desirable to collect the amount then in default or to enforce the performance and observance of the obligations, agreements and covenants of the Company under this Payment in Lieu of Tax Agreement.

(B) Cross-Default. In addition, an Event of Default hereunder shall constitute an event of default under Article X of the Lease Agreement. Upon the occurrence of an Event of Default specified in subsections (A) or (B) of section 4.01 hereof, the Agency shall have, as a remedy therefor under the Lease Agreement, among other remedies, the right to terminate the Lease Agreement and convey the Project Facility to the Company, thus subjecting the Project Facility to immediate full taxation pursuant to Section 520 of the Real Property Tax Law of the State.

(C) Separate Suits. Each such Event of Default shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises. Each such Event of Default shall give rise to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises.

(D) Venue. The Company irrevocably agrees that any suit, action or other legal proceeding arising out of this Payment in Lieu of Tax Agreement may be brought in the courts of record of the State, consents to the jurisdiction of each such court in any such suit, action or proceeding, and waives any objection which it may have to the laying of the venue of any such suit, action or proceeding in any of such courts.

SECTION 4.03. PAYMENT OF ATTORNEY'S FEES AND EXPENSES. Pursuant to Section 874(6) of the Act, if the Company should default in performing any of its obligations, covenants or agreements under this Payment in Lieu of Tax Agreement and the Agency or any Taxing Entity should employ attorneys or incur other expenses for the collection of any amounts payable hereunder or for the enforcement of performance or observance of an obligation, covenant or agreement on the part of the Company herein contained, the Company agrees that it will, on demand therefor, pay to the Agency or such Taxing Entity, as the case may be, not only the amounts adjudicated due hereunder, together with the late payment penalty and interest due thereon, but also the reasonable fees and disbursements of such attorneys and all other expenses, costs and disbursements so incurred, whether or not an action is commenced.

SECTION 4.04. REMEDIES; WAIVER AND NOTICE. (A) No Remedy Exclusive. No remedy herein conferred upon or reserved to the Agency or any Taxing Entity is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Payment in Lieu of Tax Agreement or now or hereafter existing at law or in equity or by statute.

(B) Delay. No delay or omission in exercising any right or power accruing upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

(C) Notice Not Required. In order to entitle the Agency or any Taxing Entity to exercise any remedy reserved to it in this Payment in Lieu of Tax Agreement, it shall not be necessary to, give

any notice, other than such notice as may be expressly required in this Payment in Lieu of Tax Agreement.

(D) No Waiver. In the event any provision contained in this Payment in Lieu of Tax Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to be a waiver of any other breach hereunder. No waiver, amendment, release or modification of this Payment in Lieu of Tax Agreement shall be established by conduct, custom or course of dealing.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. TERM. (A) General. This Payment in Lieu of Tax Agreement shall become effective and the obligations of the Company shall arise absolutely and unconditionally upon the approval of this Payment in Lieu of Tax Agreement by resolution of the Agency and the execution and delivery of this Payment in Lieu of Tax Agreement by the Company and the Agency. Unless otherwise provided by amendment hereof, this Payment in Lieu of Tax Agreement shall continue to remain in effect until the date on which the Lease Agreement is terminated pursuant to Article X or Article XI thereof.

(B) Extended Term. In the event that (1) the Project Facility shall be conveyed to the Company,(2) on the date on which the Company obtains the Agency's interest in the Project Facility, the Project Facility shall be assessed as exempt upon the assessment roll of any one or more of the Taxing Entities, and (3) the fact of obtaining title to the Agency's interest in the Project Facility shall not immediately obligate the Company to make pro-rata tax payments pursuant to legislation similar to Chapter 635 of the 1978 Laws of the State (codified as subsection 3 of Section 302 of the Real Property Tax Law and Section 520 of the Real Property Tax Law), this Payment in Lieu of Tax Agreement shall remain in full force and effect and the Company shall be obligated to make payments to the Receiver of Taxes for the City of Cohoes in amounts equal to those amounts which would be due from the Company to the respective Taxing Entities if the Project Facility were owned by the Company and not the Agency until the first tax year in which the Company shall appear on the tax rolls of the various Taxing Entities having jurisdiction over the Project Facility as the legal owner of record of the Project Facility.

SECTION 5.02. FORM OF PAYMENTS. The amounts payable under this Payment in Lieu Tax Agreement shall be payable in such coin and currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

SECTION 5.03. COMPANY ACTS. Where the Company is required to do or accomplish any act or thing hereunder, the Company may cause the same to be done or accomplished with the same force and effect as if done or accomplished by the Company.

SECTION 5.04. AMENDMENTS. This Payment in Lieu of Tax Agreement may not be effectively amended, changed, modified, altered or terminated except by an instrument in writing executed by the parties hereto.

SECTION 5.05. NOTICES. (A) General. All notices, certificates or other communications hereunder shall be in writing and may be personally served, telecopied or sent by courier service or United States mail and shall be sufficiently given and shall be deemed given when (1) delivered in person or by courier to the applicable address stated below, (2) when received by telecopy or (3) three business days after deposit in the United States, by United States mail (registered or certified

mail, postage prepaid, return receipt requested, property addressed), or (4) when delivered by such other means as shall provide the sender with documentary evidence of such delivery, or when delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) Notices Given by Taxing Entities. Notwithstanding the foregoing, notices of assessment or reassessment of the Project Facility and other notices given by a Taxing Entity under Article II hereof shall be sufficiently given and shall be deemed given when given by the Taxing Entity in the same manner in which similar notices are given to owners of taxable properties by such Taxing Entity.

(C) Addresses. The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE AGENCY:

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047
Attention: Chairman

WITH A COPY TO:

Darrin Derosia, Esq.
City Hall
97 Mohawk Street
Cohoes, New York 12047

M. Cornelia Cahill, Esq.
Girvin & Ferlazzo, P.C.
20 Corporate Woods Boulevard
Albany, New York 12211

IF TO THE COMPANY:

Harmony Mills Riverview, LLC
100 North Mohawk Street
Cohoes, New York 12047

WITH A COPY TO:

David P. Corsi, Esq.
Nixon Peabody LLP

Two Embarcadero Center
San Francisco, California 94111

(D) Copies. A copy of any notice given hereunder by the Company which affects in any way a Taxing Entity shall also be given to the chief executive officer of such Taxing Entity.

(E) Change of Address. The Agency and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

SECTION 5.06. BINDING EFFECT. This Payment in Lieu of Tax Agreement shall inure to the benefit of, and shall be binding upon, the Agency, the Company and their respective successors and assigns. The provisions of this Payment in Lieu of Tax Agreement are intended to be for the benefit of the Agency and the respective Taxing Entities.

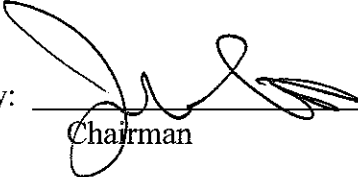
SECTION 5.07. SEVERABILITY. If any article, section, subdivision, paragraph, sentence, clause, phrase, provision or portion of this Payment in Lieu of Tax Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction, such article, section, subdivision, paragraph, sentence, clause, phrase, provision or portion so adjudged invalid, illegal or unenforceable shall be deemed separate, distinct and independent and the remainder of this Payment in Lieu of Tax Agreement shall be and remain in full force and effect and shall not be invalidated or rendered illegal or unenforceable or otherwise affected by such holding or adjudication.

SECTION 5.08. COUNTERPARTS. This Payment in Lieu of Tax Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

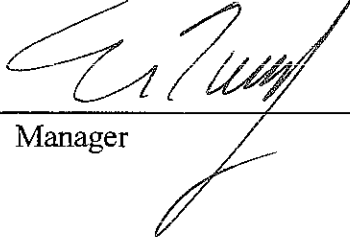
SECTION 5.09. APPLICABLE LAW. This Payment in Lieu of Tax Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Agency and the Company have caused this Payment in Lieu of Tax Agreement to be executed in their respective names by duly authorized officers thereof, all being done as of the date first above written.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

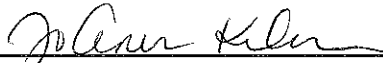
By:  _____
Chairman

HARMONY MILLS RIVERVIEW, LLC

By:  _____
Manager

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 11th day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared John T. McDonald, III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.




Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01K15052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 20 15

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared Uri Kaufman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58/11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24/06'24" East, 41.80 feet to a point; 2) South 16/31'33" East, 150.00 feet to a point; 3) South 27/01'48" East, 275.00 feet to a point and 4) South 09/44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58/47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89/31'26" West, 27.56 feet to a point; 2) North 31/10'33" West, 447.52 feet to a point and 3) North 82/18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31/12'02" West, 119.31 feet to a point and 2) North 32/07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58/11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58/11'10" East, 49.63 feet to a point; thence

in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13/53'25" East, 122.91 feet to a point; 2) South 27/37'16" East, 50.88 feet to a point; 3) South 10/59'35" West, 29.30 feet to a point; 4) South 27/43'36" East, 113.85 feet to a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview. LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
02/26/2005

PRODUCER (518)463-3181 FAX (518)463-5048
Fuller & O'Brien, Inc.
75 State Street
P. O. Box 1099
Albany, NY 12201

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED BBL Construction Services LLC
302 Washington Avenue Ext.
P. O. Box 12789
Albany, NY 12212

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: St. Paul Travelers	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC	KK 03100126	04/01/2004	04/01/2005	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
A		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	KK 03100126	04/01/2004	04/01/2005	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
A		EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$ 10,000	KG 03100977	04/01/2004	04/01/2005	EACH OCCURRENCE \$ 10,000,000 AGGREGATE \$ 10,000,000
A		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (EXCLUDES WC-MONOPOLISTIC STATES-EL COVERAGE INCL.) If yes, describe under SPECIAL PROVISIONS below	WVK 3100230	04/01/2004	04/01/2005	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
		OTHER				

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
Building No. 3, Harmony Mills, 100 North Mohawk Street, Cohoes, NY 12047

Certificate Holder(s) are Additional Insured as Required by Written Contract for General Liability, Automobile Liability & Excess Liability - See Attached
Thirty (30) Days Written Notice of Policy Change, Cancellation or Non-Renewal to Certificate Holders.

CERTIFICATE HOLDER

- 1) Harmony Mills Riverview, LLC
- 2) GMAC Commercial Mortgage Bank
- 3) City of Cohoes Industrial Devel. Agency
- 4) U.S. Department of Housing and Urban Development
(See Attached)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE
Thomas Tyrrell/ALA

Thomas Q. Tyrrell

1) Harmony Mills Riverview, LLC

Certificate issued to 1) Harmony Mills Riverview, LLC
Fuller & O'Brien, Inc.

02/26/2005

02/26/2005

ADDITIONAL INSUREDS / CERTIFICATE HOLDERS:

- 1.) Harmony Mills Riverview, LLC - Mortgagor
135 Fulton Street
Lawrence, New York 11559
- 2.) GMAC Commercial Mortgage Bank - Mortgagee
6955 Union Park Center, Suite 330
Salt Lake City, Utah 80447
- 3.) City of Cohoes Industrial Development Agency
Cohoes City Hall
97 Mohawk Street
Cohoes, New York 12047
- 4.) U.S. Department of Housing and Urban Development
Buffalo Office
465 Main Street
Buffalo, New York 14203-1780

**ADDITIONAL PROTECTED PERSONS ENDORSEMENT – CONTRACTORS
GENERAL LIABILITY – INCLUDING COMPLETED WORK**

The **StPaul**

This endorsement changes your Contractors Commercial General Liability Protection.

NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.

How Coverage Is Changed

There are two changes which are described below.

1. The following is added to the Who Is Protected Under This Agreement section. This change adds certain protected persons and limits their protection.

Additional protected person. The person or organization named below is an additional protected person as required by a contract or agreement entered into by you. But only for covered injury or damage arising out of:

- your work for that person or organization;
- your completed work for that person or organization if your contract or agreement requires such coverage;
- premises you own, rent, or lease from that person or organization; or
- your maintenance, operation, or use of equipment leased from that person or organization.

We explain what we mean by your work and your completed work in the Products and completed work total limit section.

If the additional protected person is an architect, engineer, or surveyor, we won't cover injury or damage arising out of the performance or failure to perform

architect, engineer, or surveyor professional services.

Architect, engineer, or surveyor professional services includes:

- the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs, or specification; and
- supervisory, inspection, or engineering services.

2. The following is added to the Other primary insurance section. This change broadens coverage.

We'll consider this insurance to be primary to and non-contributory with the insurance issued directly to additional protected persons listed below if:

- your contract specifically requires that we consider this insurance to be primary or primary and non-contributory; or
- you request before a loss that we consider this insurance to be primary or primary and non-contributory insurance.

Other Terms

All other terms of your policy remain the same.

Person Or Organization:

City of Cohoes Industrial Development Agency
Cohoes City Hall, 97 Mohawk Street, Cohoes, New York 12047

Project: Building No. 3, Harmony Mills, 100 North Mohawk Street, Cohoes, NY 12047

Name of Insured

BBL CONSTRUCTION SERVICES LLC

Policy Number KK03100126

Effective Date 1/21/2005

Processing Date 2/26/2005

MORTGAGE

THIS MORTGAGE, made the 14th day of February, 2005 between HARMONY MILLS RIVERVIEW LLC, a limited liability company organized and existing under the laws of the State of New York, having its principal place of business at 135 Fulton Street, Lawrence, New York 11559, and the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY a corporate governmental entity validly existing under the laws of the State of New York, with its principal office located at 97 Mohawk Street, Cohoes, New York 12047, hereinafter collectively the MORTGAGOR, and GMAC COMMERCIAL MORTGAGE BANK, a Utah Industrial Bank, organized and existing under the laws of the State of Utah and having its principal place of business at 6955 Union Park Center, Suite 330, Midvale, Utah 84047, the MORTGAGEE,

WITNESSETH, that to secure the payment of an indebtedness in the principal sum of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00), lawful money of the United States, which sum is being loaned pursuant to the provisions of the Building Loan Agreement referred to in paragraph 16 hereof, and which sum, or so much thereof as may be advanced, with interest from date on outstanding balance at Five and Five-Eighths percent (5.625%) per annum, is payable in monthly installments in accordance with the terms of a certain Note or obligation bearing even date herewith and having a final maturity of May 1, 2046, which Note is identified as being secured hereby by a certificate thereon. Said Note and all of its terms are incorporated herein by reference and this Mortgage shall secure any and all extensions and modifications thereof, however evidenced.

AND ALSO to secure payment by the Mortgagor to the Mortgagee of all sums expended or advanced by the Mortgagee pursuant to any term or provision of this Mortgage; AND ALSO to secure performance of each covenant, term, condition and agreement of the Mortgagor herein contained and in the Regulatory Agreement and Building Loan Agreement hereinafter referred to, the Mortgagor hereby mortgages to the Mortgagee:

ALL that certain lot, piece or parcel of land with the buildings and improvements thereon erected, situate, lying and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows: As more particularly described in Schedule "A" attached hereto and made a part hereof.

Together with all right, title and interest of the Mortgagor in and to the land lying in the streets and roads in front of and adjoining said premises; and

Replaces Form F1A-4159K, which is Obsolete

(A facsimile prepared by Byrne, Costello & Pickard, P.C.)

HUD-94159K (2-81)
(MULTIFAMILY)

Record & Return to:
F. Scott, Molnar, Esq.
Byrne, Costello & Pickard, P.C.
100 Madison St., Suite 800,
Syracuse, NY 13202

TOGETHER with all fixtures and articles of personal property now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the lands herein described which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected including, but not limited to, all awnings, screens, shades, venetian blinds, cabinets, fixtures; and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, and air conditioning equipment and fixtures and appurtenances thereto; and such other goods and chattels and personal property as are ever used or furnished in operating a building or the activities conducted therein similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be, attached to said building or buildings in any manner, Mortgagor hereby covenanting for itself and its successors that all the aforesaid property mentioned in this paragraph, all of which is intended to be included in the mortgaged property, when acquired and placed upon the premises, is and shall be owned by it in fee simple, free and clear of all liens and encumbrances; it being hereby mutually agreed that all the aforesaid property shall, so far as permitted by law, be deemed to be affixed to the realty; and together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein (as described in a Security Agreement of even date between the Mortgagor and the Mortgagee).

The Mortgagor further covenants and agrees as follows:

1. That Mortgagor will pay the Note at the times and in the manner provided therein;
2. That Mortgagor will not permit or suffer the use of any of the property for any purpose other than the use for which the same was intended at the time this Mortgage was executed; nor will it permit or suffer any alteration of or addition to the building or improvements hereafter constructed in or upon said property without the consent of the Mortgagee;
3. That the Regulatory Agreement, if any, executed by the Mortgagor and the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner, which is being recorded simultaneously herewith, is incorporated in and made a part of this Mortgage. Upon default under the Regulatory Agreement and upon the request of the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner, the Mortgagee, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;
4. That all rents, profits and income from the property covered by this Mortgage are hereby assigned to the Mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to Mortgagor so long as no default exists hereunder, to collect such rents, profits and income for use in accordance with the provisions of the Regulatory Agreement;
5. That upon default hereunder Mortgagee shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom;
6. That at the option of the Mortgagor the principal balance secured hereby may be reamortized on terms acceptable to the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner if a partial prepayment results from an award in condemnation in accordance with provisions of Paragraph 8 herein, or from an insurance payment made in accordance with provisions of Paragraph 7 herein, where there is a resulting loss of project income; See Rider Attached
7. That the Mortgagor will keep the improvements now existing or hereafter erected on the mortgaged property insured against loss by fire and such other hazards, casualties, and contingencies, as may be stipulated by the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner upon the insurance of the Mortgage and other hazards as may be required from time to time by the Mortgagee, and all such insurance shall be evidenced by standard Fire and Extended Coverage Insurance Policy or policies, in amounts not less than necessary to comply with the applicable Coinsurance Clause percentage, but in no event shall the amounts of coverage be less than 80% of the Insurable Values or not less than the unpaid balance of the insured Mortgage, whichever is the lesser, and in default thereof the Mortgagee shall have the right to effect insurance. Such policies shall be endorsed with standard Mortgagee clause with loss payable to the Mortgagee and the Secretary of Housing and Urban Development as interest may appear, and shall be deposited with the Mortgagee;
- That if the premises covered hereby, or any part thereof, shall be damaged by fire or other hazard against which insurance is held as hereinabove provided, the amounts paid by any insurance company in pursuance of the contract of insurance to the extent of the indebtedness then remaining unpaid, shall be paid to the Mortgagee, and, at its option, may be applied to the debt or released for the repairing or rebuilding of the premises; *Continued on Rider Attached*
8. That all awards of damages in connection with any condemnation for public use of or injury to any of said property, shall be paid to the Mortgagee to be applied to the amount due under the Note secured hereby in (1) amounts equal to the next maturing installment or installments of principal and (2) with any balance to be credited to the next payment due under the Note. That all awards of damages in connection with any condemnation for public use of or injury to any residue of that property, shall be paid to the Mortgagee to be applied to a fund held for and on behalf of the Mortgagor which fund shall, at the option of the Mortgagee, and with the prior approval of the Secretary of Housing and Urban Development, either be applied to the amount due under the Note specified in the preceding sentence, or be disbursed for the restoration or repair of the damage to the residue. No amount applied to the reduction of the principal amount due in accordance with (1) shall be considered an optional prepayment as the term is used in this Mortgage and the Note secured hereby; nor relieve the Mortgagor from making regular monthly payments commencing on the first month following the date of receipt of the award. The holder of the Note is hereby authorized in the name of the Mortgagor to execute and deliver valid acquittances for such awards and to appeal from such awards; See Rider Attached
9. That in order more fully to protect the security of this Mortgage, together with, and in addition to, the monthly payments of principal and interest payable under the terms of the Note secured hereby, the Mortgagor agrees to deposit with the Mortgagee concurrently with payments of interest or of interest and principal, on the first day of each month after the date hereof until the said Note is fully paid, the following sums:
 - (a) An amount sufficient to provide the Mortgagee with funds to pay the next mortgage insurance premium if this instrument and the Note secured hereby are insured, or a monthly service charge, if they are held by the Secretary of Housing and Urban Development, as follows:
 - (I) If and so long as said Note of even date and this instrument are insured or are reinsured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hands of the Mortgagee one month prior to its due date the annual mortgage insurance premium in order to provide such Mortgagee with funds to pay such premium to the Secretary of Housing and Urban Development pursuant to the National Housing Act, as amended, and applicable Regulations thereunder, or
 - (II) If and so long as said Note of even date and this instrument are held by the Secretary of Housing and Urban Development, a monthly service charge in an amount equal to 1/12 of 1/2% of the average outstanding principal balance due on the Note computed for each successive year beginning with the first day of the month following the date of this instrument, if the Secretary of Housing and Urban Development is the mortgagee named herein, or the first day of the month following assignment, if the Note and this instrument are assigned to the Secretary of Housing and Urban Development, without taking into account delinquencies or prepayment;
 - (b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other property insurance covering the premises covered hereby, plus water rates, taxes and assessments next

due on the premises covered hereby (all as estimated by the Mortgagee) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, water rates, taxes and assessments will become delinquent, such sums to be held by Mortgagee in trust to pay said ground rents, premiums, water rates, taxes and special assessments;

- (c) All payments mentioned in the two preceding subsections of this paragraph and all payments to be made under the Note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Mortgagee to the following items in the order set forth:
- (i) premium charges under the Contract of Insurance with the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner or service charge;
 - (ii) ground rents, taxes, special assessments, water rates, fire and other property insurance premiums;
 - (iii) interest on the Note secured hereby;
 - (iv) amortization of the principal of said Note;

10. Any excess funds accumulated under (b) of the preceding paragraph remaining after payment of the items therein mentioned shall be credited to subsequent monthly payments of the same nature required thereunder; but if any such item shall exceed the estimate therefor the Mortgagor shall without demand forthwith make good the deficiency. Failure to do so before the same becomes delinquent or subject to interest or penalties shall be a default hereunder. In case of termination of the Contract of Mortgage Insurance by prepayment of the mortgage in full, or otherwise (except as hereinafter provided), accumulations under (a) of the preceding paragraph not required to meet payments due under the Contract of Mortgage Insurance, shall be credited to the Mortgagor. If the property is sold under foreclosure or is otherwise acquired by the Mortgagee after default, any remaining balance of the accumulations under (b) of the preceding paragraph shall be credited to the principal of the Mortgage as of the date of commencement of foreclosure proceedings or as of the date the property is otherwise acquired; and accumulations under (a) of the preceding paragraph shall be likewise credited unless required to pay sums due the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner under the Contract of Mortgage Insurance;

11. That no building on the premises shall be altered, removed, or demolished without the consent of the Mortgagee;

12. That the Mortgagor will pay all taxes, assessments, or water rates, and in default thereof, the Mortgagee may pay the same;

13. That the Mortgagor within five days upon request in person or within ten days upon request by mail will furnish a written statement duly acknowledged of the amount due on this Mortgage and whether any offsets or defenses exist against the Mortgage debt;

14. That the Mortgage warrants the title to the premises and that this Mortgage is, and will be maintained as, a valid first lien on the premises;

15. That in case of sale under foreclosure the premises may be sold in one parcel;

16. This Mortgage and the Note secured hereby were executed and delivered to secure moneys advanced or to be advanced and to be used in the construction of certain improvements on the lands herein described, in accordance with a building loan agreement between the parties hereto dated concurrently, and intended to be filed simultaneously herewith, which building loan agreement (except such part or parts thereof as may be inconsistent herewith) is incorporated herein by reference to the same extent and effect as if fully set forth and made a part of this Mortgage, which said building loan agreement Mortgagee hereby covenants to perform; and if the construction of the improvements to be made pursuant to said building loan agreement shall not be carried on with reasonable diligence, or shall be discontinued at any time for any reason other than strikes or lock-outs, the Mortgagee, after due notice to the Mortgagor, or any subsequent owner, is hereby invested with full and complete authority to enter upon the same premises, employ watchmen to protect such improvements from depredation or injury, and to preserve and protect the personal property therein, and to continue any and all outstanding contracts for the erection and completion of said building or buildings, to make and enter into contracts and obligations wherever necessary, either in its own name or in the name of the Mortgagor, or other owner, and to pay and discharge all debts, obligations, and liabilities incurred thereby. All such sums so advanced by the Mortgagee (exclusive of advances of the principal of the indebtedness secured hereby) shall be added to the principal of the indebtedness secured hereby and shall be secured by this Mortgage and shall be due and payable on demand with interest at the rate specified in said Note, but no such advances shall be insured unless the same are specifically approved by the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner prior to the making thereof. The principal sum with interest and other charges provided for herein shall, at the option of the Mortgagee or holder of this Mortgage and the Note secured thereby, become due and payable on the failure of the Mortgagor, or owner, to keep and perform any of the covenants, conditions, and agreements of said building loan agreement. This covenant shall be terminated upon the completion of the improvements to the satisfaction of the Mortgagee and the making of the final advance as provided in said building loan agreement;

17. The Mortgagor covenants that it will not voluntarily create or permit to be created against the property subject to this Mortgage any lien or liens inferior or superior to the lien of this Mortgage, (continued on Rider attached)

18. That the Mortgagor will give immediate notice by mail to the Mortgagee of any fire, damage, or other casualty to the premises or of any conveyance, transfer, or change of ownership of the premises. The holder of this Mortgage, its agents or servants, shall have the right to inspect the mortgaged premises from time to time at any reasonable hour of the day;

19. That Mortgagor will not permit or commit any waste on said premises and will keep the buildings thereon and all equipment therein mortgaged in good repair, and promptly comply with all laws, ordinances, regulations, and requirements of any governmental body affecting the said mortgaged premises, and should said premises or any part thereof require inspection, repair, care, or attention of any kind or nature not provided by the Mortgagor, the Mortgagee, being hereby made sole judge of the necessity therefor, may enter or cause entry to be made upon said property, and inspect, repair, protect, care for or maintain said property as the Mortgagee may deem necessary, and may pay such sum of money therefor, and shall be the sole judge of the amount necessary to be paid;

20. That upon any default by the Mortgagor in the compliance with, or performance of, any of the terms, covenants, or conditions of this Mortgage or of the Note secured hereby, the Mortgagee may at its option remedy such default; and that all payments made by the Mortgagee to remedy a default by the Mortgagor as aforesaid (including reasonable attorney's fees) and the total of any payment or payments due from the Mortgagor to the Mortgagee and in default, together with interest thereon at the rate specified in said Note per annum shall be added to the debt secured by this Mortgage and shall be repaid to the Mortgagee upon demand. Any such sum and the interest thereon shall be a lien on the premises, prior to any other lien attaching or accruing subsequent to the lien of this Mortgage;

21. That after any default herein or in the Note secured hereby, the Mortgagor or any subsequent owner shall, upon demand, surrender possession of the premises to the holder of this Mortgage, and the holder of this Mortgage may enter upon the premises and let the same and collect all the rents therefrom, which are due, or to become due, and apply the same, after payment of all charges and expenses on account of the indebtedness hereby secured; and all the leases existing at the time of such default, are hereby assigned to the holder of this Mortgage as further security for the payment of said indebtedness. The holder of this Mortgage may also dispossess, by the usual summary proceedings, any tenant defaulting in the payment to the holder of this Mortgage of any rent. In the event that the Mortgagor or any subsequent owner of said premises occupies the same, the Mortgagor agrees for himself and for such owner to surrender possession of the premises to the holder of this Mortgage immediately upon any default hereunder and if such Mortgagor or subsequent owner remains in possession after any default the possession shall be as tenant of the holder of this Mortgage and Mortgagor or such subsequent owner agrees to pay in advance upon demand to the holder of this Mortgage as a reasonable monthly rental for the premises an amount at least equivalent to one-twelfth (1/12) of the aggregate of the twelve monthly installments payable in the then current year, plus the actual amount of the annual taxes, assessments, water rates, and insurance premiums for such year not covered by the aforesaid monthly payments, and in default of so doing such Mortgagor or subsequent owner may also be dispossessed by the usual summary proceedings. This covenant shall become effective immediately after the happening of any such default, solely on the determination of the then holder of this Mortgage. In case of foreclosure and the appointment of a receiver of the rents, this covenant shall inure to the benefit of such receiver;

22. The Mortgagor covenants and warrants that the improvements about to be made upon the premises above described and all plans and specifications comply with all municipal ordinances and regulations made or promulgated by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the fire rating or inspection organization, bureau, association or office having jurisdiction, which are now or may hereafter become applicable;

23. That the Mortgagor will receive the advances secured by this Mortgage and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvement, and that it will apply said advancement

before using any part of the total of the same for any other purpose;

24. That so long as this Mortgage and the Note secured hereby are insured or held by the Secretary of Housing and Urban Development, under the provisions of the National Housing Act, the Mortgagor will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the mortgaged property on the basis of race, color, creed, or national origin;

25. That the whole of the said principal sum and of any other sums of money secured by this Mortgage shall, forthwith or thereafter, at the option of the Mortgagee, become due and payable upon the happening of either of the following events, irrespective of whether or not the same be remedied by the Mortgagee:

- (a) Failure to make any monthly payment provided for herein or in the Note secured hereby prior to the due date of the next such installment.
- (b) Failure of the Mortgagor to perform or comply with any other covenant, agreement, term, or condition of this mortgage or of the Note secured hereby in accordance with the terms hereof and thereof.

26. In the event the Mortgagee shall declare the whole of the said principal sum and of any other sums of money secured by this Mortgage, due and payable as aforesaid, the Mortgagor does hereby authorize and fully empower the Mortgagee to sell the mortgaged premises at public auction, and convey the same to the purchaser according to the statute in such case made and provided;

27. That no waiver of any covenant herein or of the Note secured hereby shall at anytime thereafter be held to be a waiver of the terms hereof or of the Note secured hereby.

28. That if the Mortgagee is made or becomes a party to any suit or action, by reason of this Mortgage or the indebtedness hereby secured, the Mortgagor will pay all expenses incurred by the Mortgagee therein, including a reasonable attorney's fee;

29. See Rider Attached.
30. See Rider Attached.

PROVIDED ALWAYS, NEVERTHELESS, that if the Mortgagor shall well and truly pay the said Note and other indebtedness secured hereby, and shall fully keep and perform all the covenants, agreements, terms and conditions in this Mortgage and in the Note secured hereby, then this Mortgage shall be released and discharged at the cost of the Mortgagor.

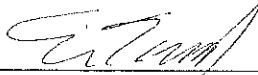
This Mortgage and every covenant and agreement therein contained shall be binding upon and inure to the benefit of the Mortgagor and the Mortgagee and their respective successors and assigns and to the extent permitted by law shall bind every subsequent owner of the mortgaged premises. Whenever used, the singular number shall include the plural, the plural the singular and the use of any gender shall be applicable to all genders.

This Mortgage has been executed by authority of the Members of the Mortgagor.

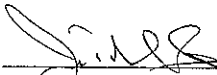
(Remainder of Page intentionally left blank)

IN WITNESS WHEREOF, this Mortgage has been duly executed by the Mortgagor.

HARMONY MILLS RIVERVIEW LLC, a New York
limited liability company

By: 
Uri Kaufman, its Manager

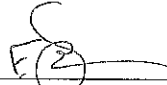
CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: 
John T. McDonald, III Chairman

STATE OF NEW YORK) ss:
COUNTY OF ERIE)

On the 14 day of February, 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared Uri Kaufinan, Manager of Harmony Mills Riverview LLC, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies) and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

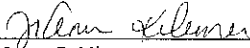
F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 8, 2006



Notary Public

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

On the 11th day of February, in the year 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared John T. McDonald, III, Chairman of the City of Cohoes Industrial Development Agency, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.



Notary Public

JEAN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 018552388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 2005

RIDER TO AND MADE A PART OF MORTGAGE FROM
HARMONY MILLS RIVERVIEW LLC AND
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
TO
GMAC COMMERCIAL MORTGAGE BANK
DATED FEBRUARY 14, 2005

6. That the principal balance secured hereby shall be reamortized (which means that succeeding required monthly payments due on the Note shall be reduced to approximately equal amounts sufficient to pay the Note over the remaining term thereof) if a partial prepayment of principal results from an award in condemnation in accordance with provisions of Paragraph 8 herein, or from an insurance payment made in accordance with provisions of Paragraph 7 herein. Any such partial prepayment of principal shall be made on the last day of the month in which it is made.

Continuation of second paragraph of Paragraph 7: , provided, however, that such amount applied to the debt evidenced by the Note shall be applied in accordance with Paragraph 6 hereof. No amount applied pursuant to this Paragraph 7 to the debt evidenced by the Note shall be considered an optional prepayment for the purpose of this Mortgage or the Note.

8. That all awards of damages in connection with any condemnation for public use of or injury to any of said property, shall be paid to the Mortgagee to be applied to a fund held for an on behalf of the Mortgagor, which fund shall, at the option of the Mortgagee, and with the prior approval of the Secretary of Housing and Urban Development, either be applied to the amount due under the Note referred to herein, or be disbursed for the restoration or repair of the damage to the residue of said property. The application, if any, to the Note of all awards of damages shall be in accordance with Paragraph 6 hereof. No amount applied, as set forth herein, to the reduction of the principal amount due shall be considered an optional prepayment as the term is used in this Mortgage and in the Note secured hereby, nor relieve the Mortgagor from making regular monthly payments commencing with the first payment required upon reamortization (as defined in Paragraph 6 hereof) of the debt evidenced by the Note. The holder of the Note is hereby authorized in the name of the Mortgagor to execute and deliver valid acquittances for such awards and to appeal from such awards.

Continuation of Paragraph 15: A POWER OF SALE PURSUANT TO ARTICLE 14 OF REAL PROPERTY ACTIONS AND PROCEEDINGS LAW OF NEW YORK HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS MORTGAGE.

Continuation of Paragraph 17: , except as may be authorized by the Mortgagee and the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner.

Continuation of Paragraph 26: In any such case, the Mortgagee shall be entitled to exercise all further and additional remedies as might now or hereafter be accorded to the Mortgagee at law or in equity, including, without limitation, (1) foreclosure of this Mortgage by judicial proceeding, or (2) after any notice to the Mortgagor required by Article 14 of Real Property Actions and Proceeding Law of New York, as amended from time to time ("Article 14"), foreclosure of this Mortgage by power of sale pursuant to the provisions of Article 14. The Mortgagor hereby confers upon the Mortgagee and grants to the Mortgagee the power to sell the mortgaged property and premises pursuant to Article 14 or any other applicable authority. No action of the Mortgagee based upon the provisions contained herein or contained in Article 14, including, without limitation, the giving of any of the notices provided for in Article 14 shall constitute an election of remedies which would preclude the Mortgagee from pursuing judicial foreclosure before or at any time after commencement of the power of sale foreclosure procedure. Notwithstanding anything to the contrary contained in this Mortgage, any notice required by Article 14 to the Mortgagor, or to any other interested party, that this Mortgage will be foreclosed by power of sale pursuant to the provisions of Article 14 may be provided by first class mail or by any other means permitted under Article 14. Notwithstanding any other provision contained herein or in the Note, it is agreed that the execution of the Note shall impose no personal liability upon the Mortgagor for payment of the indebtedness evidenced thereby and in the event of a default, the holder of the Note shall look solely to the property subject to this Mortgage and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note and will not seek or obtain any deficiency or personal judgment against the Mortgagor except such judgment or decree as may be necessary to foreclose or bar its interest in the property subject to this Mortgage and all other property mortgaged, pledged, conveyed or assigned to secure payment of the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of the maker under the Regulatory Agreement herein referred to and made a part hereof.

29. In further consideration of the endorsement of the aforesaid Note for insurance by the U.S. Secretary of Housing and Urban Development, acting by and through the Assistant Secretary for Housing-Federal Housing Commissioner (hereinafter referred to as the "Secretary"), and in order to comply with the requirements of the National Housing Act, as amended, and the regulations adopted by the Secretary pursuant thereto, and in connection with the mortgaged property and the project operated thereon, and notwithstanding anything contained in the Note, Mortgage or Regulatory Agreement to the contrary, the Mortgagor, for itself and its managers, members, successors and/or assigns, agrees that during any time the Secretary is the insurer, reinsurer, holder or owner of a mortgage on said mortgaged property:

(a) If any provision of the Articles of Organization, Operating Agreement, other organizational documents of the Mortgagor or any later amendment to those documents, conflicts with the terms of the project loan documents (e.g., the Note, this Mortgage, the Security Agreement, and/or the Regulatory Agreement), the provisions of the project loan documents will control.

(b) Notwithstanding any provisions of state law to the contrary, any signatory to the Regulatory Agreement or member of the Mortgagor receiving funds of the project other than by distribution of surplus cash as authorized in the Regulatory Agreement shall immediately deposit such funds in the project bank account and failing to do so in violation of the Regulatory Agreement shall hold such funds in trust. Notwithstanding any provision of state law to the contrary, any signatory to the Regulatory Agreement or member of the Mortgagor receiving property of the project in violation of the Regulatory Agreement shall immediately deliver such property to the project and failing to do so shall hold such property in trust.

(c) Notwithstanding any provision of state law to the contrary, all signatories to the Regulatory Agreement on behalf of the Mortgagor and all members of the Mortgagor are liable for: (i) funds or property of the project coming into their hands which, by the provisions of the Regulatory Agreement, they are not entitled to retain; and (ii) their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions of the Regulatory Agreement.

(d) Notwithstanding any provision of state law to the contrary, any member-manager, member with governance interests equaling or exceeding 10 percent, or member with financial interests equaling or exceeding 25 percent of the Mortgagor, shall be liable on a joint and several basis, in the amount of any loss, damage or cost (including but not limited to attorneys' fees) resulting from fraud or intentional misrepresentation by the Mortgagor, the Mortgagor's agents or employees, or a member of the Mortgagor in connection with obtaining the loan evidenced by the Note, or in complying with any of the Mortgagor's obligations under the loan documents.

(e) All signatories to the Regulatory Agreement on behalf of the Mortgagor shall be considered agents of the Mortgagor for the purpose of establishing liability under the double damages provisions at 12 U.S.C. § 1715z-4a and the equity skinning penalty under 12 U.S.C. 1715z-19, unless the Secretary agrees in writing to the contrary.

(f) Each signatory to the Regulatory Agreement will be liable for payment of the entire amount of any civil money penalty imposed on the Mortgagor pursuant to Section 537 of the National Housing Act, 12 U.S.C. § 1735f-15.

(g) The Mortgagor has designated Uri Kaufman, its Manager and/or Ira Schwartz, Member as its representatives for all matters concerning the project which require the Secretary's consent or approval. The signature of this party will bind the Mortgagor in all such matters. The Mortgagor may from time to time appoint a new representative to perform this function, but within 3 business days of doing so, will provide the Secretary with written notification of the name, address, and telephone number of its new representative. When a member other than the member identified above has full or partial authority for management of the project, the Mortgagor will promptly provide the Secretary with the name of that member and the nature of that member's management authority.

(h) Notwithstanding any provision of state law to the contrary, no signatory to the Regulatory Agreement or member of the Mortgagor shall have any right of subrogation or indemnification against the Mortgagor or the property of the project by reason of any payment made or liability incurred pursuant to the Regulatory Agreement or any statute referred to above.

30. Notwithstanding any other provision contained herein or in the Note, it is agreed that the execution of the Note shall impose no personal liability upon the Mortgagor for payment of the indebtedness evidenced thereby and in the event of a default, the holder of the Note shall look solely to the property subject to this Mortgage and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note and will not seek or obtain any deficiency or personal judgment against the mortgagor except such judgment or decree as may be necessary to foreclose or bar its interest in the property subject to this Mortgage and all other property mortgaged, pledged, conveyed or assigned to secure payment of the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of the maker under the Regulatory Agreement herein referred to and made a part hereof.

SCHEDULE "A"

Legal Description

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Eiks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & Light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58°11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58°11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13°53'25" East, 122.91 feet to a point; 2) South 27°37'16" East, 50.88 feet to a point; 3) South 10°59'35" West, 29.30 feet to a point; 4) South 27°43'36" East, 113.85 feet to a point; 5) South 22°12'51" East, 171.95 feet to a point; 6) South 12°47'27" West, 39.47 feet to a point and 7) South 06°16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09°44'26" West, 164.00 feet to a point; 2) North 27°01'48" West, 275.00 feet to a point; 3) North 16°31'33" West, 150.00 feet to a point and 4) North 24°06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

Harmony Mills Apartments
Cohoes, New York
FHA Project No. 014-32004

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, made as of the 14th day of February, 2005 (hereinafter referred to as this "Security Agreement"), between HARMONY MILLS RIVERVIEW LLC, a Limited Liability Company organized and existing under the laws of the State of New York and having its principal place of business at 135 Fulton Street, Lawrence, New York 11559 and the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental entity validly existing under the laws of the State of New York, with its principal office located at 97 Mohawk Street, Cohoes, New York 12047 (hereinafter collectively referred to as the "Debtor"), and GMAC COMMERCIAL MORTGAGE BANK, a Utah Industrial Bank organized and existing under and by virtue of the laws of the State of Utah and having its principal place of business at 6955 Union Park Center, Suite 330, Midvale, Utah 84047 (hereinafter referred to as the "Secured Party"),

WITNESSETH:

WHEREAS, to evidence a mortgage loan (hereinafter referred to as the "Mortgage Loan") to the Debtor for an indebtedness in the original principal amount of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00) (hereinafter referred to as the "Indebtedness"), the Debtor executed a certain Mortgage Note dated the date hereof in favor of the Secured Party (hereinafter referred to as the "Note");

WHEREAS, the Mortgage Loan and the Note were given in conjunction with the financing renovation, construction and operation of a certain apartment project, which project is identified as Harmony Mills Apartments, FHA Project No. 014-32004 and located at 100 North Mohawk Street, Cohoes, New York 12047 (hereinafter referred to as the "Project"); and

WHEREAS, to secure the Debtor's repayment of the Indebtedness according to the terms of the Note and also to secure any other indebtedness or liability of the Debtor to the Secured Party direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including all future advances or loans which may be made at the option of the Secured Party (hereinafter collectively referred to as the "Obligations"), the Debtor hereby grants and conveys to the Secured Party a continuing mortgage and security interest (hereinafter collectively referred to as the "Security Interest") in (a) the property, goods, chattels, products, matters, effects, claims, benefits, rights and/or intangibles described in Schedules "A" and "B" attached hereto and made a part hereof, (b) all property, goods, chattels, etc., of the same classes as those scheduled, acquired by the Debtor heretofore or subsequent to the execution of this Security Agreement and prior to its termination, (c) all proceeds thereof, if any, and (d) all substitutions, replacements and accessions thereto, (all of the above is hereinafter collectively referred to as the "Collateral").

NOW, THEREFORE, in consideration of the Project, the mutual promises hereinafter set out and other valuable considerations, the Debtor warrants, covenants and agrees as follows:

1. That the U.S. Secretary of Housing and Urban Development, acting by and through the Assistant Secretary for Housing-Federal Housing Commissioner having a place of business at 451 Seventh Street, S.W., Washington, DC 20410, and 465 Main Street, Buffalo, New York 14203 (hereinafter referred to as the "Secretary"), shall be an additional secured party under this Security Agreement, and that the Secretary shall be listed on the Uniform Commercial Code Financing Statements to be filed contemporaneously herewith; provided, however, that nothing herein or in the Uniform Commercial Code Financing Statements shall require the execution, now or at any future time, of any amendment, extension, or other document by the Secretary;

2. That the Debtor hereby grants a security interest, mortgages and pledges to the Secured Party all right, title and interest in and to the Collateral and/or all other property of any nature or kind described herein, and hereby consents and covenants that all such Collateral shall at all times and under all circumstances be and remain subject to all terms and conditions of this Security Agreement;

3. That the Debtor will pay and perform all of the Obligations secured by this Security Agreement according to its terms, and that as used herein and for purposes hereof the term "Obligations" shall mean and include the Indebtedness and any and all other indebtedness or obligations of the Debtor to the Secured Party in any capacity, now existing or hereafter incurred, however created or evidenced, regardless of kind, class or form, whether direct, indirect, absolute or contingent (including obligations pursuant to any guaranty, endorsement, other assurance of payment or otherwise), whether joint or several, whether from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, together with all extensions, renewals and replacements thereof, and all interest, fees, charges, costs or expenses which accrue on or in connection with the foregoing, including any indebtedness or obligations (i) not yet outstanding but contracted for, or with regard to which any other commitment by the Secured Party exists, (ii) arising prior to, during or after any pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding, (iii) owed by the Debtor to others and which the Secured Party obtained, or may obtain, by assignment or otherwise, and (iv) payable under this Security Agreement;

4. That the Debtor will defend the title to the Collateral against all persons and against all claims and demands whatsoever, which Collateral, except for the Security Interest granted hereby and except for certain other liens hereinafter described, is lawfully owned by the Debtor, and is now free and clear of any and all liens, security interests, claims, charges, encumbrances, taxes and assessments except as may be set forth herein or in the attached Schedules;

5. That the Debtor will furnish further assurance of title, and will execute and deliver on demand of the Secured Party any written agreement, instrument or statement required or necessary to perfect, continue or terminate the Security Interest of the Secured Party in the Collateral,

including such financing statements, control agreements or other documents in form and content satisfactory to the Secured Party, and will do any other acts necessary or required from time-to-time to perfect and continue the Security Interest and/or to effectuate the purposes and provisions of this Security Agreement, and shall pay all expenses for the preparation, filing, searches and related costs in connection with the grant and perfection of the Security Interest;

6. That the Debtor will retain possession of the Collateral during the existence of this Security Agreement primarily for the business or other use of the Project, and that the Debtor will not to sell, exchange, assign, loan, deliver, lease, mortgage or otherwise dispose of same without the written consent of the Secured Party other than in the ordinary course of business;

7. That the Debtor will keep the Collateral at the location specified in the Schedules and not to remove same (except in the usual course of business for temporary periods) without the prior written consent of the Secured Party;

8. That the Debtor will keep the Collateral free and clear of all liens, encumbrances, taxes and assessments, except for those heretofore approved by the Secured Party and the Secretary, and except for those hereinafter set forth;

9. That the Debtor will pay, when due, all taxes, assessments and license fees relating to the Collateral;

10. That the Debtor will keep the Collateral, at the Debtor's own cost and expense, in good repair and condition and available for inspection by the Secured Party or the Secretary at all reasonable times;

11. That the Debtor will keep the Collateral fully insured against loss by fire, theft and other casualties. The Debtor shall give immediate written notice to the Secured Party and to insurers of loss or damage to the Collateral and shall promptly file proofs of loss with insurers;

12. That a waiver of or acquiescence in any default by the Debtor, or failure of the Secured Party to insist upon strict performance by the Debtor of any warranties or agreements in this Security Agreement, shall not constitute a waiver of any subsequent or other default or failure, and that no notice to or demand on the Debtor in any case shall entitle the Debtor to any other or further notice or demand in similar or other circumstances;

13. That notices or demands to any of the parties hereto shall be in writing and shall be delivered personally or by mail addressed to the party at the address herein set forth or otherwise designated in writing;

14. That the Uniform Commercial Code shall govern the rights, duties and remedies of the parties, and any provisions herein declared invalid under any law shall not invalidate any other provision of this Security Agreement;

15. That the Debtor and the Secured Party hereby agree that that certain Regulatory Agreement between the Debtor and the Secretary (hereinafter referred to the "Regulatory Agreement") dated the date hereof and recorded in the land records of Albany County, New York, is incorporated in and made a part of this Security Agreement;

16. That upon any default and upon demand, the Debtor shall assemble the Collateral and make it available to the Secured Party at the place and at the time designated in the demand;

17. That upon any default, the Secured Party's reasonable attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising, and selling the Collateral shall be chargeable to the Debtor;

18. That if the Debtor shall default in the performance of any of the provisions of this Security Agreement on the Debtor's part to be performed, the Secured Party may perform same for the Debtor's account and any monies expended in so doing shall be chargeable with interest to the Debtor and added to the Indebtedness secured hereby;

19. That upon the request of the Secured Party, the Debtor shall deliver to the Secured Party any and all instruments, chattel paper, negotiable documents or other documents evidencing or constituting any part of the Collateral properly endorsed or assigned, in a manner satisfactory to the Secured Party, and that until such delivery, the Debtor shall hold such portion of the Collateral in trust for the Secured Party;

20. That the Secured Party is hereby authorized to file a Financing Statement(s). At the request of the Secured Party, the Debtor will execute all such Financing Statement(s) and will from time to time, and as need be, join with the Secured Party in executing any further Financing Statement(s) required to continue the Security Interest and first lien of this Security Agreement under the Uniform Commercial Code until all of the Obligations secured by this Security Agreement are satisfied in full. The Debtor authorizes the Secured Party to file financing statements with respect to the Collateral without the Debtor's signature. A photocopy or other reproduction of any financing statement or this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction. The Debtor shall pay all costs of filing in connection therewith;

21. That, as of the date hereof, there are no defenses or set-offs to the Debtor's obligations under the Note, or under this Security Agreement, and the Debtor waives any defenses which the Debtor may have had with respect to any suit, proceeding or foreclosure action that the Secured Party may or could have brought prior to the date hereof;

22. That the Debtor covenants that it will not voluntarily create or permit to be created against the Collateral any lien or liens inferior or superior to the first lien Security Interest granted herein in, except as may be authorized by the Secured Party and the Secretary;

23. That the Debtor shall not permit (i) the Collateral consisting of goods to be used in such a manner that would violate any insurance policy or warranty covering the Collateral or that would violate any applicable law of any governmental authority (including any environmental law) now or hereafter in effect, (ii) the Collateral consisting of goods to become fixtures on any real property on which the Secured Party does not have a first priority mortgage lien (unless the Secured Party has been provided with an acceptable landlord/mortgagee waiver) or become an accession to any goods not included in the Collateral, or (iii) any goods included in the Collateral to be placed in any warehouse that may issue a negotiable document with regard to such goods;

24. That the Debtor shall not, the without Secured Party's prior written consent, grant any extension, compound, settlement for less than full amount, release (in whole or in part), modification or cancellation of, or substitution for, or credits or adjustments on any Collateral consisting of accounts, chattel paper, general intangibles, instruments, documents, investment property, except that so long as no default by the Debtor is then in existence, the Debtor may grant to account debtors, or other persons obligated with the Collateral, extensions, credits, discounts, compromises or settlements in the ordinary course of business consistent with its past practices and consistent with prudent and standard practices used in the industries that are the same or similar to those in which the Debtor is engaged;

25. That the Debtor shall cause all goods included in the Collateral to be properly titled and registered to the extent required by applicable law. Upon the request of the Secured Party, the Debtor shall cause the interest of the Secured Party to be properly indicated on any certificate of title relating to such goods and deliver to the Secured Party each such certificate, and any additional evidence of ownership, certificates of origin or other documents evidencing any interest in such goods;

26. That the Debtor warrants that it has the full power and authority to grant the Security Interest and to execute, deliver and perform its obligations in accordance with this Security Agreement, and that the execution and delivery of this Security Agreement will not (i) violate any applicable law of any governmental authority or any judgment or order of any court, other governmental authority or arbitrator, (ii) violate any agreement governing the Debtor or to which Debtor is a party or the Debtor's certificate of incorporation, by-laws or other organizational documents. The Debtor further warrants that it has the power and authority to transact the business in which it is engaged and is duly licensed or qualified and in good standing in each jurisdiction in which the conduct of its business or ownership of property requires such licensing or such qualification, and that each authorization, approval or consent from, each registration and filing with, each declaration and notice to, and each other act by or relating to, any party required as a condition of the Debtor's execution, delivery or performance of this Security Agreement (including any shareholder or board of directors or similar approvals) has been duly obtained and is in full force and effect;

27. That there is no pending or threatened claim, audit, investigation, action or other legal proceeding or judgment or order of any court, agency or other governmental authority or arbitrator

which involves the Debtor or the Collateral and which might have a material adverse effect upon the Collateral, the Debtor, its business, operations, affairs or condition (financial or otherwise), or threaten the validity of this Security Agreement or any related document or action, and that the Debtor will immediately notify the Secured Party upon acquiring knowledge of the foregoing;

28. That the Debtor shall indemnify the Secured Party and each officer, employee, accountant, attorney and other agent thereof (each such person being hereinafter referred to as an "Indemnified Party") on demand, without any limitation as to amount, against each liability, cost and expense (including all reasonable fees and disbursements of all counsel retained for advice, suit, appeal or other proceedings or purpose, and of any expert or agents an Indemnified Party may retain) heretofore or hereafter imposed on, incurred by or asserted against any Indemnified Party (including any claim involving any allegation of any violation of applicable law of any governmental authority, including any environmental law or criminal law), however asserted and whether now existing or hereafter arising, arising out of any ownership, disposition or use of any of the Collateral; provided, however, the foregoing indemnity shall not apply to liability, cost or expense solely attributable to an Indemnified Party's gross negligence or willful misconduct. This indemnity agreement shall survive the termination of this Security Agreement. Any amounts payable under this or any other section of this Security Agreement shall be additional Obligations secured hereby;

29. That all rights of the Secured Party hereunder, the Security Interest and all obligations of the Debtor hereunder shall be absolute and unconditional irrespective of (i) any filing by or against Debtor of any petition in bankruptcy or any action under federal or state law for the relief of debtors or the seeking or consenting to of the appointment of an administrator, receiver, custodian or similar officer for the wind up of its business, (ii) any lack of validity or enforceability of any agreement with respect to any of the Obligations, (iii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any agreement or instrument with respect to the Obligations, (iv) any exchange, release or non-perfection of any lien or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Debtor in respect of the Obligations or this Security Agreement. If, after receipt of any payment of all or any part of the Obligations, the Secured Party is for any reason compelled to surrender such payment to any person or entity, because such payment is determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, such payment shall be reinstated as part of the Obligations and this Security Agreement shall continue in full force notwithstanding any contrary action which may have been taken by the Secured Party in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Secured Party's rights under this Security Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable;

30. That the following shall constitute a default by the Debtor: (i) failure to pay the principal or any installment of principal or of interest on the Indebtedness or the Note when due (including any curative period), or to comply with or perform any provision of the Mortgage of even

date securing the Note, (ii) failure by the Debtor to comply with or perform any provision of this Security Agreement within fifteen (15) days of Notice of Default, (iii) failure by the Debtor to comply with or perform any provision of the Regulatory Agreement, (iv) any false or misleading representations or warranties made or given by the Debtor in connection with this Security Agreement, (v) subjection of the Collateral to levy of execution or other judicial process, (vi) commencement of any insolvency proceeding by or against the Debtor, and/or (vii) any act of the Debtor which imperils the prospect of full performance or satisfaction of the Debtor's Obligations;

31. That upon any default of the Debtor, and at the option of the Secured Party, the Obligations secured by this Security Agreement shall immediately become due and payable in full upon ten (10) days notice or demand and the Secured Party shall have all the rights, remedies and privileges with respect to repossession, retention and sale of the Collateral and disposition of the proceeds as are accorded by the applicable sections of the Uniform Commercial Code respecting "default"; provided, however, that notwithstanding any other provision contained herein or in the Note, it is agreed that the execution of the Note shall impose no personal liability upon the Debtor for payment of the Indebtedness evidenced thereby and in the event of a default, the holder of the Note shall look solely to the Collateral and property subject to this Security Agreement and to the rents, issues and profits thereof in satisfaction of the Indebtedness evidenced by the Note and will not seek or obtain any deficiency or personal judgment against the Debtor except such judgment or decree as may be necessary to foreclose or bar the Debtor's interest in the Collateral or property subject to this Security Agreement and all other property mortgaged, pledged, conveyed or assigned to secure payment of the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of the Debtor under the Regulatory Agreement;

32. That the rights and remedies herein are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies that the Secured Party may have under other agreements now or hereafter in effect between the Debtor and the Secured Party, at law (including under the Uniform Commercial Code) or in equity;

33. That the terms, warranties and agreements herein contained shall bind and inure to the benefit of the respective parties hereto, and their respective legal representatives, successors and assigns;

34. That this Security Agreement may not be changed orally, and only with the written consent of the Secretary;

35. That unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation". Each provision of this Security Agreement shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. The Debtor agrees that in any legal proceeding, a photocopy of this Security Agreement kept in the Secured Party's course of business may be admitted into

evidence as an original. All terms not otherwise defined in this Security Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code;

36. That notwithstanding any other provision contained herein, any leased or financed equipment that is initially excluded from the insured mortgage will become collateral for the insured mortgage (in a first lien position) upon any subsequent purchase of the leased equipment or repayment of any equipment financing arrangement;

37. That the Debtor hereby warrants that the items listed on the attached Property Schedules "A" and "B" identify and include all the property (land, buildings, fixed and moveable equipment, and personal property) of the Debtor, its subsidiaries, and controlled organizations; and

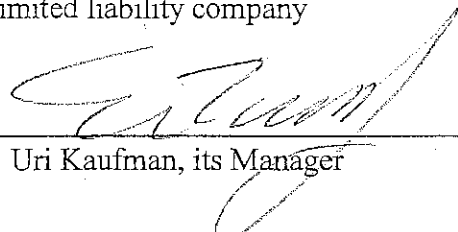
38. That notwithstanding any other provision contained herein, all current or future properties or receipts, revenues, income, profits or proceeds from the operation of the Debtor on or off mortgaged real estate will be considered part of the HUD insured project and subject to all provisions of the Regulatory Agreement.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the day and year first above written.

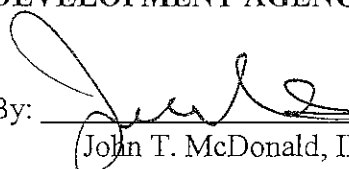
HARMONY MILLS RIVERVIEW LLC, a New York limited liability company

By: _____


Uri Kaufman, its Manager


CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

By: _____


John T. McDonald, III, Chairman

GMAC COMMERCIAL MORTGAGE BANK

By: _____


Eric M. Keifer, Limited Signer

SCHEDULE "A"

LEGAL DESCRIPTION

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & Light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58°11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58°11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13°53'25" East, 122.91 feet to a point; 2) South 27°37'16" East, 50.88 feet to a point; 3) South 10°59'35" West, 29.30 feet to a point; 4) South 27°43'36" East, 113.85 feet to a point; 5) South 22°12'51" East, 171.95 feet to a point; 6) South 12°47'27" West, 39.47 feet to a point and 7) South 06°16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09°44'26" West, 164.00 feet to a point; 2) North 27°01'48" West, 275.00 feet to a point; 3) North 16°31'33" West, 150.00 feet to a point and 4) North 24°06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

SCHEDULE "B"

Collateral Description

This Security Agreement / UCC Financing Statement covers the following types or items of property, goods, products, matters, effects, rights and/or intangibles (hereinafter collectively referred to as the "Collateral"):

All rights, title and interest of the Debtor in and to the minerals, soil, flowers, shrubs, crops, trees, timbers and other emblements now or hereafter on or part of the real property described in Schedule "A" (said real property described in Schedule "A" is hereinafter referred to as the "Property"), or under or above or about the same or any part or parcel thereof;

All machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to the Property and including all trade, domestic and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter acquired by the Debtor, including, but without limiting the generality of the foregoing, all heating, air conditioning, freezing, lighting, laundry, incinerating and power equipment engines; pipes; pumps; tanks; motors; conduits; computers; telephones; switchboards; plumbing; lifting; cleaning; fire prevention; fire extinguishing, refrigerating, ventilating and communication apparatus; boilers, ranges, furnaces, oil burners or units thereof; appliances, air-cooling and air conditioning apparatus; vacuum cleaning systems; elevators, escalators, shades; awnings, screens, storm doors and windows; stoves, wall beds, beds, refrigerators; attached cabinets, partitions, ducts and compressors; rugs and carpets; draperies, furniture and furnishings; together with all building materials and equipment now or hereafter delivered to the Property and intended to be installed therein, including but not limited to lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, cooking, heating and ventilating appliances and equipment; together with all additions and accessions thereto and replacements thereof;

All other tangible personal property of any kind or nature now or hereafter owned or acquired by the Debtor or now or hereafter located or installed at or in any other improvements on the Property, or elsewhere at or about the Property, together with any betterments to the Property or anything attached to or used in connection with any the Property or which may now or hereafter at any time be placed in or added thereto, together with any and all replacements or substitutions thereof;

All of the water, sanitary and storm sewer systems now or hereafter owned by the Debtor which are now or hereafter located by, over, and upon the Property or any part and parcel thereof, and which water system includes all water mains, services laterals, hydrants, valves and appurtenances, and which sewer system includes all sanitary sewer lines, including mains, laterals, manholes and appurtenances;

All paving for streets, roads, walkways or entrance ways now or hereafter owned by the Debtor which are now or hereafter located on the Property or any part or parcel thereof;

All of the Debtor's interest as lessor in and to all leases or rental arrangements of the Property, or any part thereof, heretofore made and entered into, and to all leases or rental arrangements hereafter made and entered into by the Debtor during the life of the security agreements or any extension or renewal thereof, together with any and all guarantees of such leases or rental agreements and including all present and future security deposits and advanced rentals;

Any and all awards, payments or settlements, including all interest thereon, and the right to receive the same, as a result of (a) any condemnation proceedings or the total or partial taking of the Property or the Collateral or any part thereof under the power of eminent domain or under any conveyance in lieu thereof, (b) the alteration of the grade of any street, or (c) any other injury to, taking of, or decrease in the value of the Property described in Schedule "A" or any Collateral described in this Schedule;

All of the right, title and interest of the Debtor in and to all unearned premiums accrued, accruing or to accrue under any and all insurance policies now or hereafter provided pursuant to the terms of security agreements, and all insurance proceeds or other proceeds or sums payable for the loss of or damage to (a) the Property described in Schedule "A", or other Collateral described herein, (b) rents, revenues, income, profits or proceeds from leases, franchises, concessions or licenses of or on any part of the Collateral;

All contracts and contract rights of the Debtor, including but not limited to all rights and/or benefits arising from contracts entered into in connection with development, construction upon, operation or sale of part or all of the Collateral including contract or sales deposits;

All current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefitting the Property or any improvements thereon, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

All of the Debtor's rights to any fictitious or other names or trade names or copyrights used in conjunction with the Property or any Collateral or any other real or personal property of the Debtor;

All refunds, rebates, reimbursements, reserves, deferred payments, deposits, cost savings, governmental subsidy payments, benefits or other incentives (such as those available under any government sponsored, designated or recognized economic zone, enterprise zone, empire zone or empowerment zone or any like designation or program available for the Property now or in the future, including the availability of tax-exempt bond financing, additional accelerated depreciation expensing, environmental cleanup cost deductions, and/or capital gain roll-over), governmentally-

registered or authorized tax credits or other credits (including, without limitation, emissions reduction tax credits, energy savings tax credits, empowerment zone employment tax credits, low-income housing tax credits, new market tax credits, welfare-to-work tax credits, and/or work opportunity tax credits), and all other credits, benefits, waivers and payments, whether in cash or in kind, due from or payable by (i) any federal, state, municipal or other governmental or quasi-governmental agency, authority or district, (ii) any insurance or utility company, or (iii) any other party or person, relating to any or all of the Property now or in the future, or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All refunds, rebates, reimbursements, credits and/or payments of any kind due from or payable by any governmental or other agency for any taxes, special taxes, assessments, or similar governmental or quasi-governmental charges or levies imposed upon the Debtor with respect to the Property or upon any or all of the Property or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All undisbursed proceeds of any loan made to the Debtor by the Secured Party whether or not related to the Property and/or the Collateral;

All present and future rents, issues, profits, income, revenue, royalties, options, benefits, supporting obligations, accounts receivable, and other receivables of the Debtor or subject to the control of the Debtor (including, without limitation, all healthcare insurance receivables and/or entitlements, particularly any claim, right, lien, title, benefits or other interest of the Debtor with respect to any health insurance, co-insurance, Medicaid reimbursement, Medicare reimbursement, or other income, revenue, payments or reimbursement, if any, owing, payable to, chargeable by, or received by, the Debtor or any lessee, operator or other party controlled by, or affiliated with, the Debtor, or otherwise attributable or generated by or from the Property and/or the Collateral), all accounts of the Debtor, accounts subject to the control of the Debtor and/or any other accounts that are in any way related to the Collateral or the Property described in Schedule "A" attached hereto and each and every part and parcel thereof (including, without limitation, any and all security accounts, negotiable and nonnegotiable certificates of deposit and/or any investments of any kind, all letters of credit and/or all deposit accounts, but excepting resident security deposits or other resident accounts), all general intangibles, payment intangibles, chattel paper, documents, instruments, inventory, goods, equipment and all books and records relating to the foregoing and also all present and future right, title and interest of the Debtor under any by virtue of each and every franchise, license, permit, lease or any other similar document or contractual right written or verbal covering any part or parcel of the Property or the Collateral whether now or hereafter made and any and all amendments to or modifications, extensions or renewals thereof and all proceeds thereof, it being the intention of the parties hereto that: (a) the security interest of the Secured Party shall attach to the Collateral (i) as soon as the Debtor obtains any interest in any property or collateral; (ii) before the property or collateral is installed or affixed to any other collateral; and (b) the security interest held by the Secured Party shall cover cash and non-cash proceeds of the Collateral;

All proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, and the right to collect such proceeds;

The Debtor acknowledges and agrees that, in applying the law of any jurisdiction that at any time enacts all or substantially all of the uniform provisions of Revised Article 9 of the Uniform Commercial Code (1999 Official Text, as amended), the above collateral description covers all assets of Debtor.

The real property described in Schedule "A" is subject to a certain (1) Mortgage dated the date hereof, given by the Debtor to the Secured Party and recorded in the land records of Albany County, New York (the "Mortgage"). The Mortgage secures a certain Mortgage Note of even date for the original principal amount of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00) given by the Debtor to the Secured Party (the "Note"). The maturity date of the Note and the Mortgage is May 1, 2046. In the event of default under the terms of the Note and/or the Mortgage pursuant to which the Secured Party or any subsequent holder thereof declares the whole of the indebtedness secured thereby to be due and payable, at its option, the Secured Party or any subsequent holder may declare the whole of the indebtedness and all other sums secured hereby to be due and payable.

Except for the accounts, deposits, receivables, contracts, cash and non-cash proceeds and/or other intangibles described above, or goods of a type normally used in more than one location, the street address of the Property and/or Collateral is 100 North Mohawk Street, Cohoes, New York 12047.

Notwithstanding any other provision contained herein, the Collateral shall include, without limitation, all receipts, revenues, income, profits, proceeds, accounts receivable and unrestricted cash and investments derived from properties owned or leased by the Debtor.

Regulatory Agreement for Multifamily Housing Projects

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Under Sections 207, 220, 221(d)(4), 231 and 232, Except Nonprofits

Project Number <i>014-32004</i>		Mortgagee <i>GMAC COMMERCIAL MORTGAGE BANK</i>	
Amount of Mortgage Note <i>\$ 12,125,000.00</i>		Date <i>February 014, 2005</i>	
Mortgage Recorded	State <i>NY</i>	County <i>ALBANY</i>	Date <i>February 14, 2005</i>
	Book	Page	Originally endorsed for Insurance under Section <i>220</i>

This Agreement entered into this 14th day of February, 19 2005
between HARMONY MILLS RIVERVIEW LLC, a limited liability company organized and existing under the laws of the State of New York whose address is 135 Fulton Street, Lawrence, New York 11559, and the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a corporate governmental entity validly existing under the laws of the State of New York, with its principal office located at 97 Mohawk Street, Cohoes, New York 12047 their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors (hereinafter referred to as Secretary).

In consideration of the endorsement for insurance by the Secretary of the above described note or in consideration of the consent of the Secretary to the transfer of the mortgaged property or the sale and conveyance of the mortgaged property by the Secretary, and in order to comply with the requirements of the National Housing Act, as amended, and the Regulations adopted by the Secretary pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Secretary shall be the owner, holder or reinsurer of the mortgage, or during any time the Secretary is obligated to insure a mortgage on the mortgage property:

1. Owners, except as limited by paragraph 17 hereof, assume and agree to make promptly all payments due under the note and mortgage.

2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Secretary of an amount equal to \$ 3,974.08 per month unless a different date or amount is approved in writing by the Secretary. *Owners shall make an initial deposit of \$ 100,000.00 to such reserve fund.** Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Secretary. In the event that the owner is unable to make a mortgage note payment on the due date and that payment cannot be made prior to the due day of the next such installment or when the mortgagee has agreed to forgo making an election to assign the mortgage to the Secretary based on a monetary default, or to withdraw an election already made, the Secretary is authorized to instruct the mortgagee to withdraw funds from the reserve fund for replacements to be applied to the mortgage payment in order to prevent or cure the default. In addition, in the event of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.

(b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Secretary.

3. Real property covered by the mortgage and this agreement is described in Schedule A attached hereto.

(This paragraph 4 is not applicable to cases insured under Section 232.)

4. (a) Owners shall make dwelling accommodation and services of the project available to occupants at charges not exceeding those established in accordance with a rental schedule approved in writing by the Secretary, for any project subject to regulation of rent by the Secretary. Accommodations shall not be rented for a period of less than thirty (3) days, or, unless the mortgage is insured under Section 231, for more than three years. Commercial facilities shall be rented for such use and upon such terms as approved by the Secretary. Subleasing of dwelling accommodations by the tenant thereof, shall be prohibited without prior written approval of Owners and the Secretary and any lease shall so provide. Upon discovery of any unapproved sublease, Owners shall immediately demand cancellation and notify the Secretary thereof.

(b) Upon prior written approval by the Secretary, Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owners or others to such tenant upon his request, in addition to the facilities and services included in the approved rental schedule. Approval of charges for facilities and services is not required for any project not subject to regulation of rent by the Secretary.

(c) For any project subject to regulation of rent by the Secretary, the Secretary will at any time entertain a written request for a rent increase properly supported by substantiating evidence and within a reasonable time shall:

* Please see Continuation below for a continuation of Paragraph 2(a).

- (i) Approve a rental schedule that is necessary to compensate for any net increase, occurring since the last approved rental schedule, in taxes (other than income taxes) and operating and maintenance cost over which Owners have no effective control or;
 - (ii) Deny the increase stating the reasons therefor.
5. (a) If the mortgage is originally a Secretary-held purchase money mortgage, or is originally endorsed for insurance under any Section other than Sections 231 or 232 and is not designed primarily for occupancy by elderly persons, Owners shall not in selecting tenants discriminate against any person or persons by reason of the fact that there are children in the family.
- (b) If the mortgage is originally endorsed for insurance under Section 221, Owners shall in selecting tenants give to displaced persons or families an absolute preference or priority of occupancy which shall be accomplished as follows:
- (1) For a period of sixty (60) days from the date of original offering, unless a shorter period of time is approved in writing by the Secretary, all units shall be held for such preferred applicants, after which time any remaining unrented units may be rented to non-preferred applicants;
 - (2) Thereafter, and on a continuing basis, such preferred applicants shall be given preference over nonpreferred applicants in their placement on a waiting list to be maintained by the Owners; and
 - (3) Through such further provisions agreed to in writing by the parties.
- (c) Without the prior written approval of the Secretary not more than 25% of the number of units in a project insured under Section 231 shall be occupied by persons other than elderly persons.
- (d) All advertising or efforts to rent a project insured under Section 231 shall reflect a bona fide effort of the Owners to obtain occupancy by elderly persons.
6. Owners shall not without the prior written approval of the Secretary:
- (a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property.
 - (b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash, except for reasonable operating expenses and necessary repairs.
 - (c) Convey, assign, or transfer any beneficial interest in any trust holding title to the property, or the interest of any general partner in a partnership owning the property, or any right to manage or receive the rents and profits from the mortgaged property.
 - (d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project.
 - (e) Make, or receive and retain, any distribution of assets or any income of any kind of the project except surplus cash and except on the following conditions:
 - (1) All distributions shall be made only as of and after the end of a semiannual or annual fiscal period, and only as permitted by the law of the applicable jurisdiction;
 - (2) No distribution shall be made from borrowed funds, prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;
 - (3) Any distribution of any funds of the project, which the party receiving such funds is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds; and
- (4) There shall have been compliance with all outstanding notices of requirements for proper maintenance of the project.
- (f) Engage, except for natural persons, in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project.
- (g) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any funds collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account.
- (h) Permit the use of the dwelling accommodations or nursing facilities of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Secretary.
7. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the mortgage.
8. Owners shall not file any petition in bankruptcy or for a receiver or in insolvency or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy or the taking possession of the mortgaged property or any part thereof by a receiver or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale, and fail to have such adverse actions set aside within forty-five (45) days.
9. (a) Any management contract entered into by Owners or any of them involving the project shall contain a provision that, in the event of default hereunder, it shall be subject to termination without penalty upon written request by the Secretary. Upon such request Owners shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.
- (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.
- (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Secretary or his

- duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Secretary or his duly authorized agents.
- (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Secretary.
- (e) Within sixty (60) days following the end of each fiscal year the Secretary shall be furnished with a complete annual financial report based upon an examination of the books and records of mortgagor prepared in accordance with the requirements of the Secretary, prepared and certified to by an officer or responsible Owner and, when required by the Secretary, prepared and certified by a Certified Public Accountant, or other person acceptable to the Secretary.
- (f) At request of the Secretary, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.
- (g) All rents and other receipts of the project shall be deposited in the name of the project in a financial institution, whose deposits are insured by an agency of the Federal Government. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project or for distributions of surplus cash as permitted by paragraph 6(e) above. Any Owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any Owner receiving property of the project in violation of this Agreement shall hold such funds in trust. At such time as the Owners shall have lost control and/or possession of the project, all funds held in trust shall be delivered to the mortgagee to the extent that the mortgage indebtedness has not been satisfied.
- (h) If the mortgage is insured under Section 232:
- (1) The Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as a nursing home and shall not lease all or part of the project except on terms approved by the Secretary.
- (2) The Owners shall suitably equip the project for nursing home operations.
- (3) The Owners shall execute a Security Agreement and Financing Statement (or other form of chattel lien) upon all items of equipment, except as the Secretary may exempt, which are not incorporated as security for the insured mortgage. The Security Agreement and Financing Statement shall constitute a first lien upon such equipment and shall run in favor of the mortgagee as additional security for the insured mortgage.
- ~~(i) If the mortgage is insured under Section 231, Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as housing for the elderly.~~
10. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, religion or creed, sex, or national origin, including Title VIII of the Civil Rights Act of 1968 (Public Law 90-284; 82 Stat. 73), as amended, Executive Order 11063, and all requirements imposed by or pursuant to the regulations of the Department of Housing and Urban Development implementing these authorities (including 24 CFR Parts 100, 107 and 110, and Subparts I and M of Part 200).
11. Upon a violation of any of the above provisions of this Agreement by Owners, the Secretary may give written notice thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Secretary, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Secretary within thirty (30) days after the date such notice is mailed or within such further time as the Secretary determines is necessary to correct the violation, without further notice the Secretary may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Secretary may:
- (a) (i) If the Secretary holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
- (ii) If said note is not held by the Secretary - notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Secretary as provided in the Regulations;
- (b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the Owners' obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project.
- (c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Secretary in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage.
- (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Secretary arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.
12. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Secretary because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Secretary their rights to the rents, profits, income and charges of whatsoever sort which they may receive or be entitled to receive from the operation of the

mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.

13. As used in this Agreement the term:

- (a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", "Security Instrument", and any other security for the note identified herein, and endorsed for insurance or held by the Secretary;
- (b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;
- (c) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors, heirs and assigns;
- (d) "Mortgaged Property" includes all property, real, personal or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Secretary;
- (e) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is providing housing and other activities as are incidental thereto;
- (f) "Surplus Cash" means any cash remaining after:
 - (1) the payment of:
 - (ii) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Secretary;
 - (ii) All amounts required to be deposited in the reserve fund for replacements;
 - (iii) All obligations of the project other than the insured mortgage unless funds for payment are set aside or deferment of payment has been approved by the Secretary; and
 - (2) the segregation of:
 - (i) An amount equal to the aggregate of all special funds required to be maintained by the project; and
 - (ii) All tenant security deposits held.
- (g) "Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent withdrawal within the limitations of Paragraph 6(e) hereof, and excluding payment for reasonable expenses incident to the operation and maintenance of the project.

(h) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Secretary after written notice;

(i) "Section" refers to a Section of the National Housing Act, as amended.

(j) "Displaced persons or families" shall mean a family or families, or a person, displaced from an urban renewal area, or as the result of government action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.

(k) "Elderly person" means any person, married or single, who is sixty-two years of age or over.

14. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Secretary and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

15. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

16. The invalidity of any clause, part or provisions of this Agreement shall not affect the validity or the remaining portions thereof.

17. The following Owners: Harmony Mills Riverview, LLC, its Members, Managers and the City of Cohoes Industrial Development Agency, its Officers and Directors, and their successors and assigns,

Do not assume personal liability for payments due under the note and mortgage, or for the payments to the reserve for replacements, or for matters not under their control, provided that said Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:

(a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and

(b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

(To be executed with formalities for recording a deed to real estate.)

- (18) *So long as a Mortgage against the property is insured or held by the Secretary, Mortgagor shall keep in full force and effect, an elevator maintenance contract, together with any necessary and proper renewals thereof, providing for the replacement of all items of elevator mechanical equipment. Such contract and renewals, if any, shall be with an elevator maintenance company and in such form as shall be satisfactory to the Secretary. Should such contract or any renewal thereof not be obtained by the Mortgagor or shall same be allowed or permitted to lapse, an additional allocation to the monthly reserve fund shall be paid by the Mortgagor in monthly installments, together with the amount required to be paid to such reserve fund for replacements as may be specified by the Secretary in writing.*
- (19) *Notwithstanding anything contained herein to the contrary, so long as a Mortgage against the property is insured or held by the Secretary, Mortgagor shall request and receive specific written approval from the Secretary prior to replacing Coldwell Banker Commercial Prime Properties as Management Agent for the Project.*

Continuation of Paragraph (2)(a) on Page 1:

Disbursements from such fund, whether for the purpose of effecting replacement of structural elements, and mechanical equipment of the project or for any other purposes, may be made after the consent in writing of the Secretary. In the event of a default in the terms of the Mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.

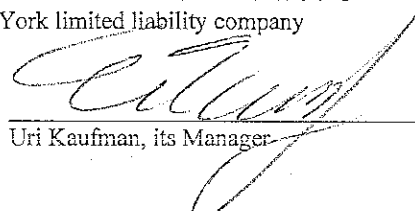
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IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the day and year first above written.

HARMONY MILLS RIVERVIEW LLC

A New York limited liability company

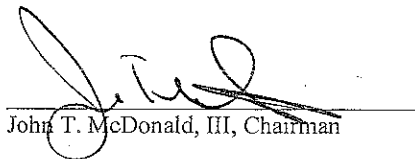
By:



Uri Kaufman, its Manager

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

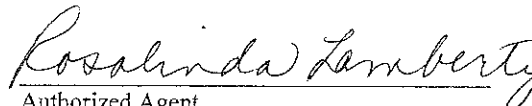
By:



John T. McDonald, III, Chairman

**SECRETARY OF HOUSING AND URBAN
DEVELOPMENT, acting by and through the
FEDERAL HOUSING COMMISSIONER**

By:



Authorized Agent


STATE OF NEW YORK)

COUNTY OF ERIE)

) ss.:

On the 14 day of February, in the year 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared **Uri Kaufman**, a Manager of Harmony Mills Riverview LLC, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



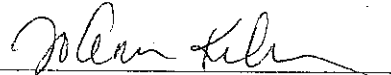
Notary Public

STATE OF NEW YORK)

COUNTY OF ALBANY)

) ss.:

On the 11th day of February, in the year 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared **John T. McDonald, III**, Chairman of the City of Cohoes Industrial Development Agency, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.



Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01KI5052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 2005


STATE OF NEW YORK)

COUNTY OF ERIE)

) ss.:

On the 14 day of February, in the year 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared ~~Andra~~ Rosinda Lambert, the Authorized Agent of the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

Schedule "A"

LEGAL DESCRIPTION

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also

being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58°11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58°11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13°53'25" East, 122.91 feet to a point; 2) South 27°37'16" East, 50.88 feet to a point; 3) South 10°59'35" West, 29.30 feet to a point; 4) South 27°43'36" East, 113.85 feet to a point; 5) South 22°12'51" East, 171.95 feet to a point; 6) South 12°47'27" West, 39.47 feet to a point and 7) South 06°16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09°44'26" West, 164.00 feet to a point; 2) North 27°01'48" West, 275.00 feet to a point; 3) North 16°31'33" West, 150.00 feet to a point and 4) North 24°06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

CLOSING RECEIPT

RELATING TO
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
(HARMONY MILLS RIVERVIEW, LLC PROJECT)

CLOSING RECEIPT, executed this 14th day of February, 2005 by CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY (the "Agency") and HARMONY MILLS RIVERVIEW, LLC (the "Company").

WITNESSETH:

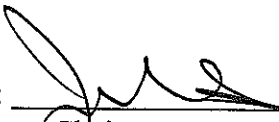
Capitalized terms used herein which are not otherwise defined herein and which are defined in the lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between the Agency and the Company shall have the meanings ascribed to them in the Lease Agreement, except that, for purposes of this Closing Receipt, (A) all definitions with respect to any document shall be deemed to refer to such document only as it exists as of the date of this Closing Receipt and not as of any future date, and (B) all definitions with respect to any Person shall be deemed to refer to such Person only as it exists as of the date of this Closing Receipt and not as of any future date or to any successor or assign.

(1) The Agency (A) has executed, delivered and acknowledged, where appropriate, the Basic Documents to which it is a party, (B) acknowledges receipt of the Basic Documents duly executed and acknowledged, where appropriate, by the Company and (C) acknowledges receipt from the Company of the Agency's administrative fee relating to the Project.

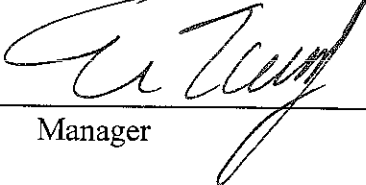
(2) The Company (A) has executed, delivered and acknowledged, where appropriate, the Basic Documents to which it is a party and (B) acknowledges receipt of the Basic Documents duly executed and acknowledged by the Agency, where appropriate.

IN WITNESS WHEREOF, the Agency and the Company have cause this Closing Receipt to be executed in their respective names by their duly authorized officers and dated as of the day and year set forth above.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By:  _____
Chairman

HARMONY MILLS RIVERVIEW, LLC

By:  _____
Manager

CLOSING ITEM NO.: A-12

URI KAUFMAN

TO

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

GUARANTY TO AGENCY

DATED AS OF
FEBRUARY 1, 2005

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GUARANTY TO AGENCY

THIS GUARANTY TO AGENCY dated as of February 1, 2005 (the "Guaranty") from URI KAUFMAN, an individual residing at _____ (the "Guarantor") to CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York (the "State"), having an office for the transaction of business located at 100 North Mohawk Street, Cohoes, New York 12047 (the "Agency");

WITNESSETH:

WHEREAS, Harmony Mills Riverview, LLC (the "Company") have requested the Agency to undertake a project (the "Project") consisting of (A) (1) the acquisition of An interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility") and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real estate taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the Agency and the Company have entered into a payment in lieu of tax agreement dated as of February 1, 2005 (the "PILOT Agreement") pursuant to which the Company agreed to make certain payments in lieu of taxes to the various taxing entities having jurisdiction over the Project Facility, including, without limitation, any county, city, school district, town, village or other political unit or units wherein the Project Facility is located (such taxing entities being sometimes collectively hereinafter referred to as the "Taxing Entities", and each of such Taxing Entities being sometimes individually hereinafter referred to as a "Taxing Entity"); and

WHEREAS, the Guarantor specifically approves the terms of the PILOT Agreement; and

NOW, THEREFORE, in consideration of the premises herein contained, the Guarantor hereby, subject to the terms hereof, covenants and agrees with the Agency as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

SECTION 1.1. CAPACITY OF GUARANTOR. The Guarantor hereby represents and warrants that he has all requisite capacity, power and authority and all necessary licenses and permits to own his Property and to carry on his business as now conducted and as presently proposed to be conducted.

SECTION 1.2. NO VIOLATION OF RESTRICTIONS. Neither the execution and delivery of this Guaranty, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of this Guaranty will conflict with or result in a breach of any of the terms, conditions or provisions of any agreement, judgment or order to which the Guarantor is a party or by which the Guarantor is bound, or will constitute a default under any of the foregoing, or result in the creation or imposition of any Lien of any nature whatsoever upon any of the Property of the Guarantor under the terms of any such instrument or agreement.

SECTION 1.3. GOVERNMENTAL CONSENT. No consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority on the part of the Guarantor is required as a condition to the Guarantor's execution, delivery or performance of this Guaranty.

SECTION 1.4. PROPERTY. The Guarantor has good title to all of his Property and assets.

SECTION 1.5. PENDING LITIGATION. There are no proceedings pending, or to the knowledge of the Guarantor, threatened against or affecting the Guarantor in any court or before any Governmental Authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the Property, facilities, businesses, prospects, profits or conditions (financial or otherwise) of the Guarantor, or the ability of the Guarantor to execute, deliver or perform this Guaranty. The Guarantor is not in default with respect to any order of any court, Governmental Authority or arbitration board or tribunal. The Guarantor shall promptly notify the Agency in writing of any such proceeding or default arising subsequent to the Closing Date.

SECTION 1.6. NO DEFAULTS. No event has occurred and no condition exists which, upon the execution of this Guaranty, would constitute an Event of Default under Article III hereof. The Guarantor is not in violation in any material respect of any term of any agreement, charter instrument or other instrument to which the Guarantor is a party or by which the Guarantor may be bound.

ARTICLE II

COVENANTS AND AGREEMENTS

SECTION 2.1. GUARANTY OF PAYMENT. (A) The Guarantor irrevocably and unconditionally guarantees to the Agency (1) full and prompt payment of moneys sufficient to pay, or to provide for the payment of any sum payable by the Company to the Agency and the Taxing Entities under the PILOT Agreement, when and as the same shall become due, and (2) the performance by the Company of its obligations to the Agency under the PILOT Agreement. The Guarantor hereby irrevocably and unconditionally agrees that upon any default by the Company in the payment, when due, of any sum payable by the Company to the Agency and the Taxing Entities under the PILOT Agreement or upon any default by the Company under the PILOT Agreement, the Guarantor will promptly pay or perform the same, as the case may be. Notwithstanding and provisions of this Section 2.1(A) or any other provision of this Guaranty to the contrary, Guarantor's obligation to make payment of any sum hereunder shall not exceed the amount of the payment in lieu of taxes (and any interest and penalties thereon) due and payable by the Company pursuant to the terms of the PILOT Agreement for the tax year in which the default by the Company and subsequent termination of the Lease by the Agency pursuant to Section 4.02(B) of the PILOT Agreement occurs and any amounts payable pursuant to paragraph (D) of this Section 2.1.

(B) All payments by the Guarantor shall be paid in lawful money of the United States of America.

(C) Each and every default in payment of any sum payable by the Company to the Agency and the Taxing Entities under the PILOT Agreement shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder by the Agency and/or the Taxing Entities as each cause of action arises.

(D) The Guarantor shall pay to the Agency and/or the Taxing Entities all reasonable costs and expenses (including legal fees) incurred by the Agency and/or the Taxing Entities, as the case may be, in the protection of any of its rights or in the pursuance of any of its remedies in respect of this Guaranty.

SECTION 2.2. OBLIGATIONS UNCONDITIONAL. The obligations of the Guarantor under this Guaranty shall be absolute and unconditional and shall remain in full force and effect and, to the extent permitted by law, such obligations shall not be affected, modified or impaired by any state of facts or the happening from time to time of any event including, without limitation, any of the following, whether or not with notice to or the consent of the Guarantor:

(A) the invalidity, irregularity, illegality or unenforceability of, or any defect in, the PILOT Agreement;

(B) any present or future law or order of any government (de jure or de facto) or of any agency thereof purporting to reduce, amend or otherwise affect the PILOT Agreement or to vary any terms of payment;

(C) any claim of immunity on behalf of the Agency or any other obligor or with respect to any Property of the Agency or any other obliger;

(D) the happening of any event described in Article X of the Lease Agreement;

(E) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of (1) the Company under the PILOT Agreement, and (2) the Guarantor under this Guaranty;

(F) the failure to give notice to the Guarantor of the occurrence of an Event of Default under the Basic Documents;

(G) the transfer, assignment or mortgaging, or the purported or attempted transfer assignment or mortgaging, of all or any part of the interest of the Agency or the Company in the Project Facility, or any failure of or defect in the title with respect to the Agency's or the Company's interest in the Project Facility, or the termination of the Lease Agreement;

(H) the extension of the time for payment of any amounts owing or payable pursuant to such PILOT Agreement or under this Guaranty or of the time for performance of any other obligations, covenants or agreements under or arising out of the PILOT Agreement;

(I) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the PILOT Agreement;

(J) the taking of, or the omission to take, any of the actions referred to in the PILOT Agreement;

(K) any failure, omission or delay on the part of the Agency, the Taxing Entities or any other Person to enforce, assert or exercise any right, power or remedy conferred on the Agency, the Taxing Entities or such other Person in this Guaranty or the PILOT Agreement;

(M) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Company, the Guarantor or the Agency or any of the assets of any of them, or any contest of the validity of the PILOT Agreement, in any such proceedings;

(N) any event or action that would, in the absence of this Section 2.2, result in the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty;

(O) the default or failure of the Guarantor fully to perform any of his obligations set forth in this Guaranty;

(P) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor; or

(Q) the release of the Guarantor from obligations hereunder.

SECTION 2.3. WAIVERS BY THE GUARANTOR. The Guarantor hereby waives with respect to the PILOT Agreement, this Guaranty and the indebtedness evidenced thereby the following: diligence; presentment; demand for payment;; any right to require a proceeding first against the Agency or any other such Person; protest; notice of dishonor or nonpayment of any such liabilities and any other notice and all demands whatsoever. The Guarantor hereby waives notice from the Agency of the acceptance of, or notice and proof of reliance on, the benefits of this Guaranty.

SECTION 2.4. DISCHARGE OF GUARANTOR'S OBLIGATIONS AND TERMINATION OF THIS GUARANTY. Subject to the prior written consent of the Agency, this Guaranty shall terminate and the obligations of the Guarantor created hereunder shall be discharged, provided that no Event of Default has theretofore occurred and is continuing and all amounts due to the Agency and the Taxing Entities under the PILOT Agreement have been paid in full. On the date of such discharge, the Guarantor shall be released from any and all conditions, terms, covenants or restrictions created or placed upon it by this Guaranty and the Guarantor shall not have any further obligation or liability hereunder.

SECTION 2.5. OTHER SECURITY. The Agency may pursue its rights and remedies under this Guaranty notwithstanding (A) any other guaranty of or security for the PILOT Agreements, and (B) any action taken or omitted to be taken by any other Person to enforce any of the rights or remedies under such other guaranty or with respect to any other security.

SECTION 2.6. NO SET-OFF BY THE GUARANTOR. No set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature (other than full performance by the Guarantor of the obligations hereunder) which the Guarantor has or may have with respect to a claim under this Guaranty, shall be available hereunder to the Guarantor against the Agency and the Taxing Entities.

SECTION 2.7. NOTICE AND SERVICE OF PROCESS; VENUE. (A) The Guarantor will remain subject to service of process in the State and any notice, process, pleadings or other papers may be served upon the Guarantor at such address as is specified in or pursuant to Section 5.4 of this Guaranty.

(B) The Guarantor irrevocably agrees that any suit, action or other legal proceeding arising out of this Guaranty may be brought in the courts of the State or the courts of the United States of America located within the State.

SECTION 2.8. NATURE OF GUARANTY. (A) The Guaranty is a guaranty of payment and not of collection, and the Guarantor hereby waives any right to require that any action be brought against any other Person or to require that resort be had to any security or to held by the Agency and the Taxing Entities, the Company or any other Person prior to the Agency proceeding under the Guaranty. If at any time any payment of any amount payable by the Company and guaranteed by the Guarantor pursuant to Section 2.1 hereof is rescinded or is otherwise required to be restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, the Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

(B) All of the rights and remedies of this Guaranty shall inure to the benefit of the Agency and the Taxing Entities.

ARTICLE III

EVENTS OF DEFAULT

SECTION 3.1. NATURE OF EVENTS OF DEFAULT. An "Event of Default" shall exist if any of the following occurs:

(A) PARTICULAR COVENANT DEFAULTS - the Guarantor fails to perform or observe any covenant other than a covenant for the payment of money contained in Article II hereof, and such default continues for a period of thirty (30) days after written notice with respect thereto is given by the Agency to the Guarantor;

(B) COVENANTS FOR THE PAYMENT OF MONEY - the Guarantor fails to perform or observe any covenant for the payment of money contained in Article II hereof on demand, after written notice with respect thereto is given by the Agency to the Guarantor;

(C) OTHER DEFAULTS - the Guarantor fails to comply with any other provision of this Guaranty other than paragraphs (A), (B), (D), (E), (F), (G), (H) and (I) of this Section 3.1, and such failure continues for more than thirty (30) days after written notice of such failure has been given to the Guarantor;

(D) WARRANTIES OR REPRESENTATIONS - any warranty, representation or other statement by or on behalf of the Guarantor contained in this Guaranty is false or misleading in any material respect when made;

(E) INVOLUNTARY BANKRUPTCY PROCEEDINGS - a receiver, liquidator or trustee of the Guarantor or of any of his Property is appointed by court order and such order remains in effect for more than sixty (60) days; or the Guarantor is adjudicated bankrupt or insolvent; or any of his Property is sequestered by court order and such order remains in effect for more than sixty (60) days; or a petition is filed against the Guarantor under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days after such filing;

(F) VOLUNTARY PETITIONS - the Guarantor files a petition in voluntary bankruptcy or seeks relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(G) ASSIGNMENTS FOR BENEFIT OF CREDITORS - the Guarantor makes an assignment for the benefit of his creditors, or admits in writing his inability to pay his debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of all or any part of his Property;

(H) DEFAULTS UNDER FINANCING DOCUMENTS - the occurrence of an "Event of Default" under any of the Financing Documents; or

(I) MATERIAL DEFAULTS UNDER OTHER AGREEMENTS - the Guarantor shall be in default in a material respect of any terms of any indenture, mortgage, deed of trust, bank loan or credit agreement or any other agreement or instrument to which the Guarantor is a party or by which the Guarantor or his Property may be bound or affected if such default shall materially affect the financial condition of the Guarantor.

SECTION 3.2. REMEDIES ON DEFAULT. If an Event of Default exists, the Agency and/or the Taxing Entities may proceed to enforce the provisions hereof and to exercise any other rights, powers and remedies available to the Agency and the Taxing Entities. The Agency and/or the Taxing Entities, in their sole discretion, shall have the right to proceed first and directly against the Guarantor under this Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Agency and/or the Taxing Entities.

SECTION 3.3. REMEDIES; WAIVER AND NOTICE. (A) Whenever any Event of Default shall have occurred with respect to this Guaranty, the Agency (or if such Event of Default concerns a payment required to be made under the PILOT to any Taxing Entity, then with respect to such Event of Default, such Taxing Entity) may take whatever action at law or in equity as may appear necessary or desirable to collect the amount then in default or to enforce the performance and observance of the obligations, agreements and covenants of the Guarantor under this Guaranty.

(B) No remedy herein conferred upon or reserved to the Agency is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity or by statute.

(C) No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

(D) In order to entitle the Agency to exercise any remedy reserved to them in this Guaranty, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Guaranty.

(E) In the event any provision contained in this Guaranty should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(F) No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing.

ARTICLE IV

INTERPRETATION OF GUARANTY

SECTION 4.1. ACCOUNTING PRINCIPLES. Where the character or amount of any asset or liability or item of income or expense is required to be determined or consolidated or other accounting computation is required to be made for the purposes of this Guaranty, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Guaranty.

SECTION 4.2. DIRECTLY OR INDIRECTLY. Where any provision in this Guaranty refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

SECTION 4.3. GOVERNING LAW. This Guaranty shall be governed by, and construed in accordance with, the laws of the State.

SECTION 4.4. DEFINITIONS. All defined terms used herein and not otherwise defined herein shall have the same meanings as set forth in the Lease Agreement. As used herein, all words of masculine gender shall mean and include correlative words of feminine and neuter genders.

ARTICLE V

MISCELLANEOUS

SECTION 5.1. OBLIGATIONS ARISE ON EXECUTION OF LEASE AGREEMENT. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally when the Lease Agreement shall have been executed and delivered by the Agency and the Company.

SECTION 5.2. SURVIVAL. All warranties, representations, and covenants made by the Guarantor herein shall be deemed to have been relied upon by the Agency and shall survive the delivery to the Agency of this Guaranty regardless of any investigation made by the Agency.

SECTION 5.3. SUCCESSORS AND ASSIGNS. This Guaranty shall be binding upon the heirs and assigns of the Guarantor. The provisions of this Guaranty are intended to be for the benefit of the Agency and the Taxing Entities and their respective successors and assigns. This Guaranty may not be assigned by the Guarantor.

SECTION 5.4. NOTICES. (A) All notices, certificates and other communications under this Guaranty shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated in subsection (B) hereof by registered or certified mail, return receipt requested or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the Guarantor or the Agency, as the case may be, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which communications under this Guaranty shall be delivered are as follows:

IF TO THE GUARANTOR:

Uri Kaufman

IF TO THE AGENCY:

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047
Attention: Chairman

(C) A duplicate copy of each communication hereunder given by or to the Guarantor shall also be given to the Agency. The Guarantor and the Agency may by notice given hereunder designate

any further or different addresses to which subsequent notices, certificates and other communications shall be sent.


SECTION 5.5. ENTIRE UNDERSTANDING; COUNTERPARTS. This Guaranty constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 5.6. AMENDMENTS. No amendment, change, modification, alteration or termination of this Guaranty shall be made except upon the written consent of the Guarantor and the Agency.

SECTION 5.7. PARTIAL INVALIDITY. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty or any part thereof.

SECTION 5.8. SECTION HEADINGS NOT CONTROLLING. The headings of the several sections of this Guaranty have been prepared for convenience of reference only and shall not control, affect the meaning or be taken as an interpretation of any provision of this Guaranty.

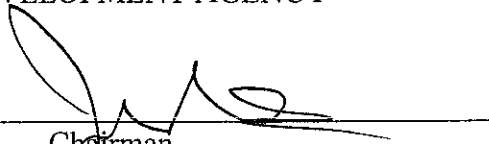
IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed, delivered and dated as of February 1, 2005.



Uri Kaufman
Individually

Accepted:

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

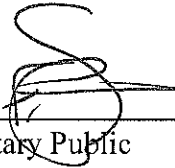
By: 

Chairman

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On the 14 day of February in the year 2005 before me, the undersigned, a notary public in and for the State of New York, personally appeared URI KAUFMAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of the which the individual acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994331
My Commission Expires April 6, 2006



Notary Public

CLOSING ITEM NO.: B-1

GENERAL CERTIFICATE

OF

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

This certificate is made in connection with the execution by City of Cohoes Industrial Development Agency (the "Agency") of a lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between Harmony Mills Riverview, LLC (the "Company") and the Agency, the Memorandum of Lease Agreement, the Underlying Lease, the Memorandum of Underlying Lease, the Payment in Lieu of Tax Agreement, the Mortgage, the Security Agreement and the Regulatory Agreement, (as each of said documents is defined in the Lease Agreement) and any other document to be executed by the Agency (all of the preceding documents being collectively referred to as the "Agency Documents") in connection with the undertaking by the Agency of a project (the "Project") consisting of the following: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"), and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from sales taxes, real property transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease of the Project Facility to the Company pursuant to the terms of the Lease Agreement.

Capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed to them in the Lease Agreement by and between the Agency and the Company except that, for purposes of this certificate, (A) all definitions with respect to any document shall be deemed to refer to such document only as it exists as of the date of this certificate and not as of any future date, and (B) all definitions with respect to any Person shall be deemed to refer to such Person only as it exists as of the date of this certificate and not as of any future date or to any successor or assign.

THE UNDERSIGNED OFFICER OF THE AGENCY HEREBY CERTIFIES THAT:

1. I am an officer of the Agency and am duly authorized to execute and deliver this certificate in the name of and on behalf of the Agency.

2. The Agency is a corporate governmental agency constituting a public benefit corporation of the State of New York (the "State") duly established under Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act"), and Chapter 313 of the Laws of 1972 of the State, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter

collectively referred to as the "Act"). A copy of Chapter 313 of the Laws of 1972 of the State is attached hereto as Exhibit A.

3. The Agency (A) has full legal power and authority to own its Properties, conduct its business, execute, deliver and perform its obligations under each of the Agency Documents and (B) has taken all actions and obtained all approvals required in connection therewith by the Act and any other applicable laws and regulations.

4. Under the Act, it is the purpose of the Agency to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, civic and research facilities, including commercial facilities, and the Agency has the power to acquire, construct, reconstruct; lease, sell, improve, maintain, equip or furnish certain properties, including commercial facilities.

5. Pursuant to the Act, the governing body of the City of Cohoes, New York for whose benefit the Agency was established filed or caused to be filed within six (6) months after the effective date of such Chapter 313 of the Laws of 1972 of the State, in the office of the New York State Department of State, Miscellaneous Records Unit, the Certificate of Establishment of the Agency pursuant to Section 856(1)(a) of the New York General Municipal Law. Attached hereto as Exhibit B is a certified copy of said Certificate of Establishment of the Agency and certificates of appointment relating to all of the current members of the Agency.

6. The current members and officers of the Agency are as follows: John T. McDonald, III, Chairman; Jeanne Potts, Vice Chairman; Michael Durocher, Treasurer, Edward Tremblay, Secretary; Donna DeMarse, Member, Fred Turcotte, Member and Mark Colozza, Member. The foregoing named individuals constitute all of the members of the Agency; each of such individuals was and is duly appointed, qualified and acting as such member; each of such individuals who is indicated as an officer of the Agency was and is duly elected or appointed, qualified and acting as such officer; and each of such individuals has been a member of the Agency since at least January 31, 2005.

7. Attached hereto as Exhibit C is a true, correct and complete copy of the by-laws of the Agency, together with all amendments thereto or modifications thereof; and said by-laws so amended and modified are in full force and effect in accordance with their terms as of the date of this certificate.

8. The execution, delivery and performance of all agreements, certificates and documents required to be executed, delivered and performed by the Agency in order to carry out, effect to and consummate the transactions contemplated by the Agency Documents have been duly authorized by all necessary action of the Agency. The Agency Documents are in full force and give effect on and as of the date hereof, and no authority for the execution, delivery or performance of the Agency Documents has been repealed, revoked or rescinded.

9. The execution, delivery and performance of the Agency Documents, the consummation of the transactions therein contemplated and compliance with the provisions of such by the Agency do not and will not (A) violate the Act or the by-laws of the Agency, (B) require

consent under (which has not heretofore been received) or result in a breach of or default under any credit agreement, purchase agreement, indenture, mortgage, deed of trust, commitment, guaranty, lease or other agreement or instrument to which the Agency is a party or by which the Agency may be bound or affected, or (C) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Agency or any of the Property of the Agency.

10. The Agency has duly authorized the taking of and has taken any and all actions necessary to carry out and give effect to the transactions contemplated by the Agency Documents.

11. Each of the representations and warranties of the Agency contained in each of the Agency Documents is true, accurate and complete on and as of the date of this certificate with the same force and effect as though such representations and warranties were made on and as the date hereof.

12. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or, to our knowledge, threatened against or affecting the Agency (nor, to our knowledge, any basis therefor), wherein an unfavorable decision, ruling or finding would adversely affect (A) the transactions contemplated by the Approving Resolution (as hereinafter defined), (B) the validity or the enforceability of the Approving Resolution or the Agency Documents or the transactions contemplated therein, or (C) the existence or organization of the Agency.

13. The Agency Documents have been each duly executed, acknowledged, where appropriate, and delivered on behalf of the Agency by the Chairman or Vice Chairman of the Agency; the signature of said officer thereon is the genuine signature of such officer; and said executed Agency Documents are in substantially the same form as the forms thereof presented to the members of the Agency and approved by the Approving Resolution.

14. Pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York being 6NYCRR Part 617, as amended (the "Regulations collectively with the SEQR Act, "SEQRA") applicable to the Project have been complied with. Attached hereto as Exhibit D is a certified copy of the SERA Resolution.

15. The Agency, pursuant to a resolution adopted on June 20, 2003 (the "Preliminary Inducement Resolution"), agreed to consider undertaking the Project and to enter into an agreement with the Company respecting the Project (the "Preliminary Agreement"). Attached hereto as Exhibit E is a certified copy of the Preliminary Inducement Resolution and an executed copy of the Preliminary Agreement.

16. Attached hereto as Exhibit F is an affidavit of publication of notice of the public hearing relating to public hearing held with respect to the Project (the "Public Hearing") pursuant to Section 859-a of the Act.

17. Attached hereto as Exhibit G is proof of mailing of notice of the Public Hearing, to the chief executive officers of the “affected tax jurisdictions” with respect to the Project (as such quoted term is defined in Section 854(16) of the Act) (the “affected tax jurisdictions”).

18. Attached hereto as Exhibit H is proof of mailing of notice of the original deviation from the Agency’s Uniform Tax Exemption Policy to the chief executive officers of the affected tax jurisdictions.

19. Attached hereto as Exhibit I is a true, correct and complete copy of the resolution of the members of the Agency adopted on November 21, 2003 (the “Original PILOT Resolution”) approving the terms of a PILOT Agreement. Such Original PILOT Resolution was duly adopted by the members of the Agency, has not been amended or modified since its adoption and is in full force and effect as of the date of this certificate in accordance with its terms.

20. Attached hereto as Exhibit J is proof of mailing of notice of the revised deviation from the Agency’s Uniform Tax Exemption Policy to the chief executive officers of the affected tax jurisdictions.

21. Attached hereto as Exhibit K is a true, correct and complete copy of the resolution of the members of the Agency adopted on November 21, 2003 (the “Revised PILOT Resolution”) approving the terms of a revised PILOT Agreement. Such Revised PILOT Resolution was duly adopted by the members of the Agency, has not been amended or modified since its adoption and is in full force and effect as of the date of this certificate in accordance with its terms.

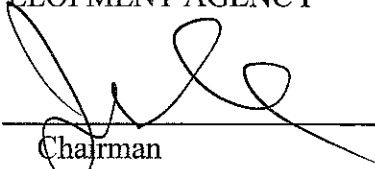
22. Attached hereto as Exhibit L is a true, correct and complete copy of the resolution of the members of the Agency adopted on January 31, 2005 (the “Approving Resolution”) approving and authorizing execution by the Agency of the Agency Documents. Such Approving Resolution was duly adopted by the members of the Agency, has not been amended or modified since its adoption and is in full force and effect as of the date of this certificate in accordance with its terms.

23. The Agency is not contemplating instituting bankruptcy, insolvency or similar proceedings against itself.

24. The Agency has complied with all of the agreements and satisfied all of the conditions on its part to be performed and satisfied by the terms of the Agency Documents on or prior to the Closing Date.

IN WITNESS WHEREOF, I have hereunto set my signature as Chairman of the Agency of this 11th day of February, 2005.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: 
Chairman

The undersigned, Darrin Derosia, Esq., counsel for the Agency, hereby certifies that the signature of the officer of the Agency subscribed to and contained in the foregoing General Certificate of the Agency is true and genuine.

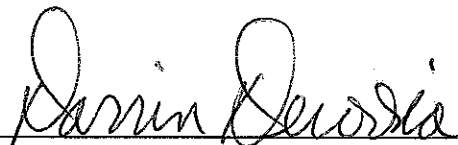

Darrin Derosia, Esq.

EXHIBIT A

CHAPTER 313 OF THE LAWS OF 1972

State of New York }
Department of State } ss:

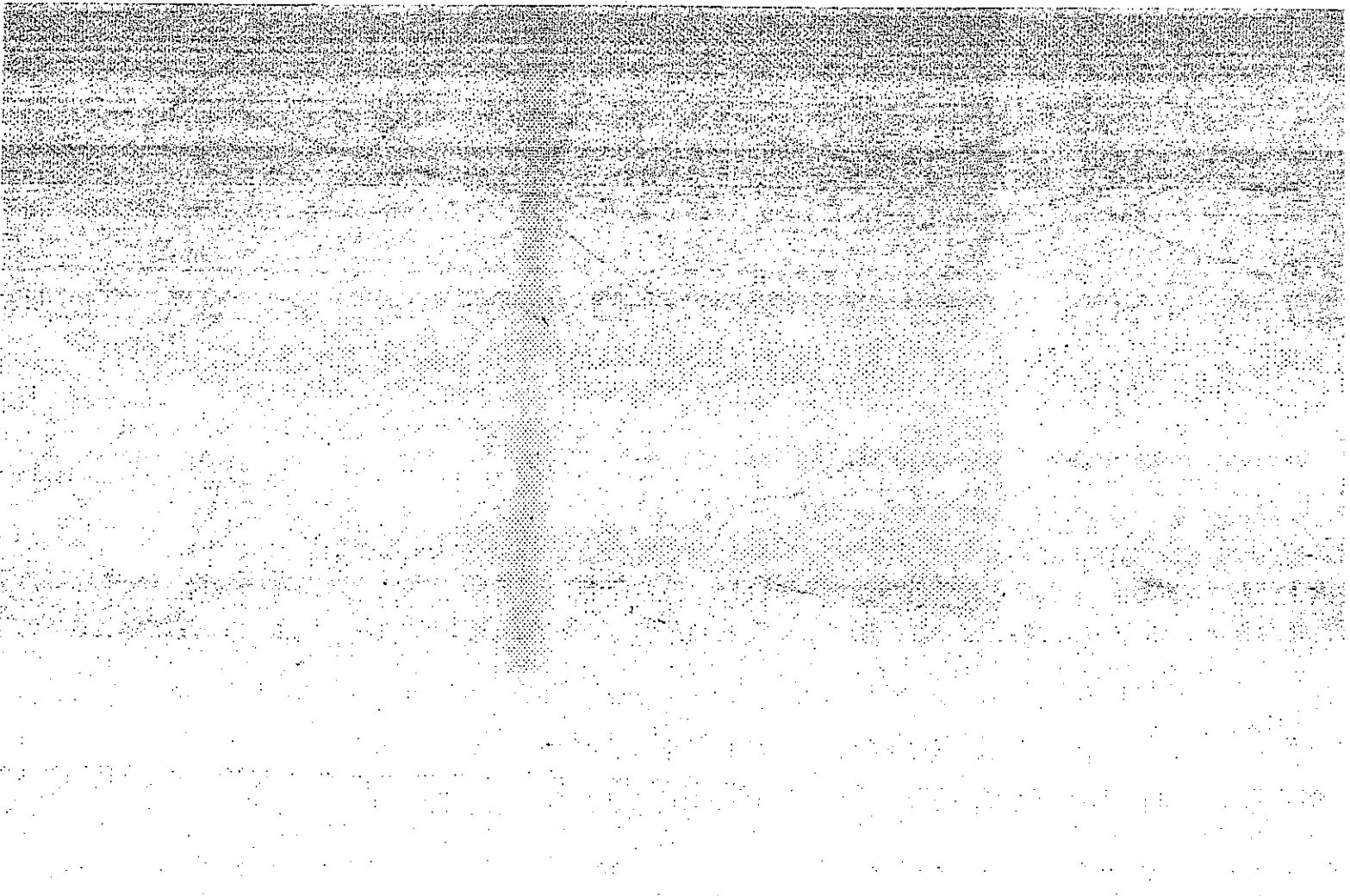
I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on AUG 21 2003



A handwritten signature in black ink, appearing to read "R. A. S.", is written over the printed title.

Secretary of State



CHAPTER 313

AN ACT to amend the general municipal law, in relation to creating and establishing the city of Cohoes industrial development agency, and providing for its functions, powers and duties

Became a law May 15, 1972, with the approval of the Governor. Passed on Home Rule request pursuant to article IX, section 2(b)(2) of the Constitution by a majority vote, three-fifths being present

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The general municipal law is hereby amended by inserting in title two of article eighteen-A, a new section, to be section eight hundred ninety-six-a, to read as follows:

§ 896-a. *The city of Cohoes industrial development agency. For the benefit of the city of Cohoes and the inhabitants thereof, an industrial development agency, to be known as the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY, is hereby established for the accomplishment of any or all of the purposes specified in title one of article eighteen-A of this chapter. It shall constitute a body corporate and politic, and be perpetual in duration. It shall have the powers and duties now or hereafter conferred by title one of article eighteen-A of this chapter upon industrial development agencies and provided that the exercise of the powers by such agency with respect to the acquisition of real property whether by purchase, condemnation or otherwise, shall be limited to the corporate limits of the city of Cohoes, and such agency shall take into consideration the local zoning and planning regulations as well as the regional and local comprehensive land use plans. It shall be organized in a manner prescribed by and be subject to the provisions of title one of article eighteen-A of this chapter. Its members shall be appointed by the governing body of the city of Cohoes. The agency, its members, officers and employees and its operations and activities shall in all respects be governed by the provisions of title one of article eighteen-A of this chapter.*

§ 2. This act shall take effect immediately.

EXPLANATION — Matter in italics is new; matter in brackets [] is old law to be omitted.

C

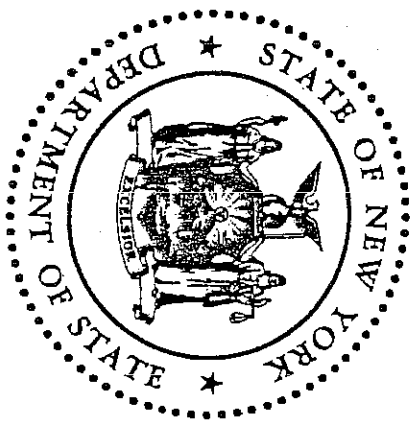
EXHIBIT A

CHAPTER 313 OF THE LAWS OF 1972

State of New York }
Department of State } ss:

I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on SEP 15 2003



A handwritten signature in cursive script, appearing to read "J. M. AD", is written over the printed name of the Secretary of State.

Secretary of State

C E R T I F I C A T I O N

I, LETITIA V. RIGNEY, City Clerk of the City of Cohoes and keeper of the records of the Common Council of the City of Cohoes, DO HEREBY CERTIFY:

1. The special legislative act establishing the City of Cohoes Industrial Development Agency was passed on May 15, 1972.
2. The official name of the agency is "City of Cohoes Industrial Development Agency".
3. The names of the members of the agency, the Chairman, and terms of office are as follows:

William Magee ----- 5 years - Chairman
Myron Mooradian ----- 4 years
Frank O'Connor ----- 3 years
George Robinson ----- 2 years
Leo Heslin ----- 1 year

4. The enactment of this legislation will provide a means for the City of Cohoes to attract new industry, encourage plant modernization and create new job opportunities and will enable the City of Cohoes to compete more effectively with other communities in the State of New York and in forty other states where industrial agencies are now operating.

Letitia V. Rigney
City Clerk of the City of Cohoes

Dated: September 27, 1972.

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED SEP 28 1972

John P. Linniger
Secretary of State



State of New York }
Department of State } ss:

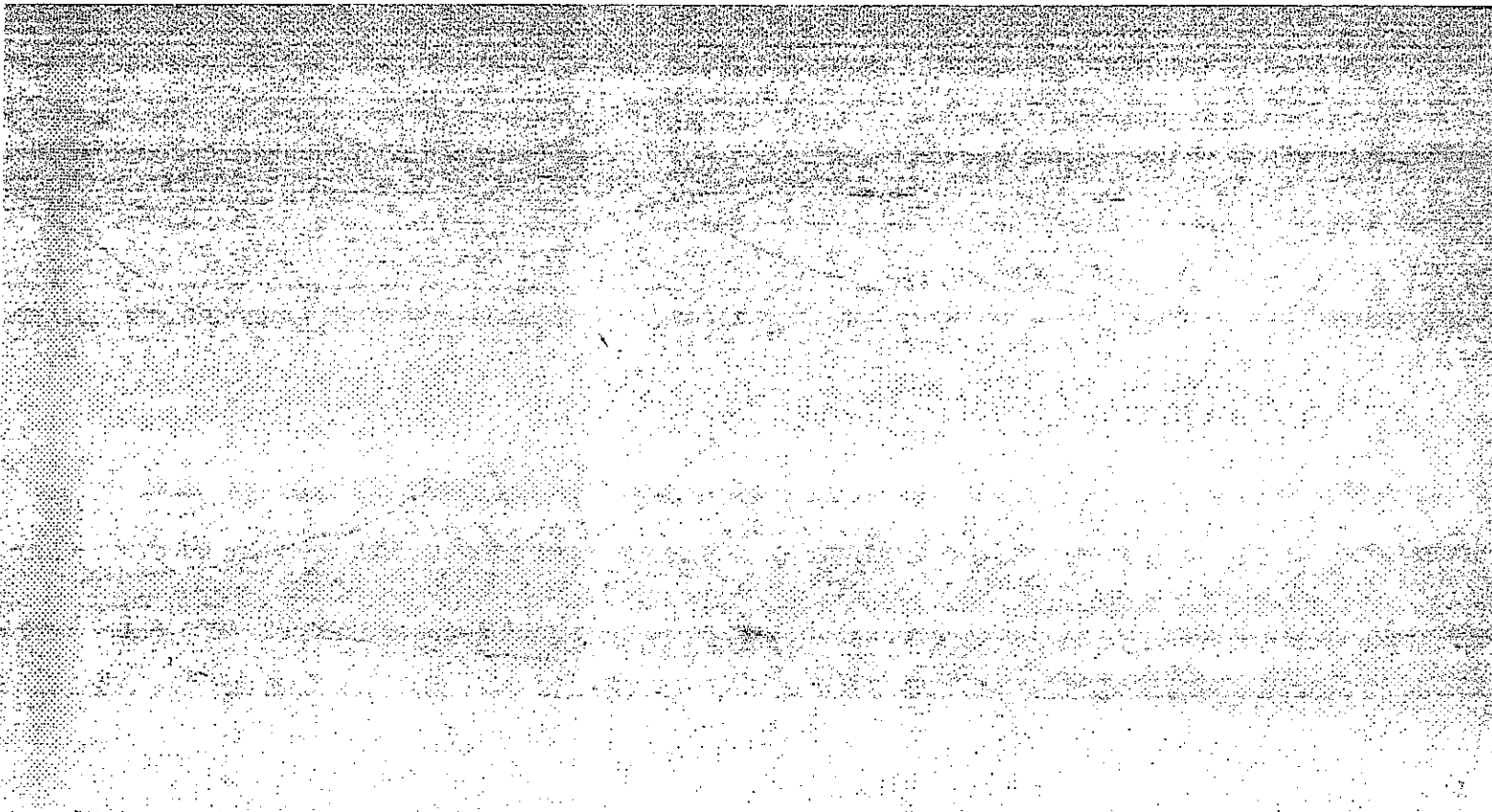
I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on SEP 17 2000



A handwritten signature in black ink, appearing to read "R. A. S.", is written over the printed title.

Secretary of State



CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

Mark Colozza

DATE OF APPOINTMENT: January 22, 2002

THE COMMON COUNCIL OF THE CITY
OF COHOES

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

SEP 3 - 2003

MISCELLANEOUS
& STATE RECORDS

By:

Lori A. Yardo
Clerk

CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

Jeanne Potts

DATE OF APPOINTMENT: January 22, 2002

THE COMMON COUNCIL OF THE CITY
OF COHOES

By: _____

Clerk

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED
SEP 3 - 2003
MISCELLANEOUS
& STATE RECORDS

CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

Alfred Turcotte

DATE OF APPOINTMENT: January 22, 2002

THE COMMON COUNCIL OF THE CITY
OF COHOES

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

SEP 3 - 2003

MISCELLANEOUS
& STATE RECORDS

By: _____

Lori A. Yonko
Clerk

CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

Michael J. Durocher

DATE OF APPOINTMENT: January 22, 2002

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

SEP 3 - 2003

MISCELLANEOUS
& STATE RECORDS

THE COMMON COUNCIL OF THE CITY
OF COHOES

By:

Lori A. Yardo
Clerk

CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

John T. McDonald, III

DATE OF APPOINTMENT: January 22, 2002

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

SEP 3 - 2003

MISCELLANEOUS
& STATE RECORDS

THE COMMON COUNCIL OF THE CITY
OF COHOES

By: _____

Clerk

Lori A. Yanco

CERTIFICATE OF APPOINTMENT
OF MEMBERS OF THE
INDUSTRIAL DEVELOPMENT AGENCY
FOR FILING WITH THE
SECRETARY OF STATE

This is to certify that the following person has appointed as MEMBER of the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY which has been duly established by Chapter 313 of the Laws of 1972, codified at Section 896-a of the New York State General Municipal Law:

Donna Demarse

DATE OF APPOINTMENT: January 22, 2002

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

SEP 3 - 2003

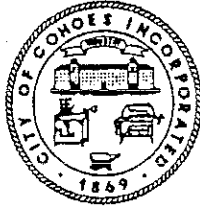
MISCELLANEOUS
& STATE RECORDS

THE COMMON COUNCIL OF THE CITY
OF COHOES

By:

Lori A. Yonko
Clerk

OFFICE OF THE
CITY CLERK
97 Mohawk Street
Cohoes, New York
12047-2897



Phone: (518) 233-2141
Fax: (518) 237-0072

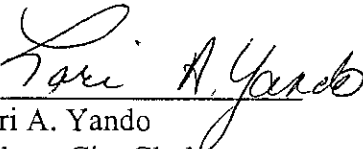
City of Cohoes

CERTIFICATION

RESOLUTION NO. 50 FOR THE YEAR 2004

I, Lori A. Yando, City Clerk of the City of Cohoes and Clerk of the Common Council of the City of Cohoes, do hereby certify that the RESOLUTION attached hereto was duly adopted by the Common Council of the City of Cohoes at a meeting held on the 28 day of September, 2004 in accordance with the applicable provisions of law, and is an exact duplicate copy of the original thereof on file in the City Clerk's office, and I do hereby further certify that said RESOLUTION has not been amended, repealed nor in any way altered and is in full force and effect.

In witness whereof I have hereunto set my hand and affixed the seal of the City of Cohoes this 22 day of December, 2004.


Lori A. Yando
Cohoes City Clerk

SEAL

RESOLUTION NO. 50 FOR THE YEAR 2004

Members of Common Council April A. Kennedy, Charles F. Feeley, Jr., George E. Primeau, Sr., Albina Y. Grignon, Terrence M. Riberdy, and Daniel V. DeChiaro ask for unanimous consent for the introduction and passage of the following Resolution:

A RESOLUTION APPOINTING A MEMBER OF THE CITY
OF COHOES INDUSTRIAL DEVELOPMENT AGENCY.

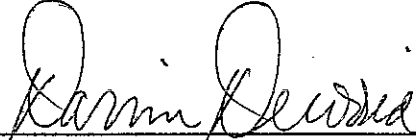
NOW, THEREFORE, BE IT

RESOLVED, that Edward Trembly is hereby appointed as a member of the City of Cohoes Industrial Development Agency; and be it further

RESOLVED, that the member shall serve at the pleasure of the Common Council; and be it further

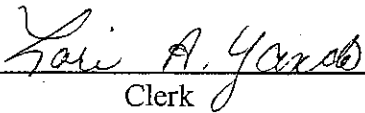
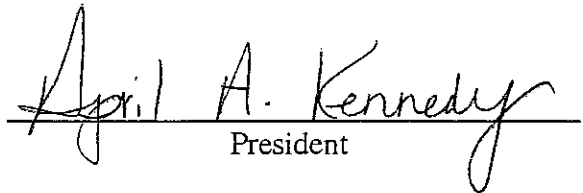
RESOLVED, that this Resolution shall take effect immediately.

Approved as to form this 28th day of September 2004.



Darrin B. Derosia
Corporation Counsel

Engrossed and signed by the President of the Common Council and attested by the Clerk of the Common Council this 28 day of September 2004.


Clerk
President

I hereby approve the foregoing Resolution of the Common Council.

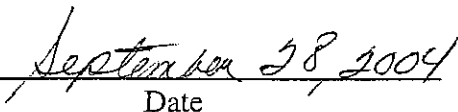
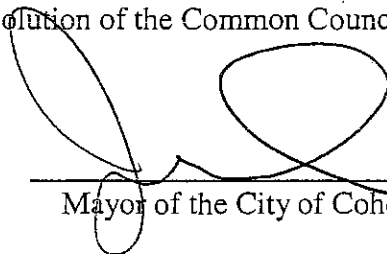

Date
Mayor of the City of Cohoes, New York

EXHIBIT C
BY-LAWS OF THE AGENCY

BY-LAWS
OF
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

ARTICLE I
THE AGENCY

Section 1. Name.

The name of the Agency shall be "City of Cohoes Industrial Development Agency", and it shall hereinafter be referred to in these by-laws as the Agency.

Section 2. Seal.

The seal of the Agency shall be in the form of a circle and shall bear the name of the Agency and the year of its organization.

Section 3. Offices of the Agency.

The principal office of the Agency shall be located at 130 Remsen Street, Cohoes, Albany County, State of New York. The Agency may have such other offices at such other places as the Agency may from time to time designate by resolution.

ARTICLE II

MEMBERS

Section 1. Members.

The Members of the Agency shall number not less than (3) three nor more than (7) seven. All references in these by-laws to Members shall be references to Members of the Agency. Members shall be appointed by the Common Council of the City of Cohoes, New York (the "City") and shall

serve at the pleasure of the Common Council. A Member shall continue to hold office until his or her successor is appointed and has qualified. Any one or more of the Members may be an official or employee of the City. Members shall not receive any compensation for their services but shall be entitled to the necessary expenses, including travel expenses, incurred in the discharge of their duties.

ARTICLE III

MEETINGS

Section 1. Annual Meeting.

The annual meeting of the Agency shall be held each year on the first Friday in January, at 9:00 a.m., at the regular meeting place of the Agency. In the event that day falls on a legal holiday, the annual meeting shall be held on the next succeeding day that is not a Saturday, Sunday or legal holiday.

Section 2. Regular Meetings.

Regular meetings of the Agency may be held at such times and places as from time to time may be determined by the Agency.

Section 3. Special Meetings.

The Chairperson of the Agency may, when he/she deems it desirable, and shall, on the written request of two Members, call a special meeting of the Agency for the purpose of transacting any business designated in the notice for that meeting. At that special meeting, no business shall be considered other than as designated in the notice for that meeting, but if all the Members are present at a special meeting, with or without notice thereof, any and all business may be transacted at that special meeting.

Section 4. Open Meetings Law.

All meetings of Members shall be conducted in accordance with the applicable provisions of the Open Meetings Law of the State of New York.

Section 5. Notices of Meetings.

Except as provided in this Section 5 with respect to waivers of notice, written notice stating the place, day and hour of the meeting shall be given for all meetings of Members. Such notice shall state the person or persons calling the meeting. Notices of any special meeting shall state the purpose or purposes for which the meeting is called. Notice of any meeting of Members shall be given, either personally, by first class mail, or by electronic mail, not less than two (2) days or more than ten (10) days before the date of the meeting, to each Member at his/her address recorded on the records of the Agency, or at such other address which the Member may have furnished in writing to the Secretary of the Agency. Notice shall be deemed to have been given when deposited with postage prepaid in a post office or other official depository under the exclusive jurisdiction of the United States Postal Service or sent via electronic mail and no "undeliverable message" is received by the sender. Any meeting of Members may be adjourned from time to time. In that event, it shall not be necessary to provide further notice of the time and place of the adjourned meeting if announcement of the time and place of the adjourned meeting is given at the meeting so adjourned. In the event a new date for an adjourned meeting is fixed, a new notice shall be given, in the same manner as provided in this Section 5. No notice of any meeting need be given to any Member who executes and delivers a waiver of notice before or after the meeting. The attendance of a Member in person or by proxy at a meeting without protesting the lack of notice of that meeting shall constitute a waiver of notice by that Member.

Section 6. Quorum.

Except as provided by law, the Members entitled to cast a majority of the total number of votes entitled to be cast at the meeting shall constitute a quorum at a meeting of Members for the transaction of any business. The Members present may adjourn the meeting despite the absence of a quorum.

Section 7. Procedure at Meetings.

(a) Meetings of Members shall be presided over by the following officers, in order of seniority - the Chairperson, Vice Chairperson or, if neither the Chairperson nor Vice Chairperson is in office or present at the meeting, by a chairperson to be chose by a majority of the Members in attendance. The Secretary or an Assistant Secretary of the Agency shall act as Secretary of every meeting of Members. When neither the Secretary nor an Assistant Secretary is available, the presiding officer may appoint a secretary of the meeting.

(b) The order of business at all meetings of Members shall be as follows:

- (1) Roll call;
- (2) Proof of Notice of Meeting;
- (3) Reading and approval of minutes of the previous meeting;
- (4) Bills and communications;
- (5) Report of the Treasurer;
- (6) Reports of Committees;
- (7) Unfinished business;
- (8) New business;
- (9) Adjournment.

(c) Except as otherwise provided by the Members, all resolutions shall be in writing and shall be copied in or attached to the journal of the proceedings of the Agency.

(d) The voting on all questions coming before the Members shall be by roll call, and the yeas and nays shall be entered on the minutes of that meeting, except in the case of appointments when the vote may be by ballot.

ARTICLE IV

OFFICERS

Section 1. Officers.

The officers of the Agency shall be a Chairperson, a Vice Chairperson, a Secretary, and a Treasurer. The Agency may also have as officers an Assistant Secretary and an Assistant Treasurer. Any two or more offices, except the offices of the Chairperson and Secretary, may be held by the same person.

Section 2. Chairperson.

The Chairperson shall preside at all meetings of the Agency. Except as otherwise authorized by resolution of the Agency, the Chairperson shall execute (manually or by facsimile signature) all agreements, contracts, deeds, bonds or other evidences of indebtedness, and other instruments of the Agency on behalf of the Agency. At each meeting the Chairperson shall submit such recommendations and information as he/she may consider proper concerning the business, affairs and policies of the Agency.

Section 3. Vice Chairperson.

The Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson, and in case of the resignation or death of the Chairperson, the Vice Chairperson

shall perform such duties as are imposed on the Chairperson until such time as the Agency shall appoint a new Chairperson.

Section 4. Secretary.

The Secretary shall keep the records of the Agency, shall act as secretary at meetings of the Agency and record all votes, shall keep a record of the proceedings of the Agency in a journal of proceedings to be kept for such purpose, and shall perform all duties incident to that office. The Secretary shall keep in safe custody the seal of the Agency and shall have the power to affix such seal to all contracts and other instruments authorized to be executed by the Agency.

Section 5. Assistant Secretary.

The Assistant Secretary shall perform the duties of the Secretary in the absence of incapacity of the Secretary and in case of the resignation or death of the Secretary, the Assistant Secretary shall perform such duties as are imposed on the Secretary until such time as the Agency shall appoint a new Secretary.

Section 6. Treasurer.

The Treasurer shall have the care and custody of all funds of the Agency and shall deposit those funds in the name of the Agency in such bank or banks as the Agency may select. Except as otherwise authorized by resolution of the Agency, the Treasurer shall sign all instruments of indebtedness, all orders, and all checks for the payment of money, and shall pay out and disburse such monies under the direction of the Agency. Except as otherwise authorized by resolution of the Agency, all such instruments of indebtedness, orders and checks shall be countersigned by the Chairperson. The Treasurer shall keep regular books of account showing receipts and expenditures and shall render to the Agency at each regular meeting an account of all financial transactions and

also of the financial condition of the Agency. The Treasurer shall give such bond for the faithful performance of his/her duties as Agency may determine.

Section 7. Assistant Treasurer.

The Assistant Treasurer shall perform the duties of the Treasurer in the absence or incapacity of the Treasurer, and in the case of the resignation or death of the Treasurer, the Assistant Treasurer shall perform such duties as are imposed on the Treasurer until such time as the Agency shall appoint a new Treasurer. The Assistant Treasurer shall give such bond for the faithful performance of his/her duties as the Agency may determine.

Section 8. Additional Duties.

All officers of the Agency shall perform such other duties and functions as may from time to time be authorized by resolution of the Agency or be required by the Agency, by these By-Laws, or by the rules and regulations of the Agency.

Section 9. Appointment of Officers.

All officers of the Agency, except the first Chairperson, shall be appointed at the annual meeting of the Agency from among the Members, and each officer shall hold office for one year or until his/her successor is appointed. The first Chairperson of the Agency shall be designated by the Common Council of the City.

Section 10. Vacancies.

If any office becomes vacant, the Agency shall appoint a successor from among its Members at the next regular meeting, and that appointment shall be for the unexpired term of that office.

Section 11. Administrative Director.

An Administrative Director may be appointed by the Agency. The Administrative Director shall have general supervision over the administration of the business and affairs of the Agency, subject to the direction of the Agency. The Administrative Director shall be charged with the management of all projects of the Agency.

Section 12. Additional Personnel.

The Agency may from time to time employ such personnel as it deems necessary to exercise its powers, duties and functions as prescribed by the New York State Industrial Development Agency Act, as amended, and all other laws of the State of New York applicable to the Agency. The selection and compensation of all personnel shall be determined by the Agency, subject to the laws of the State of New York.

ARTICLE V

MISCELLANEOUS

Section 1. Books and Records.

The Agency shall keep, at the principal office of the Agency, complete and correct records and books of account, and shall keep minutes of the proceedings of the Members, or any committee appointed by the Members, as well as a list or record containing the names and addresses of all Members.

Section 2. Indemnification.

To the extent permitted by law, the Agency shall indemnify any person made a party to an action by reason of the fact that he/she, his/her testator or intestate, is or was an officer of the Agency, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him/her in connection with the defense of such action, or in connection with an appeal therein,

except in relation to matters as to which such officer is adjudged to have breached his fiduciary duty to the Agency. The foregoing rights of indemnification shall not be exclusive of other rights to which such an officer may be entitled.

Section 3. Amendments.

The by-laws of the Agency may be amended only with the approval of a majority of all of the Members at a regular or special meeting, but no such amendment shall be adopted unless at least seven (7) days written notice of that meeting has been previously given to all Members.

EXHIBIT D
SEQR RESOLUTION

RESOLUTION

WHEREAS, the City of Cohoes Industrial Development Agency (“Agency”) is proposing to provide financial assistance in connection with a project proposed to be undertaken by Harmony Mills Riverview, LLC, involving the renovation of approximately 200,000 square feet of an existing 450,000 square foot building, known as Harmony Mills No. 3 and located at 100 North Mohawk Street in the City of Cohoes, New York, into 96 residential living units with related parking facilities (“the Project”); and

WHEREAS, the State Environmental Quality Review Act (“SEQRA”) and the regulations thereunder require the Agency to undertake a review of the potential environmental impacts, if any, associated with the project before approving same; and

WHEREAS, this project is a Type I Action within the meaning of SEQRA; and

WHEREAS, Part 1 of the Full Environmental Assessment Form was transmitted to all involved agencies together with notification of the Agency’s desire to act as lead agency with respect to the environmental review of the proposed Project; and

WHEREAS, thirty (30) days have elapsed without any objection to the designation of the Agency as lead agency with respect to the environmental review of the proposed Project; and

WHEREAS, 6 NYCRR Section 617.7 requires a lead agency to issue a written determination of significance with respect to any proposed Type I action;

WHEREAS, the Agency has carefully considered the nature and scope of the proposed Project, as set forth in the Full Environmental Assessment Form prepared with respect to such action, and makes the following determinations:

1. The proposed action involves the renovation of approximately 200,000 square feet of an existing 450,000 square foot building, known as Harmony Mills No. 3 and located at 100 North Mohawk Street in the City of Cohoes, New York, into 96 residential living units with related parking facilities (“the Project”).
2. The proposed action is classified under SEQRA as a Type I action within the meaning of 6 NYCRR § 617.2(ak).
3. Upon consideration of the action, review of the Full Environmental Assessment Form, the criteria contained in 6 NYCRR § 617.7(c), and all other supporting information, the Agency identifies the following relevant areas of environmental concern, as set forth hereafter, and analyzes whether the proposed action may have a significant adverse impact on the environment.
4. The proposed renovation of the property will not result in any significant increase in solid waste production or disposal, water usage, wastewater generation, or noise levels as compared to prior uses. Increased traffic generated by the proposed project upon completion will not be significant.
5. The proposed action involves renovations to an existing building, and will not involve in any substantial changes to the remaining property. The proposed project will therefore not result in any substantial adverse change to existing ground or surface water quality or quantity, and will not result in a substantial increase in potential for erosion, flooding, leaching or drainage problems.
6. The proposed action does not involve, and therefore will not result in, the removal or destruction of large quantities of vegetation or fauna, or a substantial interference with the

movement of any resident or migratory fish or wildlife species, or impact on a significant habitat area, or result in substantial adverse impacts on a threatened or endangered species of animal or plant or the habitat of such species, or result in any other significant adverse impacts to natural resources.

7. The site of the proposed action is not located in or substantially contiguous to a Critical Environmental Area.

8. The proposed action will not result in the creation of a material conflict with a community's current plans or goals as officially approved or adopted.

9. The proposed action will not result in the impairment of the character or quality of important historical, archeological, architectural, or aesthetic resources or of existing community or neighborhood character, in that the existing structure lacks any architectural or historic significance, any historic resources below the surface of the property will not be significantly disturbed by any limited surface and subsurface work, and the proposed use is consistent with the prevailing residential/commercial uses of neighboring properties. The project has been reviewed by the New York State Office of Parks, Recreation and Historic Preservation and deemed to have no adverse effect upon properties in or eligible for inclusion in the State and National Registers of Historic Places.

10. The proposed action will not result in a major change in either the quantity or type of energy, and will not result in the creation of a hazard to human health.

11. The proposed action will not result in a substantial change in the use, or intensity of use, of land including agricultural, open space, or recreational resources, or in its capacity to support existing uses.

12. The proposed action will not result in the encouragement or attraction of a large number of people to the site as compared to the number of people that would come absent the action.

13. The proposed action will not result in a material demand for other actions, will not result in changes to two or more elements of the environment which together would result in a substantial adverse impact, and will not cumulatively result in a substantial adverse impact when considered with any related actions.

RESOLVED that the Agency hereby declares itself lead agency with respect to the environmental review of the proposed project; and it is further

RESOLVED, that upon consideration of the foregoing, the Agency finds and concludes that the proposed action will not result in any significant adverse impacts to the environment; and it is further

RESOLVED, that the Agency hereby issues a Negative Declaration with respect to the proposed action.

The vote on the foregoing Resolution was as follows:

Name:

John T. McDonald, III	Aye - 1st
Jeanne Potts	Aye
Michael Durocher	Aye
Edward Tremblay	Aye - 2nd
Mark Colazza	Aye
Donna DeMarse	Absent
Fred Turcotte	Absent

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned Secretary of the City of Cohoes Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing copy of the minutes of the meeting of the Agency, including the Resolution contained therein, held on January 31, 2005, with the original thereof on file in my office, and that the same is a true and correct copy of such proceedings of the Agency and such resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed and rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 10th day of February, 2005.


Secretary

(SEAL)

A meeting of the City of Cohoes Industrial Development Agency (the "Agency") was convened in public session in Cohoes, New York on November 12, 2004 at 9:00 o'clock a.m., local time.

The meeting was called to order by the Chairperson and, upon roll being called, the following members of the Agency were:

PRESENT: John McDonald, Chairman
 Michael Durocher, Treasurer
 Edward Tremblay, Secretary
 Donna Demarse
 Fred Turcotte

ABSENT: Jeanne Potts, Vice-Chairman
 Mark Colozza

THE FOLLOWING PERSONS WERE ALSO PRESENT:

 Daniel Brown, Executive Director
 Erin Thomas, Administrative Assistant
 Connie Cahill, Bond Counsel

The following resolution was offered by John McDonald, seconded by Michael Durocher, to wit:

Resolution No. 4 for 2004

RESOLUTION DECLARING THE HARMONY MILLS
RIVERVIEW, LLC PROJECT A TYPE I ACTION PURSUANT
TO THE SEQRA AND PROPOSING THAT THE CIDA BE
LEAD AGENCY

WHEREAS, the City of Cohoes Industrial Development Agency ("Agency") is proposing to provide financial assistance in connection with a project proposed to be undertaken by Harmony Mills Riverview, LLC, involving the renovation of approximately 200,000 square feet of an existing 450,000 square foot building, known as Harmony Mills No. 3 and located at 100 North Mohawk Street in the City of Cohoes, New York, into 96 residential living units with related parking facilities ("the Project"); and

WHEREAS, the State Environmental Quality Review Act and the regulations thereunder require the Board to undertake a review of the potential environmental impacts, if any, associated with the Project before approving same.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The potential Project under consideration will require review under the State Environmental Quality Review Act ("SEQRA").

Section 2. Based upon the information contained in the Full Environmental Assessment Form submitted in connection the application, the potential Project under consideration is subject to classification under SEQRA as a Type I Action.

Section 3. Environmental review of the Project shall be conducted in accordance with those procedures and requirements applicable to Type I actions.

Section 4. The potential Project under consideration is one for which a determination of significance must be made.

Section 5. That the Agency proposes to declare itself lead agency with respect to the proposed Project under consideration within the meaning of 6 NYCRR 617.2(u), and directs that a copy of this Resolution, the Environmental Assessment Form, and any other supporting documentation, once completed, be provided to all involved agencies, together with a request that such agencies consent to the lead agency designation as soon as practicable but in no event later than thirty (30) calendar days of said mailing.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

John McDonald, Chairman	VOTING	Aye
Michael Durocher, Treasurer	VOTING	Aye
Edward Tremblay, Secretary	VOTING	Aye
Donna Demarse	VOTING	Aye
Fred Turcotte	VOTING	Aye

The foregoing Resolution was thereupon declared duly adopted.


Secretary

(SEAL)

EXHIBIT E

PRELIMINARY INDUCEMENT RESOLUTION
AND PRELIMINARY AGREEMENT

A meeting of the City of Cohoes Industrial Development Agency (the "Agency") was convened in public session in Cohoes, New York on June 20, 2003 at 9:00 o'clock a.m., local time.

The meeting was called to order by the Chairperson and, upon roll being called, the following members of the Agency were:

PRESENT: John P. Scavo, Jr
 Michael Durocher
 Mark Colazza
 John T. McDonald, III
 Jeanne Potts
 Alfred Turcotte

ABSENT: Donna Demarse

THE FOLLOWING PERSONS WERE ALSO PRESENT:

M. Cornelia Cahill

The following resolution was offered by John T. McDonald, III, seconded by Michael Durocher, to wit:

Resolution No. __

RESOLUTION TAKING PRELIMINARY OFFICIAL ACTION TOWARD THE ACQUISITION, CONSTRUCTION, INSTALLATION AND LEASING OF A CERTAIN PROJECT FOR HARMONY MILLS RIVERVIEW, LLC (THE "COMPANY") AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PRELIMINARY AGREEMENT WITH THE COMPANY WITH RESPECT TO SUCH TRANSACTION.

WHEREAS, the City of Cohoes Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound

commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, Harmony Mills Riverview, LLC (the "Company") has presented an application (the "Application") to the Agency, a copy of which was presented at this meeting and copies of which are on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the Agency has given due consideration to the Application, and to representations by the Company that (A) the granting by the Agency of the Financial Assistance with respect to the Project will be an inducement to the Company to undertake the Project in the City of Cohoes, New York, and (B) the completion of the Project Facility will not result in the removal of a plant or facility of the Company or an occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or an occupant of the Project Facility located in the State of New York; and

WHEREAS, the Agency desires to encourage the Company to preserve and advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Cohoes, New York by undertaking the Project in the City of Cohoes, New York; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), the Agency has not yet made a preliminary determination as to the potential environmental significance of the Project and therefore has not yet determined whether an environmental impact statement is required to be prepared with respect to the Project; and

WHEREAS, pursuant to the Act, any approval of the Project contained herein is contingent upon a determination by the members of the Agency to proceed with the Project following satisfaction of the public hearing and notice requirements and other procedural requirements

contained in Section 859-a of the Act that relate to the Project; and

WHEREAS, although the resolution authorizing the Project has not yet been drafted for approval by the Agency, a preliminary agreement (the "Preliminary Agreement") relative to the proposed undertaking of the Project by the Agency has been presented for approval by the Agency;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency has reviewed the Application and, based upon the representations made by the Company to the Agency in the Application and at this meeting and, based thereon, the Agency hereby makes the following findings and determinations with respect to the Project:

(A) The Project constitutes a "project" within the meaning of the Act; and

(B) The completion of the Project Facility will not result in the removal of a plant or facility of the Company or an occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company located in the State of New York; and

(C) The granting of the Financial Assistance by the Agency with respect to the Project, through the granting of the various tax exemptions described in Section 2(D) of this Resolution, will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of the City of Cohoes, New York and the State of New York and improve their standard of living, and thereby serve the public purposes of the Act; and

(D) Upon compliance with the provisions of the Act, the Agency would then be authorized under the Act to undertake the Project in order to promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of the City of Cohoes, New York and the State of New York and improve their standard of living; and

provided, however, that the foregoing determinations shall not entitle or permit the Company to commence the acquisition, construction or installation of the Project Facility unless and until the Agency shall determine that all requirements of the SEQRA Act that relate to the Project and to the issuance of the Bonds have been fulfilled.

Section 2. If, following full compliance with SEQRA and the requirements of the Act, including the public hearing requirements set forth in Section 859-a of the Act, (i) the Agency confirms the finding regarding jobs contained in Section 1(C) of this Resolution, and (ii) the Agency adopts a future resolution (the "Future Resolution") determining to proceed with the Project and to grant the Financial Assistance with respect thereto and the Company complies with all conditions set forth in the Preliminary Agreement and the Future Resolution, then the Agency will (A) acquire an interest in the Project Facility from the Company pursuant to a deed, lease agreement or other documentation to be negotiated between the Agency and the Company (the "Acquisition Agreement"); (B) reconstruct the Existing Facility and acquire and install the Equipment in the

Facility; (C) lease (with the obligation to purchase) or sell the Project Facility to the Company pursuant to a lease agreement or an installment sale agreement (hereinafter, the "Project Agreement) between the Agency and the Company whereby the Company will be obligated, among other things, to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility, including all costs of operation and maintenance, all taxes and other governmental charges, any required payments in lieu of taxes, and all reasonable fees and expenses incurred by the Agency with respect to or in connection with the Project and/or the Project Facility; and (D) provide the Financial Assistance with respect to the Project,, including (1) exemption from mortgage recording taxes with respect to any documents recorded by the Agency with respect to the Project in the office of the County Clerk of Albany County, New York or elsewhere, (2) exemption from sales tax relating to the acquisition, construction and installation of the Project Facility, (3) exemption from deed transfer taxes on real estate transfers to and from the Agency with respect to the Project, and (4) exemption from real estate taxes (but not including special assessments and special ad valorem levies) relating to the Project Facility, subject to the obligation of the Company to make payments in lieu of taxes with respect to the Project Facility, all as contemplated by the Preliminary Agreement and the Future Resolution.

Section 3. If the Agency adopts the Future Resolution, the undertaking and completing of the Project by the Agency, and the granting of the Financial Assistance with respect to the Project, as contemplated by Section 2 of this Resolution, shall be subject to: (A) the determination by the members of the Agency to proceed with the Project following a determination by the members of the Agency that all requirements of SEQRA that relate to the Project have been fulfilled; (B) execution and delivery by the Company of the Preliminary Agreement, which sets forth certain conditions for the undertaking and completing of the Project by the Agency, and satisfaction by the Company of all the terms and conditions of the Preliminary Agreement applicable to the Company; (C) agreement by the Agency and the Company on mutually acceptable terms for the conveyance of the Facility to the Agency; (D) agreement between the Company and the Agency, as to payment by the Company of payments in lieu of taxes with respect to the Project Facility, together with the administrative fee of the Agency with respect to the Project; (E) a determination by the members of the Agency to proceed with the granting of the Financial Assistance with respect to the Project following a determination by the members of the Agency that the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act have been complied with; (F) if any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; and (G) the following additional condition(s): None.

Section 4. The form, terms and substance of the Preliminary Agreement are in all respects approved, and the Chairman (or Vice Chairman) of the Agency is hereby authorized, empowered and directed to execute and deliver said Preliminary Agreement in the name and on behalf of the Agency, said Preliminary Agreement to be substantially in the form presented to this meeting, with such changes therein as shall be approved by the officer executing same on behalf of the Agency, the execution thereof by such officer to constitute conclusive evidence of such officer's approval of any and all changes or revisions therein from the form now before this meeting.

Section 5. From and after the execution and delivery of the Preliminary Agreement, the officers, agents and employees of the Agency are hereby authorized, empowered and directed to proceed with the undertakings provided for therein on the part of the Agency and are further authorized to do all such acts and things and to execute all such documents as may be necessary or convenient to carry out and comply with the terms and provisions of the Preliminary Agreement as executed.

Section 6. The Company is hereby authorized to conduct such environmental, engineering, economic, feasibility and other studies and preliminary planning and budgetary processes necessary or convenient to enable the Agency to make its final determination whether to approve the Project, and the Company is further authorized to advance such funds as may be necessary for such purpose, subject, to the extent permitted by law, to reimbursement from the proceeds of the sale of the Bonds, if the Bonds are issued; provided, however, that such authorization shall not entitle or permit the Company to commence the acquisition, construction or installation of the Project Facility unless and until the Agency shall determine that all requirements of SEQRA that relate to the Project and to the issuance of the Bonds have been fulfilled. This Resolution constitutes a determination of compliance with technical requirements within the meaning of Section 617.3(c)(2) of the DEC Regulations and does not constitute, and shall not be deemed to constitute, either an approval by the Agency of the Project for the purposes of SEQRA or a commitment by the Agency to issue the Bonds except upon satisfaction of the requirements of SEQRA, the requirements set forth in Section 3 hereof and the requirements set forth in the Preliminary Agreement.

Section 7. The law firm of Girvin & Ferlazzo, P.C. of Albany, New York is hereby appointed transaction counsel to the Agency with respect to all matters in connection with the Project. Girvin & Ferlazzo, P.C. is hereby authorized, at the expense of the Company, to work with the Company, Counsel to Company and others to prepare, for submission to the Agency, all documents necessary to effect the transactions contemplated by this Resolution.

Section 8. The Agency hereby authorizes the Chairman (or Vice Chairman) of the Agency, prior to the granting of any Financial Assistance with respect to the Project, after consultation with transaction counsel and counsel to the Agency, (A) to establish a time, date and place for a public hearing of the Agency to hear all persons interested in the location and nature of the Project Facility and the proposed Financial Assistance being contemplated by the Agency with respect to the Project, said public hearing to be held in the city, town or village where the Project Facility will be located; (B) to cause notice of such public hearing to be given to the public by publishing a notice of such hearing in a newspaper of general circulation available to residents of the governmental units where the Project Facility is to be located, such notice to comply with the requirements of Section 859-a of the Act and to be published no fewer than thirty (30) days prior to the date established for such public hearing; (C) to cause notice of said public hearing to be given to the chief executive officer of the county and each city, town, village and school district in which the Project Facility is or is to be located no fewer than thirty (30) days prior to the date established for said public hearing; (D) to conduct such public hearing; and (E) to cause a report of said public hearing fairly summarizing the views presented at a public hearing to be promptly prepared and cause copies of said report to be made available to the members of the Agency.

Section 9. The Chairman (or Vice Chairman) of the Agency is hereby authorized and directed to distribute copies of this Resolution to the Company and to do such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 10. The Preliminary Agreement shall be deemed the obligations of the Agency, and not of any member, officer, agent or employee of the Agency in his/her individual capacity, and the members, officers, agents and employees of the Agency shall not be personally liable thereon or be subject to any personal liability or accountability based upon or in respect hereof or of any transaction contemplated hereby. The Preliminary Agreement shall constitute or give rise to an obligation of the State of New York or the City of Cohoes, New York and neither the State of New York nor the City of Cohoes, New York shall be liable thereon, and further, such agreement shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency.

Section 101 This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

The foregoing Resolution was thereupon declared duly adopted.

The members voted as follows:

John P. Scavo, Jr.	VOTING	Aye
Jeanne Potts	VOTING	Aye
Michael Durocher	VOTING	Aye
Alfred Turcotte	VOTING	Aye
Donna Demarse	VOTING	Absent
Mark Colazza	VOTING	Aye
John T. McDonald, III	VOTING	Aye

PRELIMINARY AGREEMENT

THIS PRELIMINARY AGREEMENT dated as of June 20, 2003 between the CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY (the "Agency"), a public benefit corporation organized and existing under the laws of the State of New York, and HARMONY MILL RIVERVIEW, LLC (the "Company"), a limited liability company organized and existing under the laws of the State of New York.

W I T N E S S E T H:

WHEREAS, the City of Cohoes Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, the purposes of the Act are to promote industry and develop trade and thereby advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of the City of Cohoes, New York and the State of New York, to improve their prosperity and standard of living and to prevent unemployment and economic deterioration; and

WHEREAS, by resolution adopted by the members of the Agency on June 20, 2003 (the "Preliminary Inducement Resolution"), the Agency made a preliminary determination, subject to numerous conditions, to agree to the request (the "Application") from the Company that the Agency undertake a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Agency and the Company agree as follows:

Article 1. Representations.

Among the representations which have resulted in the execution of this Preliminary Agreement are the following:

Section 1.01. The Company hereby represents to the Agency that:

(A) The granting of the Financial Assistance with respect to the Project Facility will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of a plant or facility of the Company or of any proposed occupant of the Project Facility located in the State of New York.

(B) The Project site is located entirely within the boundaries of the City of Cohoes, New York.

(C) The granting of the Financial Assistance (as defined herein) by the Agency with respect to the Project, through the granting of the Exemptions (as defined in Section 2(D) of the Preliminary Inducement Resolution) (such Exemptions being referred to as the “Financial Assistance”), will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of the City of Cohoes, New York and the State of New York and improve their standard of living, and thereby serve the public purposes of the Act and will encourage and assist the Company in providing the Project.

Section 1.02. By the Preliminary Inducement Resolution, the Agency has approved the execution of this Preliminary Agreement. The Agency intends this Preliminary Agreement to constitute its official binding commitment, subject to the terms hereof to grant certain Financial Assistance with respect to the Project; provided, however, that this Preliminary Agreement shall not commit the Agency to undertake the Project or to grant to the Company any Financial Assistance with respect to the Project unless and until the Agency shall decide to proceed with the granting of such Financial Assistance following a determination by the Agency that the requirements of the New York State Environmental Quality Review Act (“SEQRA”) and the procedural requirements of Section 859-a of the Act have been fulfilled.

Article 2. Undertaking on the Part of the Agency.

Based upon the statements, representations and undertakings of the Company and subject to the conditions set forth herein, the undertakings on the part of the Agency are as follows:

Section 2.01. If, following full compliance with the requirements of SEQRA and with the requirements of the Act, including the public hearing requirements set forth in Section 859-a of Act, the Agency adopts a future resolution (the “Future Resolution”) determining to proceed with the Project and to grant the Financial Assistance with respect thereto and the Company complies with

all conditions set forth in this Preliminary Agreement and the Future Resolution, then the Agency will (A) undertake the Project, (B) grant certain Financial Assistance with respect to the Project; PROVIDED HOWEVER, that the foregoing obligation of the Agency to undertake the Project and to grant the Financial Assistance relating to the Project is subject to the conditions hereinafter contained in this Preliminary Agreement, including but not limited to the following conditions:

(A) An interest in the Project Facility shall be acquired by the Agency from the Company pursuant to a deed, lease agreement, license agreement or other documentation to be negotiated between the Agency and the Company (hereinafter, the "Acquisition Agreement") which contains terms mutually acceptable to the Agency and the Company for the conveyance of an interest in the Project Facility to the Agency. Any documents to be executed by the Agency and the Company in connection with the Project (collectively, the "Project Documents") shall in all respects comply with the requirements of, and limitations contained in, the Act;

(B) The Company shall have executed the Project Documents between the Agency and the Company, the terms of which shall be acceptable in form and content to the Company and the Agency, and pursuant to which, among other things, the Company shall be obligated to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility, including all costs of operation and maintenance of the Project Facility, all taxes and other governmental charges, any required payments in lieu of taxes, and the reasonable fees and expenses incurred by the Agency with respect to or in connection with the Project and/or the Project Facility, it being understood that the Company will, prior to or contemporaneously with the granting of the Financial Assistance, enter into such Project Documents;

(C) No event shall have occurred which constitutes (or which after notice or lapse of time or both would constitute) an event of default under the Project Documents;

(D) The Company shall provide the Agency and any other entity which may act as lead agency for SEQRA purposes with all information and statements which may be required by said respective entities in order to facilitate compliance by said entities with SEQRA;

(E) The Agency shall receive, in form and substance satisfactory to the Agency, such rulings, approvals, resolutions, consents, certificates, opinions of counsel and other instruments and proceedings as shall be specified by the Agency in connection with the Financial Assistance, the Project, the Financing Agreement, and the various other documents to be executed in connection with the Project, such rulings, approvals, resolutions, consents, certificates, opinions of counsel and other instruments and proceedings to be obtained from transaction counsel, counsel to the Agency and such other governmental and nongovernmental agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertaining thereto, and the same shall be in full force and effect at the time of the granting of the Financial Assistance;

(F) Agreements shall be made as to (1) payments by the Company to or on behalf of the Agency of any required amounts in lieu of real property taxes, (2) indemnity by the Company of the Agency and the members and officers of the Agency, and (3) payment by the Company of the expenses incurred by the Agency in connection with the Project (including reasonable counsel fees

and out-of-pocket expenses) and the administrative fee of the Agency, and such agreements shall be satisfactory in form and substance to the Agency;

(G) The Agency shall have made a discretionary determination to proceed with the granting of the Exemptions following determinations by the Agency that the public hearing and notice requirements and other procedural requirements of Section 859-a of the Act have been complied with; and

(H) If any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance.

Section 2.02. The obligations of the Agency pursuant to this Preliminary Agreement are subject to the conditions elsewhere contained in this Preliminary Agreement.

Article 3. Undertakings on the Part of the Company.

Based upon the statements, representations and undertakings of the Agency and subject to the conditions set forth herein, the undertakings on the part of the Company are as follows:

Section 3.01. The Company will enter into the Project Documents with the Agency containing the terms and conditions described in Section 2.01 hereof.

Section 3.02. The Company hereby agrees to indemnify, defend and hold the Agency and its members, officers, agents and employees harmless from any and all (A) claims and liabilities for the loss or damage to property or any injury to or death of any person that may be occasioned subsequent to the date hereof by any cause whatsoever in relation to the Project and/or the Project Facility, including any expenses incurred by the Agency (and its members, officers, agents and employees) in defending any claims, suits or actions which may arise as a result of the foregoing; and (B) claims and liability arising from or expenses incurred in connection with or relating to the Project or the Agency's acquisition and leasing of such, including all causes of action and reasonable attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing; provided, however, that the Company shall have no liability to the Agency pursuant to this Section 3.02 to the extent that the Agency's losses, expenses, claims and liabilities arise out of or based on the Agency's gross negligence or wilful misconduct. The Company shall include the Agency (and its members, officers, agents and employees) as a named insured under all public liability insurance policies obtained by or with respect to the Project.

Section 3.03. The Company will take such further action and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 4. General Provisions.

Section 4.01. All commitments of the Agency under Article 2 hereof are subject to the condition that the following events shall have occurred not later than two (2) years from the date hereof (or such other date as shall be mutually satisfactory to the Agency and the Company):

- (A) The Agency and the Company shall have agreed on mutually acceptable terms and conditions of the Project Documents and any other agreements referred to in Articles 2 or 3 hereof;
- (B) All necessary governmental approvals shall be obtained; and
- (C) All other conditions expressed in this Preliminary Agreement shall have been satisfied.

Section 4.02. Subject to the terms and conditions of Section 4.03 hereof, the Company shall have the right to unilaterally cancel this Preliminary Agreement at any time within thirty (30) days of the date hereof by written notice of cancellation delivered to the Agency at the address set forth in Section 4.04 hereof.

Section 4.03. If the events set forth in Section 4.01 hereof do not take place within the time set forth in said Section 4.01, or any extension thereof, or if the Company exercises its right of cancellation as set forth in Section 4.02 hereof, the Company agrees that (A) it will promptly reimburse the Agency (and its officers, members, agents or employees) for all reasonable and necessary actual out-of-pocket expenses (including reasonable legal fees and expenses) which the Agency (and its officers, members, agents or employees) may incur with respect to the execution of this Preliminary Agreement and the performance of its obligations hereunder; and (B) the obligations of the Company set forth in Section 3.02 hereof shall survive the termination of this Preliminary Agreement and shall remain in full force and effect until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters described therein may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by the Agency (and its officers, members, agents or employees) relating to the enforcement of the provisions therein stated.

Section 4.04. (A) All notices and other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

- (i) TO THE AGENCY:

City of Cohoes Industrial Development Agency
130 Remsen Street
Cohoes, New York 12047-2897

WITH A COPY TO:

Darrin Derosia, Esq.
Corporation Counsel
97 Mohawk Street
Cohoes, New York 12047-2897

(ii) IF TO THE COMPANY:

Harmony Mills Riverview, LLC
220-46 73rd Avenue
Bayside, New York 11364

WITH A COPY TO:

Kevin R. McAuliff
Green & Seifter, Attorneys, PLLC
900 One Lincoln Center
Syracuse, New York 13202

(B) The Agency and the Company may, by notice given hereunder, designate any other or different addresses to which subsequent notices, certificates and other communications shall be sent.

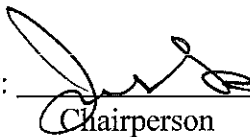
Section 4.05. All covenants and agreements herein contained by or on behalf of the Agency and the Company shall bind and inure to the benefit of the respective successors and assigns of the Agency and the Company whether so expressed or not.

Section 4.06. The obligations and agreements of the Agency contained herein shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent or employee of the Agency in his individual capacity, and the members, officers, agents and employees of the Agency shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof or of any action contemplated hereby. The obligations and agreements of the Agency contained herein shall not constitute or give rise to an obligation of the State of New York or of the City of Cohoes, New York and neither the State of New York nor the City of Cohoes, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility.

Section 4.07. Notwithstanding any provision of this Preliminary Agreement to the contrary, the Agency shall not be obligated to take any action pursuant to any provision hereof unless (A) the Agency shall have been requested to do so in writing by the Company; and (B) if compliance with such request is reasonably expected to result in the incurrence by the Agency (or any member, officer, agent or employee of the Agency) of any liability, fees, expenses or other costs, the Agency shall have received from the Company security or indemnity satisfactory to the Agency for protection against all such liability and for the reimbursement of all such fees, expenses and other costs.

IN WITNESS WHEREOF, the parties hereto have entered into this Preliminary Agreement as of the day and date first written above.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By:  _____
Chairperson

HARMONY MILLS RIVERVIEW, LLC


By:  _____
Authorized Representative

EXHIBIT F

PROOF OF PUBLICATION OF NOTICE
OF THE PUBLIC HEARING

AFFIDAVIT OF PUBLICATION

STATE OF NEW YORK,
Rensselaer County,
City of Troy.

ss:

J. Willett of the City of Troy, in the county of Rensselaer and State of New York, being duly sworn, deposes and says that she is the Principal Clerk of the Troy Publishing Company, a Corporation duly organized under the laws of the State of New York; that said Corporation is the publisher of The RECORD, a daily newspaper printed and published in the City of Troy and County of Rensselaer, and that the notice of which the annexed is a printed copy, has been regularly published in The RECORD.

ONCE DAILY for ONE DAY

successively commencing on the 21ST day of OCTOBER, 2003

Sworn before me, this

22nd day of OCTOBER, 2003 ;

Linda D. Gunther
Notary Public

LINDA D. GUNTHER
Notary Public; # 4809003

City of New York, County of Rensselaer
My Commission Expires 9/30/06

NOTICE OF PUBLIC HEARING ON GRANTING PUBLIC ASSISTANCE NOTICE is hereby given that a public hearing pursuant to Section 859-a(2) of the General Municipal Law of the State of New York (the "Act"), will be held by the City of Cohoes Industrial Development Agency (the "Agency") on the 21st day of November, 2003 at 8:00 a.m. local time, at the offices of the Cohoes Local Development Corporation, 139 Remsen Street, Cohoes, New York in connection with the following matters: Harmony Mills Riverview, LLC (the "Company") has presented an application (the "Application") to the Agency, a copy of which was presented at this meeting and copies of which are on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") consisting of the following: (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet (the "Existing Facility") and reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (2) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (3) the granting of certain "financial assistance" (within the meaning of Section 854(4) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency. The Agency has not made a determination pursuant to Article 8 of the Environmental Conservation Law, Chapter 46-B of the Consolidated Laws of New York, as amended (the "ECON Act") and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the "Regulations") regarding the potential environmental impacts of the Project. A copy of the application, including an analysis of the project and details of the Project, filed by the Company with the Agency with respect to the Project, is available for inspection at the office of the Agency at 139 Remsen Street, Cohoes, New York. The Agency will also hold public hearings and place hearings with views on the nature of the Project and the granting of Financial Assistance with respect to the Project. Dated: October 22, 2003. CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY John P. Scavo, Chairman. 203662 10/21

EXHIBIT G

PROOF OF MAILING OF
NOTICE OF THE PUBLIC HEARING

AFFIDAVIT OF MAILING
OF NOTICE OF PUBLIC HEARING
ON PROPOSED PROJECT AND
FINANCIAL ASSISTANCE RELATING THERETO

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

The undersigned, being duly sworn, hereby states:

That on October 21, 2003, I mailed to the following individuals a copy of the "Notice of Public Hearing on Proposed Project and Financial Assistance Relating Thereto" in connection with the City of Cohoes Industrial Development Agency's proposed Harmony Mills Riverview, LLC Project:

Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

In witness thereof, I have hereunto set my hand this 21st day of October, 2003.



Sworn to before me this 21st
day of October, 2003.



Notary Public

MICHELE R. WOODS
Notary Public, State of New York
No. 01WO4945379

QUALIFIED IN ALBANY COUNTY
COMMISSION EXPIRES DECEMBER 19, 2006

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
130 Remsen Street
Cohoes, New York 12047-2897

October 21, 2003

Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Re: City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

Gentlemen:

Pursuant to Section 859-a(2) of the General Municipal Law of the State of New York, (the "Act"), the City of Cohoes Industrial Development Agency (the "Agency") hereby informs you that the Agency has received an application (the "Application") from Harmony Mills Riverview, LLC (the "Company") for financial assistance in connection with a project (the "Project") consisting of (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107

indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

Enclosed is a notice of public hearing to be held by the Agency relating to the proposed Project. The financial assistance being contemplated by the Agency in connection with the Project is described in said notice of hearing.

If you have any questions regarding the foregoing, please do not hesitate to contact me.

Very truly yours,

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: /s/ John Scavo
John Scavo, Chairman

Enclosure

EXHIBIT H

PROOF OF MAILING OF
NOTICE OF ORIGINAL DEVIATION

AFFIDAVIT OF MAILING
OF NOTICE OF DEVIATION FROM
UNIFORM TAX EXEMPTION POLICY

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

The undersigned, being duly sworn, hereby states:

That on October 21, 2003, I mailed to the following individuals a copy of the "Notice of Deviation from Uniform Tax Exemption Policy" in connection with the City of Cohoes Industrial Development Agency's proposed Harmony Mills Riverview, LLC Project:

Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

In witness thereof, I have hereunto set my hand this 21st day of October, 2003.

Carson Hildebrand

Sworn to before me this 21st
day of October, 2003.

Michele R. Woods
Notary Public

MICHELE R. WOODS
Notary Public, State of New York
No. 01WO4945379
QUALIFIED IN ALBANY COUNTY
COMMISSION EXPIRES DECEMBER 19, 2004

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
130 Remsen Street
Cohoes, New York 12047-2897

October 21, 2003

Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Re: City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

Gentlemen:

Pursuant to Section 859-a(2) of the General Municipal Law of the State of New York, (the "Act"), the City of Cohoes Industrial Development Agency (the "Agency") hereby informs you that the Agency has received an application (the "Application") from American Housing Foundation, Inc. (the "Company") for financial assistance in connection with a project (the "Project") consisting of (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107

indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

The Company expects that it will hold record title to the Project Facility, that the Project Facility will be leased to a limited liability company (the "LLC"), the sole member of which will be the Company and that the LLC will lease the Project Facility from the Company and will operate the Project Facility pursuant to a long-term ground lease. For Federal income tax purposes, the existence of the LLC will be disregarded and the Company will be treated as the owner and operator of the Project Facility.

The Agency hereby notifies you that at the request of the Company, it is contemplating granting Financial Assistance to the Project that deviates from its Uniform Tax Exemption Policy (the "Policy"). The Agency is contemplating entering into a payment in lieu of taxes agreement (a "PILOT") with the Company, the terms of which would deviate from the Policy. The Company's proposed deviation is outlined in Exhibit A attached to this letter.

The Agency is contemplating a deviation from the Policy for the following reasons: (1) the Project Facility will employ the equivalent of two (2) full time employees; (2) the operation of the Project Facility will have a positive community impact, including, but not limited to, increased patronage of local businesses by the tenants of the Project; (3) the proposed PILOT will result in revenue to the affected tax jurisdictions in amounts that are greater than the tax payments currently being received; (4) the possible increase in the assessed valuation of the parcel upon completion of the Project Facility; (5) the Project will be a proper adaptive reuse of an historic building; and (6) a deviation will substantially affect the cash flow of the Company in the early years of operation and will have a positive impact on its ability to operate a successful venture.

The Agency shall consider whether to approve the deviation at its meeting to be held on November 21, 2003 at 9:00 a.m., local time, in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York. At such time, the Agency will allow any representative of the affected tax jurisdictions present at such meeting to address the Agency regarding such proposed deviation.

Very truly yours,

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: /s/ John P. Scavo
John P. Scavo, Chairman

Enclosure

Exhibit A

<u>Year</u>	<u>PILOT PAYMENT</u>
2004	\$ 72,418 (100% of current taxes)
2005	100,000
2006	100,000
2007	100,000
2008	100,000
2009	100,000
2010	100,000
2011	100,000
2012	100,000
2013	100,000
2014	100,000
2015	100,000
2016	80,000
2017	70,000
2018	70,000
2019	70,000
2020	70,000
2021	70,000
2022	70,000
2023	70,000
2024	70,000

EXHIBIT I
ORIGINAL PILOT RESOLUTION

A meeting of the City of Cohoes Industrial Development Agency (the "Agency") was convened in public session in Cohoes, New York on November 21, 2003 at 9:00 o'clock a.m., local time.

The meeting was called to order by the Chairperson and, upon roll being called, the following members of the Agency were:

PRESENT: John P. Scavo, Jr
 Michael Durocher
 Mark Colazza
 John T. McDonald, III

ABSENT: Jeanne Potts
 Alfred Turcotte
 Donna Demarse

THE FOLLOWING PERSONS WERE ALSO PRESENT:

Ralph Pasquale
M. Cornelia Cahill

The following resolution was offered by Michael Durocher, seconded by John T. McDonald, III, to wit:

Resolution No. __

RESOLUTION APPROVING THE TERMS OF A PAYMENT IN LIEU OF TAX AGREEMENT WITH HARMONY MILLS RIVERVIEW, LLC.

WHEREAS, the City of Cohoes Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, by resolution adopted by the members of the Agency on June 20, 2003 (the "Preliminary Inducement Resolution"), the Agency made a preliminary determination, subject to numerous conditions, to accept an application (the "Application") from the Harmony Mills Riverview LLC (the "Company") requesting that the Agency undertake a project (the "Project") consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), the Agency has not yet made a preliminary determination as to the potential environmental significance of the Project and therefore has not yet determined whether an environmental impact statement is required to be prepared with respect to the Project; and

WHEREAS, pursuant to the Act, any approval of the Project contained herein is contingent upon a determination by the members of the Agency to proceed with the Project following satisfaction of the SEQRA requirements that relate to the Project; and

WHEREAS, pursuant to the authorization contained in the Preliminary Inducement Resolution, the Issuer (A) caused notice of public hearing of the Issuer (the "Public Hearing") pursuant to Section 859-a of the Act to be heard all persons interested in the Project and the Financial Assistance being contemplated by the Issuer with respect to the Project, to be mailed on October 21, 2003 to the chief executive officers of the county and of each city, town, village and school district in which the Project is located, namely, the County Executive of Albany County, the Mayor of the City of Cohoes and the Superintendent and President of the Board of Education of the City School District of the City of Cohoes, (B) caused notice of the Public Hearing to be posted on a bulletin board located at City Hall in the City of Cohoes, Albany County, New York, (C) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, (D) conducted the Public Hearing on November 21, 2003, at 9:00 o'clock, a.m., local time at the office of the Cohoes Local Development Corporation, 130 Remsen Street, in the City of Cohoes, Albany County, New York; and

WHEREAS, the Issuer caused a letter dated October 21, 2003 (the "Pilot Deviation Letter")

to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located, informing said individuals that the Issuer would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Issuer's uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Issuer with respect to the Project Facility; and

WHEREAS, the Agency desires to vary from its uniform tax exemption policy with respect to the real property tax exemption to be granted to the Company for the reasons specified herein; and

WHEREAS, the Agency desires to approve the terms to be incorporated in the payment in lieu of tax agreement to be entered into by and between the Agency and the Company;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency has conducted the Public Hearing noting that no representatives of the Affected Taxing Jurisdictions were present and that it has not received comment from any of the Affected Taxing Jurisdictions and, based upon the representations made by the Company to the Agency in the Application, the Agency hereby makes the following findings and determinations with respect to the Project:

(A) the Project Facility will employ the equivalent of two (2) full time employees;

(B) the operation of the Project Facility will have a positive community impact, including, but not limited to, increased patronage of local businesses by the tenants of the Project;

(C) the proposed PILOT will result in revenue to the affected tax jurisdictions in amounts that are greater than the tax payments currently being received;

(D) the possible increase in the assessed valuation of the parcel upon completion of the Project Facility;

(E) the Project will be a proper adaptive reuse of an historic building; and

(F) a deviation will substantially affect the cash flow of the Company in the early years of operation and will have a positive impact on its ability to operate a successful venture

Section 2. The Agency hereby approves a payment in lieu of taxes agreement (the "PILOT Agreement") that incorporates the terms specified in Exhibit A attached hereto and hereby made a part hereof. The PILOT Agreement shall specify that it shall terminate immediately upon any transfer by the Company, either directly or indirectly, of the Project Facility or any interest therein, it being the intention of the Agency that the benefits of the PILOT may not be assigned or transferred by the Company. Such approval is subject to (A) the requirement that the Agency adopts a future resolution (the "Future Resolution") determining to proceed with the Project and that the Company complies with all conditions set forth in the Preliminary Inducement Resolution and the Future

Resolution, including, but not limited to, conditions relating to SEQRA; (B) all property which is to receive Financial Assistance shall satisfy the requirements contained in Section 854(13) of the General Municipal Law; and (C) the following additional condition(s): None.

Section 3. The terms and substance of the PILOT are in all respects approved, and the Chairman (or Vice Chairman) of the Agency is hereby authorized, empowered and directed to execute and deliver said PILOT in the name and on behalf of the Agency, said PILOT to contain the terms and substance presented to this meeting, with such changes therein as shall be approved by the officer executing same on behalf of the Agency, the execution thereof by such officer to constitute conclusive evidence of such officer's approval of any and all changes or revisions therein from the terms now before this meeting.

Section 4. Notwithstanding anything to the contrary contained herein, the foregoing determinations shall not entitle or permit the Company to commence the reconstruction or installation of the Project Facility unless and until the Agency shall determine that all requirements of the SEQR Act that relate to the Project have been fulfilled.

Section 5. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

John P. Scavo, Jr.	VOTING	Aye
Jeanne Potts	VOTING	Absent
Michael Durocher	VOTING	Aye
Alfred Turcotte	VOTING	Absent
Donna Demarse	VOTING	Absent
Mark Colazza	VOTING	Aye
John T. McDonald, III	VOTING	Aye

The foregoing Resolution was thereupon declared duly adopted.

EXHIBIT J

PROOF OF MAILING OF
NOTICE OF REVISED DEVIATION

AFFIDAVIT OF MAILING
OF NOTICE OF DEVIATION FROM
UNIFORM TAX EXEMPTION POLICY

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

The undersigned, being duly sworn, hereby states:

That on October 29, 2003, I mailed to the following individuals a copy of the "Notice of Deviation from Uniform Tax Exemption Policy" in connection with the City of Cohoes Industrial Development Agency's proposed Harmony Mills Riverview, LLC Project:

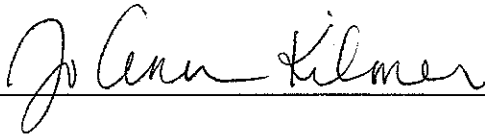
Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

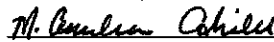
John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

In witness thereof, I have hereunto set my hand this 29th day of October, 2003.



Sworn to before me this 29th
day of October, 2003.



Notary Public

CORNELIA M. CAHILL
Notary Public, State of New York
NO.02CA6104639
Qualified in Schenectady County
Commission Expires January 26, 2004

7003 0500 0000 0196 4836

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Cohoes - Harmony Mills Postmark Here Pilot Dev. revised
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To John McDonald
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7003 0500 0000 0196 4829

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Cohoes - Harmony Mills Postmark Here Pilot Dev. revised
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Mike Bresler
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7003 0500 0000 0196 4843

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Cohoes - Harmony Mills Postmark Here Pilot Dev. revised
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Charles Dodrick
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7003 0500 0000 0196 4850

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Cohoes - Harmony Mills Postmark Here Pilot Dev. revised
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Patrice Butler
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Charles Bedrick, Superintendent
 Cohoes City School District
 2 Bevan Street
 COHOS NY 12047

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Christiane Desautels* Agent Addressee

B. Received by (Printed Name) _____ C. Date of Delivery
 10/30/03

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number
 (Transfer from service label) 7003 0500 0002 0196 4843
 Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Ann McDonald, Mayor
 City of Cohoes
 Mohawk Street
 COHOS, NY 12047

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *M. Maloney* Agent Addressee

B. Received by (Printed Name) _____ C. Date of Delivery
 10/20/03

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number
 (Transfer from service label) 7003 0500 0002 0196 4836
 Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Patrick Butler, President
 Cohoes City School District
 7 Bevan Street
 Cohoes, NY 12047

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Christiane Desautels* Agent Addressee

B. Received by (Printed Name) _____ C. Date of Delivery
 10/30/03

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label) 7003 0500 0002 0196 4850
 PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Michael Fresina, County Executive
 Albany County Office Bldg
 112 State Street
 Albany NY 12207

2. Article Number
 7003 0196 0002 0196 4843

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

A. Signature
 X *Michael Fresina* Agent Addressee

B. Received by (Printed Name) *Michael Fresina* C. Date of Delivery
 10/30

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY

130 Remsen Street
Cohoes, New York 12047-2897

October 29, 2003

Michael Breslin, County Executive
County of Albany
County Office Building
112 State Street
Albany, New York 12207

John McDonald, Mayor
City of Cohoes
97 Mohawk Street
Cohoes, New York 12047-2897

Charles S. Dedrick
Superintendent
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Patrick Butler, President
Board of Education
City School District of the City of Cohoes
7 Bevan Street
Cohoes, New York 12047

Re: City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

Gentlemen:

Pursuant to Section 859-a(2) of the General Municipal Law of the State of New York, (the "Act"), the City of Cohoes Industrial Development Agency (the "Agency") hereby informs you that the Agency has received an application (the "Application") from **Harmony Mills Riverview, LLC** (the "Company") for financial assistance in connection with a project (the "Project") consisting of (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107

indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

The Company expects that it will hold record title to the Project Facility, that the Project Facility will be leased to a limited liability company (the "LLC"), the sole member of which will be the Company and that the LLC will lease the Project Facility from the Company and will operate the Project Facility pursuant to a long-term ground lease. For Federal income tax purposes, the existence of the LLC will be disregarded and the Company will be treated as the owner and operator of the Project Facility.

The Agency hereby notifies you that at the request of the Company, it is contemplating granting Financial Assistance to the Project that deviates from its Uniform Tax Exemption Policy (the "Policy"). The Agency is contemplating entering into a payment in lieu of taxes agreement (a "PILOT") with the Company, the terms of which would deviate from the Policy. The Company's proposed deviation is outlined in Exhibit A attached to this letter.

The Agency is contemplating a deviation from the Policy for the following reasons: (1) the Project Facility will employ the equivalent of two (2) full time employees; (2) the operation of the Project Facility will have a positive community impact, including, but not limited to, increased patronage of local businesses by the tenants of the Project; (3) the proposed PILOT will result in revenue to the affected tax jurisdictions in amounts that are greater than the tax payments currently being received; (4) the possible increase in the assessed valuation of the parcel upon completion of the Project Facility; (5) the Project will be a proper adaptive reuse of an historic building; and (6) a deviation will substantially affect the cash flow of the Company in the early years of operation and will have a positive impact on its ability to operate a successful venture.

The Agency shall consider whether to approve the deviation at its meeting to be held on November 21, 2003 at 9:00 a.m., local time, in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York. At such time, the Agency will allow any representative of the affected tax jurisdictions present at such meeting to address the Agency regarding such proposed deviation.

Very truly yours,

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: /s/ John P. Scavo
John P. Scavo, Chairman

Enclosure

Exhibit A

<u>Year</u>	<u>PILOT PAYMENT</u>
2004	\$ 72,418 (100% of current taxes)
2005	100,000
2006	100,000
2007	100,000
2008	100,000
2009	100,000
2010	100,000
2011	100,000
2012	100,000
2013	100,000
2014	100,000
2015	100,000
2016	80,000
2017	70,000
2018	70,000
2019	70,000
2020	70,000
2021	70,000
2022	70,000
2023	70,000
2024	70,000

EXHIBIT K
REVISED PILOT RESOLUTION

A meeting of the City of Cohoes Industrial Development Agency (the "Agency") was convened in public session in Cohoes, New York on November 12, 2004 at 9:00 o'clock a.m., local time.

The meeting was called to order by the Chairperson and, upon roll being called, the following members of the Agency were:

PRESENT: John McDonald, Chairman
 Michael Durocher, Treasurer
 Edward Tremblay, Secretary
 Donna Demarse
 Fred Turcotte

ABSENT: Jeanne Potts, Vice-Chairman
 Mark Colozza

THE FOLLOWING PERSONS WERE ALSO PRESENT:

 Daniel Brown, Executive Director
 Erin Thomas, Administrative Assistant
 Connie Cahill, Bond Counsel

The following resolution was offered by Michael Durocher, seconded by Fred Turcotte, to wit:

Resolution No. 3 for 2004

RESOLUTION APPROVING THE TERMS OF A PAYMENT IN
LIEU OF TAX AGREEMENT WITH HARMONY MILLS
RIVERVIEW, LLC.

WHEREAS, the City of Cohoes Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, by resolution adopted by the members of the Agency on June 20, 2003 (the

“Preliminary Inducement Resolution”), the Agency made a preliminary determination, subject to numerous conditions, to accept an application (the “Application”) from the Harmony Mills Riverview LLC (the “Company”) requesting that the Agency undertake a project (the “Project”) consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the “Land”) and an existing facility of approximately 180,000 square feet thereon (the “Existing Facility”), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the “Facility”); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment being collectively referred to as the “Project Facility”); (B) the granting of certain “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively, the “Financial Assistance”); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to the authorization contained in the Preliminary Inducement Resolution, the Agency (A) caused notice of public hearing of the Agency (the “Public Hearing”) pursuant to Section 859-a of the Act to hear all persons interested in the Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be mailed on October 21, 2003 to the chief executive officers of the county and of each city, town, village and school district in which the Project is located, namely, the County Executive of Albany County, the Mayor of the City of Cohoes and the Superintendent and President of the Board of Education of the City School District of the City of Cohoes, (B) caused notice of the Public Hearing to be posted on a bulletin board located at City Hall in the City of Cohoes, Albany County, New York, (C) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, (D) conducted the Public Hearing on November 21, 2003, at 9:00 o’clock, a.m., local time at the office of the Cohoes Local Development Corporation, 130 Remsen Street, in the City of Cohoes, Albany County, New York; and

WHEREAS, the Agency caused a letter dated October 21, 2003 (the “Original Pilot Deviation Letter”) to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located (each an “Affected Tax Jurisdiction”), informing said individuals that the Agency would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and

WHEREAS, by resolution adopted by the members of the Agency on November 21, 2003, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement (the “Original PILOT Payment Schedule”);

WHEREAS, the Company has requested that the Agency agree to the revised PILOT payment schedule set forth in Exhibit A attached hereto and hereby made a part hereof (the

“Revised PILOT Payment Schedule”); and

WHEREAS, the Revised PILOT Payment Schedule deviates from the Agency’s uniform tax exemption policy adopted in accordance with the provisions of Section 874 of the General Municipal; and

WHEREAS, by resolution adopted by the members of the Agency on August 20, 2004 the Agency determined to notify each Affected Tax Jurisdiction of the Company’s request for Agency approval of the Revised PILOT Payment Schedule; and

WHEREAS, the Agency caused a letter dated October 8, 2004 (the “Revised PILOT Deviation Letter”) to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and

WHEREAS, the Agency has not received any correspondence from any Affected Tax Jurisdiction regarding the proposed deviation; and

WHEREAS, the Agency allowed representatives from the Affected Tax Jurisdictions present at this meeting to address the Agency regarding such proposed deviation; and

WHEREAS, the Agency desires to vary from its uniform tax exemption policy with respect to the real property tax exemption to be granted to the Company for the reasons specified herein; and

WHEREAS, the Agency desires to approve the terms to be incorporated in the payment in lieu of tax agreement to be entered into by and between the Agency and the Company; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the “SEQR Act”), and the regulations (the “Regulations”) adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, “SEQRA”), the Agency has not yet made a preliminary determination as to the potential environmental significance of the Project and therefore has not yet determined whether an environmental impact statement is required to be prepared with respect to the Project; and

WHEREAS, pursuant to the Act, any approval of the Revised PILOT Payment Schedule contained herein is contingent upon a determination by the members of the Agency to proceed with the Project following satisfaction of the SEQRA requirements that relate to the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. Based upon the representations made by the Company to the Agency in the

Application, the Agency hereby makes the following findings and determinations with respect to the Project:

(A) the Project Facility will employ the equivalent of two (2) full time employees;
(B) the operation of the Project Facility will have a positive community impact, including, but not limited to, increased patronage of local businesses by the tenants of the Project;

(C) the proposed PILOT will result in revenue to the affected tax jurisdictions in amounts that are greater than the tax payments currently being received;

(D) there is the expectation that the assessed valuation of the parcel upon completion of the Project Facility will be increased over the present assessment;

(E) the Project will be a proper adaptive reuse of an historic building; and

(F) a deviation will substantially affect the cash flow of the Company in the early years of operation and will have a positive impact on its ability to operate a successful venture.

Section 2. The Agency hereby approves a payment in lieu of taxes agreement (the "PILOT Agreement") that incorporates the terms specified in Exhibit A attached hereto and hereby made a part hereof. The PILOT Agreement shall specify that it shall terminate immediately upon any transfer by the Company, either directly or indirectly, of the Project Facility or any interest therein, it being the intention of the Agency that the benefits of the PILOT may not be assigned or transferred by the Company. Such approval is subject to (A) the requirement that the Agency adopts a future resolution (the "Future Resolution") determining to proceed with the Project and that the Company complies with all conditions set forth in the Preliminary Inducement Resolution and the Future Resolution, including, but not limited to, conditions relating to SEQRA; (B) all property which is to receive Financial Assistance shall satisfy the requirements contained in Section 854(13) of the General Municipal Law; and (C) the following additional condition(s): None.

Section 3. The terms and substance of the PILOT are in all respects approved, and the Chairman (or Vice Chairman) of the Agency is hereby authorized, empowered and directed to execute and deliver said PILOT Agreement in the name and on behalf of the Agency, said PILOT Agreement to contain the terms and substance presented to this meeting, with such changes therein as shall be approved by the officer executing same on behalf of the Agency, the execution thereof by such officer to constitute conclusive evidence of such officer's approval of any and all changes or revisions therein from the terms now before this meeting.

Section 4. Notwithstanding anything to the contrary contained herein, the foregoing determinations shall not entitle or permit the Company to commence the reconstruction or installation of the Project Facility unless and until the Agency shall determine that all requirements of the SEQR Act that relate to the Project have been fulfilled.

Section 5. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

John McDonald, Chairman	VOTING	Aye
Michael Durocher, Treasurer	VOTING	Aye
Edward Tremblay, Secretary	VOTING	Aye
Donna Demarse	VOTING	Aye
Fred Turcotte	VOTING	Aye

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned, Secretary of the City of Cohoes Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the Resolution contained therein, held on November 12, 2004, with the original thereof on file in my office, and that the same is a true and correct copy of said original and of such Resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; and (C) pursuant to Article 7 of the Public Officers Law (the "Open meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 12th day of November, 2004.


Secretary

(SEAL)

Exhibit A

<u>Year</u>	<u>PILOT PAYMENT</u>
2005	\$ 5,000
2006	5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
2014	5,000
2015	5,000
2016	187,222
2017	187,222
2018	187,222
2019	187,222
2020	187,222
2021	187,222
2022	187,222
2023	187,222
2024	187,222

EXHIBIT L
APPROVING RESOLUTION

A meeting of the City of Cohoes Industrial Development Agency (the "Agency") was convened in public session in Cohoes, New York on January 31, 2005 at 9:00 o'clock a.m., local time.

The meeting was called to order by the Chairman and, upon roll being called, the following members of the Agency were:

PRESENT:	John T. McDonald, III	Chairman
	Jeanne Potts	Vice Chairman
	Michael Durocher	Treasurer
	Edward Tremblay	Secretary
	Mark Colazza	Member

ABSENT:	Donna DeMarse	Member
	Fred Turcotte	Member

THE FOLLOWING PERSONS WERE ALSO PRESENT:

Darrin Derosia, Esq.	Agency Counsel
M. Cornelia Cahill, Esq.	Bond Counsel
Daniel Brown	Executive Director
Erin Thomas	Administrative Assistant

The following resolution was offered by John T. McDonald, III, seconded by Jeanne Potts, to wit:

Resolution No. ____

RESOLUTION AUTHORIZING THE EXECUTION OF THE UNDERLYING LEASE, LEASE AGREEMENT AND PILOT AGREEMENT AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the City of Cohoes Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of Laws of 1969 of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, renovating, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to issue its industrial development revenue bonds to finance the cost of the acquisition, construction and installation of one or more “projects” (as defined in the Act), to acquire, construct, reconstruct and install said projects or to cause said projects to be acquired, constructed, reconstructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, pursuant to an application (the “Application”) submitted to the Agency by Harmony Mills Riverview, LLC (the “Company”), the members of the Agency on June 20, 2003, adopted a resolution (the “Preliminary Inducement Resolution”) whereby the Agency preliminary agreed, subject to numerous conditions, to consider undertaking a project (the “Project”) consisting of the following: (A) (1) the acquisition of a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the “Land”) and an existing facility of approximately 180,000 square feet thereon (the “Existing Facility”), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the “Facility”); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment being collectively referred to as the “Project Facility”); (B) the granting of certain “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real property taxes and mortgage recording taxes (collectively, the “Financial Assistance”); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, in compliance with the provisions of Section 859-a of the Act, the Preliminary Inducement Resolution indicated that the undertakings of the Agency contained therein are contingent upon the Agency making a determination to proceed with the Project following compliance by the Agency with the public notice and public hearing requirements set forth in Section 859-a of the Act; and

WHEREAS, pursuant to the authorization contained in the Preliminary Inducement Resolution, the Agency (A) caused notice of public hearing of the Agency (the “Public Hearing”) pursuant to Section 859-a of the Act, to hear all persons interested in the Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be hand delivered on October 21, 2003 to the chief executive officers of the county, the city and the school district in which the Project Facility is, or is to be located, (B) caused notice of the Public Hearing to be published on October 21, 2003 in the Troy Record, a newspaper of general circulation available to the residents of the City of Cohoes, Albany County, New York, (C) conducted the Public Hearing on November 21, 2003 at 8:30 a.m., local time, at Cohoes Local Development Corporation, 130 Remsen Street in the City of Cohoes, Schenectady County, New York, and (D) prepared a report of the Public Hearing (the “Report”) which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency; and

WHEREAS, the Agency (A) caused a letter dated October 21, 2003 (the “Original Pilot Deviation Letter”) to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is or will be located (each an “Affected Tax

Jurisdiction”), informing said individuals that the Agency would, at its meeting to be held on November 21, 2003, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 21, 2003 at 9:00 o’clock a.m., local time in the offices of the Cohoes Local Development Corporation, 130 Remsen Street, Cohoes, New York City Hall; and

WHEREAS, by resolution adopted by the members of the Agency on November 21, 2003, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement (the “Original PILOT Payment Schedule”);

WHEREAS, the Company requested that the Agency agree to a revised PILOT payment schedule (the “Revised PILOT Payment Schedule”); and

WHEREAS, by resolution adopted by the members of the Agency on August 20, 2004 the Agency determined to notify each Affected Tax Jurisdiction of the Company’s request for Agency approval of the Revised PILOT Payment Schedule; and

WHEREAS, the Agency (A) caused a letter dated October 8, 2004 (the “Revised PILOT Deviation Letter”) to be mailed to the chief executive officers of each Affected Tax Jurisdiction, informing said individuals that the Agency would, at its meeting to be held on November 12, 2004, consider a proposed deviation from the Agency’s uniform tax exemption policy with respect to the payment in lieu of tax agreement to be entered into by the Agency with respect to the Project Facility; and (B) conducted such meeting on November 12, 2004 at 9:00 o’clock a.m., local time in City Hall located at 97 Mohawk Street in the City of Cohoes, Albany County, New York; and

WHEREAS, by resolution adopted by the members of the Agency on November 12, 2004, the Agency approved, subject to certain specified conditions, the execution of a payment in lieu of taxes agreement that incorporated the Revised PILOT Schedule;

WHEREAS, the requirements of Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York as amended (the “SEQR Act”) and the regulations (the “Regulations”) adopted pursuant thereto by the Department of Environmental Conservation of the State of New York being 6NYCRR Part 617, as amended (the “Regulations collectively with the SEQR Act, “SEQRA”) applicable to the Project have been complied with; and

WHEREAS, in order to consummate the Project and the granting of the Financial Assistance described in the notice of the Public Hearing, the Agency proposes to enter into the following documents (hereinafter collectively referred to as the “Agency Documents”): (A) a lease agreement (and a memorandum thereof) (the “Underlying Lease”) by and between the Company and the Agency, pursuant to which, among other things, the Agency will acquire a leasehold interest in the Land and the improvements now or hereafter located on the Land from the Company, (B) a lease agreement (and a memorandum thereof) (the “Lease Agreement”) by and between the Agency and the Company, pursuant to which, among other things, the Company agrees to undertake and complete the Project as agent of the Agency and the Company further agrees to lease the Project Facility from the Agency and, as rental thereunder, to pay the Agency’s administrative fee relating

to the Project and to pay all expenses incurred by the Agency with respect to the Project; (C) a payment in lieu of tax agreement (the "PILOT Agreement") by and between the Agency and the Company pursuant to which the Company will agree to pay certain payments in lieu of taxes with respect to the Project Facility; (D) a mortgage (the "Mortgage") from the Agency and the Company to GMAC Commercial Mortgage Bank (the "Lender"), which Mortgage will grant a lien on and security interest in the Project Facility to secure a loan from the Lender to the Company in the principal sum of \$12,125,000 (the "Loan"); (E) a security agreement (the "Security Agreement") from the Company and the Agency to the Lender, pursuant to which the Company and the Agency will grant to the Lender as security for the Loan, a security interest in certain property described in such Security Agreement; (F) a regulatory agreement (the "Regulatory Agreement") by and among the Company, the Agency and the Secretary of Housing and Urban Development ("HUD"); and (G) various certificates relating to the Project (collectively, the "Agency Documents"); and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency, based upon the representations made by the Company to the Agency in the Application and at this meeting hereby finds and determines that:

(A) By virtue of the Act, the Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and

(B) The acquisition, construction and installation of the Project Facility and the lease of the Project Facility to the Company will promote and maintain the job opportunities, general prosperity and economic welfare of the citizens of the City of Cohoes, New York and the State of New York and improve their standard of living; and

(C) It is desirable and in the public interest of the Agency to enter into the PILOT Agreement that deviates from the Agency's Uniform Tax Exemption Policy for the following reasons: (i) the Project Facility will employ the equivalent of two (2) full time employees; (ii) the operation of the Project Facility will have a positive community impact, including, but not limited to, increased patronage of local businesses by the tenants of the Project; (iii) the proposed PILOT will result in revenue to the affected tax jurisdictions in amounts that are greater than the tax payments currently being received; (iv) there is the expectation that the assessed valuation of the parcel upon completion of the Project Facility will be increased over the present assessment; (v) the Project will be a proper adaptive reuse of an historic building; and (vi) a deviation will substantially affect the cash flow of the Company in the early years of operation and will have a positive impact on its ability to operate a successful venture.

Section 2. In consequence of the foregoing, the Agency is hereby determines to: (A) proceed with the Project; (B) acquire a leasehold interest in the Land and all improvements now or hereafter located on the Land (collectively, the "Premises") from the Company; (C) lease the Project Facility to the Company pursuant to the Lease Agreement; (C) acquire, construct and install the Project Facility, or cause the Project Facility to be acquired, constructed and installed, as provided in the

Lease Agreement; (D) enter into the PILOT Agreement; (E) grant to the Lender a mortgage lien on and security interest in the Project Facility pursuant to the Mortgage; (F) secure the Loan by granting to the Lender a security interest in certain property described in such Security Agreement; (G) enter into the Regulatory Agreement with the Company and HUD; and (H) grant the Financial Assistance with respect to the Project.

Section 3. The Agency is hereby authorized to acquire (A) a leasehold interest in the Project Facility pursuant to the Underlying Lease and (B) title to the Equipment pursuant to a bill of sale from the Company to the Agency and to do all things necessary or appropriate for the accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisitions are hereby approved, ratified and confirmed.

Section 4. The Agency is hereby authorized to acquire, construct and install the Project Facility as described in the Lease Agreement and to do all things necessary or appropriate for the accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisition, construction and installation are hereby ratified, confirmed and approved.

Section 5. The form and substance of the Agency Documents (in substantially the forms presented to this meeting) are hereby approved.

Section 6. (A) The Chairman (or Vice Chairman) of the Agency is hereby authorized, on behalf of the Agency, to execute and deliver the Agency Documents, and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same, all in substantially the forms thereof presented to this meeting with such changes, variation, omissions and insertions as the Chairman (or Vice Chairman) shall approve, the execution thereof by the Chairman (or Vice Chairman) to constitute conclusive evidence of such approval.

(B) The Chairman (or Vice Chairman) of the Agency is hereby further authorized, on behalf of the Agency, to designate any additional Authorized Representatives of the Agency.

Section 7. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Agency Documents, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the Agency Documents binding upon the Agency.

Section 8. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

<u>AYE</u>	<u>NAY</u>	<u>ABSENT</u>
5	0	2

The Resolution was thereupon declared duly adopted.

CERTIFICATE REGARDING
NO CONFLICTS OF INTEREST

I, the undersigned Chairman of the City of Cohoes Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY, as follows:

1. The Agency is a public benefit corporation duly established under Title 1 of Article 18-A of the General Municipal Law of the State of New York and Chapter 313 of the Laws of 1972 of New York, as amended (the "Act"), and is a corporate governmental agency constituting an industrial development agency of the State of New York.

2. In accordance with the Act, the Agency, on behalf of Harmony Mills Riverview, LLC (the "Company") is undertaking a project (the "Project") consisting of: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, real property taxes and mortgage recording taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

3. Pursuant to the resolution adopted by the Agency on January 31, 2005 (the "Approving Resolution"), the Agency agreed to (A) lease the Project Facility from the Company pursuant to the terms of a lease to agency (the "Underlying Lease") dated as of February 1, 2005 by and between the Company, as landlord, and the Agency, as tenant; (B) sublease the Project Facility to the Company pursuant to the terms of a lease agreement (the "Lease Agreement") dated as of February 1, 2005 by and between the Agency, as lessor, and the Company, as lessee; (C) join with the Company in the execution of a mortgage (the "Mortgage") in favor of GMAC Commercial Mortgage Bank (the "Lender"), which Mortgage will grant a lien on and security interest in the Project Facility to secure a loan (the "Loan") from the Lender to the Company; (D) join with the Company in the execution of a security agreement (the "Security Agreement") from the Company and the Agency to the Lender, pursuant to which the Company and the Agency will grant to the Lender as security for the Loan, a security interest in certain property described in such Security Agreement; and (E) join with the Company in the execution of a regulatory agreement (the "Regulatory Agreement") by and among the Company, the Agency and the Secretary of Housing and Urban Development.

4. I have made careful inquiry of each member, officer and employee of the Agency having the power or duty to (a) negotiate, prepare, authorize or approve the Approving Resolution,

Underlying Lease, the Lease Agreement, the Mortgage, the Security Agreement and the Regulatory Agreement (said documents being collectively referred to as the "Agency Documents") or authorize or approve payment thereunder, (B) audit bills or claims under the Agency Documents, or (C) appoint an officer or employee who has any of the powers or duties as set forth above, as to whether or not such member, officer or employee has an "interest" (as defined pursuant to Article 18 of the General Municipal Law of the State of New York) in any of the Agency Documents. Upon information and belief, as a result of such inquiry, no such member, officer or employee has any such interest in any of the Agency Documents, unless otherwise noted below:

(A) No member, officer or employee of the Agency directly or indirectly owns stock in the Company or the Lender.

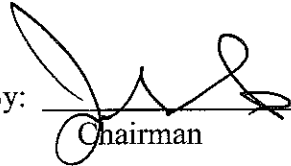
(B) No member, officer or employee of the Agency is an officer or employee of the Company or the Lender.

(C) No member, officer or employee of the Agency is a member of the board of directors (or trustees) of the Company or the Lender.

(D) Each member of the Agency (if any) which is the subject of any relationship described in sub-paragraphs (1) through (3) above, if any, has publicly disclosed the nature and extent of such interest in writing to the members of the Agency, such written disclosure has been made a part of and set forth in the official minutes of the Agency, and a true, correct and complete copy of such written disclosure is annexed hereto as Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of February, 2005.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By:  _____
Chairman

Sworn to before me this
11th day of February, 2005.



Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01KI5052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 20 05

EXHIBIT A

WRITTEN DISCLOSURE OF CONFLICTS OF INTEREST

- NONE -

CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY
97 Mohawk Street
Cohoes, New York 12047

February 14, 2005

Re: New York State Sales or Use Tax Exemption
City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

To Whom It May Concern:

Pursuant to TSB-M-87(7) issued by the New York State Department of Taxation and Finance on April 1, 1987 (the "Policy Statement"), you have requested a letter from the City of Cohoes Industrial Development Agency (the "Agency"), a public benefit corporation created pursuant to Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the Laws of 1972 of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), containing the information required by the Policy Statement regarding the sales tax exemption with respect to the captioned project (the "Project") located in the City of Cohoes (the "City") at 100 North Mohawk Street (the "Project Site").

Harmony Mills Riverview, LLC (the "Company") has applied to and been approved for financial assistance from the Agency in the matter of completion of the Project on the Project Site. The Project includes the following: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility") and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the

Company or such other person as may be designated by the Company and agreed upon by the Agency.

It is our opinion that the Company may make project purchases of materials to be incorporated in the Project and machinery and equipment constituting a part of the Project, and purchases or rentals of supplies, tools, equipment, or services necessary to acquire or install the Project and, with respect to such specific purchases or rentals, are exempt from any sales or use tax imposed by the State of New York or any governmental instrumentality located within the State of New York, if the following procedures are observed:

1. Purchases must be billed or invoiced by the vendor to the Company as agent for the Agency (e.g., "Company as agent for City of Cohoes Industrial Development Agency") and identify the date of delivery and indicate the place of delivery.

2. Payment must be made by the Company acting as agent, directly to the vendor from either a requisition from the project bond fund, or if a separate bond fund does not exist, then from a special project fund of the payor.

3. Deliveries must be made to the Project Site, or under certain circumstances (such as where the materials require additional fabrication before installation on the Project Site or for storage to protect materials from theft or vandalism prior to installation at the Project Site) deliveries may be made to a site other than the Project Site, providing the ultimate delivery of the materials is made to the Project Site.

4. Where delivery is made to a site other than the Project Site, the purchases must be billed or invoiced by the vendor to the Company as agent of the Agency, identify the date and place of delivery, the Agency's full name and address and the Project Site where the materials will ultimately be delivered for installation.

5. Pursuant to Section 874(8) of the Act, the Company, as agent of the Agency, must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Agency. The penalty for failure to file such a statement under Section 874(8) of the Act shall be the removal of authority to act as an agent for the Agency.

This letter shall serve as proof of the existence of an agency contract between the Agency and the Company for the SOLE EXPRESS PURPOSE OF SECURING EXEMPTION FROM NEW YORK STATE SALES TAXES FOR THE PROJECT ONLY. NO OTHER PRINCIPAL/AGENT RELATIONSHIP BETWEEN THE AGENCY AND THE COMPANY IS INTENDED OR MAY BE IMPLIED OR INFERRED BY THIS LETTER.

It is hereby further certified that, under the Policy Statement, since the Agency is a public benefit corporation, neither the Agency nor the Company named herein as its agent, is required to

furnish an "Exempt Organization Certificate" in order to secure exemption from any sales or use tax for such items or services.

Under the Policy Statement, a copy of this letter retained by any vendor or seller to any Agent, as Agent for the Agency, may be accepted by such vendor or seller as a "statement and additional documentary evidence of such exemption" as provided by New York Tax Law Section 1132(c)(2), thereby relieving such vendor or seller from the obligation to collect sales and use tax on purchases or rentals of such materials, supplies, tools, equipment, or services by the Agency through its Agent.


THIS LETTER SHALL BE IN EFFECT UNTIL FEBRUARY 14, 2007.

CITY OF COHOES
CIDA
INDUSTRIAL DEVELOPMENT AGENCY

In the event you have any questions with respect to the above, please do not hesitate to call Daniel Brown, Community and Economic Development, at (518) 233-2118.

Very truly yours,

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By:  _____
Chairman

CITY OF COHOES
CIDA
INDUSTRIAL DEVELOPMENT AGENCY

IN THE MATTER OF TAXATION

OF

CITY OF COHOES COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

The undersigned, being duly sworn, deposes and says that:

1. He resides in the City of Cohoes, New York, and is the (Vice) Chairman of the City of Cohoes Industrial Development Agency (the "Agency"), a public benefit corporation of the State of New York, established by Title 1 of Article 18-A of the General Municipal Law of the State of New York and Chapter 313 of the Laws of 1972 of the State of New York (collectively, the "Act").

2. Pursuant to a lease to Agency dated as of February 1, 2005 (the "Underlying Lease") by and between the Agency and Harmony Mills Riverview, LLC (the "Company"), on or about February 14, 2005, the Agency will acquire a leasehold interest in approximately four (4) acres of land in the City of Cohoes (the "City") at 100 North Mohawk Street (the "Land"), Albany County, New York, said Land being more particularly described in Exhibit A attached hereto.

3. Pursuant to Section 874 of the Act and Section 1405(b)(1) of the Tax Law of the State of New York, no real estate transfer tax is due upon the instruments conveying the leasehold interest in the Land to the Agency.

4. On or about February 14, 2005, the Agency will grant certain "financial assistance" within the meaning of the Act (the "Financial Assistance") in connection with a project (the "Project") being undertaken by the Agency consisting of the following: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing including potential exemptions from sales taxes, real property transfer taxes, mortgage recording taxes and real estate taxes (collectively,

the “Financial Assistance”); (C) the lease of the Project Facility to the Company pursuant to the terms of a lease agreement dated as of February 1, 2005 (the “Lease Agreement”) by and between the Company and the Agency, pursuant to which the Company will agree (1) to cause the Project to be undertaken and completed, and (2) as agent of the Agency, to undertake and complete the Project; and (D) the Agency will lease the Project Facility to the Company. The Lease Agreement grants to the Company certain options to acquire the Project Facility from the Agency.

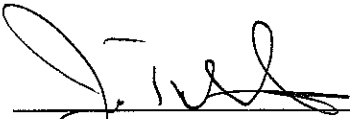
5. In order to finance a portion of the costs of the Project, the Company will obtain a loan in the principal sum of up to \$12,125,000 (the “Loan”) from GMAC Commercial Mortgage Bank (the “Lender”), which Loan will be secured by (A) a mortgage dated as of February 14, 2005 (the “Mortgage”) from the Company and the Agency to the Lender and (B) a security agreement dated as of February 14, 2005 (the “Security Agreement”) from the Company and the Agency to the Lender. The Agency, the Company and the Secretary of Housing and Urban Development will join in the execution of a regulatory agreement dated as of February 14, 2005 (the “Regulatory Agreement”).

6. Pursuant to the terms of the Lease Agreement, the Underlying Lease and the Mortgage, the Agency has agreed to record the Underlying Lease (or a memorandum thereof), the Lease Agreement (or memorandum thereof), the Mortgage, the Security Agreement and the Regulatory Agreement in the office of the County Clerk of Albany County, New York, or in such other office as may at the time be provided by law as the proper place for the recordation thereof.

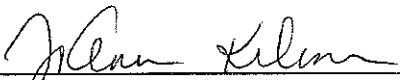
7. Pursuant to Article 18-A of the General Municipal Law, the Agency is regarded as performing a governmental function and is generally not required to pay taxes or assessments upon any property acquired by it or under its jurisdiction or control or supervision or upon its activities, and any bonds or notes issued by the Agency, together with the income therefrom, as well as the property of the Agency, together with the income therefrom, as well as the property of the Agency, pursuant to such legislation, are exempt from taxation, except for transfer and estate taxes.

8. Deponent submits that no mortgage tax should be imposed upon the Underlying Lease (or a memorandum thereof), the Lease Agreement (or a memorandum thereof), the Mortgage, the Security Agreement and the Regulatory Agreement (collectively, the “Recording Documents”) because (A) said Recording Documents are being executed and delivered under the state authority creating the Agency, (B) the use by the Agency of its powers to assist in the acquisition, construction and installation of the Project Facility is deemed by Article 18-A of the General Municipal Law to be a public purpose essential to the public interest and (C) both the New York State Department of Taxation and Finance (the “Department”) and the Counsel to the Department have expressed their opinion that the recording of similar documents by similar agencies are operations of said agencies entitled to exemption from the mortgage recording tax.

CITY OF COHOES INDUSTRIAL
DEVELOPMENT AGENCY

By: 
Chairman

Sworn to before me this
11th day of February, 2005.


Notary Public

JO-ANN KILMER
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01K15052388
QUALIFIED IN SARATOGA COUNTY
COMMISSION EXPIRES NOV. 20, 20 05

EXHIBIT A

DESCRIPTION OF THE LAND

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58/11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24/06'24" East, 41.80 feet to a point; 2) South 16/31'33" East, 150.00 feet to a point; 3) South 27/01'48" East, 275.00 feet to a point and 4) South 09/44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58/47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89/31'26" West, 27.56 feet to a point; 2) North 31/10'33" West, 447.52 feet to a point and 3) North 82/18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31/12'02" West, 119.31 feet to a point and 2) North 32/07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58/11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58/11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13/53'25" East, 122.91 feet to a point; 2) South 27/37'16" East, 50.88 feet to a point; 3) South 10/59'35" West, 29.30 feet to a point; 4) South 27/43'36" East, 113.85 feet to

a point; 5) South 22/12'51" East, 171.95 feet to a point; 6) South 12/47'27" West, 39.47 feet to a point and 7) South 06/16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09/44'26" West, 164.00 feet to a point; 2) North 27/01'48" West, 275.00 feet to a point; 3) North 16/31'33" West, 150.00 feet to a point and 4) North 24/06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.



INDUSTRIAL DEVELOPMENT AGENCIES
APPLICATION FOR REAL PROPERTY TAX EXEMPTION
(Real Property Tax Law, Section 412-a and General Municipal Law, Section 874)

1. INDUSTRIAL DEVELOPMENT AGENCY (IDA)

Name City of Cohoes IDA
Street 97 Mohawk Street
City Cohoes, New York 12047
Telephone no. Day (518) 233-2118
Evening ()
Contact John T. McDonald, III
Title Chairman

2. OCCUPANT (IF OTHER THAN IDA)

(If more than one occupant attach separate listing)

Name Harmony Mills Riverview, LLC
Street 100 North Mohawk Street
City Cohoes, New York 12047
Telephone no. Day (212) 683-5927
Evening ()
Contact Uri Kaufman
Title

3. DESCRIPTION OF PARCEL

- a. Assessment roll description (tax map no./roll year)
b. Street address 100 North Mohawk Street
c. City, Town or Village Cohoes
d. School District Cohoes CSD
e. County Albany
f. Current assessment
g. Deed to IDA (date recorded; liber and page)

4. GENERAL DESCRIPTION OF PROPERTY (if necessary, attach plans or specifications)

- a. Brief description (include property use) See Rider 1
b. Type of construction See Rider 1
c. Square footage See Rider 1
d. Total cost See Rider 1
e. Date construction commenced 2/28/05
f. Projected expiration of exemption (i.e. date when property is no longer possessed, controlled, supervised or under the jurisdiction of IDA) 12/31/04

5. SUMMARIZE AGREEMENT (IF ANY) AND METHOD TO BE USED FOR PAYMENTS TO BE MADE TO MUNICIPALITY REGARDLESS OF STATUTORY EXEMPTION

(Attach copy of the agreement or extract of the terms relating to the project).

- a. Formula for payment See Rider 2
b. Projected expiration date of agreement

c. Municipal corporations to which payments will be made

County Albany Yes No
Town/City Cohoes ✓
Village Cohoes
School District Cohoes

d. Person or entity responsible for payment

Name Harmony Mills Riverview, LLC
Title Manager

Address 100 North Mohawk Street
Cohoes, New York 12047

Telephone (212) 683-5927

e. Is the IDA the owner of the property? Yes/No (circle one)
If "No" identify owner and explain IDA rights or interest in an attached statement.

See Rider 3

6. Is the property receiving or has the property ever received any other exemption from real property taxation? (check one) Yes No

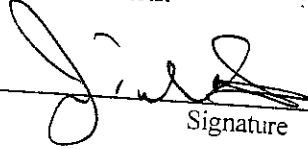
If yes, list the statutory exemption reference and assessment roll year on which granted: exemption _____ assessment roll year _____

7. A copy of this application, including all attachments, has been mailed or delivered on _____ (date) to the chief executive official of each municipality within which the project is located as indicated in Item 3.

CERTIFICATION

I, John T. McDonald, III, Chairman of City of Cohoes Industrial Development Agency hereby certify that the information on this application and accompanying papers constitutes a true statement of facts.

2/14/05
Date


Signature

FOR USE BY ASSESSOR

1. Date application filed _____
2. Applicable taxable status date _____
- 3a. Agreement (or extract) date _____
- 3b. Projected exemption expiration (year) _____
4. Assessed valuation of parcel in first year of exemption \$ _____
5. Special assessments and special as valorem levies for which the parcel is liable:

Date

Assessor's signature

**APPLICATION FOR REAL PROPERTY TAX EXEMPTION
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY**

RIDER 1

Construction of on the Land of approximately 96 residential units and 107 indoor parking spaces at an estimated construction cost of \$11,614,782.

RIDER 2

Harmony Mills Riverview, LLC (the "Company") has agreed that it shall make annual payments in lieu of property taxes in the amounts hereinafter provided to the respective Taxing Entities entitled to receive same pursuant to the provisions described below. The payments due under the PILOT Agreement shall be paid by the Company to the respective appropriate officer or officers of the respective Taxing Entities charged with receiving payments of taxes for such Taxing Entities (such officers being collectively hereinafter referred to as the "Receivers of Taxes") for distribution by the Receivers of Taxes to the appropriate Taxing Entities entitled to receive same pursuant to the provisions hereof.

<u>Year</u>	<u>PILOT PAYMENT</u>
2005	\$ 5,000
2006	5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
2014	5,000
2015	5,000
2016	187,222
2017	187,222
2018	187,222
2019	187,222
2020	187,222
2021	187,222
2022	187,222
2023	187,222
2024	187,222

RIDER 3

The City of Cohoes Industrial Development Agency (the "Agency") will not be the fee owner of the property. Harmony Mills Riverview, LLC (the "Company"), the fee owner of the property, has entered into an underlying lease with the Agency pursuant to which the Agency will assume control, supervision and jurisdiction over the property.

**GIRVIN
& FERLAZZO, PC**
ATTORNEYS AT LAW

20 Corporate Woods Blvd.
Albany, New York 12211
tel: 518 462 0300
fax: 518 462 5037
www.girvinlaw.com

March 8, 2005

**VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Patricia McVee, Assessor
City of Cohoes
Assessor's Office
97 Mohawk Street
Cohoes, New York 12047

Re: City of Cohoes Industrial Development Agency
Harmony Mills LLC Project

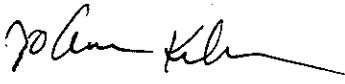
Dear Ms. McVee:

Enclosed herewith please find an executed copy of the Payment in Lieu of Tax Agreement together with a copy of the RP-412-a form to be filed with your office in reference to the above Project.

If you have any questions regarding the foregoing, please do not hesitate to contact me.

Very truly yours,

GIRVIN & FERLAZZO, P.C.

By: 
Jo-Ann Kilmer, Paralegal

Enclosure

cc: Albany County Clerk
Albany County Executive
City of Cohoes - Mayor
Cohoes CSD Superintendent
Cohoes CSD President

CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$	C/O Cohoes Harmony Mills Postmark Here RP412A; Pilot
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
McDonalds
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, January 2001 See Reverse for Instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$	C/O Cohoes Harmony Mills Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
Hon. Thomas Clingan
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, January 2001 See Reverse for Instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Cohoes IDA - Harmony Postmark Here Pilot; RP412A
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
Assessor
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, June 2002 See Reverse for Instructions

CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$	Cohoes IDA Harmony Postmark Here RP412A; Pilot
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
Dedrick
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, January 2001 See Reverse for Instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$	C/O Cohoes Harmony Mills Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
Breslin
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, January 2001 See Reverse for Instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$	Cohoes IDA - Harmony Postmark Here Pilot; RP412A
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To
Butler
Street, Apt. No.,
or PO Box No.
City, State, ZIP+ 4

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Charles Dedrick, Superintendent
 Cohoes City School District
 7 Bevan Street
 Cohoes NY 12047

2. Article Number
 (Transfer from service label)

7002 0460 0001 4909 2138

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-15

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Lori A. Gardo* Agent Addressee

B. Received by (Printed Name) Agent Addressee

C. Date of Delivery
 3/10/05

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Patrick Butler, President
 Cohoes City School District
 7 Bevan Street
 Cohoes, NY 12047

2. Article Number
 (Transfer from service label)

7002 0460 0001 4909 2084

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Kelly Tessier* Agent Addressee

B. Received by (Printed Name) Agent Addressee

C. Date of Delivery
 3/10/05

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Hon. Thomas Chingman
 Albany County Clerk
 Albany County Courthouse
 Rm 128
 Albany NY 12207

2. Article Number
 (Transfer from service label)

7002 0460 0001 4909 2121

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *[Signature]* Agent Addressee

B. Received by (Printed Name) Agent Addressee

C. Date of Delivery
 03/10/05

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Patricia McKee, Assessor
 City of Cohoes
 Assessors Office
 97 Mohawk Street
 Cohoes NY 12047

2. Article Number
 (Transfer from service label)

7003 0500 0000 2813

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Lori A. Yando* Agent Add

B. Received by (Printed Name)
 C. Date of Delivery
 3/10/06

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Michael Breslin, County Executive
 County of Albany
 County Office Bldg
 112 State Street
 Albany, NY 12207

2. Article Number
 (Transfer from service label)

7002 0460 0001 4909 2017

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Kit Flood* Agent Addressee

B. Received by (Printed Name)
 C. Date of Delivery
 Kit Flood 3/10/05

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 John McDonald, Mayor
 City of Cohoes
 97 Mohawk Street
 Cohoes, NY 12047

2. Article Number
 (Transfer from service label)

7002 0460 0001 4909 2117

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Kelly Tessier* Agent Addressee

B. Received by (Printed Name)
 C. Date of Delivery
 Kelly Tessier 3/10/05

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes



NYS BOARD OF REAL PROPERTY SERVICES

RP-412-a (1/95)

INDUSTRIAL DEVELOPMENT AGENCIES
APPLICATION FOR REAL PROPERTY TAX EXEMPTION
(Real Property Tax Law, Section 412-a and General Municipal Law, Section 874)

1. INDUSTRIAL DEVELOPMENT AGENCY (IDA)

Name City of Cohoes IDA
Street 97 Mohawk Street
City Cohoes, New York 12047
Telephone no. Day (518) 233-2118
Evening ()
Contact John T. McDonald, III
Title Chairman

2. OCCUPANT (IF OTHER THAN IDA)

(If more than one occupant attach separate listing)

Name Harmony Mills Riverview, LLC
Street 100 North Mohawk Street
City Cohoes, New York 12047
Telephone no. Day (212) 683-5927
Evening ()
Contact Uri Kaufman
Title

3. DESCRIPTION OF PARCEL

- a. Assessment roll description (tax map no./roll year)
b. Street address 100 North Mohawk Street
c. City, Town or Village Cohoes
d. School District Cohoes CSD
e. County Albany
f. Current assessment
g. Deed to IDA (date recorded; liber and page)

4. GENERAL DESCRIPTION OF PROPERTY

(if necessary, attach plans or specifications)

- a. Brief description (include property use) See Rider 1
b. Type of construction See Rider 1
c. Square footage See Rider 1
d. Total cost See Rider 1
e. Date construction commenced 2/28/05
f. Projected expiration of exemption (i.e. date when property is no longer possessed, controlled, supervised or under the jurisdiction of IDA) 12/31/04

5. SUMMARIZE AGREEMENT (IF ANY) AND METHOD TO BE USED FOR PAYMENTS TO BE MADE TO MUNICIPALITY REGARDLESS OF STATUTORY EXEMPTION

(Attach copy of the agreement or extract of the terms relating to the project).

- a. Formula for payment See Rider 2
b. Projected expiration date of agreement

c. Municipal corporations to which payments will be made

	Yes	No
County <u>Albany</u>		
Town/City <u>Cohoes</u>	<input checked="" type="checkbox"/>	
Village <u>Cohoes</u>		
School District <u>Cohoes</u>		

d. Person or entity responsible for payment

Name Harmony Mills Riverview, LLC
Title Manager

Address 100 North Mohawk Street
Cohoes, New York 12047

Telephone (212) 683-5927

e. Is the IDA the owner of the property? Yes No (circle one)
If "No" identify owner and explain IDA rights or interest in an attached statement.

See Rider 3

6. Is the property receiving or has the property ever received any other exemption from real property taxation?
(check one) Yes No

If yes, list the statutory exemption reference and assessment roll year on which granted:
exemption _____ assessment roll year _____

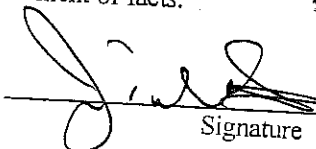
7. A copy of this application, including all attachments, has been mailed or delivered on _____ (date) to the chief executive official of each municipality within which the project is located as indicated in Item 3.

CERTIFICATION

I, John T. McDonald, III, Chairman of
Name Title
City of Cohoes Industrial Development Agency hereby certify that the information
Organization

on this application and accompanying papers constitutes a true statement of facts.

2/14/05
Date


Signature

FOR USE BY ASSESSOR

1. Date application filed _____
2. Applicable taxable status date _____
- 3a. Agreement (or extract) date _____
- 3b. Projected exemption expiration (year) _____
4. Assessed valuation of parcel in first year of exemption \$ _____

5. Special assessments and special as valorem levies for which the parcel is liable:

Date

Assessor's signature

**APPLICATION FOR REAL PROPERTY TAX EXEMPTION
CITY OF COHOES INDUSTRIAL DEVELOPMENT AGENCY**

RIDER 1

Construction of on the Land of approximately 96 residential units and 107 indoor parking spaces at an estimated construction cost of \$11,614,782.

RIDER 2

Harmony Mills Riverview, LLC (the "Company") has agreed that it shall make annual payments in lieu of property taxes in the amounts hereinafter provided to the respective Taxing Entities entitled to receive same pursuant to the provisions described below. The payments due under the PILOT Agreement shall be paid by the Company to the respective appropriate officer or officers of the respective Taxing Entities charged with receiving payments of taxes for such Taxing Entities (such officers being collectively hereinafter referred to as the "Receivers of Taxes") for distribution by the Receivers of Taxes to the appropriate Taxing Entities entitled to receive same pursuant to the provisions hereof.

<u>Year</u>	<u>PILOT PAYMENT</u>
2005	\$ 5,000
2006	5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
2014	5,000
2015	5,000
2016	187,222
2017	187,222
2018	187,222
2019	187,222
2020	187,222
2021	187,222
2022	187,222
2023	187,222
2024	187,222

RIDER 3

The City of Cohoes Industrial Development Agency (the "Agency") will not be the fee owner of the property. Harmony Mills Riverview, LLC (the "Company"), the fee owner of the property, has entered into an underlying lease with the Agency pursuant to which the Agency will assume control, supervision and jurisdiction over the property.



IDA Appointment of Project Operator or Agent For Sales Tax Purposes

ST-60

(7/02)

The industrial development agency or authority (IDA) must submit this form within 30 days of the appointment of a project operator or agent, whether appointed directly by the IDA or indirectly by the operator or another agent.

For IDA use only

Name of IDA City of Cohoes Industrial Development Agency		IDA project number (use OSC numbering system for projects after 1998)	
Street address 97 Mohawk Street		Telephone number (518) 233-2118	
City Cohoes	State NY	ZIP code 12047	
Name of IDA project operator or agent Harmony Mills Riverview, LLC		Check box if directly appointed by the IDA: <input checked="" type="checkbox"/>	Employer identification or social security number 43-1964978
Street address 100 North Mohawk Street		Telephone number (212) 683-5927	
City Cohoes	State NY	ZIP code 12047	Primary operator or agent? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Name of project Harmony Mills Riverview, LLC Project		Purpose of project (see instructions) Other - Residential	
Street address of project site 100 North Mohawk Street		Description of goods and services intended to be exempted from sales and use taxes Construction materials, machinery and for use in a building containing 96 residential rental units and 107 indoor parking spaces	
City Cohoes	State NY	ZIP code 12047	

Date project operator or agent appointed	mm	dd	yyyy	Date project operator or agent status ends	mm	dd	yyyy
	02	14	2005		02	14	2007

Estimated value of goods and services to be exempted from sales and use taxes as a result of the project's designation as an IDA project:
\$142,500

Print name of officer or employee signing on behalf of the IDA John T. McDonald, III		Print title Chairman	
Signature 		Date 2/14/05*	Telephone number (518) 233-2118

Filing requirements

An IDA must file this form within 30 days of the date the IDA designates a project operator or appoints a person as agent of the IDA, for purposes of extending a sales and compensating use tax exemption.

The IDA must file a separate form for each project operator or agent appointed, whether directly or indirectly, and regardless of whether it is the primary operator or agent. If the IDA authorizes an operator or agent to appoint other agents, the operator or agent making such an appointment must advise the IDA that it has done so, so that the IDA can file a form within 30 days of the new agent's appointment. The IDA need not file this form for people hired to work on an IDA project who are not appointed as agents of the IDA. The IDA need not file this form if there are no sales or use tax exemption benefits authorized for a project as a result of the project's designation as an IDA project.

Instructions

Privacy notification
The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 597, 1036, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i). This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose. Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law. Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law. This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.

Need help?

Telephone assistance is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.
Business tax information: 1 800 972-1233
Forms and publications: 1 800 462-8100
From areas outside the U.S. and outside Canada: (518) 485-6800
Fax-on-demand forms: 1 800 748-3676

Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634-2110 (8 a.m. to 5:55 p.m., eastern time).

Internet access: www.tax.state.ny.us

Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.

If you need to write, address your letter to: NYS Tax Department, Taxpayer Contact Center, W A Harriman Campus, Albany NY 12227.

Purpose of project

- For Purpose of project, enter one of the following:
- Services
 - Agriculture, forestry, fishing
 - Finance, insurance, real estate
 - Transportation, communication, electric, gas, sanitary services
 - Construction
 - Wholesale trade
 - Retail trade
 - Manufacturing
 - Other (specify)

Mailing instructions

Mail completed form to: NYS Tax Department, IDA Unit, Building 8 Room 738, W A Harriman Campus, Albany NY 12227

* Documents were delivered in Escrow on 2/14/05. Documents were released from Escrow on 2/28/05.

**GIRVIN
FERLAZZO, PC**
ATTORNEYS AT LAW

FILE
COPY

20 Corporate Woods Blvd.
Albany, New York 12211
tel: 518 462 0300
fax: 518 462 5037
www.girvinlaw.com

March 8, 2005

NYS Tax Department
IDA Unit
Building 8 / Room 738
W.A. Harriman Campus
Albany, New York 12227

Re: New York State Sales or Use Tax Exemption
City of Cohoes Industrial Development Agency
Harmony Mills LLC Project

Ladies and Gentlemen:

Enclosed herewith please find an executed original ST-60 to be filed with your office in reference to the above Project. Please acknowledge receipt of this by date stamping a copy of the letter and returning it to me in the enclosed self-addressed stamped envelope.

If you have any questions regarding the foregoing, please do not hesitate to contact me.

Very truly yours,

GIRVIN & FERLAZZO, P.C.

By: *Jo-Ann Kilmer*
Jo-Ann Kilmer, Paralegal

Enclosure

RECEIVED
NEW YORK STATE
TAXPAYER SERVICES & REVENUE DIVISION
MAR 11 2005
IDA UNIT



IDA Appointment of Project Operator or Agent For Sales Tax Purposes

ST-60

(7/02)

The industrial development agency or authority (IDA) must submit this form within 30 days of the appointment of a project operator or agent, whether appointed directly by the IDA or indirectly by the operator or another agent.

For IDA use only

Name of IDA City of Cohoes Industrial Development Agency		IDA project number (use OSC numbering system for projects after 1998)	
Street address 97 Mohawk Street		Telephone number (518) 233-2118	
City Cohoes	State NY	ZIP code 12047	
Name of IDA project operator or agent Harmony Mills Riverview, LLC		Check box if directly appointed by the IDA: <input checked="" type="checkbox"/>	Employer identification or social security number 43-1964978
Street address 100 North Mohawk Street		Telephone number (212) 683-5927	Primary operator or agent? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
City Cohoes	State NY	ZIP code 12047	
Name of project Harmony Mills Riverview, LLC Project		Purpose of project (see instructions) Other - Residential	
Street address of project site 100 North Mohawk Street		Description of goods and services intended to be exempted from sales and use taxes Construction materials, machinery and for use in a building containing 96 residential rental units and 107 indoor parking spaces	
City Cohoes	State NY	ZIP code 12047	

Date project operator or agent appointed	mm	dd	yyyy	Date project operator or agent status ends	mm	dd	yyyy
	02	14	2005		02	14	2007

Estimated value of goods and services to be exempted from sales and use taxes as a result of the project's designation as an IDA project:
\$142,500

Print name of officer or employee signing on behalf of the IDA John T. McDonald, III		Print title Chairman	
Signature 		Date 2/14/05*	Telephone number (518) 233-2118

Filing requirements

An IDA must file this form within 30 days of the date the IDA designates a project operator or appoints a person as agent of the IDA, for purposes of extending a sales and compensating use tax exemption.

The IDA must file a separate form for each project operator or agent appointed, whether directly or indirectly, and regardless of whether it is the primary operator or agent. If the IDA authorizes an operator or agent to appoint other agents, the operator or agent making such an appointment must advise the IDA that it has done so, so that the IDA can file a form within 30 days of the new agent's appointment. The IDA need not file this form for people hired to work on an IDA project who are not appointed as agents of the IDA. The IDA need not file this form if there are no sales or use tax exemption benefits authorized for a project as a result of the project's designation as an IDA project.

Purpose of project

For Purpose of project, enter one of the following:

- Services
- Agriculture, forestry, fishing
- Finance, insurance, real estate
- Transportation, communication, electric, gas, sanitary services
- Construction
- Wholesale trade
- Retail trade
- Manufacturing
- Other (specify)

Mailing instructions

Mail completed form to: NYS Tax Department, IDA Unit, Building 8 Room 738, W A Harriman Campus, Albany NY 12227

* Documents were delivered in Escrow on 2/14/05. Documents were released from Escrow on 2/28/05.

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If you need to write, address your letter to: NYS Tax Department, Taxpayer Contact Center, W A Harriman Campus, Albany NY 12227.

GENERAL CERTIFICATE
OF
HARMONY MILLS RIVERVIEW, LLC

This certificate is made in connection with the execution by Harmony Mills Riverview, LLC (the "Company") of a lease agreement dated as of February 1, 2005 (the "Lease Agreement") by and between the Company and the City of Cohoes Industrial Development Agency (the "Agency"), the Underlying Lease, the Memorandum of Underlying Lease, the Bill of Sale to Agency, the Memorandum of Lease Agreement, the Payment in Lieu of Tax Agreement, the Mortgage, the Security Agreement and the Regulatory Agreement (as each of said documents is defined in the Lease Agreement) and any other document to be executed by the Company (all of the preceding documents being collectively referred to as the "Company Documents") in connection with the undertaking by the Agency, a public benefit corporation created pursuant to Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18 A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the 1972 Laws of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), of a project (the "Project") consisting of the following: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"); and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from sales taxes, real property transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease of the Project Facility to the Company pursuant to the terms of the Lease Agreement.

Capitalized terms which are not otherwise defined herein shall have the meanings ascribed to them in the Lease Agreement, except that, for purposes of this certificate, (A) all definitions with respect to any document shall be deemed to refer to such document only as it exists as of the date of this certificate and not as of any future date, and (B) all definitions with respect to any Person shall be deemed to refer to such Person only as it exists as of the date of this certificate and not as of any future date or to any successor or assign.

THE UNDERSIGNED MEMBER OF THE COMPANY HEREBY CERTIFIES THAT:

1. I am a member of the Company and am duly authorized to execute and deliver this certificate in the name of and on behalf of the Company.
2. The Company (A) has been duly formed, is validly existing and is in good standing

as a limited liability company under the laws of the State of New York with full legal power and authority to own its Property, conduct its business and execute, deliver and perform its obligations under the Company Documents and (B) has taken all actions and obtained all approvals required in connection therewith.

3. Attached hereto as Exhibit A is a true, correct and complete copy of the Articles of Organization of the Company, together with all amendments thereto, certified by the State of New York State Department of State the Articles of Organization, together with all amendments thereto, being collectively hereinafter referred to as the "Articles of Organization") and the same is in full force and effect on and as of the date of this certificate.

4. Attached hereto as Exhibit B is a true, correct and complete copy of the Operating Agreement of the Company, certified by the Secretary of the Company (the Operating Agreement, together with all amendments thereto, being collectively hereinafter referred to as the "Operating Agreement"), and the same is in full force and effect on and as of the date on this certificate.

5. Attached hereto as Exhibit C is a true, correct and complete copy of a certificate of good standing relating to the Company from the New York State Department of Corporations Unit.

6. Attached hereto as Exhibit D is a true, correct and complete copy of the resolution of the members of the Company (the "Resolution of the Members") approving and authorizing execution and delivery of the Company Documents. Such Resolution of the Members was duly adopted by the members of the Company, has not been amended or modified since its adoption and is in full force and effect on the date of this certificate in accordance with its terms.

7. Attached hereto as Exhibit E is a list of all material pending litigation relating to the Company. Except as set forth in Exhibit E, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or, to the best of our knowledge, threatened against or affecting the Company, (nor to the best of my knowledge is there any basis therefor), wherein an unfavorable decision, ruling or finding would adversely affect (A) the transactions contemplated by the Resolution of the Members, (B) the validity or the enforceability of the Resolution of the Members or the Company Documents or the transactions contemplated therein, (C) the organization or existence of the Company, or (D) the business, prospects, Property or condition of the Company.

8. I have been duly designated to act as an "Authorized Representative" of the Company pursuant to and in accordance with the provisions of the Lease Agreement.

9. There are no Liens against or overdue taxes, assessments, fees or other governmental charges payable by the Company to the United States, the State, or to any other state or municipality in the United States.

10. The execution, delivery and performance of all agreements, certificates and documents required to be executed, delivered and performed by the Company in order to carry out, give effect to and consummate the transactions contemplated by the Company Documents have been duly authorized by all necessary action of the Company. The Company Documents are in full force

and effect on and as of the date hereof, and no authority for the execution, delivery or performance of the Company Documents has been repealed, revoked or rescinded.

11. The execution, delivery and performance of the Company Documents, the consummation of the transactions therein contemplated and compliance with the provisions of each by the Company do not and will not (A) violate the Company's Articles of Organization or Operating Agreement, (B) require consent under (which has not heretofore been received) or result in a breach of or default under any credit agreement, purchase agreement, indenture, mortgage, deed of trust, commitment, guaranty, lease or other agreement or instrument to which the Company is a party or by which the Company may be bound or affected, or (C) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of the Property of the Company.

12. The Company has duly authorized the taking of and has taken any and all actions necessary to carry out and give effect to the transactions contemplated to be performed on its part by the Company Documents.

13. No Event of Default specified in any of the Company Documents has occurred and no event which with notice or lapse of time or both would become such an Event of Default has occurred and is continuing.

14. Each of the representations and warranties of the Company contained in each of the Company Documents is true, accurate and complete on and as of the date of this certificate with the same force and effect as though such representations and warranties were made on and as of the date hereof.

15. The Company Documents have been each duly executed, acknowledged, where appropriate, and delivered on behalf of the Company by an authorized officer of the Company; the signature of said officer thereon is the genuine signature of said officer; and said executed Company Documents are in substantially the same form as the forms thereof presented to the to Members of the Company and approved by the Resolution of the Members.

16. The Company is not contemplating instituting bankruptcy, insolvency or any similar proceedings against itself.

17. The Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied by the terms of the Company Documents at or prior to the Closing Date.

18. As of the Closing Date, there has been no material adverse change in the condition, Property or prospects (financial or otherwise) of the Company.

IN WITNESS WHEREOF, the undersigned has set his signature as an authorized officer of the Company this day of February, 2005.

HARMONY MILLS RIVERVIEW, LLC

By: _____
Manager

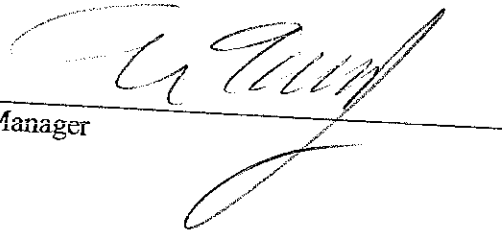
A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to be the name of the manager.

EXHIBIT A
ARTICLES OF ORGANIZATION

S472836.1

State of New York)
Department of State) ss:

I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on **December 16, 2004**



[Handwritten Signature]
Secretary of State

f 020620000 725

ARTICLES OF ORGANIZATION

OF

HARMONY MILLS RIVERVIEW LLC

Under Section 203 of the Limited Liability Company Law of the State of New York

BLU-39
DRAWDOWN

FILED BY:

BLUMBERGEXCELSIOR CORPORATE SERVICES, INC.
52 SOUTH PEARL STREET, 2ND FLOOR
ALBANY, NY 12207

FILED

2002 JUN 20 PM 4:21

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED JUN 20 2002

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BY: LAH

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ARTICLES OF ORGANIZATION **020620000725**

OF

HARMONY MILLS RIVERVIEW LLC

Under Section 203 of the Limited Liability Company Law of the State of New York

THE UNDERSIGNED, being a natural person of at least eighteen (18) years of age and acting as the organizer of the limited liability company (the "Company") hereby being formed under Section 203 of the Limited Liability Company Law of the State of New York (the "LLCL"), certifies that:

FIRST: The name of the Company is

HARMONY MILLS RIVERVIEW LLC

SECOND: The county within the State of New York in which the office of the Company is to be located is **ALBANY**.

THIRD: The Secretary of State is designated as the agent of the Company upon whom process against the Company may be served. The post office address within or without the State of New York to which the Secretary of State shall mail a copy of any process against the Company served upon such Secretary of State is **C/O HARMONY MILLS RIVERVIEW LLC, 100 NORTH MOHAWK STREET, COHOES, NY 12047**.

FOURTH: The Company is to be managed by one or more **MANAGERS**.

IN WITNESS WHEREOF, I have subscribed these Articles of Organization and do hereby affirm the foregoing as true under penalties of perjury, this **06/20/02**.

Sharon Babala

SHARON BABALA
Sole Organizer
c/o BLUMBERGEXCELSIOR
CORPORATE SERVICES, INC.
52 SOUTH PEARL STREET, 2ND FLOOR
Albany, NY 12207

EXHIBIT B
OPERATING AGREEMENT

S472836.1

**AMENDED AND RESTATED OPERATING AGREEMENT
OF
HARMONY MILLS RIVERVIEW LLC**

THIS AMENDED AND RESTATED OPERATING AGREEMENT (this "Agreement"), is dated as of December __, 2004, and entered into by and between **HARMONY MILLS RIVERVIEW LLC**, a New York limited liability company (the "LLC"), and **URI KAUFMAN** and **IRA SCHWARTZ** (collectively, the "Members").

The Members have heretofore formed a limited liability company pursuant to and in accordance with the Limited Liability Company Law of the State of New York, as amended from time to time (the "LLCL"), and desire to amend and restate their agreement with respect to the LLC as follows:

1. Name.

The name of the LLC formed hereby is **Harmony Mills Riverview LLC**.

2. Term.

The term of the LLC shall continue until dissolved in accordance with Section 701 of the LLCL, which, so long as there is a HUD insured mortgage owned by the LLC, shall be no earlier than December 31, 2050.

3. Purpose.

The LLC is to own, develop, rehabilitate, operate and maintain the Harmony Mills Apartment Project, known as FHA Project No. 014-32004 (the "Project").

4. Members.

The names and the business or mailing address of the Members are as follows:

<u>Name</u>	<u>Address</u>
Uri Kaufman	135 Fulton Street Lawrence, New York 11559
Ira Schwartz	153 Harborview North Lawrence, New York 11559

5. Powers.

The business and affairs of the LLC shall be managed by a Manager, who shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by managers under the

LLCL. Unless changed by an amendment to this Operating Agreement the Manager shall be Uri Kaufman.

6. **Capital Contributions.**

The Members have contributed to the LLC the amounts, in the form of cash or as the net fair market value of property reflected on the Schedule A attached hereto.

7. **Additional Contributions.**

No Member is required to make any additional capital contribution to the LLC.

8. **Allocation of Profits and Losses.**

The LLC's profits and losses shall be allocated equally among the Members.

9. **Distributions.**

Distributions shall be made to the Members at the times and in the aggregate amounts determined by them. Such distributions shall be allocated among the Members in the same proportion as their then capital account balances.

10. **Assignments.**

A Member may not assign in whole or in part his limited liability company interest in the LLC.

11. **Withdrawal of a Member.**

A Member may not withdraw from the LLC in accordance with the LLCL.

12. **Admission of Additional Members.**

One (1) or more additional members of the LLC may be admitted to the LLC with the consent of a majority of the Members.

13. **Liability of Members.**

The Members shall not have any liability for the obligations or liabilities of the LLC, except to the extent provided in the LLCL.

14. **Exculpation of Members.**

Neither Member shall be liable for any breach of duty in its capacity as such, unless (i) a judgment or other final adjudication adverse to it establishes that the Member's acts or omissions were in bad faith or involved in intentional misconduct or a knowing violation of law, or (ii) the Member personally gained in fact a financial profit or other advantage to which it was not legally

entitled, or (iii) with respect to a distribution to Members, their acts were not performed in accordance with the LLCL.

15. Amendment.

This Agreement may be amended from time to time by the vote of a majority of the Members of the LLC; *provided, however*, that without the written consent of each Member adversely affected thereby, (i) no amendment of this Agreement, or (ii) to the extent any provision concerning (A) the obligations of any Member to make contributions, (B) the allocation for tax purposes of any items of income, gain, loss, deduction or credit, (C) the manner of computing the distributions of any Member, or (D) the compromise of an obligation of a Member to make a contribution is contained in the LLC's Articles of Organization, no amendment of such provisions in the Articles of Organization shall be made that (i) increases the obligations of any Members to make contributions, (ii) alters the allocation for tax purposes of any items of income, gain, loss, deduction or credit, (iii) alters the manner of computing the distribution of any Member, or (iv) allows the obligation of a Member to make contribution to be compromised by consent of less than all the Members.

16. Governing Law.

This Agreement shall be governed by, and construed under, the laws of the State of New York, all rights and remedies being governed by said laws.

17. HUD Provisions.

For so long as the U.S. Department of Housing and Urban Development ("HUD") insures a mortgage loan upon property owned by the LLC, the following provisions shall apply:

(a) In the event of a conflict between the provisions of this Agreement and the terms and provisions of the HUD Note, the HUD Mortgage, the HUD Security Agreement, the HUD Regulatory Agreement (collectively, the "HUD Loan Documents"), the provisions and terms of the HUD Loan Documents shall prevail.

(b) No provisions required by HUD to be inserted in this Agreement or found in this Section 17 shall be amended or deleted without the prior written approval of HUD.

(c) No provision in this Agreement that results in any of the following will have any force or effect without the prior written approval of HUD:


- (i) Any amendment that modifies the term of the mortgagor entity.
- (ii) Any amendment that activates the requirement that a HUD previous participation certification or clearance be obtained for any additional member.
- (iii) Any amendment that in any way affects the HUD Note, the HUD Mortgage or the HUD Security Agreement for the Project or the Regulatory Agreement between HUD and the mortgagor entity.

- (iv) Any amendment that would authorize any member, other than the current Member managers, to bind the mortgagor entity for any and all matters concerning the Project which require HUD's consent or approval.
 - (v) Any change in the current Member managers of the mortgagor entity.
 - (vi) Any change in a guarantor of any obligation to the Secretary of HUD.
- (d) The LLC is authorized to execute a note, mortgage, security agreement, and any other documents required by HUD in order to secure a loan to be insured by HUD, and to execute a regulatory agreement and any other documents required by HUD in connection with the HUD insured loan.
- (e) Any incoming member of the LLC must, as a condition of receiving an interest in the LLC, agree to be bound by the HUD Note, the HUD Mortgage, the HUD Security Agreement, the HUD Regulatory Agreement and any and all other documents required in connection with the HUD insured loan to the same extent and on the same terms as the other members.
- (f) Notwithstanding any other provisions of this Agreement, upon any dissolution of this LLC, no title or right to possession and control of the Project, and no right to collect the rents from the Project, shall pass to any person who is not bound by the HUD Regulatory Agreement in a manner satisfactory to HUD.
- (g) The Members of this LLC, and any assignee of a Member, acknowledge that they are liable in their individual capacities to HUD for:
- (i) Funds or property of the Project coming into their possession, which by the provisions of the Regulatory Agreement, that Member is not entitled to retain;
 - (ii) Their own acts and deeds, or the acts and deeds of others, which any Member has authorized in violation of the provisions of the HUD Regulatory Agreement;
 - (iii) The acts and deeds of Affiliates, as defined in the Regulatory Agreement, which the person or entity has authorized in violation of the provisions of the HUD Regulatory Agreement; and
 - (iv) As otherwise provided by law.
- (h) The LLC shall not voluntarily be dissolved or converted to another form of entity without the prior written approval of HUD.
- (i) The LLC has designated Uri Kaufman as its official representative for all matters concerning the Project which require HUD's consent or approval. The signatures of these Members, jointly, will bind the LLC for all such matters. The LLC may from time to time appoint a new representative or representatives to perform this function, but within three (3) business days of doing so, will provide HUD with written notification of the name, address and telephone number of its new representative(s). When a person or persons, other than the persons identified above, has full or

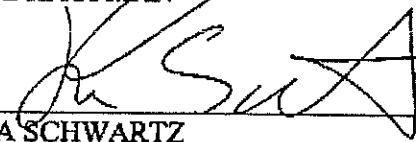
partial authority of management of the Project, the LLC will promptly provide HUD with the name of that person and the nature of that person's management authority.

IN WITNESS WHEREOF, the parties hereto, and intending to be legally bound hereby, have duly executed this Amended and Restated Operating Agreement as of the date and year first above written.

MEMBERS:



URI KAUFMAN



IRA SCHWARTZ

SCHEDULE A

<u>Name of Member</u>	<u>Percentage Interest %</u>	<u>Capital to be Contributed</u>
Uri Kaufman	50%	\$100
Ira Schwartz	50%	\$100

EXHIBIT C
CERTIFICATE OF GOOD STANDING

State of New York | SS:
Department of State

I hereby certify, that HARMONY MILLS RIVERVIEW LLC a NEW YORK Limited Liability Company filed Articles of Organization pursuant to the Limited Liability Company Law on 06/20/2002, and that the Limited Liability Company is subsisting so far as shown by the records of the Department.

Witness my hand and the official seal
of the Department of State at the City
of Albany, this 26th day of October
two thousand and four.



Secretary of State

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EXHIBIT D
RESOLUTION OF THE MEMBERS

**RESOLUTIONS OF
HARMONY MILLS RIVERVIEW LLC
a New York Limited Liability Company**

February 11, 2005

WHEREAS, Harmony Mills Riverview LLC is undertaking the rehabilitation of a project known as Harmony Mills in Cohoes, New York; and

WHEREAS, the financing of that rehabilitation entails both a loan insured by the U.S. Department of Housing and Urban Development and by a Pilot Agreement with the City of Cohoes Industrial Development Agency; and

WHEREAS, the Pilot Agreement will inure to the benefit of Harmony Mills Riverview LLC and is instrumental to the financial success of the rehabilitation; and

WHEREAS, in order to fulfill the terms of the Pilot Agreement, Harmony Mills Riverview LLC will be required to execute certain documents supplied by the City of Cohoes Industrial Development Agency; and

WHEREAS, Harmony Mills Riverview LLC wishes to execute such documents;

NOW THEREFORE, Harmony Mills Riverview LLC resolves as follows:

- 1) The above recitals are incorporated herein.
- 2) All prior activities, actions and effects undertaken by Harmony Mills Riverview LLC or its members and/or manager related to the Pilot Agreement with the City of Cohoes Industrial Development Agency are hereby affirmed.
- 3) Uri Kaufman, as Manager of Harmony Mills Riverview LLC is authorized and empowered to execute and deliver the following documents related to the Pilot Agreement with the Cohoes Industrial Development Agency :
 - a) General Certificate of Harmony Mills Riverview LLC;
 - b) Bill of Sale to City of Cohoes Industrial Development Agency;
 - c) Closing Receipt;
 - d) Memorandum of Underlying Lease between Harmony Mills Riverview LLC as Landlord and City of Cohoes Industrial Development Agency as Tenant;
 - e) Underlying Lease Agency executed by the parties described in d) above;
 - f) Memorandum of Lease Agreement between City of Cohoes Industrial Development Agency and Harmony Mills Riverview LLC;

- g) Lease Agreement between the parties described in f) above;
- h) Payment in Lieu of Tax Agreement between City of Cohoes Industrial Development Agency and Harmony Mills Riverview LLC;
- i) Closing Receipt Relating to City of Cohoes Industrial Development Agency; and
- j) Such other documents as are required by the City of Cohoes Industrial Development Agency in order to facilitate the closing of the HUD insured loan and the Pilot Agreement.

HARMONY MILLS RIVERVIEW LLC
A New York Limited Liability Company

By: _____

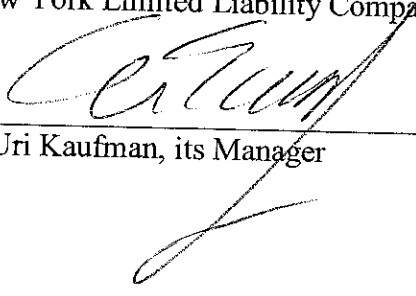

Uri Kaufman, its Manager

EXHIBIT E
PENDING LITIGATION

NONE

FHA FORM 4159-A
(CORPORATE)
Rev. March 1972

COPY

MORTGAGE NOTE

\$12,125,000.00

Buffalo, New York
February 14, 2005

FOR VALUE RECEIVED, the undersigned, HARMONY MILLS RIVERVIEW LLC, a New York limited liability company, promises to pay to GMAC COMMERCIAL MORTGAGE BANK, a Utah Industrial Bank, organized and existing under the laws of the State of Utah, or order, hereinafter designated as the Mortgagee, the principal sum of Twelve Million One Hundred Twenty-Five Thousand and 00/100 (\$12,125,000.00), with interest from date at the rate of Five and Five-Eighths per centum (5.625%) per annum on the unpaid balance until paid. The said principal and interest shall be payable in monthly installments as follows:

Interest alone from date at the rate of Five and Five Eighths per centum (5.625%) per annum on the principal balance hereof, or so much thereof as may be advanced pursuant to the provisions of the Mortgage and the Building Loan Agreement referred to herein, shall be payable on the first day of each month hereafter and shall continue up to and including May 1, 2006. Commencing on the first day of June, 2006, installments of interest and principal shall be paid in the sum of Sixty-Three Thousand Five Hundred Seventy-One and 66/100 Dollars (\$63,571.66) each, such payments to continue monthly thereafter on the first day of each succeeding month until the entire indebtedness has been paid. In any event, the balance of principal, if any, remaining unpaid, plus accrued interest, shall be due and payable May 1, 2046.

The installments of interest and principal shall be applied first to interest at the rate of Five and Five-Eighths per centum (5.625%) per annum on the principal sum, or so much thereof as shall, from time to time, remain unpaid, and the balance thereof shall be applied on account of principal.

In order to cover extra expenses in handling delinquent payments, in the event that the maker hereof shall fail to make any monthly payment due to the holder thereof within fifteen (15) days after the due date hereof, the holder hereof may, at its option, impose a late charge upon the maker hereof in an amount equal to Two Cents (2¢) per One Dollar (\$1.00) of interest and/or principal which is more than fifteen (15) days in arrears. Whenever, under the laws of the State of New York, the amount of any such late charge or any other charge hereunder is considered to be additional interest, this provision shall not be used to the extent that the rate of interest specified in this Mortgage Note, together with the amount of the late charge or any other charge hereunder, would aggregate an amount in excess of the maximum rate of interest permitted and would constitute usury.

Both principal and interest under this Note, as well as the additional payments set forth in the Mortgage of even date herewith securing this Note, shall be payable at the office of GMAC Commercial Mortgage Bank, at 6955 Union Park Center, Suite 330, Midvale, UT 84047, or such other place as the holder may designate in writing.

Privilege is reserved to pay the debt in whole or in an amount equal to one or more monthly payments on principal next due, on the first day of the month prior to maturity upon at least thirty (30) days' prior written notice to the holder. If this debt is paid in full prior to maturity and while insured under the National Housing Act, all parties liable for payment of this debt hereby agree to be jointly and severally bound to pay to the holder thereof any adjusted premium charge required by the applicable Regulations.

Notwithstanding any other provision herein for a prepayment charge, such charge shall be applicable only to the amount of prepayment in any one calendar year which is in excess of fifteen per centum (15%) of the original principal sum of this Note.

The whole of the principal sum or any part thereof, and of any other sums of money secured by the Mortgage given to secure this Note, shall, forthwith, or thereafter, at the option of the Mortgagee, become due and payable if default be made in the payment of any installment under this Note and if such default is not made good prior to the due date of the next such installment or upon the happening of any default which, by the terms of the Mortgage given to secure this Note, shall entitle the Mortgagee to declare the same, or any part thereof, to be due and payable; all the covenants, agreements, terms, and conditions of said Mortgage and of the Building Loan Agreement incorporated in the Mortgage (to the extent said Building Loan Agreement is not inconsistent with the terms of this Note and the said Mortgage) are hereby incorporated herein by reference to the same extent and effect as if fully set forth and made a part of this Note; and the undersigned hereby covenants to perform all such covenants and agreements. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default in the payment of this Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all costs of collection, including a reasonable attorney's fee.

No default shall exist by reason of nonpayment of any required installment of principal so long as the amount of optional additional prepayments of principal already made pursuant to the privilege of prepayment set forth in this Note equals or exceeds the amount of such required installment of principal.

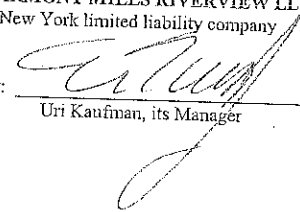
A Rider to Mortgage Note is attached hereto and made a part hereof.

All parties to this Note, whether principal, surety, guarantor, or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor.

Signed and sealed the day and year first above written.

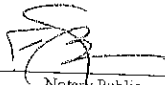
ATTEST:

HARMONY MILLS RIVERVIEW LLC
A New York limited liability company

By: 
Uri Kaufman, its Manager

THIS IS TO CERTIFY that this is the Note described in, and secured by, Mortgage of even date herewith, and in the same principal amount as herein stated, on property located at 100 North Mohawk Street, City of Cohoes, Albany County, State of New York.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4894351
My Commission Expires April 6, 2006


Notary Public

(This is a facsimile prepared by Byrne, Costello & Fickard, P.C.)

STATE OF NEW YORK

LOAN NO.

MORTGAGE NOTE

HARMONY MILLS RIVERVIEW LLC

TO

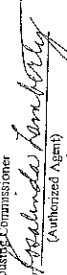
GMAC COMMERCIAL MORTGAGE BANK

No. 014-32004

Insured under § 201 of the National Housing Act and Regulations published hereunder.

In effect on December 7, 2004

To the extent of advances approved by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By:  (Authorized Agent)

Date February 11, 2005

A total sum of \$ _____ has been approved for insurance hereunder by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By: _____ (Authorized Agent)
Date _____

Reference is made to the Act and to the Regulations thereunder covering assignments of the insurance protection on this Bond.

COPY

RIDER "1" TO MORTGAGE NOTE OF
HARMONY MILLS RIVERVIEW LLC ("MAKER") TO
GMAC COMMERCIAL MORTGAGE BANK ("HOLDER")
IN THE ORIGINAL PRINCIPAL SUM OF \$12,125,000.00
DATED AS OF FEBRUARY 14, 2005
(FHA PROJECT NO. 014-32004)

1. Except as provided in Paragraphs 2, and 3 below, Maker may not prepay any sums due under this Mortgage Note (the "Note") prior to May 1, 2011. Commencing on or after May 1, 2011, Maker may prepay, in whole or in part, any sums due under this Note on the last day of any month, upon thirty (30) days advance written notice to Holder, provided such prepayment is accompanied by the applicable prepayment premium (expressed as a percentage of the principal amount so prepaid) set forth below:

<u>Prepayment Period</u>	<u>Prepayment Premium</u>
May 1, 2011, through April 30, 2012	5.0%
May 1, 2012, through April 30, 2013	4.0%
May 1, 2013, through April 30, 2014	3.0%
May 1, 2014, through April 30, 2015	2.0%
May 1, 2015, through April 30, 2016	1.0%
May 1, 2016, and thereafter	0%

All such prepayments, including the principal sum so prepaid, interest thereon to and including the date of such prepayment and the prepayment premium due in connection therewith, shall be in immediately available Federal Funds.

2. Notwithstanding any prepayment prohibition imposed and/or premium required by this Rider with respect to prepayments made prior to May 1, 2015, the indebtedness may be prepaid in whole or in part without the consent of the Holder and without prepayment penalty or premium if the Federal Housing Commissioner determines that prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the Federal Government.

3. The provisions of Paragraph 1 of this Rider shall not apply and no prepayment penalty or premium shall be collected by the Holder with respect to any prepayment which is made by or on behalf of Maker from insurance proceeds as a result of damage to the property or condemnation awards which may, at the option of the Holder, be applied to reduce the indebtedness evidenced by this Note pursuant to the terms of the Mortgage given of even date to secure the indebtedness evidenced by this Note.

4. Except as provided in paragraphs 2 and 3 above, any partial payment by Maker as permitted herein of any sums due under this Note shall not relieve Maker of its obligations to make all originally scheduled monthly payments due on this Note over the remaining term thereof.

5. Upon any prepayment in full permitted hereunder, Maker shall pay all costs or expenses (including reasonable attorney's fees) incurred by Holder as a result of such prepayment.

6. Notwithstanding any other provision contained in this Note, it is agreed that the execution of this Note shall impose no personal liability on Maker for payment of the indebtedness evidenced hereby and in the event of a default, Holder shall look solely to the property described in the Mortgage and to the rents, issues and profits therefrom in satisfaction of the indebtedness evidenced hereby and will not seek or obtain any deficiency or personal judgment against Maker except such judgment or decree as may be necessary to foreclose and bar its interest in the property and all other property mortgaged, pledged, conveyed or assigned to secure payment of this Note, except as set out in the Mortgage of even date given to secure this indebtedness.

MAKER:

HARMONY MILLS RIVERVIEW LLC
A New York limited liability company

By: 

Uri Kaufman, its Manager

COPY

RIDER "2" TO MORTGAGE NOTE OF
HARMONY MILLS RIVERVIEW LLC ("MAKER") TO
GMAC COMMERCIAL MORTGAGE BANK ("HOLDER")
IN THE ORIGINAL PRINCIPAL SUM OF \$12,125,000.00
DATED AS OF FEBRUARY 14, 2005
(FHA PROJECT NO. 014-32004)

In further consideration of the endorsement of the aforesaid Note for insurance by the U.S. Secretary of Housing and Urban Development, acting by and through the Assistant Secretary for Housing-Federal Housing Commissioner (hereinafter referred to as the "Secretary"), and in order to comply with the requirements of the National Housing Act, as amended, and the regulations adopted by the Secretary pursuant thereto, and in connection with the mortgaged property and the project operated thereon, and notwithstanding anything contained in the Note, Mortgage or Regulatory Agreement to the contrary, the Mortgagor, for itself and its managers, members, successors and/or assigns, agrees that during any time the Secretary is the insurer, reinsurer, holder or owner of a mortgage on said mortgaged property:

- (a) If any provision of the Articles of Organization or Operating Agreement, or other organizational documents of the Mortgagor or any later amendment to those documents, conflicts with the terms of the project loan documents (e.g., the Note, this Mortgage, the Security Agreement, and/or the Regulatory Agreement), the provisions of the project loan documents will control.
- (b) Notwithstanding any provisions of state law to the contrary, any signatory to the Regulatory Agreement or member of the Mortgagor receiving funds of the project other than by distribution of surplus cash as authorized in the Regulatory Agreement shall immediately deposit such funds in the project bank account and failing to do so in violation of the Regulatory Agreement shall hold such funds in trust. Notwithstanding any provision of state law to the contrary, any signatory to the Regulatory Agreement or member of the Mortgagor receiving property of the project in violation of the Regulatory Agreement shall immediately deliver such property to the project and failing to do so shall hold such property in trust.
- (c) Notwithstanding any provision of state law to the contrary, all signatories to the Regulatory Agreement on behalf of the Mortgagor and all members of the Mortgagor are liable for: (i) funds or property of the project coming into their hands which, by the provisions of the Regulatory Agreement, they are not entitled to retain; and (ii) their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions of the Regulatory Agreement.
- (d) Notwithstanding any provision of state law to the contrary, any member-manager or general or limited partner with governance interests equaling or exceeding 10 percent, or member with financial interests equaling or exceeding 25 percent of the Mortgagor, shall be liable on a joint and several basis, in the amount of any loss, damage or cost (including but not limited to attorneys' fees) resulting from fraud or intentional misrepresentation by the Mortgagor, the Mortgagor's agents or employees; or a member of the Mortgagor in connection with obtaining the loan evidenced by the Note, or in complying with any of the Mortgagor's obligations under the loan documents.
- (e) All signatories to the Regulatory Agreement on behalf of the Mortgagor shall be considered agents of the Mortgagor for the purpose of establishing liability under the double damages provisions at 12 U.S.C. § 1715z-4a and the equity skimming penalty under 12 U.S.C. 1715z-19, unless the Secretary agrees in writing to the contrary.
- (f) Each signatory to the Regulatory Agreement will be liable for payment of the entire amount of any civil money penalty imposed on the Mortgagor pursuant to Section 537 of the National Housing Act, 12 U.S.C. § 1735f-15.

COPY

(g) The Mortgagor has designated Uri Kaufman and/or Ira Schwartz, as its official representatives for all matters concerning the project which require the Secretary's consent or approval. The signature of this party will bind the Mortgagor in all such matters. The Mortgagor may from time to time appoint a new representative to perform this function, but within 3 business days of doing so, will provide the Secretary with written notification of the name, address, and telephone number of its new representative. When a member other than the member identified above has full or partial authority for management of the project, the Mortgagor will promptly provide the Secretary with the name of that member and the nature of that member's management authority.

(h) Notwithstanding any provision of state law to the contrary, no signatory to the Regulatory Agreement or member of the Mortgagor shall have any right of subrogation or indemnification against the Mortgagor or the property of the project by reason of any payment made or liability incurred pursuant to the Regulatory Agreement or any statute referred to above.

MAKER:

HARMONY MILLS RIVERVIEW LLC
A New York limited liability company

By: 

Uri Kaufman, its Manager

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
F. Scott Molnar, Esq. (315) 474-6448

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

**GMAC Commercial Mortgage Corp.
 Attn: Eric M. Keifer, Esq., Vice President
 12444 Powerscourt Drive, Suite 400
 St. Louis, MO 63131**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME Harmony Mills Riverview LLC				OR		1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS 135 Fulton Street				CITY Lawrence		STATE NY	POSTAL CODE 11559	COUNTRY USA		
1d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION LLC	1f. JURISDICTION OF ORGANIZATION New York		1g. ORGANIZATIONAL ID #, if any			<input type="checkbox"/> NONE		

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME				OR		2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS				CITY		STATE	POSTAL CODE	COUNTRY		
2d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION		2g. ORGANIZATIONAL ID #, if any			<input type="checkbox"/> NONE		

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME GMAC Commercial Mortgage Bank				OR		3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS 6955 Union Park Center, Suite 330				CITY Midvale		STATE UT	POSTAL CODE 84047	COUNTRY USA		

4. This FINANCING STATEMENT covers the following collateral:
See Schedules "A" and "B" attached hereto and made apart hereof.

5. ALTERNATIVE DESIGNATION (if applicable):	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. <input checked="" type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (ADDITIONAL FEE) (optional)		All Debtors		Debtor 1	Debtor 2
8. OPTIONAL FILER REFERENCE DATA						

Albany County Filing

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Harmony Mills Riverview LLC			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any	<input type="checkbox"/> NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME Secretary of Housing and Urban Development					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS 451 Seventh Street, S.W.		CITY Washington	STATE DC	POSTAL CODE 20410	COUNTRY USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

See Schedule "A" attached hereto and made a part hereof.

16. Additional collateral description:

See Schedules "A" and "B" attached hereto and made a part hereof.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction — effective 30 years

Filed in connection with a Public-Finance Transaction — effective 30 years

SCHEDULE "A"

LEGAL DESCRIPTION

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & Light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South $28^{\circ}41'30''$ East, 160.71 feet to a point; 2) South $32^{\circ}06'45''$ East, 434.90 feet to a point and 3) North $58^{\circ}11'10''$ East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North $58^{\circ}11'10''$ East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South $13^{\circ}53'25''$ East, 122.91 feet to a point; 2) South $27^{\circ}37'16''$ East, 50.88 feet to a point; 3) South $10^{\circ}59'35''$ West, 29.30 feet to a point; 4) South $27^{\circ}43'36''$ East, 113.85 feet to a point; 5) South $22^{\circ}12'51''$ East, 171.95 feet to a point; 6) South $12^{\circ}47'27''$ West, 39.47 feet to a point and 7) South $06^{\circ}16'36''$ East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North $09^{\circ}44'26''$ West, 164.00 feet to a point; 2) North $27^{\circ}01'48''$ West, 275.00 feet to a point; 3) North $16^{\circ}31'33''$ West, 150.00 feet to a point and 4) North $24^{\circ}06'24''$ West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

SCHEDULE "B"

Collateral Description

This Security Agreement / UCC Financing Statement covers the following types or items of property, goods, products, matters, effects, rights and/or intangibles (hereinafter collectively referred to as the "Collateral"):

All rights, title and interest of the Debtor in and to the minerals, soil, flowers, shrubs, crops, trees, timbers and other emblements now or hereafter on or part of the real property described in Schedule "A" (said real property described in Schedule "A" is hereinafter referred to as the "Property"), or under or above or about the same or any part or parcel thereof;

All machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to the Property and including all trade, domestic and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter acquired by the Debtor, including, but without limiting the generality of the foregoing, all heating, air conditioning, freezing, lighting, laundry, incinerating and power equipment engines; pipes; pumps; tanks; motors; conduits; computers; telephones; switchboards; plumbing; lifting; cleaning; fire prevention; fire extinguishing, refrigerating, ventilating and communication apparatus; boilers, ranges, furnaces, oil burners or units thereof; appliances, air-cooling and air conditioning apparatus; vacuum cleaning systems; elevators, escalators, shades; awnings, screens, storm doors and windows; stoves, wall beds, beds, refrigerators; attached cabinets, partitions, ducts and compressors; rugs and carpets; draperies, furniture and furnishings; together with all building materials and equipment now or hereafter delivered to the Property and intended to be installed therein, including but not limited to lumber; plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, cooking, heating and ventilating appliances and equipment; together with all additions and accessions thereto and replacements thereof;

All other tangible personal property of any kind or nature now or hereafter owned or acquired by the Debtor or now or hereafter located or installed at or in any other improvements on the Property, or elsewhere at or about the Property, together with any betterments to the Property or anything attached to or used in connection with any the Property or which may now or hereafter at any time be placed in or added thereto, together with any and all replacements or substitutions thereof;

All of the water, sanitary and storm sewer systems now or hereafter owned by the Debtor which are now or hereafter located by, over, and upon the Property or any part and parcel thereof, and which water system includes all water mains, services laterals, hydrants, valves and appurtenances, and which sewer system includes all sanitary sewer lines, including mains, laterals, manholes and appurtenances;

All paving for streets, roads, walkways or entrance ways now or hereafter owned by the Debtor which are now or hereafter located on the Property or any part or parcel thereof;

All of the Debtor's interest as lessor in and to all leases or rental arrangements of the Property, or any part thereof, heretofore made and entered into, and to all leases or rental arrangements hereafter made and entered into by the Debtor during the life of the security agreements or any extension or renewal thereof, together with any and all guarantees of such leases or rental agreements and including all present and future security deposits and advanced rentals;

Any and all awards, payments or settlements, including all interest thereon, and the right to receive the same, as a result of (a) any condemnation proceedings or the total or partial taking of the Property or the Collateral or any part thereof under the power of eminent domain or under any conveyance in lieu thereof, (b) the alteration of the grade of any street, or (c) any other injury to, taking of, or decrease in the value of the Property described in Schedule "A" or any Collateral described in this Schedule;

All of the right, title and interest of the Debtor in and to all unearned premiums accrued, accruing or to accrue under any and all insurance policies now or hereafter provided pursuant to the terms of security agreements, and all insurance proceeds or other proceeds or sums payable for the loss of or damage to (a) the Property described in Schedule "A", or other Collateral described herein, (b) rents, revenues, income, profits or proceeds from leases, franchises, concessions or licenses of or on any part of the Collateral;

All contracts and contract rights of the Debtor, including but not limited to all rights and/or benefits arising from contracts entered into in connection with development, construction upon, operation or sale of part or all of the Collateral including contract or sales deposits;

All current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefitting the Property or any improvements thereon, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

All of the Debtor's rights to any fictitious or other names or trade names or copyrights used in conjunction with the Property or any Collateral or any other real or personal property of the Debtor;

All refunds, rebates, reimbursements, reserves, deferred payments, deposits, cost savings, governmental subsidy payments, benefits or other incentives (such as those available under any government sponsored, designated or recognized economic zone, enterprise zone, empire zone or empowerment zone or any like designation or program available for the Property now or in the future, including the availability of tax-exempt bond financing, additional accelerated depreciation expensing, environmental cleanup cost deductions, and/or capital gain roll-over), governmentally-

registered or authorized tax credits or other credits (including, without limitation, emissions reduction tax credits, energy savings tax credits, empowerment zone employment tax credits, low-income housing tax credits, new market tax credits, welfare-to-work tax credits, and/or work opportunity tax credits), and all other credits, benefits, waivers and payments, whether in cash or in kind, due from or payable by (i) any federal, state, municipal or other governmental or quasi-governmental agency, authority or district, (ii) any insurance or utility company, or (iii) any other party or person, relating to any or all of the Property now or in the future, or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All refunds, rebates, reimbursements, credits and/or payments of any kind due from or payable by any governmental or other agency for any taxes, special taxes, assessments, or similar governmental or quasi-governmental charges or levies imposed upon the Debtor with respect to the Property or upon any or all of the Property or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All undisbursed proceeds of any loan made to the Debtor by the Secured Party whether or not related to the Property and/or the Collateral;

All present and future rents, issues, profits, income, revenue, royalties, options, benefits, supporting obligations, accounts receivable, and other receivables of the Debtor or subject to the control of the Debtor (including, without limitation, all healthcare insurance receivables and/or entitlements, particularly any claim, right, lien, title, benefits or other interest of the Debtor with respect to any health insurance, co-insurance, Medicaid reimbursement, Medicare reimbursement, or other income, revenue, payments or reimbursement, if any, owing, payable to, chargeable by, or received by, the Debtor or any lessee, operator or other party controlled by, or affiliated with, the Debtor, or otherwise attributable or generated by or from the Property and/or the Collateral), all accounts of the Debtor, accounts subject to the control of the Debtor and/or any other accounts that are in any way related to the Collateral or the Property described in Schedule "A" attached hereto and each and every part and parcel thereof (including, without limitation, any and all security accounts, negotiable and nonnegotiable certificates of deposit and/or any investments of any kind, all letters of credit and/or all deposit accounts, but excepting resident security deposits or other resident accounts), all general intangibles, payment intangibles, chattel paper, documents, instruments, inventory, goods, equipment and all books and records relating to the foregoing and also all present and future right, title and interest of the Debtor under any by virtue of each and every franchise, license, permit, lease or any other similar document or contractual right written or verbal covering any part or parcel of the Property or the Collateral whether now or hereafter made and any and all amendments to or modifications, extensions or renewals thereof and all proceeds thereof, it being the intention of the parties hereto that: (a) the security interest of the Secured Party shall attach to the Collateral (i) as soon as the Debtor obtains any interest in any property or collateral; (ii) before the property or collateral is installed or affixed to any other collateral; and (b) the security interest held by the Secured Party shall cover cash and non-cash proceeds of the Collateral;

All proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, and the right to collect such proceeds;

The Debtor acknowledges and agrees that, in applying the law of any jurisdiction that at any time enacts all or substantially all of the uniform provisions of Revised Article 9 of the Uniform Commercial Code (1999 Official Text, as amended), the above collateral description covers all assets of Debtor.

The real property described in Schedule "A" is subject to a certain (1) Mortgage dated the date hereof, given by the Debtor to the Secured Party and recorded in the land records of Albany County, New York (the "Mortgage"). The Mortgage secures a certain Mortgage Note of even date for the original principal amount of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00) given by the Debtor to the Secured Party (the "Note"). The maturity date of the Note and the Mortgage is May 1, 2046. In the event of default under the terms of the Note and/or the Mortgage pursuant to which the Secured Party or any subsequent holder thereof declares the whole of the indebtedness secured thereby to be due and payable, at its option, the Secured Party or any subsequent holder may declare the whole of the indebtedness and all other sums secured hereby to be due and payable.

Except for the accounts, deposits, receivables, contracts, cash and non-cash proceeds and/or other intangibles described above, or goods of a type normally used in more than one location, the street address of the Property and/or Collateral is 100 North Mohawk Street, Cohoes, New York 12047.

Notwithstanding any other provision contained herein, the Collateral shall include, without limitation, all receipts, revenues, income, profits, proceeds, accounts receivable and unrestricted cash and investments derived from properties owned or leased by the Debtor.

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
F. Scott Molnar, Esq. (315) 474-6448

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

**GMAC Commercial Mortgage Corp.
 Attn: Eric M. Keifer, Esq., Vice President
 12444 Powerscourt Drive, Suite 400
 St. Louis, MO 63131**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
Harmony Mills Riverview LLC

OR
 1b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX

1c. MAILING ADDRESS
135 Fulton Street

CITY Lawrence	STATE NY	POSTAL CODE 11559	COUNTRY USA
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1d. SEE INSTRUCTIONS

ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION LLC	1f. JURISDICTION OF ORGANIZATION New York	1g. ORGANIZATIONAL ID #, if any
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2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR
 2b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX

2c. MAILING ADDRESS

CITY	STATE	POSTAL CODE	COUNTRY

2d. SEE INSTRUCTIONS

ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
-----------------------------------	--------------------------	----------------------------------	---------------------------------

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
GMAC Commercial Mortgage Bank

OR
 3b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX

3c. MAILING ADDRESS

CITY Midvale	STATE UT	POSTAL CODE 84047	COUNTRY USA
------------------------	--------------------	-----------------------------	-----------------------

4. This FINANCING STATEMENT covers the following collateral:

See Schedules "A" and "B" attached hereto and made apart hereof.

5. ALTERNATIVE DESIGNATION [if applicable]:

LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
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6. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [OPTIONAL FEE]

8. OPTIONAL FILER REFERENCE DATA

All Debtors	Debtor 1	Debtor 2
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UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME		
OR Harmony Mills Riverview LLC		
9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME			
OR			
11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS		CITY	STATE
11d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION
11g. ORGANIZATIONAL ID #, if any			<input type="checkbox"/> NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME			
OR Secretary of Housing and Urban Development			
12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE
451 Seventh Street, S.W.		Washington	DC
		POSTAL CODE	COUNTRY
		20410	USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

16. Additional collateral description:

See Schedules "A" and "B" attached hereto and made a part hereof.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction — effective 30 years

Filed in connection with a Public-Finance Transaction — effective 30 years

SCHEDULE "A"

LEGAL DESCRIPTION

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point and 3) North 58°11'10" East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North 58°11'10" East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South 13°53'25" East, 122.91 feet to a point; 2) South 27°37'16" East, 50.88 feet to a point; 3) South 10°59'35" West, 29.30 feet to a point; 4) South 27°43'36" East, 113.85 feet to a point; 5) South 22°12'51" East, 171.95 feet to a point; 6) South 12°47'27" West, 39.47 feet to a point and 7) South 06°16'36" East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North 09°44'26" West, 164.00 feet to a point; 2) North 27°01'48" West, 275.00 feet to a point; 3) North 16°31'33" West, 150.00 feet to a point and 4) North 24°06'24" West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

SCHEDULE "B"

Collateral Description

This Security Agreement / UCC Financing Statement covers the following types or items of property, goods, products, matters, effects, rights and/or intangibles (hereinafter collectively referred to as the "Collateral"):

All rights, title and interest of the Debtor in and to the minerals, soil, flowers, shrubs, crops, trees, timbers and other emblements now or hereafter on or part of the real property described in Schedule "A" (said real property described in Schedule "A" is hereinafter referred to as the "Property"), or under or above or about the same or any part or parcel thereof;

All machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to the Property and including all trade, domestic and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter acquired by the Debtor, including, but without limiting the generality of the foregoing, all heating, air conditioning, freezing, lighting, laundry, incinerating and power equipment engines; pipes; pumps; tanks; motors; conduits; computers; telephones; switchboards; plumbing; lifting; cleaning; fire prevention; fire extinguishing, refrigerating, ventilating and communication apparatus; boilers, ranges, furnaces, oil burners or units thereof; appliances, air-cooling and air conditioning apparatus; vacuum cleaning systems; elevators, escalators, shades; awnings, screens, storm doors and windows; stoves, wall beds, beds, refrigerators; attached cabinets, partitions, ducts and compressors; rugs and carpets; draperies, furniture and furnishings; together with all building materials and equipment now or hereafter delivered to the Property and intended to be installed therein, including but not limited to lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, cooking, heating and ventilating appliances and equipment; together with all additions and accessions thereto and replacements thereof;

All other tangible personal property of any kind or nature now or hereafter owned or acquired by the Debtor or now or hereafter located or installed at or in any other improvements on the Property, or elsewhere at or about the Property, together with any betterments to the Property or anything attached to or used in connection with any the Property or which may now or hereafter at any time be placed in or added thereto, together with any and all replacements or substitutions thereof;

All of the water, sanitary and storm sewer systems now or hereafter owned by the Debtor which are now or hereafter located by, over, and upon the Property or any part and parcel thereof, and which water system includes all water mains, services laterals, hydrants, valves and appurtenances, and which sewer system includes all sanitary sewer lines, including mains, laterals, manholes and appurtenances;

All paving for streets, roads, walkways or entrance ways now or hereafter owned by the Debtor which are now or hereafter located on the Property or any part or parcel thereof;

All of the Debtor's interest as lessor in and to all leases or rental arrangements of the Property, or any part thereof, heretofore made and entered into, and to all leases or rental arrangements hereafter made and entered into by the Debtor during the life of the security agreements or any extension or renewal thereof, together with any and all guarantees of such leases or rental agreements and including all present and future security deposits and advanced rentals;

Any and all awards, payments or settlements, including all interest thereon, and the right to receive the same, as a result of (a) any condemnation proceedings or the total or partial taking of the Property or the Collateral or any part thereof under the power of eminent domain or under any conveyance in lieu thereof, (b) the alteration of the grade of any street, or (c) any other injury to, taking of, or decrease in the value of the Property described in Schedule "A" or any Collateral described in this Schedule;

All of the right, title and interest of the Debtor in and to all unearned premiums accrued, accruing or to accrue under any and all insurance policies now or hereafter provided pursuant to the terms of security agreements, and all insurance proceeds or other proceeds or sums payable for the loss of or damage to (a) the Property described in Schedule "A", or other Collateral described herein, (b) rents, revenues, income, profits or proceeds from leases, franchises, concessions or licenses of or on any part of the Collateral;

All contracts and contract rights of the Debtor, including but not limited to all rights and/or benefits arising from contracts entered into in connection with development, construction upon, operation or sale of part or all of the Collateral including contract or sales deposits;

All current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefitting the Property or any improvements thereon, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

All of the Debtor's rights to any fictitious or other names or trade names or copyrights used in conjunction with the Property or any Collateral or any other real or personal property of the Debtor;

All refunds, rebates, reimbursements, reserves, deferred payments, deposits, cost savings, governmental subsidy payments, benefits or other incentives (such as those available under any government sponsored, designated or recognized economic zone, enterprise zone, empire zone or empowerment zone or any like designation or program available for the Property now or in the future, including the availability of tax-exempt bond financing, additional accelerated depreciation expensing, environmental cleanup cost deductions, and/or capital gain roll-over), governmentally-

registered or authorized tax credits or other credits (including, without limitation, emissions reduction tax credits, energy savings tax credits, empowerment zone employment tax credits, low-income housing tax credits, new market tax credits, welfare-to-work tax credits, and/or work opportunity tax credits), and all other credits, benefits, waivers and payments, whether in cash or in kind, due from or payable by (i) any federal, state, municipal or other governmental or quasi-governmental agency, authority or district, (ii) any insurance or utility company, or (iii) any other party or person, relating to any or all of the Property now or in the future, or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All refunds, rebates, reimbursements, credits and/or payments of any kind due from or payable by any governmental or other agency for any taxes, special taxes, assessments, or similar governmental or quasi-governmental charges or levies imposed upon the Debtor with respect to the Property or upon any or all of the Property or arising out of the satisfaction of any conditions imposed upon or the obtaining of any approvals for the development or rehabilitation of the Property;

All undisbursed proceeds of any loan made to the Debtor by the Secured Party whether or not related to the Property and/or the Collateral;

All present and future rents, issues, profits, income, revenue, royalties, options, benefits, supporting obligations, accounts receivable, and other receivables of the Debtor or subject to the control of the Debtor (including, without limitation, all healthcare insurance receivables and/or entitlements, particularly any claim, right, lien, title, benefits or other interest of the Debtor with respect to any health insurance, co-insurance, Medicaid reimbursement, Medicare reimbursement, or other income, revenue, payments or reimbursement, if any, owing, payable to, chargeable by, or received by, the Debtor or any lessee, operator or other party controlled by, or affiliated with, the Debtor, or otherwise attributable or generated by or from the Property and/or the Collateral), all accounts of the Debtor, accounts subject to the control of the Debtor and/or any other accounts that are in any way related to the Collateral or the Property described in Schedule "A" attached hereto and each and every part and parcel thereof (including, without limitation, any and all security accounts, negotiable and nonnegotiable certificates of deposit and/or any investments of any kind, all letters of credit and/or all deposit accounts, but excepting resident security deposits or other resident accounts), all general intangibles, payment intangibles, chattel paper, documents, instruments, inventory, goods, equipment and all books and records relating to the foregoing and also all present and future right, title and interest of the Debtor under any by virtue of each and every franchise, license, permit, lease or any other similar document or contractual right written or verbal covering any part or parcel of the Property or the Collateral whether now or hereafter made and any and all amendments to or modifications, extensions or renewals thereof and all proceeds thereof, it being the intention of the parties hereto that: (a) the security interest of the Secured Party shall attach to the Collateral (i) as soon as the Debtor obtains any interest in any property or collateral; (ii) before the property or collateral is installed or affixed to any other collateral; and (b) the security interest held by the Secured Party shall cover cash and non-cash proceeds of the Collateral;

All proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, and the right to collect such proceeds;

The Debtor acknowledges and agrees that, in applying the law of any jurisdiction that at any time enacts all or substantially all of the uniform provisions of Revised Article 9 of the Uniform Commercial Code (1999 Official Text, as amended), the above collateral description covers all assets of Debtor.

The real property described in Schedule "A" is subject to a certain (1) Mortgage dated the date hereof, given by the Debtor to the Secured Party and recorded in the land records of Albany County, New York (the "Mortgage"). The Mortgage secures a certain Mortgage Note of even date for the original principal amount of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00) given by the Debtor to the Secured Party (the "Note"). The maturity date of the Note and the Mortgage is May 1, 2046. In the event of default under the terms of the Note and/or the Mortgage pursuant to which the Secured Party or any subsequent holder thereof declares the whole of the indebtedness secured thereby to be due and payable, at its option, the Secured Party or any subsequent holder may declare the whole of the indebtedness and all other sums secured hereby to be due and payable.

Except for the accounts, deposits, receivables, contracts, cash and non-cash proceeds and/or other intangibles described above, or goods of a type normally used in more than one location, the street address of the Property and/or Collateral is 100 North Mohawk Street, Cohoes, New York 12047.

Notwithstanding any other provision contained herein, the Collateral shall include, without limitation, all receipts, revenues, income, profits, proceeds, accounts receivable and unrestricted cash and investments derived from properties owned or leased by the Debtor.

Public Reporting Burden for this collection is estimated to average 1 hour per response, including the time for reviewing, searching existing data sources, gathering and maintaining the data needed, and compiling and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2502-0011), U.S. Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410-3600.

The Department of Housing and Urban Development (HUD) is authorized to collect this information by provisions set forth in Article I.E of the National Housing Act (Public Law 479, 48 Stat. 1246, 12 U.S.C. 1701 et. seq.) This information is provided to the FHA-Commissioner to obtain approval by contractors, mortgagors and mortgagees for changes in the drawings and specifications or any terms of the contract documents, or order for extra work, or changes by altering or adding to the work, or which will change the design concept. The information is used by HUD to ensure that viable projects are developed. Furnishing of this information is mandatory; and failure to provide it may result in your not receiving your benefits.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurances of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

This Agreement, made the 14th day of February 2005, by and between HARMONY MILLS RIVERVIEW LLC, a limited liability company organized and existing under the laws of the State of New York, with an office and place of business in 135 Fulton Street, Lawrence, County of Albany, and State of New York 11559 (hereinafter called the "Borrower"), and GMAC COMMERCIAL MORTGAGE BANK, a Utah Industrial Bank organized and existing under the laws of the State of Utah, having an office and place of business at 6955 Union Park Center, Suite 330, Midvale, UT 84047 (hereinafter called the "Lender").

Whereas, the Borrower as the owner in fee simple of, or the owner of the leasehold estate in, the property described in Exhibit "A", attached hereto and made a part hereof, has applied to the Lender for a mortgage loan of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00) to aid the Borrower in the construction on said property of a project (identified as HUD Project No. 014-32004) in accordance with Drawings and Specifications hereinafter referred to; and

Whereas, The Borrower understands that the Lender has received a commitment from the Federal Housing Commissioner (hereinafter called the "Commissioner") for insurance of said loan under the provisions of the National Housing Act and intends upon execution of the hereinafter-mentioned Note and Mortgage to have said Note endorsed for insurance by the Commissioner.

Now, Therefore, in consideration of the mutual promises hereinafter set out and of other valuable considerations, the undersigned agree as follows:

- (1) The Lender shall make and the Borrower shall take a *mortgage* building loan in the principal sum of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00), to be advanced as hereinafter provided, and to bear interest from the date of each advance at the rate of Five and Five-Eighths percent (5.625%) per annum. Said loan shall be evidenced by a credit instrument (hereinafter called the "Note") dated the date hereof, shall be payable in monthly installments, and shall have a maturity date of (mm/d/yyyy) May 1, 2046. Said Note shall be executed by the Borrower and payable to the Lender, or order, and shall be secured by a first mortgage and first security interest (hereinafter called the "Mortgage), of even date, on the *NOTE: Words in italics or stricken indicate modifications to HUD Form 92441.* property described in Exhibit "A". The Mortgage shall

constitute a valid first lien on said property and the improvements to be erected thereon, and the only lien thereon except for liens for taxes and assessments not yet payable and other liens acceptable to the Lender and the Commissioner.

CONTINUED ON RIDER ATTACHED.

- (2) The Borrower shall complete on the aforesaid property, by April 14, 2006, a project in accordance with Drawings and Specifications filed with the Commissioner and designated HUD Project No. 014-32004, dated July 12, 2004, and amendments. Such Drawings and Specifications, which include "General Conditions of the Contract for Construction" (AIA Document A201) and "Supplementary Conditions of the Contract for Construction" (form HUD-2554), have been identified by the Borrower, the Design Architect, the Architect administering the Construction Contract (hereinafter called the "Architect"), the Contractor and the Contractor's Surety:

(3) Changes in the Drawings and Specifications, or changes by altering or adding to the work contemplated, or orders for extra work, or which change the design concept, may be effected only with the prior written approval of the Lender and the Commissioner and under such conditions as either the Lender or the Commissioner may establish.

(4) (a) The Borrower shall make monthly applications on form HUD-92403 for advances of mortgage proceeds from the Lender. Applications for advances with respect to construction items shall be for amounts equal to (i) the total value of classes of the work acceptably completed; plus (ii) the value of materials and equipment not incorporated in the work, but delivered to and suitably stored at the site; plus (iii) the value of components stored off-site in compliance with applicable HUD requirements; less (iv) 10 percent (holdback) and less prior advances. ~~The "values" of both (i), (ii), and (iii) shall be computed in accordance with the amounts assigned to classes of the work in the "Contractor's and/or Mortgagor's Cost Breakdown", attached hereto as Exhibit "B", and made a part hereof.~~ Each application shall be filed at least 15 days before the date the advance is desired, and the Borrower shall be entitled thereon only to such amount as may be approved by the Lender and the Commissioner.

(b) Upon completion of the improvements, including all landscape requirements and off-site utilities and streets, the Borrower shall furnish to the Lender and the Commissioner satisfactory evidence that all work requiring inspection by municipal or other governmental authorities having jurisdiction has been duly inspected and approved by such authorities and by the rating or inspection organization, bureau, association or office having jurisdiction; and that all requisite certificates of occupancy and the approvals have been issued. The balance due the Borrower hereunder shall be payable at such time after completion as the Commissioner authorizes the release of the holdback. However, the Lender may withhold final payment until after the expiration of any period which mechanics and materialmen may have for filing liens.

(c) The Borrower agrees that any funds required for the completion of the Project over and above the proceeds of the loan which have been deposited with the Lender for that purpose shall be advanced by the Lender to the Borrower prior to the advance of any proceeds of the loan "(i) if any portion of these funds is to be provided through a grant or loan from a Federal, State or local governmental agency or instrumentality, mortgage proceeds may, with the prior written approval of the Commissioner, be advanced before the full disbursement of such grant or loan funds, (ii) if all or part of the funds are provided through a grant or loan from a Federal, State or local governmental agency or instrumentality, the mortgagee may accept, in lieu of the funds, an agreement which shall be entered into by HUD, the governmental agency or instrumentality, the mortgagor and the mortgagee."

(d) The Borrower covenants that it will hold in trust each advance hereunder for application to the items for which

such advance was requested and approved.

(e) The Borrower agrees that the loan shall at all times remain in balance. The Lender shall, in accordance with the provisions of this agreement, continue to advance to the Borrower funds out of the proceeds of the loan as long as the loan remains in balance and the Borrower is not in default hereunder or under the Note or Mortgage. The loan shall be deemed to be in balance only when the undistributed proceeds of the loan (after provision for reserves, fees, expenses and other deposits required by the Lender or the Commissioner) equal or exceed the amount necessary (based on the Commissioner's estimate of the cost of construction) to pay for all work completed and all materials delivered, for which payment has not been made, and the cost of completing construction of the project in accordance with the Drawings and Specifications.
CONTINUED ON RIDER ATTACHED.

(5) The Lender shall advance to the Borrower out of the funds referred to in (4)(c) above, or out of the proceeds of the loan, amounts for application to the charges or items enumerated below, but only to the extent that such charges have accrued, or that the Borrower is otherwise entitled to payment on account of such items.

a) Interest during construction	<u>\$485,000.00</u>
(b) Real estate taxes during construction	<u>\$115,829.00</u>
(c) Insurance during construction	<u>\$ 36,400.00</u>
(d) FHA mortgage insurance premium	<u>\$121,250.00</u>
(e) FHA examination fee	<u>\$ 36,375.00</u>
(f) Initial service charge	<u>\$242,500.00</u>
(g) Title and recording expense	<u>\$ 164,250.00</u>
(h) Inspection fee	<u>\$ 52,932.00</u>
(i) Other fees	<u>\$ 24,440.00</u>
(j) Architect's design fee	<u>\$ 72,600.00</u>
(k) Architect's supervision fee	<u>\$ 47,400.00</u>
(l) Contingency Reserve	<u>\$479,350.00</u>

(6) The Borrower shall cause either this instrument or the construction contract under which the improvements are to be erected to be filed in the public records, if the effect thereof will be to relieve the mortgaged property from mechanics' and materialmen's liens. Before any advance hereunder, the Lender may require the Borrower to obtain from the contractor and all subcontractors and materialmen dealing directly with the principal contractor acknowledgments of payment and releases of lien down to the date covered by the last advance, and concurrently with the final payment for the entire project. Such acknowledgments and releases shall be in the form required by local lien laws and shall cover all work done, labor performed and materials (including

equipment and fixtures) furnished for the project.

CONTINUED ON RIDER ATTACHED.

- (7) The Borrower shall, as a condition precedent to the first advance hereunder, furnish the Lender with a certified, current survey of the mortgaged property and a mortgagee's title policy (or other evidence of title) in form, substance and amount satisfactory to the Lender and the Commissioner. Said policy (or other title evidence) shall be extended so as to cover each and every advance of said loan at the time of payment thereof and shall show no mechanics' or materialmen's liens against the mortgaged property. The Borrower shall furnish duplicate originals of said survey and title policy (or title evidence) for the Commissioner.
- (8) The Borrower agrees that said project shall be constructed strictly in accordance with all applicable ordinances and statutes, and in accordance with the requirements of all regulatory authorities, and any rating or inspection organization, bureau, association or office having jurisdiction. The Borrower further agrees that said project shall be constructed entirely on the aforesaid property and will not encroach upon any easement or right-of-way, or the land of others; and that the buildings when erected shall be wholly within the building restriction lines, however established, and will not violate applicable use or other restrictions contained in prior conveyances, zoning ordinances or regulations. The Borrower shall furnish from time to time such evidence with respect thereto as may be required by the Lender or the Commissioner and, upon completion of construction, shall furnish a survey, certified by a registered surveyor, which shows the project to be entirely on said property and to be free from any such violations.
- (9) If the Borrower at any time prior to the completion of the project abandons the same or ceases work thereon for a period of more than 20 days or fails to complete the erection of the project strictly in accordance with the Drawings and Specifications, or makes changes in the Drawings and Specifications without first securing the written approval required by paragraph 3 hereof, or otherwise fails to comply with the terms hereof, any such failure shall be a default hereunder, and the Lender, at its option, may terminate this agreement. If the Lender so elects to terminate this agreement, it may use and apply any funds deposited with it by the Borrower, regardless of the purpose for which such funds were deposited, in such manner and for such purposes as the Commissioner may prescribe. If the Lender elects not to terminate this agreement, it may enter into possession of the premises and perform any and all work and labor necessary to complete the improvements substantially according to the Drawings and Specifications, and employ watchmen to protect the premises from injury. All sums so expended by the Lender shall be deemed to have been paid to the Borrower and secured by the Mortgage. For this purpose, the Borrower hereby constitutes and appoints the Lender its true and lawful attorney-in-fact, with full power of substitution in the premises, to complete the project in the name of the borrower. The Borrower hereby empowers said attorney as follows: (a) To use any funds of the Borrower, including any balance which may be held in escrow and any funds which may remain unadvanced hereunder for the purpose of completing the project in the manner called for by the Drawings and Specifications; (b) to make such additions, changes and corrections in the Drawings and Specifications as shall be necessary or desirable to complete the project in substantially the manner contemplated by the Drawings and Specifications; (c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purposes; (d) to pay, settle or compromise all existing bills and claims which may be liens against the mortgaged property, or as may be necessary or desirable for the completion of the project, or for clearance of title; (e) to execute all applications and certificates in the name of the Borrower which may be required by any of the contract documents; (f) to prosecute and defend all actions or proceedings in connection with the mortgaged premises or the construction of the project and to take such action and require such performance as he deems necessary under the accepted guaranty of completion; and (g) to do any and every act which the Borrower might do in its own behalf. It is further understood and agreed that this power of attorney, which shall be deemed to be a power coupled with an interest, cannot be revoked. The Borrower hereby assigns and quitclaims to the Lender all sums unadvanced under the Mortgage and all sums due in escrow conditioned upon the use of said sums for the completion of the project, such assignment to become effective only in case of the Borrower's default. *CONTINUED ON RIDER ATTACHED.*
- (10) The Borrower shall provide or cause to be provided workmen's compensation insurance and public liability and other insurance required by applicable law or by the general conditions included in the Specifications. The Borrower further agrees to purchase and maintain fire insurance and extended coverage on the mortgaged property. All such policies shall be issued by companies approved by the Lender and shall be in form and amounts satisfactory to the Lender and the Commissioner. Such policies shall be endorsed with standard mortgagee clauses making loss payable to the Lender or its assigns; and may be endorsed to make loss during construction payable to the Contractor, as interest may appear. The originals of such policies shall be deposited with the Lender.
- (11) The Lender and its agents and the Commissioner also have the right to inspect building components stored offsite.
- (12) The Borrower shall execute and deliver to the Lender, upon completion of the project, a security agreement and financing statement, or other similar instrument, covering all property of any kind whatsoever purchased with mortgage proceeds and concerning which there may be any doubt as to such property's being subject to the lien of the Mortgage under the laws of the state in which the project is situated.
- (13) The Borrower shall furnish to the Lender assurance of completion of the project in the form specified in the applicable HUD Regulations in effect on the date of this agreement. Such assurance of completion shall run to the Lender as obligee and shall contain a provision granting to the Lender the authority to assign all rights thereunder to the *CONTINUED ON RIDER ATTACHED.*

(14)(a) The Borrower understands that the wages to be paid laborers and mechanics employed in the construction of the project are required by the provisions of Section 212(a) of the National Housing Act, as amended, to be not less than the prevailing wage rates for corresponding classes of laborers and mechanics employed on construction of a similar character in the locality in which the work is to be performed, as determined by the Secretary of Labor with respect to this project. The Borrower hereby states that it has read the aforesaid determination by the Secretary of Labor and is fully familiar with the same.

(b) The Borrower shall, as a condition precedent to any advance hereunder, submit to the Lender (i) with each application for advance prior to the final application, certifications, in form approved by the Commissioner, that all laborers and mechanics employed in the construction of the project whose work is covered by that or any previous application and who have been paid in whole or in part on account of said employment, have been paid at rates not less than the said prevailing wage rates; and (ii) with the final application for advance, certifications, in form satisfactory to the Commissioner, that the project has been fully constructed in accordance with the provisions of this agreement and that all laborers and mechanics employed in the construction of the completed project have been paid not less than the said prevailing wage rates. The Secretary's prevailing wage determination shall be construed to include every amendment to or modification of the determination which may be made prior to the beginning of construction.

(c) The Borrower agrees that should any advances hereunder be ineligible for insurance under the National Housing Act by reason of (i) the nonpayment of the said prevailing wage rates, or (ii) violation of any of the applicable labor standards provisions of the Regulations of the Secretary of Labor, the Lender may withhold from the Borrower all payments or advances payable to the Borrower hereunder

until the Borrower establishes to the satisfaction of the Commissioner that all laborers and mechanics or other persons employed in the construction of the project have been paid said prevailing wage rates and that such violation of the said Labor Standards provisions no longer exists. The written statement of any officer of the Federal Housing Administration or authorized agent of the Commissioner declining to insure any advance of funds hereunder by reason of such nonpayment or violation shall be deemed conclusive proof that such advances are ineligible for mortgage insurance.

(d) The Borrower shall insert the labor standards provisions of the aforesaid Supplementary Conditions of the Contract for Construction in any contract made by him for the construction of the project, or any part thereof, and shall require the Contractor to insert similar provisions in each subcontract relating to the construction of the project.

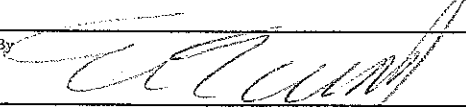
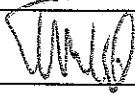
(15) The Lender and the Borrower agree that the mortgage loan shall be reduced by any amount required by the Agreement and Certification (Form 3305) between the parties hereto and the Commissioner, which agreement is incorporated herein by reference to the same extent as if set forth herein at length.

(16) The Borrower shall furnish such records, papers and documents relating to the project as the Lender or the Commissioner may reasonably require from time to time.

(17) The Borrower shall not transfer, assign or pledge any right or interest in, or title to, any funds deposited by the Borrower with the Lender, or reserved by the Lender for the Borrower, without the prior written approval of the Lender and the Commissioner.

(18) As used in this instrument, the term "Lender" shall be deemed to include any person to whom the Note and Mortgage referred to above shall be assigned with the knowledge and consent of the Commissioner. This instrument shall be binding upon the parties hereto and their respective successors and assigns.

See Rider attached hereto and made part hereof for paragraph 15 and paragraphs 19 and 20, and continuation of certain paragraphs.

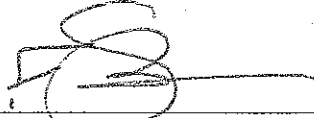
(Seal) Attest:	Owner HARMONY MILLS RIVERVIEW LLC
Witness	By 
Witness	Title Uri Kaufman, its Manager
(Seal) Attest:	Lender GMAC COMMERCIAL MORTGAGE BANK
Witness	By 
Witness	Title Eric M. Keifer, Limited Signer

NOTE: Words in italics or stricken indicate modifications to HUD Form 92441. Numerical references in parentheses are to FHA and/or HUD forms.

STATE OF NEW YORK) SS:
COUNTY OF ERIE)

On the 14 day of February, 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared Uri Kaufman, a Manager, of Harmony Mills Riverview LLC, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies) and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006

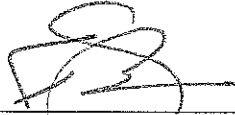


Notary Public

STATE OF NEW YORK) SS:
COUNTY OF ERIE)

On the 14 day of February, 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared Eric M. Keifer, Limited Signer of GMAC Commercial Mortgage Bank, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies) and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006



Notary Public

**RIDER 1 TO BUILDING LOAN AGREEMENT BETWEEN
HARMONY MILLS RIVERVIEW LLC AND
GMAC COMMERCIAL MORTGAGE BANK**

(19) The monetary liability of the Borrower under this Agreement for constructing the building or buildings shall be limited to the mortgage proceeds and other sums deposited with the Lender or others as required by the Federal Housing Commissioner in connection with this transaction; provided, however, that nothing herein shall release the Borrower from liability under any other instrument or agreement.

(20) The Lender and its agents, the Commissioner and his agents, shall at all times during construction have the right of entry and free access to the project and the right to inspect all work done, and materials, equipment and fixtures furnished, installed or stored in and about the project, and to inspect all books, contracts and records of the Borrower.

Continuation of Paragraph "1": The following provision shall be included immediately following the end of Paragraph 1:

“Notwithstanding any other provision contained herein or in the Note, interest on the principal sum secured hereby, or so much thereof as may be advanced, shall be payable at the rate of Five and Five-Eighths per centum (5.625%) per annum to maturity.”

Said loan of Twelve Million One Hundred Twenty-Five Thousand and 00/100 Dollars (\$12,125,000.00), consists of the sum of Forty-Eight Thousand and 00/100 Dollars (\$48,000.00) for legal, organizational and audit fees, One Hundred Eighty-One Thousand Eight Hundred Seventy-Five and 00/100 Dollars (\$181,875.00) for financing fees, Thirty Thousand Seven Hundred and 00/100 Dollars (\$30,700.00) as cash available to the Mortgagor for third party consultant reports, and the balance of Eleven Million Eight Hundred Sixty-Four Thousand Four Hundred Twenty-Five and 00/100 Dollars (\$11,864,425.00), which balance is to be advanced pursuant to the terms hereof.

Continuation of Paragraph "4": The following provision shall be included immediately following the end of Paragraph 4:

“4(d) The Mortgagor will, in compliance with Section 13 of the Lien Law, receive the advances secured hereby and will hold the right to receive such advances as a trust fund to be applied first for the purposes of paying the cost of the improvement before using any part of the total of the same for any other purpose.

“4(f) It is understood and agreed that all or any part of the 10% holdback identified in subparagraph 4(a) of this Agreement may, with the approval of the Lender and the Commissioner, be advanced to the Borrower hereunder prior to the date of final endorsement of the Note for insurance by the Commissioner, and any such advance shall be deemed to be made pursuant to this Agreement and not in modification thereof. The parties agree that the Commissioner shall be and is under no obligation to approve any such advance. To the extent that any such advance would be made from the proceeds of the loan, the Lender shall not make such advance unless it is insured by the Commissioner, and the parties agree that the Commissioner shall be and is under no obligation to insure such advance. For purposes of this subparagraph 4(f), the term “architect” shall mean Clover Architectural Group, P.C., or such other architect administering the Contract Documents as may be hereafter named by the Borrower upon the written approval of the Lender and the Commissioner. The term “surety” shall mean Travelers Casualty and Surety Company of America, or such other substitute surety company (or companies) as may be hereafter approved by the Borrower, the Lender and the Commissioner.

Continuation of Paragraph "6": The following provision shall be included immediately following the end of Paragraph 6:

"Notwithstanding any other provisions hereof, the Lender shall not be obligated to make any advances hereunder, unless said advance shall constitute a valid first mortgage lien against the premises, subject only to such encumbrances as appear in the policy of title insurance accepted by the Lender and the Commissioner at Initial Endorsement or such other encumbrances as to which the Lender and the Commissioner shall have consented in writing. All references herein to the term "Contractor" shall mean DBL Construction Services, LLC under that certain Construction Contract/Lump Sum with the Borrower dated the date hereof (hereinafter called the "Construction Contract"), and/or any contract for the work contemplated hereunder between the Borrower and any general contractor or other contractor."

Continuation of Paragraph "13": The following provision shall be included immediately following the end of Paragraph 13:

"Such assurance of completion shall in no event be less than a 100% performance bond and a 100% payment bond or the equivalent thereof acceptable as such to the Lender and the Commissioner. Notwithstanding anything contained herein or in the Construction Contract to the contrary, such assurance of completion shall cover all labor and materials required for all work contemplated in the Drawings and Specifications and any construction change orders."

[The remainder of this page is intentionally left blank]

**RIDER 2 TO BUILDING LOAN AGREEMENT BETWEEN
HARMONY MILLS RIVERVIEW LLC AND
GMAC COMMERCIAL MORTGAGE BANK**

BORROWER'S AFFIDAVIT

STATE OF NEW YORK)
COUNTY OF ERIE)

SS:

Uri Kaufman, being duly sworn, deposes and says: That he is a Manager of **Harmony Mills Riverview LLC**, the Borrower in this Building Loan Agreement, and makes this Affidavit in that capacity.

That the cash paid or to be paid to the Lender by the Borrower for the building loan of \$12,125,000.00 described in this Building Loan Agreement and all other expenses incurred or to be incurred in connection with said building loan are as follows:

(a) Interest during construction	<u>\$485,000.00</u>
(b) Real estate taxes during construction	<u>\$115,829.00</u>
(c) Insurance during construction	<u>\$ 36,400.00</u>
(d) FHA mortgage insurance premium	<u>\$121,250.00</u>
(e) FHA examination fee	<u>\$ 36,375.00</u>
(f) Initial service charge	<u>\$242,500.00</u>
(g) Title and recording expense	<u>\$ 164,250.00</u>
(h) Inspection fee	<u>\$ 52,932.00</u>
(i) Other fees	<u>\$ 24,440.00</u>
(j) Architect's design fee	<u>\$ 72,600.00</u>
(k) Architect's supervision fee	<u>\$ 47,400.00</u>
(l) Contingency Reserve	<u>\$ 479,350.00</u>
(m) Legal, organization and cost certification	<u>\$ 48,000.00</u>
(n) Financing fees	<u>\$181,875.00</u>
(o) Third party reports	<u>\$ 30,700.00</u>

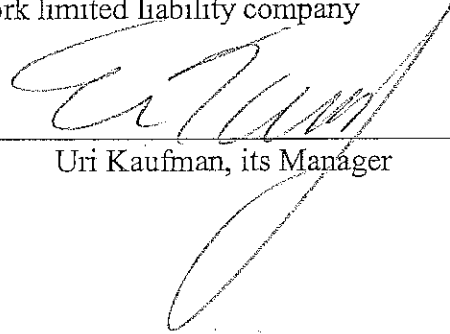
That after payment of the costs and expenses of the building loan as set forth above, the net sum available to the Borrower for the improvements will be \$9,986,099.00 (together with cash to be contributed by the Borrower of \$455,921.00 over and above the proceeds of the Building Loan, constituting in all the sum of \$10,442,020.00). That this Affidavit is made pursuant to and in compliance with §22 of the Lien Law of the State of New York, as amended.

That this Affidavit is being made by your deponent because he is its Manager of **Harmony Mills Riverview LLC**, the owner of the subject property.

That the facts herein stated are true to the knowledge of your deponent.

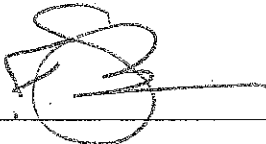
HARMONY MILLS RIVERVIEW LLC
A New York limited liability company

By:



Uri Kaufman, its Manager

Sworn to before me this
14 day of February, 2005.



Notary Public

F. SCOTT MOLNAR
Notary Public in the State of New York
Qualified in Onon. Co. No. 4994351
My Commission Expires April 6, 2006

EXHIBIT "A"

LEGAL DESCRIPTION

ALL that certain piece or parcel of land situate and being in the City of Cohoes, County of Albany, and State of New York, bounded and described as follows:

BEGINNING at a point located along the easterly line of North Mohawk Street, said point being the intersection formed by said east line of North Mohawk Street with the division line between the Lands now or formerly of Harmony Mills Fallsview LLC (Book 2713, Page 859) on the north, and the lands now or formerly of Harmony Mills Riverview LLC (Book 2713, Page 852) on the south, said point of beginning also being located the following two courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet and South 32°06'45" East, 434.90 feet to a point; thence from said point of beginning and in an easterly direction along said division line between Harmony Mills Riverview, LLC and Harmony Mills Fallsview, LLC, North 58°11'10" East, 196.62 feet to a point; thence in a southerly direction and along the easterly line of the lands now or formerly of Erie Boulevard Hydropower, L.P. (Book 2636, Page 343), the following four courses: 1) South 24°06'24" East, 41.80 feet to a point; 2) South 16°31'33" East, 150.00 feet to a point; 3) South 27°01'48" East, 275.00 feet to a point and 4) South 09°44'26" East, 164.00 feet to a point; thence in a westerly direction and along the north line of the lands now or formerly of the BPO Elks Lodge 1317 (Book 2220, Page 597), South 58°47'58" West, 46.43 feet to a point; thence in a northerly direction and along the east line of North Mohawk Street as appropriated by the State of New York, the following three courses; 1) South 89°31'26" West, 27.56 feet to a point; 2) North 31°10'33" West, 447.52 feet to a point and 3) North 82°18'43" West, 3.95 feet to a point; thence continuing along the first mentioned east line of North Mohawk Street, the following two courses: 1) North 31°12'02" West, 119.31 feet to a point and 2) North 32°07'20" West, 28.01 feet to the point or place of beginning.

Containing in all 1.979 acres being more or less.

Together with and subject to a Declaration of Easement between Harmony Mills Fallsview LLC and Harmony Mills Riverview LLC, to be recorded.

Together with an easement for a right of way granted between the westerly bank of the Mohawk River to the northeasterly side of Mill No. 3, from New York Power & Light as contained in Book 843, Page 510:

BEGINNING at a point being the northeast corner of the lands now or formerly of Harmony Mills Riverview, LLC (Book 2713, Page 859), said point of beginning also being located the following three courses from the intersection formed by said easterly line of North Mohawk Street with the southerly line of Front Street: 1) South 28°41'30" East, 160.71 feet to a point; 2) South 32°06'45" East, 434.90 feet to a point

and 3) North $58^{\circ}11'10''$ East, 196.62 feet to a point; thence from said point of beginning and in a northeasterly direction North $58^{\circ}11'10''$ East, 49.63 feet to a point; thence in a southerly direction and along the approximate top of bank to the Mohawk River, the following seven courses: 1) South $13^{\circ}53'25''$ East, 122.91 feet to a point; 2) South $27^{\circ}37'16''$ East, 50.88 feet to a point; 3) South $10^{\circ}59'35''$ West, 29.30 feet to a point; 4) South $27^{\circ}43'36''$ East, 113.85 feet to a point; 5) South $22^{\circ}12'51''$ East, 171.95 feet to a point; 6) South $12^{\circ}47'27''$ West, 39.47 feet to a point and 7) South $06^{\circ}16'36''$ East, 123.85 to southwesterly corner of the aforesaid lands of Harmony Mills Riverview, LLC; thence in a northerly direction and along the east line of said lands now or formerly of Harmony Mills Riverview, LLC, the following four courses: 1) North $09^{\circ}44'26''$ West, 164.00 feet to a point; 2) North $27^{\circ}01'48''$ West, 275.00 feet to a point; 3) North $16^{\circ}31'33''$ West, 150.00 feet to a point and 4) North $24^{\circ}06'24''$ West, 41.80 feet to the point or place of beginning.

It is intended to describe that area that lies between the westerly bank of the Mohawk River and the northeasterly side of Mill No. 3, as first described above. Said area being contained in Book 843, Page 510.

Contractor's and/or Mortgagee's

Cost Breakdown

Schedules of Values

U.S. Department of Housing and
Urban Development
Office of Housing
Federal Housing Commissioner

OMB No. 2502-0044 (exp. 03/31/2003)

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB Control Number.

Section 227 of the National Housing Act (Section 126 of the Housing Act of 1954, Public Law 560, 12 U.S.C. ... 171 5r), authorizes the collection of this information. The information is required for a general Contractor when an Identity of Interest exists between the general contractor and the mortgagee or when the mortgagee is a non-profit entity and a cost plus contract has been used. The information is used by HUD to facilitate the advances of mortgage proceeds and their monitoring.

Privacy Act Notice, The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder Title 12, Code of Federal Regulations. While no assurances of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Date	07/07/04	Sponsor	Albany Tech Center LLC	
Project No.		Building Identification	Building #3	
Name of Project	Harmony Mills		Location	100 N. Mohawk St., Cohoes, NY 12047

This form represents the Contractor's and/or Mortgagee's firm costs and services as a basis for disbursing dollar amounts when insured advances are requested. Detailed instructions for completing this form are included on the reverse side.

Line	Div	Trade Item	Cost	Trade Description
1	3	Concrete	\$239,000.00	Footings, foundations, slab, slab overlay
2	4	Masonry	\$363,000.00	Brick replacement, restoration and block
3	5	Metals	\$285,000.00	Stairs, rails, structural steel, metal joists
4	6	Rough Carpentry	\$212,000.00	Wood blocking, floor underlayment, demolition
5	6	Finish Carpentry	\$125,000.00	Wood base, casing, window sills, shelving
6	7	Waterproofing / Caulking	\$40,000.00	Caulking exterior and interior
7	7	Insulation	\$145,000.00	Thermal and sound insulation
8	7	Roofing	\$92,000.00	EDPM roofing and slate repair
9	7	Sheet Metal	\$75,000.00	Exterior corner repair and flashing
10	8	Doors	\$250,000.00	Doors/Frames/Hardware/Storefront/Overhead Doors
11	8	Windows	\$505,000.00	Window restoration, storms and screens, new windows
12	8	Glass	\$17,000.00	Mirrors
13	9	Lath and Plaster		
14	9	Drywall	\$1,601,000.00	Metal studs, drywall, tape and spackle
15	9	Tile Work	\$8,000.00	Ceramic tile-common area
16	9	Acoustical	\$45,000.00	Acoustical grid and tile
17	9	Wood Flooring	\$196,000.00	Sand, refinish and replacement
18	9	Resilient Flooring	\$103,000.00	Sheet vinyl or VCT
19	9	Painting and Decorating	\$385,000.00	Painting
20	10	Specialties	\$125,000.00	Toilet partitions, toilet accessories and storage bins
21	11	Special Equipment	\$75,000.00	Trash chute, compactor, mail boxes
22	11	Cabinets	\$150,000.00	Kitchen/bathroom/commons-cabinets and counter tops
23	11	Appliances	\$215,000.00	Appliances
24	12	Binds and Shades, Artwork		
25	12	Carpets	\$39,000.00	Carpet & Pad
26	13	Special Construction	\$265,000.00	Lead and asbestos abatement
27	14	Elevators	\$182,000.00	Elevators (2)
28	15	Plumbing and Hot Water	\$1,142,000.00	Plumbing and fire protection, demo existing
29	15	Heat and Ventilation	\$1,017,000.00	HVAC, demo existing
30	15	Air Conditioning		With HVAC
31	16	Electrical	\$838,000.00	Electrical
32		Subtotal (Structures)	\$8,734,000.00	
33		Accessory Structures		
34		Total (Lines 32 and 33)	\$8,734,000.00	

Trade Item	Cost	Trade Description			
Excavation	\$110,888.00	Excavation, backfill, compaction			
Site Utilities	\$76,606.00	Underground sitework			
1 Roads and Walks	\$75,600.00	Concrete walks, paving, curbs and gravel			
38 2 Site Improvements / Demolition	\$58,800.00	Fencing			
39 2 Lawns and Planting	\$8,000.00	Topsoil and seeding			
40 2 Unusual Site Condition	\$313,000.00	Nonresidential and Special Exterior Land Improvement (costs included in trade item breakdown)		Off site Costs (costs not included in trade item breakdown)	
41 Total Land Improvements		Description		Est. Cost	
42 Total Struct. & Land Imprvts.	\$9,847,800.00	Description		Est. Cost	
43 1 General Requirements	\$540,800.00				
44 Subtotal (Lines 42 and 43)	\$9,587,800.00				
45 Builder's Overhead	\$191,740.00				
46 Builder's Profit	\$520,000.00	Total \$			
47 Subtotal (Lines 44 thru 48)	\$10,298,740.00	Total \$			
48		Demolition (costs not included in trade item breakdown)			
49 Other Fees	\$68,280.00	Description		Est. Cost	
50 Bond Premium	\$75,600.00				
51 Total for All Improvements	\$10,442,020.00				
52 Builders Profit Paid by Means Other Than Cash					
53 Total for All Improvements Less Line 52	\$10,442,020.00	Total \$		Total \$	

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements, Conviction may result in criminal and/or civil penalties, (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Mortgagor Harmony Mills Riverview, LLC	By <i>[Signature]</i>	Date 2/10/05
Contractor BBL Construction Services, LLC	By <i>[Signature]</i>	Date 2/9/05
FHA (Processor/Assistant) <i>[Signature]</i>	Date 2/14/05	FHA (Chief, Cost Branch or Cost Analyst) <i>[Signature]</i>
FHA (Chief Underwriter) <i>[Signature]</i>	Date 2.14.2005	

Instructions for Completing Form HUD-2328
This form is prepared by the contractor and/or mortgagor as a requirement for the issuance of a firm commitment. The firm replacement cost of the project also serves as a basis for the disbursement of dollar amounts when insured advances are requested. A detailed breakdown of trade items is provided along with spaces to enter dollar amounts and trade descriptions.
A separate form is prepared through line 32 for each structure type. A summation of these structure costs are entered on line 32 of a master Form. Land Improvements, General Requirements and Fees are completed through Line 53 on the master 2328 Only.

- Date-Date form was prepared,
- Sponsor-Name of sponsor or sponsoring organization,
- Project No.-Eight digit assigned project number.
- Building Identification-Number(s) or Letter(s) of each building as designated on plans.
- Name of Project-Sponsors designated name of project.
- Location-Street address, city and state,
- Division-Division numbers and trade items have been developed from the cost accounting section of the uniform system.
- Accessory Structures-This item reflects structures, such as: community, storage, maintenance, mechanical, laundry and project office buildings. Also included are garages and carports or other buildings. When the amount shown on line 33 is \$20,000.00 or 2% of line 32 whichever is the lesser, a separate form HUD-2328 will be prepared through line 32 for Accessory Structures.
- Unusual Site Conditions-This trade item reflects rock excavation, high water table, excessive cut and fill, retaining walls, erosion, poor drainage and other on-site conditions considered unusual.
- Cost-Enter the cost being-submitted by the Contractor or bids submitted by a qualified subcontractor for each trade item. These costs will include, as a minimum, prevailing wage rates as determined by the Secretary of Labor.
- Trade Description-Enter a brief description of the work included in each trade item.
- Other Fees-Includable are fees to be paid by the Contractor, such as sewer tap fees not included in the plumbing contract, Fees paid or to be paid by the Mortgagor are not to be included on this form.
- Total For All Improvements-This is the sum of lines 1 through 50 and is to include the total builder's profit (line 46).

Line 52-When applicable, enter that part of the builder's profit (line 46) to be paid by means other than cash or any part of the builder's profit to be waived during construction.

Non-Residential and Special Exterior Land Improvement Costs.
Describe and enter the cost of each improvement, i.e., on-site parking facilities including individual garages and carports, commercial facilities, swimming pools with related facilities and on-site features provided to enhance the environment and livability of the project and the
The Design Representative and Cost Analyst Shall Collaborate with the mortgagor or his representative in designating the items to be included.

Off-Site Costs-Enter description and dollar amount including fees and bond premium for on-site improvements.

Demolition-Enter description and dollar amount of demolition work necessary to condition site for building improvements including the removal of existing structures, foundations, utilities, etc.

Other Fees-Enter a brief description of item involved and cost estimate for each item.

Signatures-Enter the firm name, signature of authorized officer of the contractor and/or mortgagor and date the form was completed.

PO Box 212
Cohoes, New York
12047-0212

DARRIN B. DEROSIA
Attorney & Counselor at Law

Phone: 518.233.2113
Fax: 518.233.2160
E-mail: dderosia@cohoes.com

February 14, 2005

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047

Harmony Mills Riverview, LLC
100 North Mohawk Street
Cohoes, New York 12047

GMAC Commercial Mortgage Bank
6955 Union Park Center, Suite 330
Midvale, Utah 84047

Re: City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

Ladies and Gentlemen:

I have acted as counsel to the City of Cohoes Industrial Development Agency (the "Agency"), a public benefit corporation duly established under Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the 1972 Laws of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), in connection with the preparation, execution and delivery by the Agency of the following documents (the "Agency Documents"):

(1) a certain resolution adopted by the members of the Agency on January 31, 2005 (the "Approving Resolution") authorizing the execution and delivery by the Agency of the Agency Documents in connection with a project (the "Project") undertaken by the Agency for the benefit of Harmony Mills Riverview, LLC (the "Company") consisting of the following: (A) (1) the acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an

existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"), and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

(2) a certain lease agreement dated as of February 1, 2005 by and between the Company and the Agency pursuant to which the Company will lease the Project Facility to the Agency;

(3) a certain lease agreement dated as of February 1, 2005 by and between the Agency and the Company pursuant to which the Agency will sublease the Project Facility to the Company;

(4) a certain payment in lieu of tax agreement dated as of February 1, 2005 by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Project Facility;

(5) a certain mortgage dated as of February 14, 2005 from the Company and the Agency to GMAC Commercial Mortgage Bank (the "Bank") to secure a loan from the Bank to the Company in the principal sum of up to \$12,125,000 (the "Loan");

(6) a certain security agreement dated as of February 14, 2005 from the Company and the Agency to the Bank to further secure the Loan;

(7) a certain regulatory agreement dated as of February 14, 2005 by and among the Company, the Agency and the Secretary of Housing and Urban Development; and

(8) a sales tax exemption letter (the "Sales Tax Exemption Letter") to ensure the granting of sales tax exemption.

I have, as counsel to the Agency, examined original or certified copies of the proceedings of the Agency taken with respect to the Project, as well as certificates of the Agency's officers, a certified copy of the Approving Resolution and executed counterparts of the Agency Documents. I also have examined such statutes, court decisions, proceedings and other documents as I have considered necessary or appropriate in the circumstances to render the following opinions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Lease Agreement.

Based upon my examination of the foregoing, and in reliance upon the matters and subject to the limitations contained in the concluding paragraphs of this opinion, I am of the opinion (except that no opinion is given with respect to any federal or state securities law or any law concerning zoning or subdivision matters or as to the law of any jurisdiction other than the State of New York) that:

1. The Agency is a corporate governmental agency constituting a public benefit corporation duly established under the Act.

2. Under the Act, it is the purpose of the Agency to promote, develop, encourage and assist in acquiring, constructing, reconstructing, leasing, improving, maintaining, equipping and furnishing, among others, manufacturing facilities, and the Agency has the power to acquire, hold and dispose of real and personal property for its corporate purposes. In accordance with the Act, the Agency has determined to undertake the acquisition, construction and installation of the Project Facility and to lease the Project Facility to the Company pursuant to the Lease Agreement.

3. The members and officers of the Agency identified in the Agency's general certificate on the date hereof have been duly appointed as such members (and duly elected by such members as such officers) and are qualified to serve as such.

4. The Agency has power and lawful authority under the Act to execute and deliver the Agency Documents; to undertake the acquisition, construction and installation of the Project Facility pursuant to the Lease Agreement; to appoint the Company as agent of the Agency for the purpose of the acquisition, construction and installation of the Project Facility; and to perform and observe the provisions of the Agency Documents on its part to be performed and observed.

5. The Approving Resolution has been duly adopted by the members of the Agency, complies with the procedural rules of the Agency and the requirements of the laws of the State of New York, and the Approving Resolution has not been supplemented, amended or repealed and remains in full force and effect on the date hereof.

6. By the Approving Resolution, the Agency has duly authorized the acquisition, construction and installation of the Project Facility, the lease of its interest in the Project Facility to the Company and the execution and delivery by the Agency of the Agency Documents.

7. The making and performance by the Agency of the Agency Documents and the consummation of the transaction on the part of the Agency therein contemplated will not violate any applicable provision of any applicable law (including the Act), regulation, decree, writ, order or injunction, or any applicable provision of the Act, and will not contravene the provisions of or constitute a default under any material term of any agreement, indenture, bond resolution or other instrument to which the Agency is a party or by which the Agency is bound; provided, however, that no opinion

is expressed as to the terms of laws, regulations, rules, judgments or orders with respect to the physical acquisition, construction, installation, equipping, occupancy or operation of the Project Facility.

8. The Agency Documents have been duly authorized by all necessary action on the part of the Agency, have been duly executed and delivered by authorized officers of the Agency, and, assuming the due authorization, execution and delivery of the same by the other parties thereto, constitute legal, valid and binding special obligations of the Agency.

9. No additional or further consent, authorization or approval of, or filing or registration with, any governmental or regulatory body not already obtained is required for the making and performance by the Agency of the transactions contemplated thereby; provided, however, that no opinion is expressed as to the terms of laws, regulations, rules, judgments or orders with respect to the physical acquisition, construction, equipping, occupancy or operation of the Project Facility.

10. The Agency has not been served with a summons in any action and to the best of my knowledge, there is no litigation pending or threatened against or affecting the Agency in any court, either state or federal, calling into question the creation, organization or existence of the Agency, the validity of the Agency Documents or the authority of the Agency to acquire, construct and install the Project Facility or to enter into or perform the Agency Documents.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not valid in its entirety under applicable law because of a specific statutory prohibition or public policy, and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law, if the person concerning whom such opinion is given is in material default under such document but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or at law) because of the discretion of a court or because of any equitable principal or requirement as to commercial reasonableness, conscionability or good faith.

I express no opinion with respect to (A) title to all or any portion of the Project Facility, (B) the priority of any liens, charges, security interests or encumbrances affecting the Project Facility or any part thereof (or the effectiveness or any remedy

which is dependent upon the existence of title to the Project Facility or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or requirements for the physical commencement and continuance of the acquisition, construction, installation, or use or operation of the Project Facility or with any respect to the requirement of filing or recording of any of the Basic Documents, or (D) the laws of any jurisdiction other than the State of New York.

Insofar as the foregoing opinions expressed or involve conclusions as to compliance by the Agency with the provisions of Article Eight of the Environmental Conservation Law of the State of New York, I have relied upon the accuracy of the conclusions contained in the resolution adopted by the members of the Agency on January 31, 2005 (the "SEQR Resolution") in which the Agency made the determination to the effect that the acquisition, construction and installation of the Project Facility will not have a significant effect upon the environment; provided, however, that I am not passing upon nor do I assume any responsibility for the accuracy, completeness or fairness of the statements, information or conclusions contained in the foregoing and I make no representation that I have independently verified the accuracy, completeness, or fairness of any such statements, information or conclusions.

This opinion is rendered as of the date hereof, and no opinion is expressed as to matters referred to herein on any subsequent date.

Very truly yours,

A handwritten signature in cursive script that reads "Darrin B. Derosia". The signature is written in black ink and is positioned above the printed name.

Darrin B. Derosia



NIXON PEABODY LLP
ATTORNEYS AT LAW

437 Madison Avenue
New York, New York 10022-7001
(212) 940-3000
Fax: (866) 743-1161

February 14, 2005

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047

Re: City of Cohoes Industrial Development Agency
Lease/Leaseback Transaction
Harmony Mills Riverview, LLC Project

Ladies and Gentlemen:

We have acted as special counsel to Harmony Mills Riverview, LLC, a New York limited liability company (the "Company"), and Uri Kaufman (the "Guarantor") in connection with the granting of "financial assistance" within the meaning of Section 903-a of the General Municipal Law of the State of New York, by the City of Cohoes Industrial Development Agency (the "Agency") to the Company and the execution by Guarantor of a Guaranty (the "Guaranty") dated as of February 1, 2005 in favor of the Agency. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Lease Agreement dated as of February 1, 2005 executed by the Agency and the Company (the "Lease Agreement").

In connection with rendering this opinion, we have examined such records, certificates and other documents and instruments and such questions of law as we have considered necessary or appropriate for the purposes of this opinion, including, without limitation, the following documents and instruments all in connection with the undertaking by the Agency of (A) the Project; (B) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from sales taxes, real property transfer taxes, mortgage recording taxes and real estate taxes (the "Financial Assistance"); and (C) the lease of the Project Facility to the Company pursuant to the terms of the Lease Agreement (collectively, the "Company Documents"):

- (1) Bill of Sale dated as of February 1, 2005 from the Company to the Agency;
- (2) Lease Agreement dated as of February 1, 2005 by and between the Company, as lessor and the Agency, as lessee;
- (3) Lease Agreement dated as of a February 1, 2005 by and between the Agency to the Company;
- (4) Payment in Lieu of Tax Agreement dated as of February 1, 2005 by and between the Agency and the Company;
- (5) Mortgage dated as of February 14, 2005 from the Company and the Agency to GMAC Commercial Mortgage Bank (the "Bank");
- (6) Security Agreement dated as of February 14, 2005 from the Company and the Agency to the Bank;
- (7) Regulatory Agreement dated as of February 14, 2005 by and among the Company, the Agency and the Secretary of Housing and Urban Development.

We have also examined the Guaranty.

In addition to the foregoing, we have also examined and relied upon (i) a copy of the Articles of Organization of the Company filed in the Office of the Secretary of State of the State of New York on June 20, 2002; (ii) a copy of the Amended and Restated Operating Agreement of the Company dated as of December 31, 2004; (iii) Unanimous Written Consent dated February ___, 2005; and (iv) a subsistence certificate, dated February 11, 2005 issued by the Secretary of State of the State of New York with respect to the Company; (jointly, the "Organizational Documents"). We have made inquiry of the Company with respect to certain factual matters set forth in the certificates of the Company and Guarantor, each dated as of February 14, 2005 and addressed to us, copies of which are attached hereto (the "Closing Certificates") and are relying on such inquiry and the Closing Certificates and other certificates of the Company and Guarantor delivered at Closing as to the factual matters stated therein. We have no actual knowledge of any matters that are inconsistent with the statements contained in the Closing Certificates or in the other certificates of the Company and Guarantor delivered at Closing and believe that we are justified in relying thereon. We have also examined and relied upon such other matters of law, documents, and certificates of public officials as we have deemed necessary under the circumstances.

In all such examinations, as special counsel to the Company and Guarantor, we have assumed the accuracy of all information furnished to us, the genuineness of all signatures on

original or certified documents, the authenticity of all documents submitted to us as certified, photostatic or telecopied copies and the conformity to original and certified documents of all copies submitted to us as conformed, photostatic or telecopied copies.

In reaching the opinions set forth below, we have assumed, and to our actual knowledge there are no facts inconsistent with, the following:

(i) Each of the parties to the Company Documents other than the Company has duly and validly executed and delivered each instrument, document, and agreement to be executed in connection with the Financial Assistance and Lease Agreement (the "Transaction") to which such party is a signatory through its duly authorized partners, members or officers, and the obligations of each such party, other than the Company (and any person executing any of the Company Documents on behalf of the Company), set forth in the Company Documents are its legal, valid, and binding obligations, enforceable in accordance with their respective terms.

(ii) The terms and conditions of the Transaction as reflected in the Company Documents have not been amended, modified or supplemented, directly or indirectly, by any other agreement or understanding of the parties or waiver of any of the material provisions of the Company Documents. We have made reasonable inquiry of the Company with respect thereto and, based on the statements contained in the Closing Certificates in response to such inquiries, our review of the Company Documents and the other documents and matters described above and our actual knowledge, nothing has come to our attention that leads us to believe that we are not justified in so assuming.

Based solely on the foregoing examinations and on the assumptions and subject to the qualifications hereinbefore and hereinafter set forth and in reliance thereon and on all other matters deemed relevant in the circumstances, we are of the opinion that, as of the date hereof:

(a) Based solely on the Certificate of Subsistence issued by the Secretary of State of the State of New York, dated February 11, 2005, the Company is subsisting under the laws of the State of New York and has the requisite power and authority to execute and deliver the Company Documents and to perform and do all acts therein provided to be performed by Company.

(b) The Company Documents have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding agreements, enforceable against the Company in accordance with their respective terms.

(c) The execution and delivery by the Company of the Company Documents and the performance of its obligations thereunder do not and will not result in a violation of any provision of the Organizational Documents of the Company, or, to the best of our knowledge and

based solely on the Company's Closing Certificate, conflict with or result in default under any agreement or other instrument to which the Company is a party or by which it or its properties are bound.

(d) Based solely on the Company's Closing Certificate and to our knowledge, the Company is not in default under any agreement or other instrument which would materially and adversely affect the business, properties, assets, liabilities or condition (financial or otherwise) of the Company.

(e) Based solely on the Company's Closing Certificate and to our knowledge, there is no litigation or governmental proceeding pending or threatened against, or involving, the Company which would materially adversely affect the condition (financial or otherwise) or business of the Company.

(f) The Guaranty has been duly executed and delivered by Guarantor and is a legal, valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms.

(g) The execution and delivery by Guarantor of the Guaranty and the performance of its obligations thereunder do not and will not to the best of our knowledge and based solely on the Guarantor's Closing Certificate, conflict with or result in default under any agreement or other instrument to which the Guarantor is a party or by which it or its properties are bound.

(h) Based solely on the Guarantor's Closing Certificate and to our knowledge, the Guarantor is not in default under any agreement or other instrument which would materially and adversely affect the business, properties, assets, liabilities or condition (financial or otherwise) of the Guarantor.

(i) Based solely on the Guarantor's Closing Certificate and to our knowledge, there is no litigation or governmental proceeding pending or threatened against, or involving, the Guarantor which would materially adversely affect the condition (financial or otherwise) or business of the Guarantor.

These opinions, as expressed above, are, however, subject to the following qualifications:

(a) The enforceability of the Company Documents and Guaranty may be limited by bankruptcy, reorganization, insolvency, preference, fraudulent conveyance, moratorium, debtor/creditor and other laws of general application and equitable principles relating to or affecting the enforcement of creditors' rights;

(b) The enforceability of the Company Documents and Guaranty may be limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, by way of example, but not by way of limitation, the right of a court of equity or law to refuse specifically to enforce obligations of the Company and/or Guarantor and/or to grant equitable relief to you;

(c) This opinion does not cover or imply compliance or noncompliance by the Company or Guarantor, with federal or state anti-trust laws, securities laws or environmental laws;

(d) We do not opine as to the effect of laws hereafter passed or court decrees hereafter decided which may limit or render unenforceable certain of your rights and remedies;

(e) Our opinions set forth herein are based solely upon the federal law of the United States of America and the laws of the State of New York. We have not examined, and we do not opine, either directly or indirectly, as to the law of any other jurisdiction, whether applicable directly or through New York law;

(f) Our opinion, insofar as it relates to execution of the Company Documents and Guarantor by any natural persons, assumes the legal capacity of such persons;

(g) This opinion in no way relates to the priority of the lien granted by the Company Documents or any other documents executed in connection with this transaction or to the effect of the due recording or filing of all or any of the Company Documents or the failure to cause all or any of the Company Documents to be recorded or filed;

(h) The enforceability of any mortgage and certain other Company Documents is subject to the recording, where necessary, in the appropriate public records and payment of any recording fees and taxes required under applicable law;

(i) The enforceability of certain provisions of the Company Documents, including, without limitation, certain provisions contained in the Company Documents pursuant to which the Guarantor agrees to waive any rights or provisions that may from time to time be deemed in violation of the public policy of the State of New York, may be limited under applicable law, but such limitations will not, singularly or in the aggregate, materially adversely affect the rights intended to be afforded or the ability to realize upon the security granted by the Company Documents or Guaranty;

(j) We express no opinion on the enforceability of any provisions of the Company Documents which restrict the conveyance, transfer or assignment of any of the Company's

interests in the Facility or of any interests in the Company or in any of the partners in the Company or in any affiliates of the Company;

(k) We express no opinion on the enforceability of any provision contained in any of the Company Documents or Guaranty states that the provisions of such document are severable;

(l) We express no opinion on the enforceability of any provision contained in any Company Document purporting to grant a power of attorney that does not comply with any of the legal requirements for the valid granting of a power of attorney;

(m) We express no opinion on the enforceability of any provision contained in any Company Document that states that any accounts, general intangibles, inventory, contract rights or proceeds thereof constitute real property; and

(n) We express no opinion as to the title in any property, real, personal, or mixed.

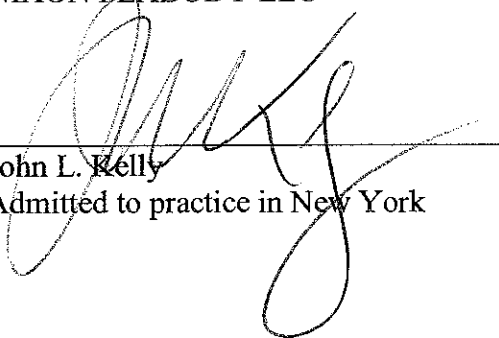
We express no opinion as to any matter other than as expressly set forth herein, and no such opinion is to or may be inferred or implied herefrom. This opinion is given as of the date hereof and is based upon facts and conditions currently known to us and the laws and regulations currently in effect, and we do not undertake and hereby disclaim any obligations to advise you of any change in the matters set forth herein. This letter may not be quoted in whole or in part or otherwise referred to in any report or document furnished to any person or entity without our prior written consent, except as required by law and except that this opinion may be referred to and included in any record of proceedings relating to the Financial Assistance.

City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC
February 14, 2005
Page 7

This opinion is provided solely for the benefit of the addressees in connection with the transactions described and may not be relied upon by or furnished to any other person without our prior written approval.

Very truly yours,

NIXON PEABODY LLC



John L. Kelly
Admitted to practice in New York

February 14, 2005

OPINION CERTIFICATION OF COMPANY

This Certification of the Company is made the 14th day of February, 2005, by Harmony Mills Riverview LLC (the "company"), for reliance upon by Nixon Peabody LLP (the "Company's Special Counsel") in connection with the issuance of opinion letters dated of even date herewith (the "Opinion Letter") in connection with the execution by the Company of various Company Documents as defined in the Opinion Letter. All the capitalized terms used in this Certificate and not defined herein have the same meaning as in the Opinion Letter.

In connection with the Opinion Letter, the Company hereby certifies to Company's Special Counsel for its reliance, the truth, accuracy and completeness of the following matters:

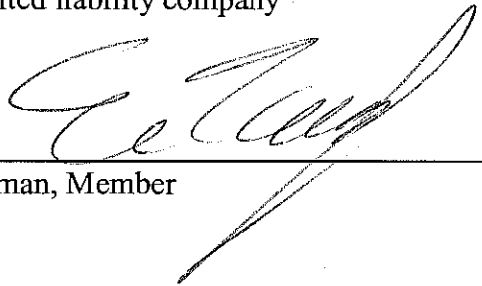
1. The Organizational Documents are the only documents creating the Company or authorizing the Transaction, and the Organizational Documents are in full force and effect and have not been amended, modified or rescinded.
2. The execution, delivery and performance by the Company of the Company Documents to which it is a party, and compliance by the Company, as applicable, with the provisions of the Company Documents does not and will not (1) conflict with or violate any law, rule, regulation or ordinance applicable to the Company, (2) conflict with or violate any court order, writ, judgment or decree to which the Company is subject and (3) conflict with or violate or constitute a breach of the provisions of or constitute a default under, or result in the creation or imposition of a lien, charge or encumbrance upon any of the properties or assets of the Company pursuant to any agreement, indenture, mortgage, lease or other obligation or instrument (other than the Company Documents) to which the Company is a party or by which its properties or assets are bound.
3. The Company is not (1) in default in under any mortgage, deed of trust, lease, loan or credit agreement, or other instrument to which the Company is a party or by which it or any of its properties or assets is bound, or (2) in default with respect to any order, writ, decree, injunction or demand of any court or governmental agency applicable to the Company.
4. There is no action, suit, proceeding, inquiry or investigation at law or in equity to which the Company is a party pending or threatened, in any court or before or by any governmental agency, public board or body in any way affecting the existence of the Company or involving the Facility or seeking to restrain or to enjoin in any way contesting or affecting the validity or enforceability of the Company Documents or contesting the power of the Company or its respective authority with respect to the Company Documents to which it is a party.
5. The terms and conditions of the Transaction as reflected in the Closing Documents have not been amended, modified or supplemented, directly or indirectly, by any other agreement or understanding of the parties or waivers of any material provisions of the Closing Documents.

City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC
February 14, 2005
Page 2

IN WITNESS WHEREOF, the Company has executed this Certification of Company effective as of the date set forth above.

COMPANY:

Harmony Mills Riverview, LLC, a New York, New York limited liability company

By: 
Uri Kaufman, Member

February 14, 2005

OPINION CERTIFICATION OF GUARANTOR

This Certification of Company is made the 14th day of February, 2005, by Uri Kaufman (the "Guarantor"), for reliance upon by Nixon Peabody LLP (the "Company's Special Counsel") in connection with the issuance of opinion letters dated of even date herewith (the "Opinion Letter") in connection with the execution by the Guarantor of the Guaranty as defined in the Opinion Letter. All the capitalized terms used in this Certificate and not defined herein have the same meaning as in the Opinion Letter.

In connection with the Opinion Letter, the Guarantor hereby certifies to Company's Special Counsel for its reliance, the truth, accuracy and completeness of the following matters:

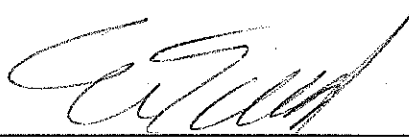
1. The execution, delivery and performance by the Guarantor of the Guaranty does not and will not (1) conflict with or violate any law, rule, regulation or ordinance applicable to the Guarantor, (2) conflict with or violate any court order, writ, judgment or decree to which the Guarantor is subject and (3) conflict with or violate or constitute a breach of the provisions of or constitute a default under, or result in the creation or imposition of a lien, charge or encumbrance upon any of the properties or assets of the Guarantor pursuant to any agreement, indenture, mortgage, lease or other obligation or instrument (other than the Guaranty) to which the Guarantor is a party or by which its properties or assets are bound.

2. The Guarantor is not (1) in default under any mortgage, deed of trust, lease, loan or credit agreement, or other instrument to which the Guarantor is a party or by which it or any of its properties or assets is bound, or (2) in default with respect to any order, writ, decree, injunction or demand of any court or governmental agency applicable to the Guarantor.

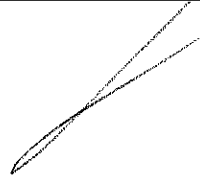
3. There is no action, suit, proceeding, inquiry or investigation at law or in equity to which the Guarantor is a party pending or threatened, in any court or before or by any governmental agency, public board or body involving the Guarantor or seeking to restrain or to enjoin in any way contesting or affecting the validity or enforceability of the Guaranty or contesting the power of the Guarantor to enter into the Guaranty or its respective authority with respect to the Guaranty.

City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC
February 14, 2005
Page 2

IN WITNESS WHEREOF, the Company has executed this Certification of Guarantor effective as of the date set forth above.



Uri Kaufman



20 Corporate Woods Blvd.
Albany, New York 12211
tel: 518 462 0300
fax: 518 462 5037
www.girvinlaw.com

February 14, 2005

City of Cohoes Industrial Development Agency
97 Mohawk Street
Cohoes, New York 12047

Harmony Mills Riverview, LLC
100 North Mohawk Street
Cohoes, New York 12047

GMAC Commercial Mortgage Bank
6955 Union Park Center, Suite 330
Midvale, Utah 84047

Re: City of Cohoes Industrial Development Agency
Harmony Mills Riverview, LLC Project

Ladies and Gentlemen:

We have acted as special transaction counsel to the City of Cohoes Industrial Development Agency (the "Agency"), a public benefit corporation duly established under Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 313 of the 1972 Laws of New York, as amended, constituting Section 896-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), in connection with the preparation, execution and delivery by the Agency of the following documents (the "Agency Documents"):

(1) a certain resolution adopted by the members of the Agency on January 31, 2005 (the "Approving Resolution") authorizing the execution and delivery by the Agency of the Agency Documents in connection with a project (the "Project") undertaken by the Agency for the benefit of Harmony Mills Riverview, LLC (the "Company") consisting of the following: (A) (1) the

acquisition of an interest in a parcel of real estate containing approximately four (4) acres of land located at 100 North Mohawk Street in the City of Cohoes, Albany County, New York (the "Land") and an existing facility of approximately 180,000 square feet thereon (the "Existing Facility"), (2) the reconstruction of the Existing Facility into approximately 96 residential rental units and 107 indoor parking spaces (the "Facility"), and (3) the acquisition and installation therein and thereon of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, real estate transfer taxes, mortgage recording taxes and real estate taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

(2) a certain lease agreement dated as of February 1, 2005 by and between the Company and the Agency pursuant to which the Company will lease the Project Facility to the Agency;

(3) a certain lease agreement dated as of February 1, 2005 by and between the Agency and the Company pursuant to which the Agency will sublease the Project Facility to the Company;

(4) a certain payment in lieu of tax agreement dated as of February 1, 2005 by and between the Agency and the Company, pursuant to which the Company has agreed to make payments in lieu of taxes with respect to the Project Facility;

(5) a certain mortgage dated as of February 14, 2005 from the Company and the Agency to GMAC Commercial Mortgage Bank (the "Bank") to secure a loan from the Bank to the Company in the principal sum of up to \$12,125,000 (the "Loan");

(6) a certain security agreement dated as of February 14, 2005 from the Company and the Agency to the Bank to further secure the Loan;

(7) a certain regulatory agreement dated as of February 14, 2005 by and among the Company, the Agency and the Secretary of Housing and Urban Development; and

(8) a sales tax exemption letter (the "Sales Tax Exemption Letter") to ensure the granting of sales tax exemption.

We have, as special transaction counsel to the Agency, examined original or certified copies of the proceedings of the Agency taken with respect to the Project, as well as certificates of the Agency's officers, a certified copy of the Approving Resolution and executed counterparts of the Agency Documents. I also have examined such statutes, court decisions, proceedings and other documents as I have considered necessary or appropriate in the circumstances to render the following opinions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Lease Agreement.

Based upon my examination of the foregoing, and in reliance upon the matters and subject to the limitations contained in the concluding paragraphs of this opinion, I am of the opinion (except that no opinion is given with respect to any federal or state securities law or any law concerning zoning or subdivision matters or as to the law of any jurisdiction other than the State of New York) that:

1. The Agency is a corporate governmental agency constituting a public benefit corporation duly established under the Act.

2. Under the Act, it is the purpose of the Agency to promote, develop, encourage and assist in acquiring, constructing, reconstructing, leasing, improving, maintaining, equipping and furnishing, among others, manufacturing facilities, and the Agency has the power to acquire, hold and dispose of real and personal property for its corporate purposes. In accordance with the Act, the Agency has determined to undertake the acquisition, construction and installation of the Project Facility and to lease the Project Facility to the Company pursuant to the Lease Agreement.

3. The members and officers of the Agency identified in the Agency's general certificate on the date hereof have been duly appointed as such members (and duly elected by such members as such officers) and are qualified to serve as such.

4. The Agency has power and lawful authority under the Act to execute and deliver the Agency Documents; to undertake the acquisition, construction and installation of the Project Facility pursuant to the Lease Agreement; to appoint the Company as agent of the Agency for the purpose of the acquisition, construction and installation of the Project Facility; and to perform and observe the provisions of the Agency Documents on its part to be performed and observed.

5. The Approving Resolution has been duly adopted by the members of the Agency, complies with the procedural rules of the Agency and the requirements of the laws of the State of New York, and the Approving Resolution has not been supplemented, amended or repealed and remains in full force and effect on the date hereof.

6. By the Approving Resolution, the Agency has duly authorized the acquisition, construction and installation of the Project Facility, the lease of its interest in the Project Facility to the Company and the execution and delivery by the Agency of the Agency Documents.

7. The making and performance by the Agency of the Agency Documents and the consummation of the transaction on the part of the Agency therein contemplated will not violate any applicable provision of any applicable law (including the Act), regulation, decree, writ, order or injunction, or any applicable provision of the Act, and will not contravene the provisions of or constitute a default under any material term of any agreement, indenture, bond resolution or other instrument to which the Agency is a party or by which the Agency is bound; provided, however, that no opinion is expressed as to the terms of laws, regulations, rules, judgments or orders with respect to the physical acquisition, construction, installation, equipping, occupancy or operation of the Project Facility.

8. The Agency Documents have been duly authorized by all necessary action on the part of the Agency, have been duly executed and delivered by authorized officers of the Agency, and, assuming the due authorization, execution and delivery of the same by the other parties thereto, constitute legal, valid and binding special obligations of the Agency.

9. No additional or further consent, authorization or approval of, or filing or registration with, any governmental or regulatory body not already obtained is required for the making and performance by the Agency of the transactions contemplated thereby; provided, however, that no opinion is expressed as to the terms of laws, regulations, rules, judgments or orders with respect to the physical acquisition, construction, equipping, occupancy or operation of the Project Facility.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not valid in its entirety under applicable law because of a specific statutory prohibition or public policy, and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law, if the person concerning whom such opinion is given is in material default under such document but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or at law) because of the discretion of a court or because of any equitable principal or requirement as to commercial reasonableness, conscionability or good faith.

I express no opinion with respect to (A) title to all or any portion of the Project Facility, (B) the priority of any liens, charges, security interests or encumbrances affecting the Project Facility or any part thereof (or the effectiveness or any remedy which is dependent upon the existence of title to the Project Facility or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or requirements for the physical commencement and continuance of the acquisition, construction, installation, or use or operation of the Project Facility or with any respect to the requirement of filing or recording of any of the Basic Documents, or (D) the laws of any jurisdiction other than the State of New York.

Insofar as the foregoing opinions expressed or involve conclusions as to compliance by the Agency with the provisions of Article Eight of the Environmental Conservation Law of the State of New York, I have relied upon the accuracy of the conclusions contained in the resolution adopted by the members of the Agency on January 31, 2005 (the "SEQR Resolution") in which the Agency made the determination to the effect that the acquisition, construction and installation of the Project Facility will not have a significant effect upon the environment; provided, however, that I am not passing upon nor do I assume any responsibility for the accuracy, completeness or fairness of the

statements, information or conclusions contained in the foregoing and I make no representation that I have independently verified the accuracy, completeness, or fairness of any such statements, information or conclusions.

This opinion is rendered as of the date hereof, and no opinion is expressed as to matters referred to herein on any subsequent date.

Very truly yours,

Guinn C. Felazzo, P.C.