

Flushing

DEVELOPMENT AND OPERATING AGREEMENT

THIS AGREEMENT (this "Agreement") is made as of the 15th day of July, 1997 by and among FC BEDFORD ASSOCIATES, L.P. ("FCBA"), a New York limited partnership, having an address at One MetroTech Center North, Brooklyn, New York 11201; FOREST CITY TILDEN ASSOCIATES, L.P. ("FCTA"), collectively with FCBA, "Forest City", a New York limited partnership having an address at One MetroTech Center North, Brooklyn, New York 11201; SEARS, ROEBUCK AND CO. ("Sears"), a New York corporation, having an address at 3333 Beverly Road, Hoffman Estates, Illinois 60179; and DURYEA ASSOCIATES, L.L.C. ("Duryea"), a New York limited liability company, having an address c/o Hollenberg, Levin, Solomon, Ross, Belsky & Daniels, LLP, 585 Stewart Avenue, Garden City, New York 11530.

W I T N E S S E I H:

WHEREAS, FCTA is the owner of a certain parcel of real property and the improvements thereon located in Kings County, New York designated on the Tax Map of the Borough of Brooklyn as Block 5126, Lots 1, 62 and 40 (the "FCTA Parcel"), as depicted on the Site Plan attached hereto as Exhibit A and made a part hereof (the "Site Plan");

WHEREAS, FCTA, as landlord, and the City, as tenant, entered into a Lease Agreement dated as of June 30, 1995 for a rooftop parking deck on top of the commercial building on the FCTA Parcel (the "Parking Deck");

WHEREAS, the City, as sublessor, and New York City Economic Development Corporation ("EDC"), a local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as sublessee, entered into a Sublease Agreement dated as of June 30, 1995 for the Parking Deck, which Sublease Agreement was assigned to and assumed by FCTA pursuant to an Assignment and Assumption of Sublease Agreement between EDC and FCTA dated June 30, 1995, as same may have been amended from time to time;

WHEREAS, the City is the owner of certain real property located in Kings County, in the City of New York, designated on the Tax Map of the Borough of Brooklyn as Block 5132, Lot 17 and part of Lot 18, and Block 5133, Lots 1, 3, 8, 50, 65 and part of 14, and a mapped but unopened portion of East 22nd Street (between Duryea Place and Tilden Avenue) (the "Street"), as depicted on the Site Plan (collectively, the "City Parcel");

WHEREAS, the City, as landlord, and EDC, as tenant, entered into an Agreement of Lease dated as of the date hereof for the City Parcel, which Agreement of Lease was assigned to and assumed by FCBA pursuant to an Assignment and Assumption of Lease between EDC and FCBA dated the date hereof (collectively, the "City Parcel Lease");

WHEREAS, Duryea is the owner of certain real property located in Kings County, in the City of New York, designated on the Tax Map of the Borough of Brooklyn as Block 5132, Lot 70, as depicted on the Site Plan (the "Duryea Parcel");

WHEREAS, The Mutual Life Insurance Company of New York, as landlord, and Sears, as tenant, entered into an Indenture of Lease, dated December 12, 1946 (as the same may have been amended, the "Sears Lease") for certain real property located in Kings County, in the City of New York, designated on the Tax Map of the Borough of Brooklyn as Block 5133, Lot 14, as depicted on the Site Plan (the "Sears Leased Parcel");