



R A N D

March 9, 2006

Island House Tenants Association  
c/o Stuart Saft  
Wolf Haldenstein Adler Freeman & Herz LLP  
270 Madison Avenue, 9<sup>th</sup> Floor  
New York, NY 10016

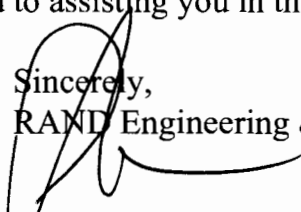
Re: Island House  
551, 555 & 575 Main Street  
Roosevelt Island  
Building Condition Report  
Cooperative Offering Plan

Dear Stuart:

Pursuant to the "Third draft wording on scoping of Rand Engineering task" issued to Rand in the February 28 email from Josh Berengarten, enclosed please find a revised proposal from Rand on the Building Condition Report for the above-captioned complex.

If you have any additional questions, please do not hesitate to call. Thank you for your continued confidence in Rand; we look forward to assisting you in this matter.

Sincerely,  
RAND Engineering & Architecture, PC



Stephen A. Varone, AIA  
President

SV:je  
Encls.

cc: Dorothy Davis, plus encls.  
Frank Farance, plus encls.  
Josh Berengarten, plus encls.

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March 9, 2006

**PROPOSAL/CONTRACT FOR ENGINEERING SERVICES**

Submitted to: Island House Tenants Association  
c/o Stuart Saft  
Wolf Haldenstein Adler Freeman & Herz LLP  
270 Madison Avenue, 9<sup>th</sup> Floor  
New York, NY 10016  
Tel. (212) 545-4600  
E-Mail [saft@whafh.com](mailto:saft@whafh.com)

Job Location: Island House  
551, 555 & 575 Main Street, Roosevelt Island

**SCOPE OF SERVICES**

**Phase 1: Description of Property and Building Condition Report & Asbestos Survey**

Perform visual observations and provide *Description of Property and Building Condition Report* on the 400 residential units at the above-captioned location, in connection with the development of a Cooperative Offering Plan by the client:

- A. Field observations and resulting Report will be in accordance with Article 18.7 of Part 18 of Title 13 of the New York Code Rules and Regulations. All items requiring review under NYS Attorney General's (AG) Guidelines for Cooperative conversions will be surveyed by visual observations and non-destructive tests. These items include, but are not be limited to sidewalk and site conditions, exterior walls, parapets and copings, chimneys and caps, windows, exterior entrances, roof and roof structures, hallways, refuse disposal, plumbing and drainage, heating plant, electrical system, elevator service, and other building services/amenities. For situations where the completeness of this Report cannot be satisfied by visual observations, Rand will recommend further tests and/or probes by independent contractor(s) engaged by client.
- B. Observations will be made of approximately 40 apartment units and commercial spaces made accessible at the time of the survey, as needed to comply with AG guidelines.
- C. Rand will develop tenants' questionnaire to support the data collection process for this project. Rand will provide a web data entry method for inputting the data, but will not be responsible for the data entry itself.

- D. The Report will cite any observed conditions believed to constitute Special Risks (as defined by the AG) and/or significant potential violations of building codes, and recommend corrective action as appropriate.
- E. To assist the tenants association with their April 30, 2006 deadline of the Purchase and Sale Negotiation, Rand will provide a preliminary chart of the Summary of Anticipated Funding Requirements by April 21, 2006, assuming Rand receives signed proposal/contract and initial payment specified by no later than Friday, March 17, 2006.
- F. The Report will discuss whether any physical tests are required, beyond the scope of this agreement, in order for the premises to be definitively evaluated.
- G. In conjunction with the *Description of Property and Building Condition*, Rand shall complete a *Certification of Sponsor's Engineer* confirming that the Survey and Report provided are in accordance with all applicable regulations.
- H. If necessary to expedite review, the Report for Phase 1 of this agreement will be released to the client in sections; the client can then provide comments in writing regarding issues the client believes should be addressed in the final complete version of the Report.
- I. Upon submission of the Report for Phase 1 of this agreement, the Supervising Engineer will be available to attend one (1) meeting with the Board of Directors or its representative committee, to discuss the Report findings in detail and answer any questions raised.
- J. Asbestos Survey: The scope of the investigation shall entail the following:
  - 1. Observation will be made of all common areas, such as the basement, hallways, boiler and mechanical rooms, etc.
  - 2. Observations will be made visually of approximately 40 apartment units made accessible at the time of the survey, as needed to comply with AG guidelines. (Note: Part 23 of AG guidelines calls for inspection of 10% the apartments minimum.)
  - 3. Small samples of insulation, tile and/or fireproofing will be removed for microscopic study, as necessary to make a definitive determination regarding the presence or absence of asbestos.
- K. Rand will prepare a Report containing the following information, based on New York State Attorney General requirements for Asbestos Surveys (Section 18.7 [aa]):

1. The qualifications of the person preparing the Report.
2. A detailed inventory of all asbestos detected, including the location, amount of Asbestos Containing Material, type and concentration of asbestos in the ACM, and condition. Report will state whether the presence of any of the ACM detected poses an immediate health or safety hazard.
3. Recommendations for handling each and every item of the asbestos inventory detected, i.e. removal, enclosure, encapsulation, or leaving undisturbed.
4. Explanation as to whether the work must be performed in compliance with New York City Local Law 76 of 1985 or any other applicable laws.
5. A recommended protocol for the future handling and maintenance of any asbestos that will remain in place, whether encapsulated, enclosed or left undisturbed.
6. Itemized budget projections on the anticipated cost of implementing all recommendations made in the Report.

**Phase 2: Department of Housing and Community Renewal (DHCR) Report**

- L. The “complete” DHCR Report will satisfy the following criteria:

Criteria #1 - All engineering tasks of at least \$100,000 have been identified.

Criteria #2 - All general safety issues have been identified. (“General Safety Issues” affect more than one apartment.)

Criteria #3 - All urgent repair tasks have been identified. (“Urgent” indicates that the task must be performed within 24 months or operations and safety could be significantly compromised.)

- M. Data collection for sitework required for Phase 1 and Phase 2 of this project will be optimized to avoid unnecessary repetition.
- N. The written Report will outline all deficiencies uncovered, and estimate the cost of all repairs, replacements, and procedures judged necessary.
1. The survey elements shall be divided into the following broad categories, which shall be sub-divided into as many sub-categories as necessary to property identify the items and carry out the objective of the survey:

- I. Site
- II. Building Envelope
- III. Building Interior - Public Spaces
- IV. Building Interior - Apartment Spaces
- V. Building Interior - Commercial Spaces
- V. Mechanical Systems

2. With respect to each category, Rand shall:

- a. identify any existing significant maintenance and/or construction problems;
- b. make recommendations for their correction;
- c. establish the life expectancy of all of the building components included in the survey and prepare a schedule of anticipated replacement needs;
- d. identify the standards used;
- e. provide cost estimates utilizing current values;
- f. identify known dependencies/contingencies among other recommendations
- g. estimate severity for each system/building component analyzed (e.g., impact on infrastructure: low, medium, high; where the criteria for low, medium, and high are defined qualitatively and quantitatively)
- h. estimate priority for each system/building component analyzed (e.g., impact on schedule: low, medium, high; where the criteria for low, medium, and high are defined qualitatively and quantitatively)
- i. provide statistical validity for each sampling method. For example, if 10% of the apartments are inspected, the selection of the apartments chosen for inspection will be representative of the whole

3. Report will include color photographic documentation of typical conditions as judged necessary to illustrate findings.

O. Upon submission of the Report for Phase 2 of this agreement, the Supervising Engineer will be available to attend one (1) meeting with the Board of Directors or its representative committee, to discuss the Report findings in detail and answer any questions raised.

**FEE STRUCTURE:**

Rand's fee for services detailed in Phase 1 (Items A through K) above shall be \$50,000.

Rand's fee for services detailed in Phase 2 (Items L through O) above shall be \$35,000.

Additional fee for Asbestos Survey sampling will be as follows: \$60 each for material sample forwarded for laboratory analysis via the PLM method, and \$135 each for material samples forwarded for laboratory analysis via the more sensitive TEM method where deemed necessary.

Payment Terms: \$20,000 upon contract signing; \$17,000 upon completion of field work; \$13,000 upon submission of Phase 1 Report; \$23,000 upon authorization to begin Phase 2; \$12,000 upon submission of Phase 2 Report.

**Exclusions:**

1. Amending the Certificate of Occupancy to reflect existing conditions.
2. Preparation of tax lot tables, common interest calculations (Schedule B), and floor plans.
3. Data entry for tenants' questionnaires.

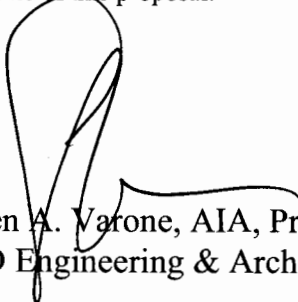
**GENERAL TERMS AND CONDITIONS:**

1. Any and all services requested by Client above and beyond the scope detailed above will be provided at \$195 per hour for principals, licensed engineers/architects and related travel, \$175 per hour for staff engineers/architects and related travel, and \$55 per hour for support staff, unless otherwise agreed by both parties.
2. All reports, field notes and estimates prepared by Rand pursuant to this Agreement shall be the sole property of Rand. Client agrees that all documents of any nature furnished to Client, if not paid for, will be returned upon demand and will not be used by Client for any purpose whatsoever.
3. Client understands that this proposal is for a Survey Report, which is not intended for, and shall not be used for soliciting bids from contractors. Specifications suitable for bid solicitation can be prepared as part of a separate agreement with Rand.
4. Payment is due upon receipt of Rand's invoices. If payment is not received by Rand within thirty (30) days of receipt of invoice by Client, Client agrees to pay a finance charge on the principal amount of the past due account of twelve (12) percent per year. The Client also agrees to pay Rand's cost of collection of all amounts due and unpaid after forty-five (45) days, including court costs and reasonable attorneys' fees. Rand's services will be discontinued in the event that any invoice remains unpaid after more than forty-five (45) days. In such case, services will only resume when all outstanding invoices have been paid, and Rand shall have no liability for construction activities or other claims that occur regarding the project during the period that Rand's services are suspended or as a result of such suspension.
5. Client agrees that Rand's liability for any damage on account of any claimed error, omission, wrongful conduct, or professional negligence will be limited to an amount equal to Rand's fee under this agreement. Rand, its agents, and employees shall not be liable for any lost profits or any claim or demand against Client by any other party. In no event shall Rand be liable for special, consequential, or exemplary damages, or for damages due to delay in the work. No action, regardless of form, arising out of the service under

this Agreement, may be brought by the Client more than one (1) year after the act or omission giving rise to a cause of action has occurred.

6. The quoted fee covers visual observation only, and is exclusive of the cost of exploratory probes and any physical testing recommended. Except as provided under Asbestos Survey, Rand shall have no responsibility for the identification, discovery, presence, handling, removal or disposal of, or exposure of persons to, potentially hazardous materials in any form at the project site, and is not providing environmental consulting services on this project. Furthermore, other than asbestos identification the client agrees to engage an independent environmental consultant to provide the necessary services pursuant to the identification and abatement of any potentially hazardous materials (other than identification of asbestos).
7. This Agreement may be terminated by either party upon seven (7) days' prior written notice.
8. Claims, disputes or other matters in question between the parties to this Agreement arising out of or relating to this Agreement or breach thereof shall first be subject to non-binding mediation, followed if necessary by binding arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association currently in effect. No mediation or arbitration arising out of or relating to this Agreement shall include, by consolidation, joinder or in any other manner, an additional person or entity not a party to this Agreement, except by written consent containing a specific reference to this Agreement signed by Rand, the Client, and any other person or entity sought to be joined. Any award rendered by the arbitrator(s) shall be final.
9. This proposal may be withdrawn by Rand if both an executed copy and any initial payment specified are not received by Rand within fifteen (15) days of the date of this proposal.

Date of Proposal: March 9, 2006



Stephen A. Varone, AIA, President  
RAND Engineering & Architecture, PC

**ACCEPTANCE OF PROPOSAL:**

The above prices and conditions are satisfactory and are hereby accepted. You are authorized to perform the work as specified. Payment will be made as outlined above.

Date of Acceptance: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed Name & Title