

McMANIMON & SCOTLAND, L.L.C.

ATTORNEYS AT LAW

TELEPHONE
(973) 622-1800

ONE RIVERFRONT PLAZA, FOURTH FLOOR
NEWARK, NEW JERSEY 07102-5408

FAX (973) 622-7333
FAX (973) 622-3744

October 5, 2006

***Via Electronic Mail
& Federal Express***

Marla S. Smith
Fidelco Bayonne Realty LLC
225 Millburn Avenue
Millburn, NJ 07041

Re: The Peninsula at Bayonne Harbor – Harbor Station South

Dear Marla:

We have reviewed the term sheet offered by Fidelco Bayonne Realty LLC (“Fidelco”), dated March 31, 2006, for the purchase of the property known as Harbor Station South. At this time, we cannot agree to the terms and conditions contained within such proposal, and in response, offer the following counter-proposal for your consideration. This letter agreement, acting as an amendment and supplement to the Redevelopment Agreement dated March 24, 2005, as amended (the “Redevelopment Agreement”), will form the basis for a project development agreement. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Redevelopment Agreement.

Purchase Price

Sections 3.4, 3.5 and 3.6 of the Redevelopment Agreement, relating to the valuation of the residential components of Harbor Station South and the establishment of a purchase price with respect to same shall be modified in its entirety and replaced with the following valuation methodology. (The Purchase Price for the non residential components of Harbor Station South shall be determined pursuant to an appraisal process similar to the process described in Section 3.4 of the Redevelopment Agreement.)

The initial purchase price for Harbor Station South to be paid to the BLRA shall be \$37.50 per square foot of “liveable space” in every residential unit therein (the “Initial Purchase Price”). The additional per square foot deferred purchase price for Harbor Station South to be paid to the BLRA shall be an amount equal to 15% of each \$1.00 over \$250 per square foot of “livable space” paid for each residential unit (the “Deferred Purchase Price” and together with the Initial Purchase Price, the “Purchase Price”). For purposes of illustration with respect to the Deferred Purchase Price only, assuming a residential unit with 2000 square feet of “livable space” is sold for \$850,000, the Deferred Purchase Price would be \$52,500 (($\$425 - \250)(15%)(2000)).

The measurement of "square foot" for purposes of the Initial Purchase Price shall include all square footage that is climate controlled as set forth in the application for preliminary site plan approval and as approved by the City planning board. The measurement of "square foot" for purposes of the Deferred Purchase Price shall include the actual square footage that is climate controlled for the applicable residential unit. The "Deferred Purchase Price" shall equal the base sales price, exclusive of purchaser "add-ons" and any transactional costs associated with the purchase of the residential unit. The Purchase Price is inclusive of all traffic improvements required by the NJDOT Major Highway Access Permit and all affordable housing obligations as defined by the applicable City ordinance and law as they exist of the date of this letter agreement. Any amendments to such ordinance or requirements subsequent to the date hereof that result in increased financial obligations to Fidelco shall warrant a decrease in the Purchase Price, such decrease to be equal to the amount of said increased financial obligations. Similarly, any amendments to such ordinance or requirements subsequent to the date hereof that result in decreased financial obligations to Fidelco shall warrant an increase in the Purchase Price, such increase to be equal to the amount of said decreased financial obligations.

The Initial Purchase Price for each Redevelopment Phase (as defined below), shall be paid to the BLRA at the closing for the sale of such Redevelopment Phase. The Deferred Purchase Price for each residential unit shall be paid to the BLRA at the closing for the sale of each residential unit.

It is agreed and understood that no Purchase Price will be allocated or required to be paid with respect to areas of Harbor Station South to be acquired which are planned to serve as open space or amenities (i.e., club house, pool, etc.). Stand alone commercial/retail properties (i.e., those not integrated as part of a mixed use development) will be subject to an appraisal process to be conducted in accordance with the terms set forth in the Redevelopment Agreement. With respect to service retail/commercial properties which are part of a mixed use residential development, the BLRA acknowledges that Fidelco has provided the BLRA with an appraisal which attributes no value to such properties. Nevertheless, the BLRA reserves the right to obtain an appraisal as to such properties at a later time. In such event, the appraisal process that applies to stand alone commercial/retail properties would similarly apply to such service commercial/retail properties.

Redevelopment Process

Sections 3.2 of the Redevelopment Agreement, relating to the redevelopment process, shall be modified in its entirety and replaced with the following process.

Harbor Station South shall be redeveloped in five (5) phases corresponding to the five (5) neighborhoods identified on Exhibit A to this letter (each a "Redevelopment Phase"). Fidelco shall, upon the sale of fifty percent (50%) of the residential units in Harbor Station North or the immediately preceding Redevelopment Phase in Harbor Station South, as applicable, submit a written proposal (the "Redevelopment Proposal") to the BLRA setting forth the following information: (1) a narrative describing the proposed redevelopment project (the "Redevelopment

Project”) for the first Redevelopment Phase, including an identification of the location of the applicable Redevelopment Phase, the number and square footage of buildings and the residential, retail and/or commercial units therein, provisions for parking and open space, and the identification of traffic and other environmental concerns and the proposed manner of addressing same; (2) a preliminary budget with respect to such proposed redevelopment project; (3) a conceptual site and architectural plan for the proposed redevelopment project; (4) a preliminary schedule and staging plan for the proposed redevelopment project; (5) the anticipated Initial Purchase Price for the applicable Redevelopment Phase; and (6) a proposed purchase price, if any, for any retail or commercial in the applicable Redevelopment Phase. The BLRA shall, following its receipt of the Redevelopment Proposal, review same and, together with Fidelco, work cooperatively and in good faith to (x) finalize the redevelopment project such that it may be submitted to the Project Review Committee as required by the Redevelopment Plan and (y) if applicable, undertake and complete the appraisal process for the non residential components therein. The redevelopment project agreed to by the BLRA and Fidelco shall be the “Redevelopment Project.” Fidelco shall diligently and continuously pursue all Approvals with respect to each Redevelopment Project in an effort to receive all Approvals prior to the sale of seventy-five percent (75%) of the residential units in Harbor Station North or the immediately preceding Redevelopment Phase in Harbor Station South, as applicable.

Fidelco shall, upon (1) the sale of seventy-five percent (75%) of the residential units in Harbor Station North or the immediately preceding Redevelopment Phase in Harbor Station South, as applicable, and (2) the receipt of all Approvals required to commence construction (i.e. footings and/or foundation, as applicable), purchase the Redevelopment Phase described in the Redevelopment Project. Fidelco’s obligations under this paragraph shall not be subject to (x) the occurrence of an event of Force Majeure or (y) failure of the timely construction of any Infrastructure Improvements related to such Redevelopment Phase (each of the foregoing, a “Tolling Event”). Notwithstanding anything in this paragraph to the contrary, Fidelco shall purchase the first Redevelopment Phase no later than five (5) years from the date hereof and the last Redevelopment Phase no later than ten (10) years from the date hereof.

Fidelco shall commence construction (i.e. footings and/or foundation, as applicable) of the first building within each Redevelopment Phase within six (6) months of the purchase of such Redevelopment Phase. Upon the execution of contracts for the sale of seventy-five percent (75%) of the residential units of a building in a Redevelopment Phase, Fidelco shall commence the offering and execution of contracts for the sale of residential units of a subsequent building in such Redevelopment Phase. Upon the execution of contracts for the sale of fifty percent (50%) of the residential units in such subsequent building in a Redevelopment Phase, Fidelco shall commence construction (i.e. footings and/or foundation, as applicable) of such subsequent building in such Redevelopment Phase. Notwithstanding anything herein to the contrary the exterior of every building (i.e. roof, exterior walls, windows and all exterior finishes and site work) must be completed within two and a half (2.5) years of the commencement of the construction (i.e. pilings and/or foundation, as applicable) of such building. Fidelco’s obligations under this paragraph shall be extended one day for each day a Tolling Event persists.

Infrastructure Improvements

The Parties acknowledge that the BLRA is required to provide for all of the "curb out" infrastructure improvements within Harbor Station South (collectively, the "Infrastructure Improvements"). The Parties further acknowledge that the BLRA anticipates the paying for the costs with respect to such Infrastructure Improvements with the proceeds from the sale of the Harbor Station South. Accordingly, the Parties shall work cooperatively to negotiate a project development agreement for harbor Station South that addresses this requirement in a manner that is consistent with the Redevelopment Agreement without adversely impacting the redevelopment process as described above.

As we have previously discussed, the terms and conditions of the project development agreement for Harbor Station North will not serve as precedent for the proposed project development agreement for Harbor Station South. The Redevelopment Agreement, as amended and supplemented by this letter agreement, shall form the sole basis for negotiating a project development agreement for Harbor Station South. Further, the Parties shall work diligently and in good faith to negotiate and execute a project development agreement consistent with the terms of the Redevelopment Agreement and this letter agreement within six (6) months of the execution of this letter agreement.

Please accept the terms and conditions of this letter agreement by countersigning this letter agreement where indicated below and returning same to me at your earliest convenience.

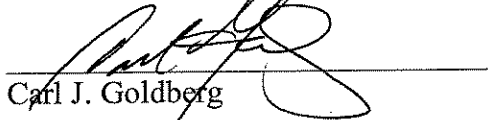
Very truly yours,



Nancy A. Kist,
Executive Director

Acknowledged and agreed to
this 5 day of October, 2006.

Fidelco Bayonne Realty LLC



Carl J. Goldberg

Marc E. Berson

cc: Steven B. Kalafer
Kenneth J. Hollenbeck, Esq.
Fred D. Zemel, Esq.
Joseph P. Baumann, Jr., Esq.