

# COMPARATIVE ECONOMIC FEASIBILITY STUDY

**City and Suburban Homes Company, First  
Avenue Estate**

**429 East 64th Street & 430 East 65th Street**

**New York, New York County, NY 10065**

Latitude: 40.76054 Longitude: -73.977882

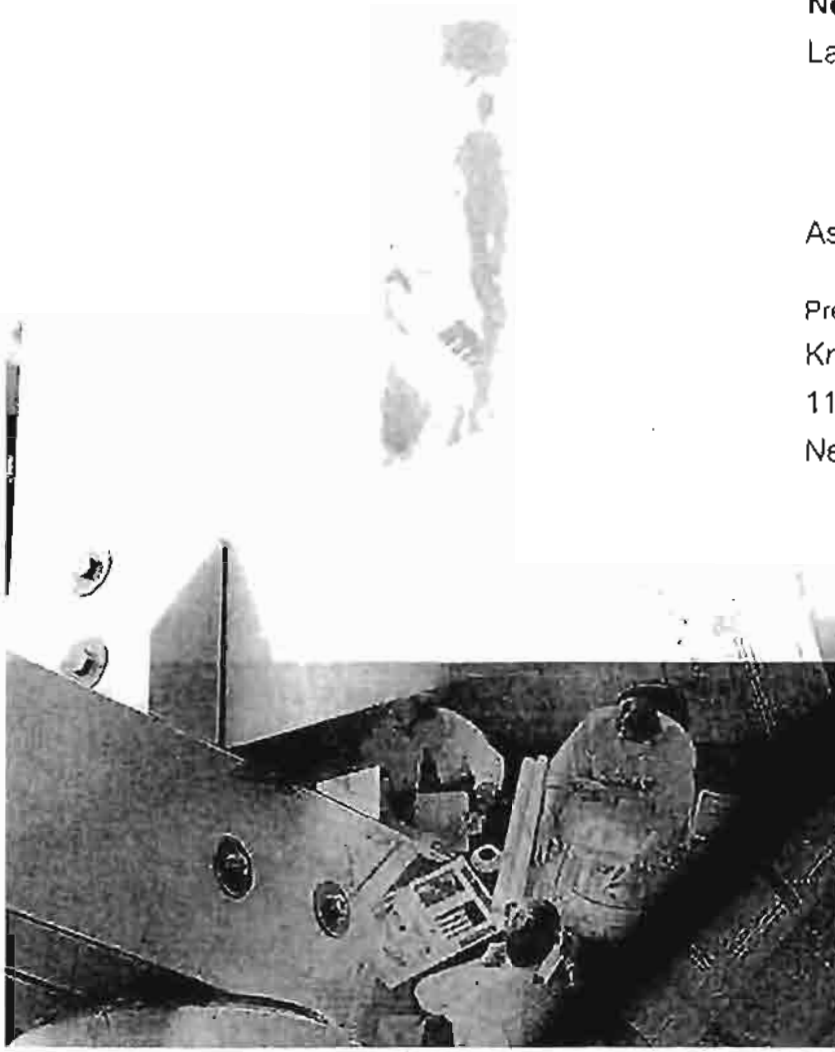
As of May 1, 2010

Prepared For:

Kramer Levin Naftalis & Frankel LLP

1177 Avenue of the Americas

New York, NY 10036



Photograph of Subject Property

Prepared By:

Cushman & Wakefield, Inc.

Valuation Services, Capital Markets Group

1290 Avenue of the Americas, 9th Floor

New York, NY 10104-6178

C&W File ID: 08-12003-9138





CUSHMAN & WAKEFIELD, INC.  
1290 AVENUE OF THE AMERICAS, 9TH FLOOR  
NEW YORK, NY 10104-6178

June 7, 2010

Paul D. Selver, Esq.  
Partner

**Kramer Levin Naftalis & Frankel LLP**  
1177 Avenue of the Americas  
New York, NY 10036

Re: Comparative Economic Feasibility Study  
**City and Suburban Homes Company, First Avenue Estate**  
429 East 64th Street & 430 East 65th Street  
New York, New York County, NY 10065

C&W File ID: 08-12003-9138

Dear Mr. Selver:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our comparative economic feasibility study of the above property dated June 7, 2010. The effective date of the analysis is May 1, 2010.

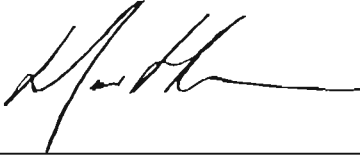
The subject of this comparative economic feasibility study is two walk-up buildings containing 190 units, which are landmarked by the New York City Landmark Preservation Commission. According to the New York City Administrative Code Section 25-309, reasonable return is defined as a net annual return of 6.0 percent of the valuation of an improvement parcel. Under the definition, the subject property does not generate a reasonable return.

The property was inspected by and the report was prepared by M. Wendy Hwang and John T. Feeney, Jr. Matthew C. Mondanile, MAI and Timothy Barnes, CRE, FRICS did not inspect the property but have reviewed the report and concur with its findings.

Based on continued use without building-wide capital improvement but with capital expenditure sufficient to cure fire and safety conditions in units, the proforma develops a return of **negative 2.871%** based on the valuation. The income and expenses reported in the TC201 2010 form indicates a negative net operating income (NOI) of \$565,179. This equates to a return of **negative 8.503%**. A copy of the TC201 2010 form is found in the addenda. Therefore, we have concluded that the imposition of the landmark's designation on November 21, 2006, has rendered the property incapable of generating a reasonable return on valuation as defined in the New York City Landmarks Law.

Respectfully submitted,

**CUSHMAN & WAKEFIELD, INC.**



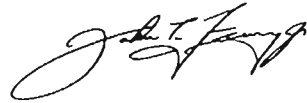
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Matthew C. Mondanile, MAI  
Executive Managing Director  
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M. Wendy Hwang  
Director  
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NY Certified General Appraiser  
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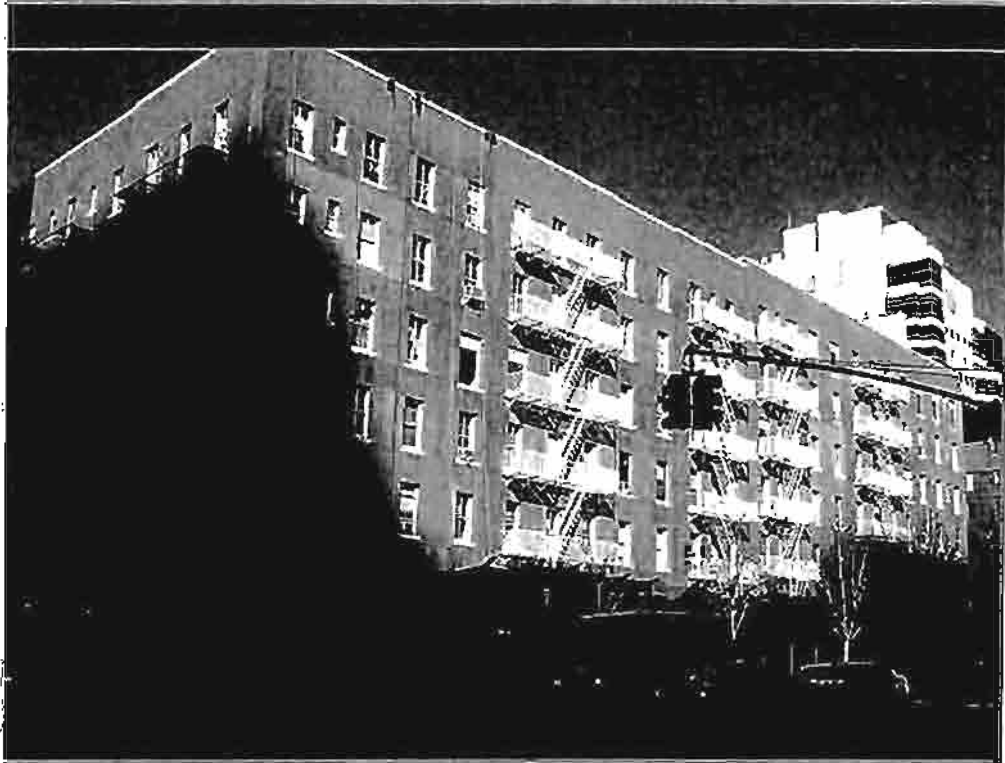
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Timothy Barnes, CRE  
Managing Director  
New York Certified General Appraiser  
License No. NYS 46000006137

## GENERAL DESCRIPTION

The following is an executive summary of the information that we present in more detail in the report.

BASIC INFORMATION			
Common Property Name:	City and Suburban Homes Company, First Avenue Estate	Report Type:	Comparative Economic Feasibility Study
Address:	429 East 64th Street & 430 East 65th Street	Date of Inspection:	2/5/09
City:	New York	Date of Report:	6/7/10
State:	NY		
Zip Code:	10065		
County:	New York		
Property Ownership Entity:	Stahl York Ave. Co. LLC		
CW File Reference:	06-12003-9138		
SITE INFORMATION			
Land Area Gross SF:	20,083	Site Utility:	Good
Land Area Acres:	0.46	Site Topography:	Gently sloping
Is there additional Excess Land?	No	Site Shape:	Rectangular
Excess Land Area SF:	0	Frontage:	Very Good
Excess Land Area Acres:	0.00	Access:	Good
Total Land Area SF:	20,083	Visibility:	Good
Total Land Area Acres:	0.46	Location Rating:	Average
Flood Zone:	X	Number of Parking Spaces:	0
Flood Map Number:	360497-0069F	Parking Ratio (per 1,000 sf):	0.00:1
Flood Map Date:	9/5/07	Parking Type:	None
BUILDING INFORMATION			
Type of Property:	Multi-Family	Actual Age:	94 Years
Number of Units:	190	Quality:	Poor
Number of Buildings:	2	Condition:	Fair to Poor
Gross Building Area:	84,826 SF	Year Built:	1916
Net Rentable Area:	70,406 SF	Year Renovated:	N/A
Number of Stories:	6	Land to Building Ratio:	0.24:1
		Building Class:	C



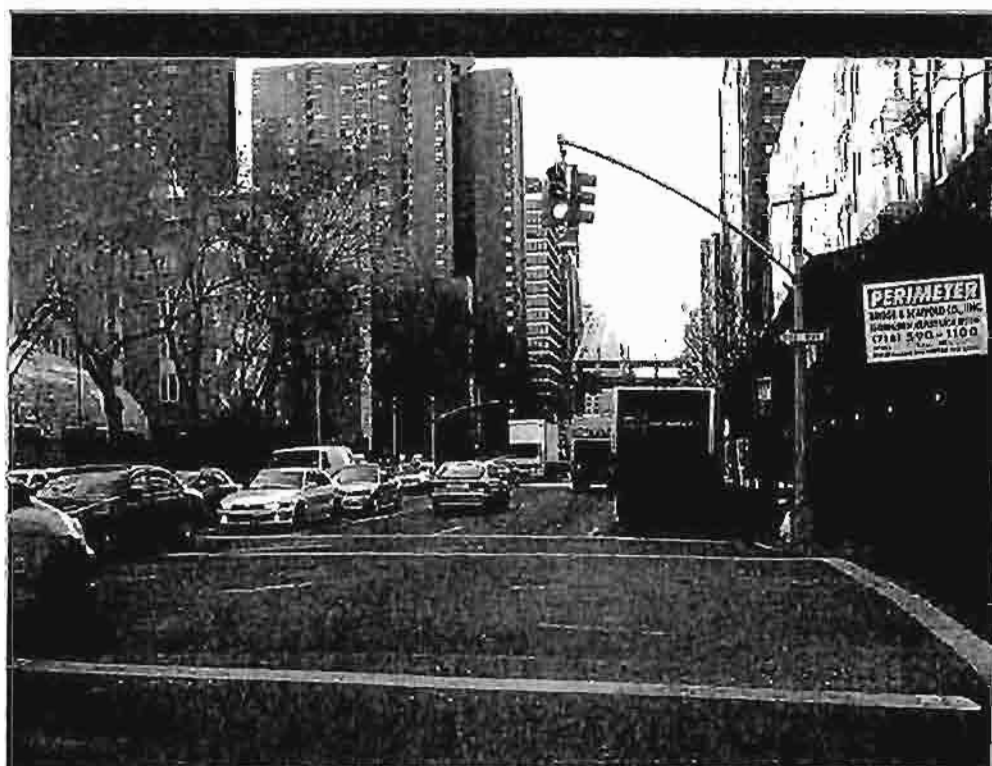
View of the subject property looking northwest across York Avenue.



View of the subject property looking southwest across York Avenue.



Street scene facing north on York Avenue. Subject property is on the left.



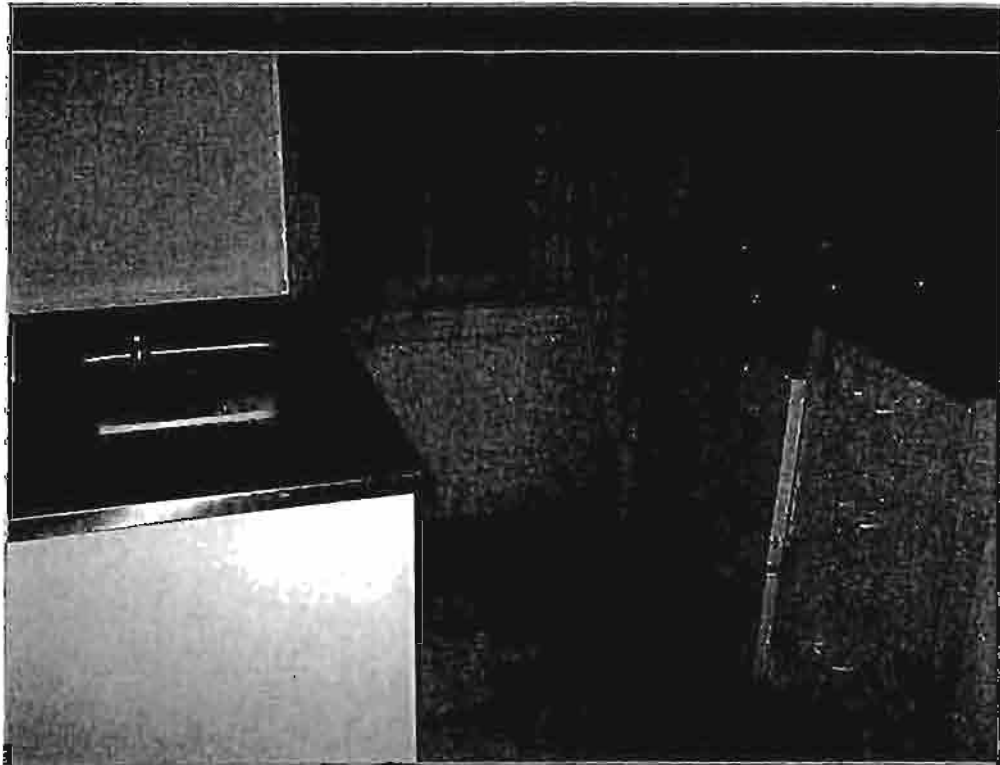
Street scene facing south on York Avenue. Subject property is on the right.



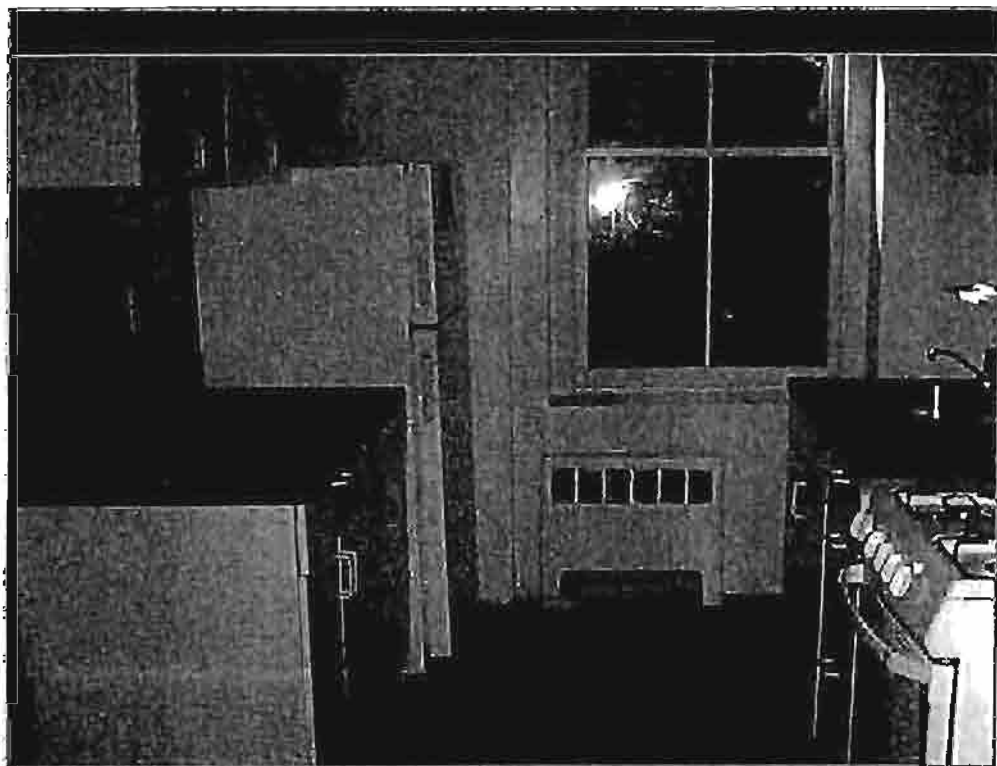
View of the subject and adjacent buildings from East 64<sup>th</sup> Street.



View of the subject and adjacent buildings from East 65<sup>th</sup> Street.

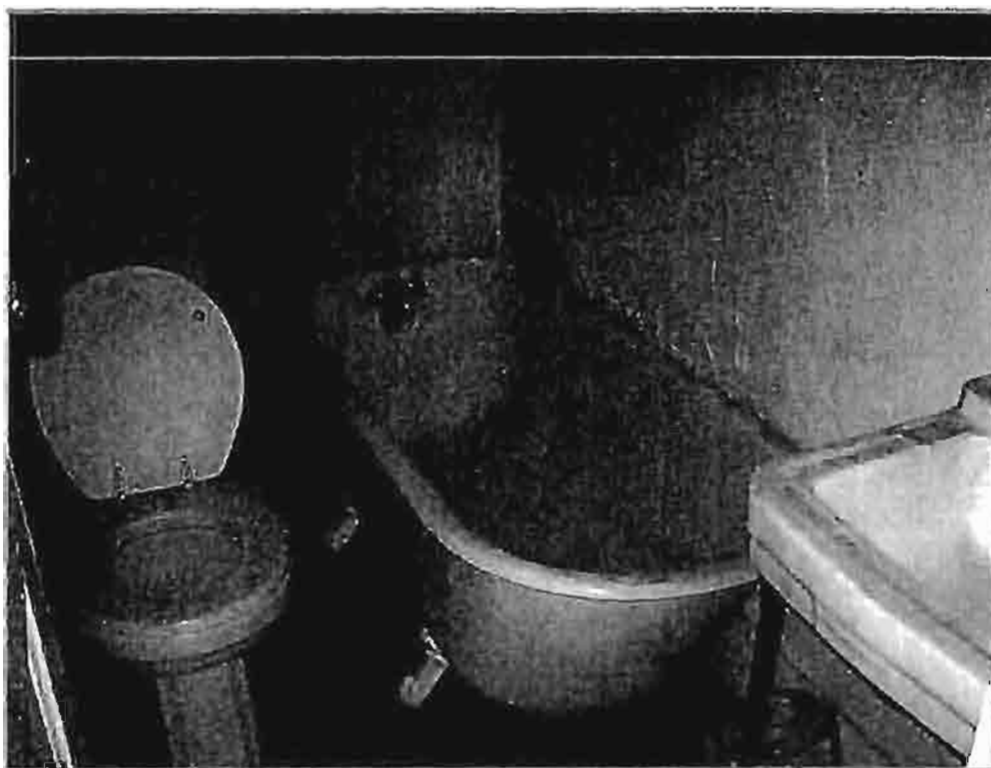


View of a typical kitchen.



View of a renovated kitchen.





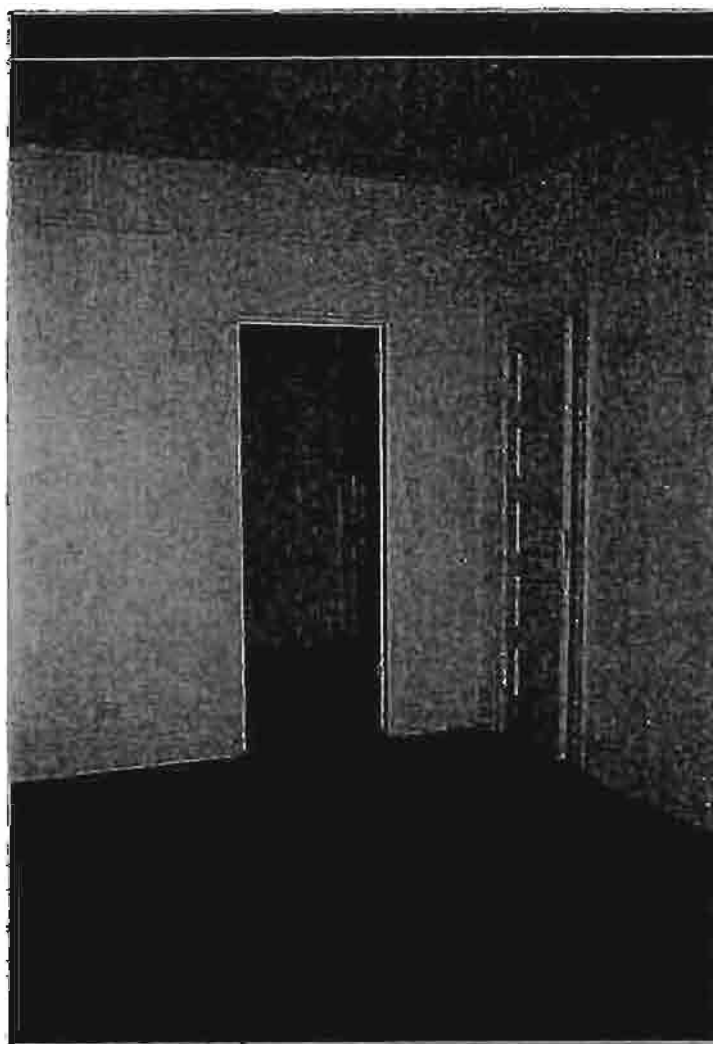
View of a typical bathroom.



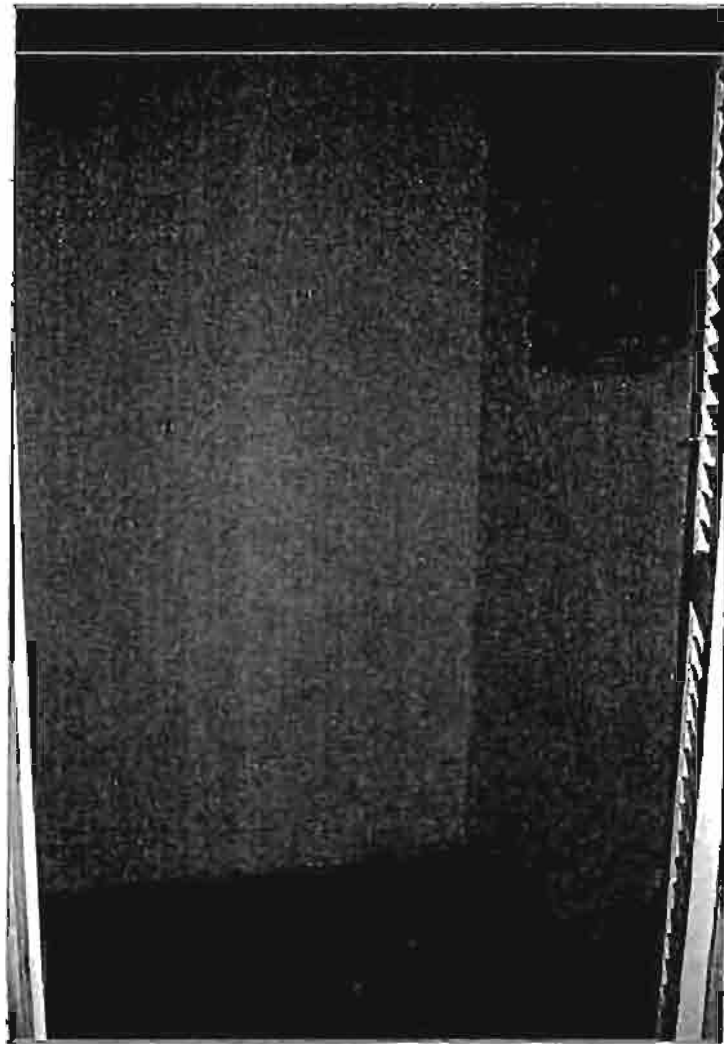
View of a typical bathroom



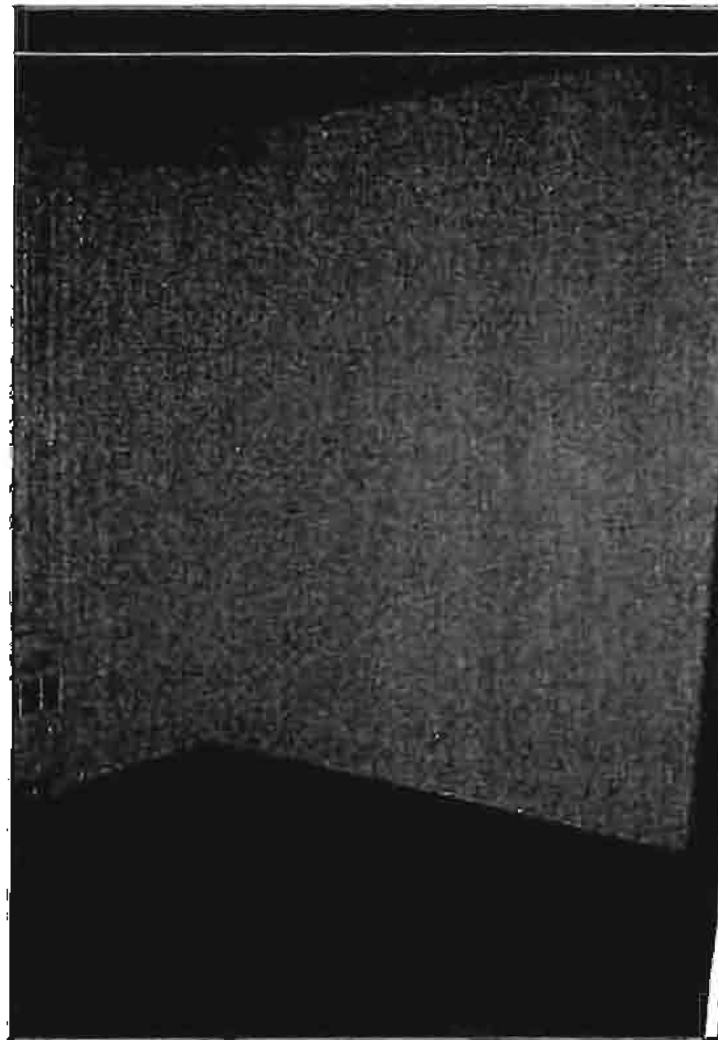
View of a typical living room.



View of a typical living room.



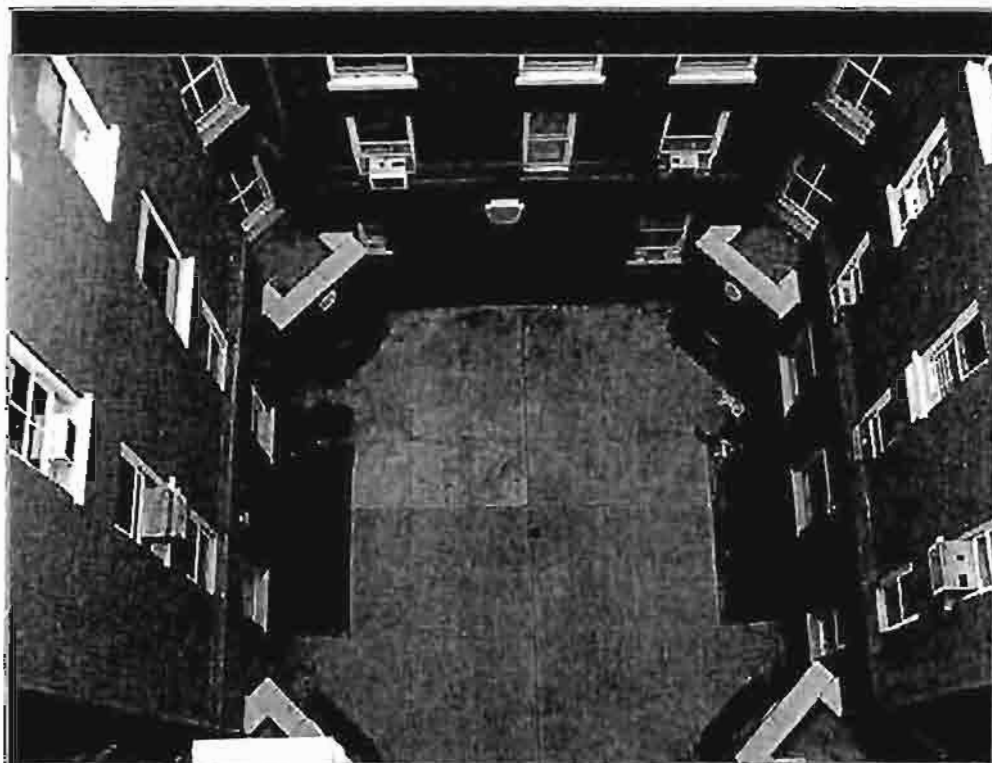
View of a typical bedroom.



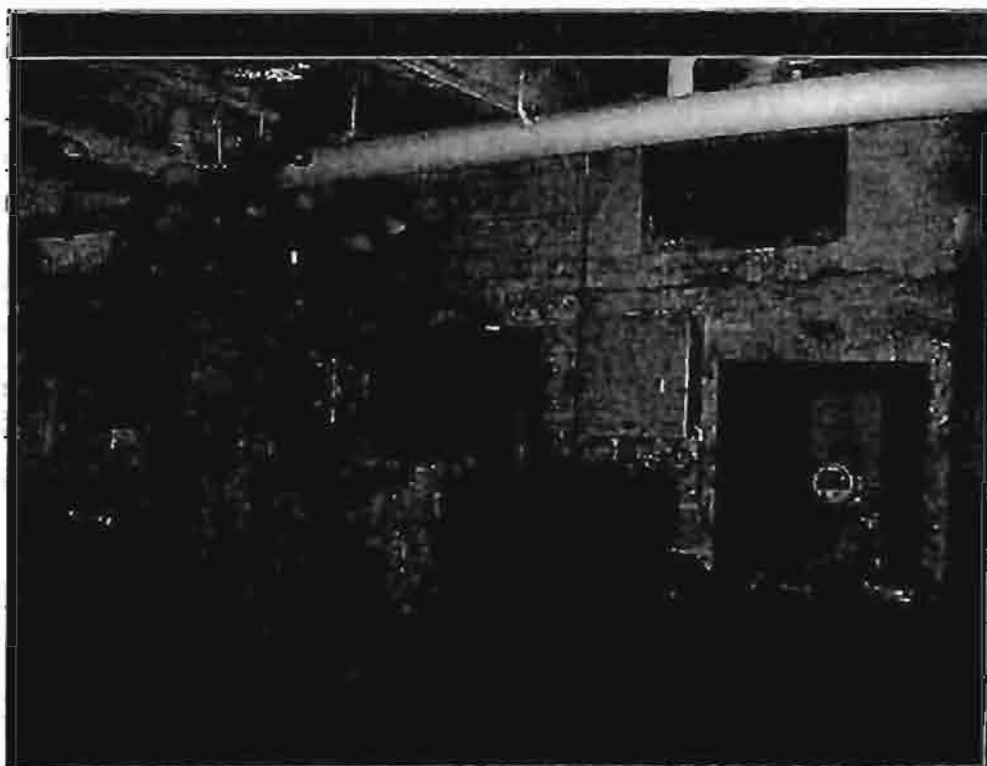
View of a typical bedroom.



View of exterior façade facing courtyard.

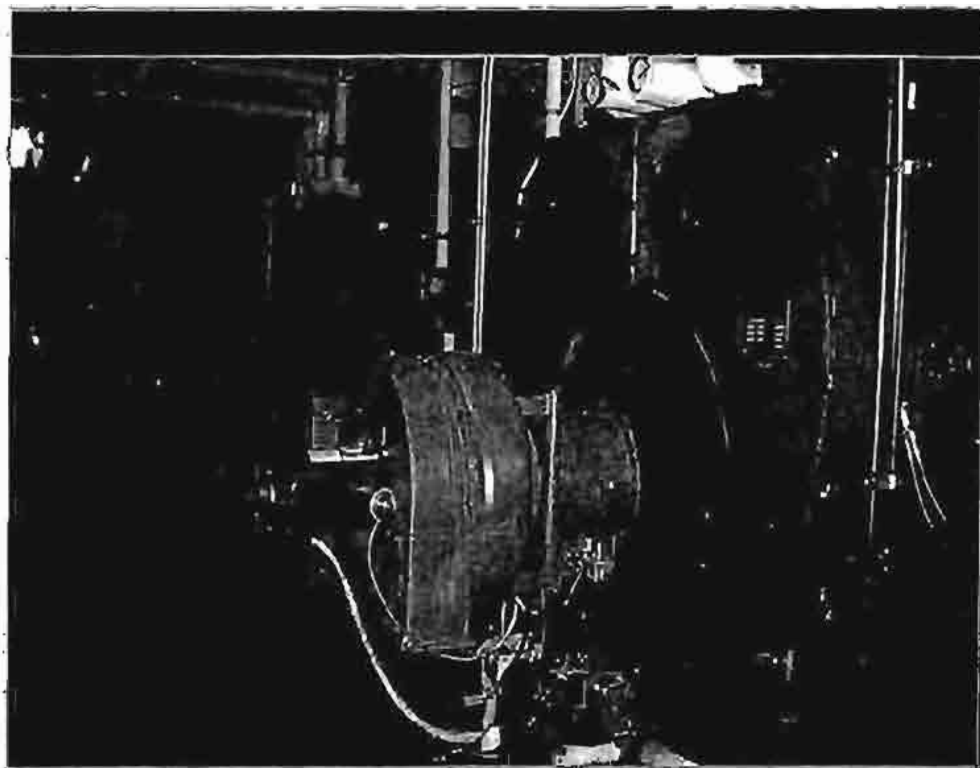


View of the courtyard.

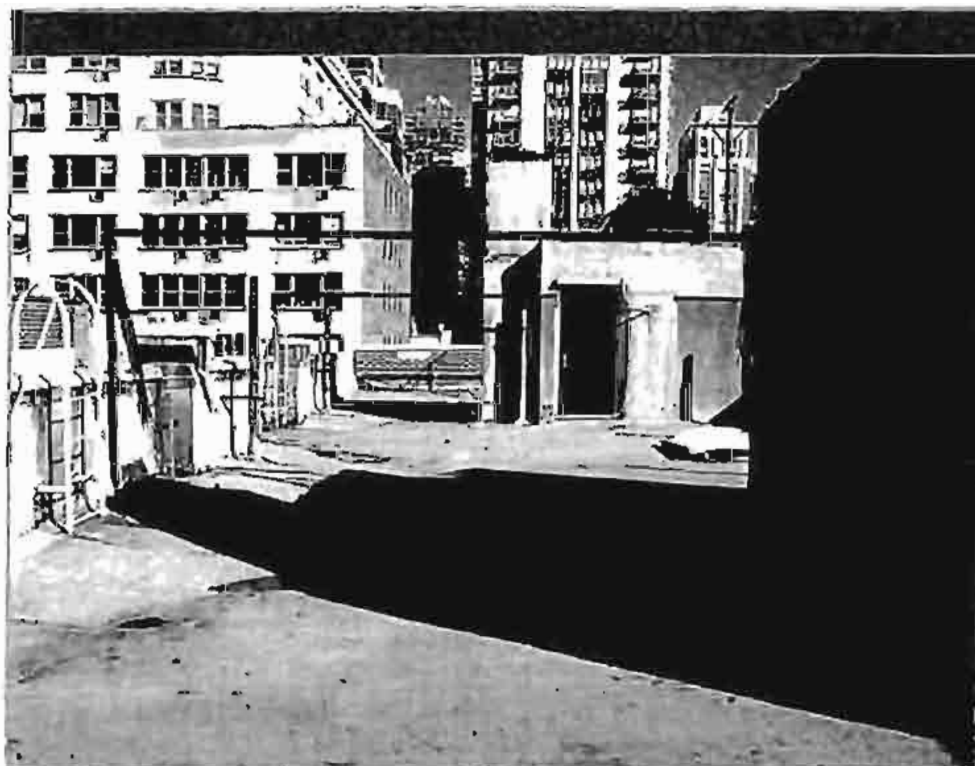


View of the electrical room.





View of the boiler room.



View of the roof.

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## INTRODUCTION

### SCOPE OF WORK

Cushman & Wakefield, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all assignments. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

The scope of this assignment required collecting primary and secondary data relevant to the subject property. We analyzed rental data, and considered the input of buyers, sellers, brokers, property developers and public officials. We relied upon a physical inspection of the subject property from 2009. We also investigated the general regional economy as well as the specifics of the subject property's local area.

The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the value conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the assignment.

The assignment employs elements of the Income Capitalization Approach for use in a comparative economic feasibility study.

**IDENTIFICATION OF PROPERTY**

Common Property Name: City and Suburban Homes Company, First Avenue Estate

Location: 429 East 64th Street & 430 East 65th Street  
New York, New York County, NY 10065

Assessor's Parcel  
Number: Block 1459, Lot 22

Legal Description: The legal description is presented in the Addenda of the report.

**PROPERTY OWNERSHIP AND RECENT HISTORY**

Current Ownership: Stahl York Ave. Co. LLC

Sale History: To the best of our knowledge, the property has not transferred within the past three years.

Current Disposition: To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.

**DATES OF INSPECTION AND ANALYSIS**

Date of Analysis: May 1, 2010

Date of Inspection: May 1, 2010

Property inspection was  
performed by: M. Wendy Hwang and John T. Feeney, Jr.

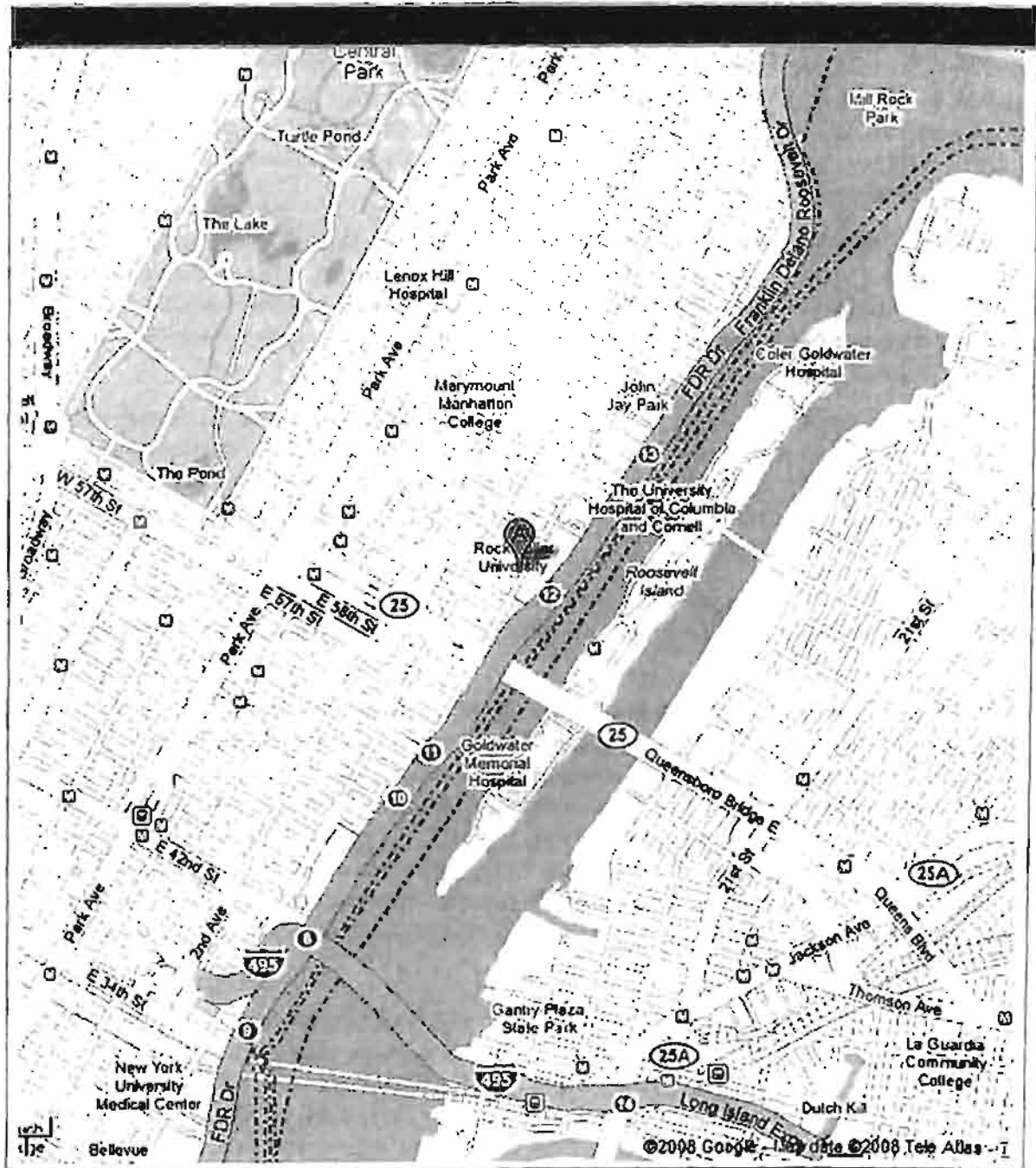
**INTENDED USE AND USERS OF THE REPORT**

Intended Use: Internal use by The Stahl Real Estate and for submission to the Landmarks Preservation Commission of the City of New York.

Intended User: This report is prepared for internal use by the Stahl York Avenue Company and for use by the Company in connection with an application, pursuant to Section 25-309 of the New York City Administrative Code, for a certificate of appropriateness on the ground that the subject property, as a designated New York City landmark, does not produce a reasonable return on its valuation. No other use is anticipated or permitted without the written permission of Cushman & Wakefield, Inc.

This report does not employ any extraordinary assumptions, hypothetical conditions, supplemental standards, or jurisdictional exceptions.

## REGIONAL MAP



## INVESTMENT CONSIDERATIONS

### GENERAL RESIDENTIAL MARKET CONDITIONS

The New York City residential market has retreated from its peak. Significant declines in condominium prices as well as rental rates are evident throughout most areas of the city. The local economy is anticipated to lose at least 165,000 jobs as estimated by the New York State Comptroller's office. Forecasts from other sources indicate as many as 250,000 to 300,000 job losses, which would be similar to the losses witnessed between 1991 and 1994 as well as 2001 and 2003.

Rental rates, on an effective rent basis, have decreased between 20 to 25 percent since September 2008. In 2009, landlords were offering concessions in the form of free rent, payment of brokerage commissions and offering fee service amenities such as health club memberships. In the first 5 months of 2010, the rental market has shown signs of tightening. Long term, we believe the shift in the residential market will stabilize in 2010, with a return to growth in 2011.

Developers are not able to obtain financing to acquire sites and the market for development sites is very poor currently. There is a substantial disconnect between bid and ask prices. As investors must use significantly greater levels of equity, and demand greater returns commensurate with risk, prices are expected to decrease. However, the lack of data from transactions warrants a discussion of the impact on real estate from the malaise throughout the capital markets.

Financing remains very difficult to obtain. The Cushman & Wakefield Capital Markets Group's May 2010 update indicates loan to value ratios of 50 to 80 percent. Terms range from 2 to 10 years with interest only to 30 year amortizations.

As it relates to development sites, financing is more restrictive than in the 2004-2007 period. We do not know of new land loans being made in New York City. However, banks are extending loans on partially improved and dormant sites. Borrowers are being asked/forced to increase equity in return for extensions of 12 to 18 months. Buyers requiring large percentages of debt are currently out of the market. Equity oriented buyers are those which will be able to acquire development sites. Long term, the supply fundamentals for Manhattan are favorable compared to most urban areas of the country. Industry analysts report that significant amounts of equity exists poised to enter the market at timing most advantageous to those sources. Cushman & Wakefield Capital Markets Group reports no significant development sites currently available from non distressed sellers in Manhattan.

### THE FINANCIAL CRISIS

The credit crunch that began to unfold in the U.S. in mid-2007 evolved into a global financial crisis by October 2008, soon after the Lehman Brothers bankruptcy. Many market observers equate this crisis as the greatest challenge to the world's economic health since the Great Depression. Its effects have radically reshaped the financial sector, and its consequences continue to impact nearly every other industry. Although many financial experts believe that the worst may be behind us, economic conditions remain fragile. Concerns about a "double dip" loom large in early 2010, while job creation becomes the next big obstacle to tackle.

From the start, government efforts to combat the crisis were not only robust but unprecedented. The Emergency Economic Stabilization Act of October 2008 (EESA) allowed Treasury to facilitate the \$700.0 billion Troubled Asset Relief Program (TARP) also known as "the bailout". In February of 2009, the American Recovery and Reinvestment Act of 2009 (AARA) was enacted by Congress and signed into law. Better known as the "stimulus bill", the \$787.0 billion package included federal tax cuts and extended unemployment benefits, in addition to increasing domestic spending on education, health care, and infrastructure. So far, about a third of the "stimulus" money has been spent. Time will tell if a second "stimulus" is needed, as many leading economists argue that

such a step is necessary. For the time being, however, it appears that government policies have successfully reinvigorated the financial markets.

The fallout from the crisis was significant, widespread, and permanently altered the financial landscape. Institutions such as Lehman Brothers, which had been around for well over a century, were acquired, filed for Chapter 11 bankruptcy protection, or placed into federal conservatorship. Money from TARP flooded these companies with the much needed cash to stay afloat, pulling them, and the economy at large, from the brink of collapse. To date, a few major institutions such as Bank of America, JPMorgan Chase, and Goldman Sachs have repaid their TARP loans; however, most of this has been done with capital raised from the issuance of equity securities and debt not necessarily guaranteed by the federal government.

## ECONOMIC IMPACT

The U.S. officially entered this recession in December 2007, although the National Bureau of Economic Research (NBER) didn't declare it until a year later. At the moment, no official end has been announced, but the economy grew by 2.2 percent in the third quarter of 2009, and by 5.6 percent in the fourth quarter; the best performance since 2003. This growth level, however, is not sustainable and most estimates place 2010 growth somewhere in the 3.0 percent range.

Despite improving economic indicators, the NBER remains cautious and has yet to declare an end to the recession. Their concerns about the severity and duration of the contraction have made it particularly hard to determine with authority that a recovery has begun. This type of acknowledgement is rare in the history of setting dates to business cycles and may affect the behavior of certain investors, consumers and policy makers. Notwithstanding, most economists' concerns about a "double-dip" recession are indicating that this scenario is becoming less likely and anticipate that economic fundamentals should continue to improve.

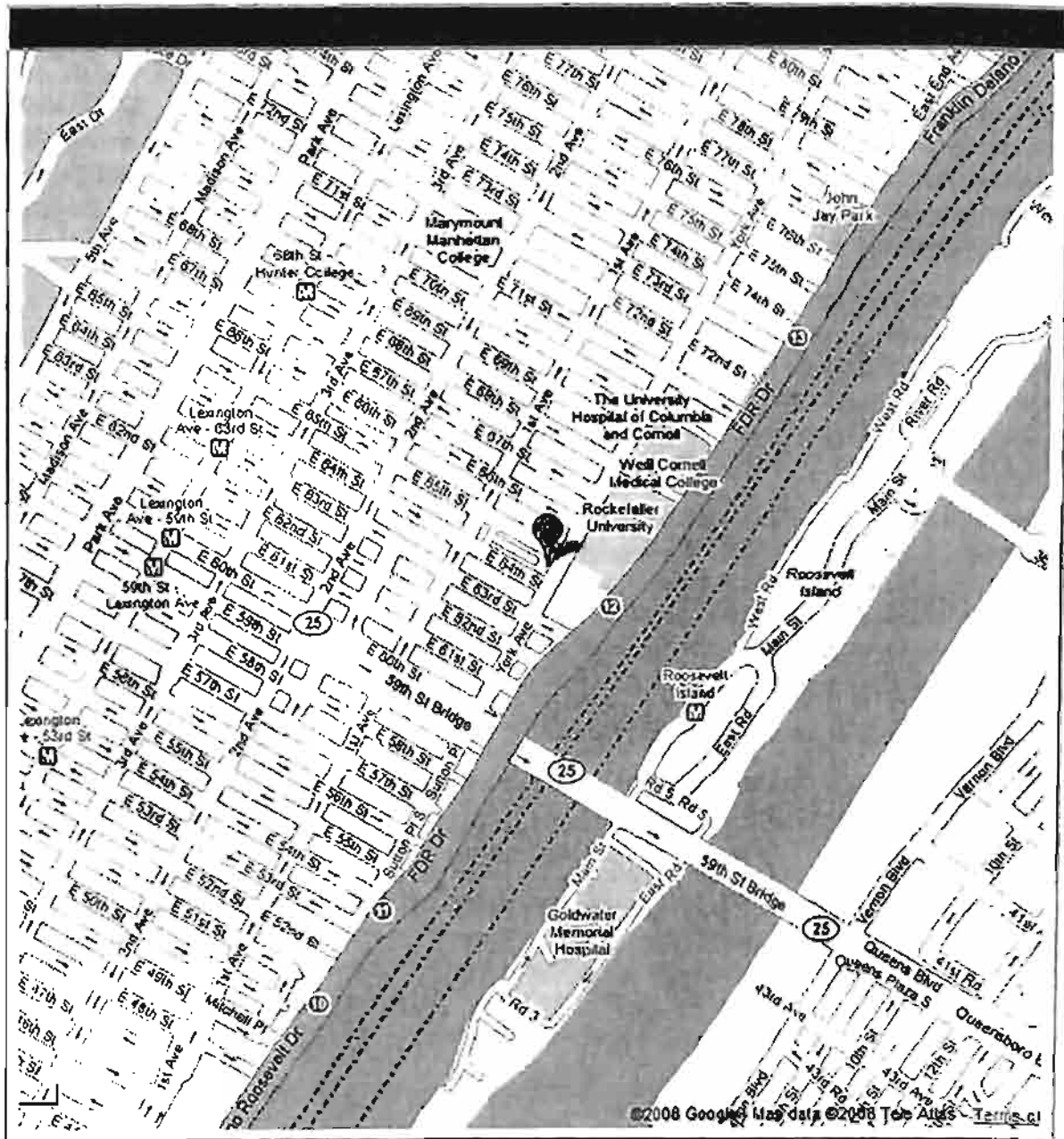
Listed below are some notable economic trends:

- Following two years of job losses, job creation increased in the first quarter of 2010. The unemployment rate, however, held steady at 9.7 percent, largely as a result of the long-term unemployed reentering the job market.
- March 2010's same-store retail sales beat expectations, bolstering talk of a budding rebound for the nation's malls and discounters. Thomson Reuters, reported that March 2010 same-store retail sales increased by 9.1 percent, significantly higher than the 6.3 forecast and the strongest monthly sales gains since the company started tracking in 2000. They warned, however, that the gains are relative, particularly since the year-ago period was so weak.
- March 2010 new home sales jumped 26.9 percent compared to February 2010 largely to take advantage of the tax credit that's set to expire. Not only is the fastest single-month rate in 47 years, but the gain snapped a four-month streak of declines. The average new home price, however, was pretty much flat compared to a year earlier and about 12.0 below the average price in 2008.

## CONCLUSION

As market observers who simulate behavior rather than affect it, we await market evidence as to the long term impact of the credit crisis. Risk is considered in the context of our anticipation of rental growth and most vividly in our cap and discount rate selections. Current investor behavior reflects a higher cost of capital, concern about the economy, a reduced pool of investors, and more conservative rent growth and cash flow modeling assumptions. We recognize also that the new market purchasers will have a greater equity interest and lenders will be working with more conventional lending margins, debt and equity coverage ratios.

## LOCAL AREA MAP

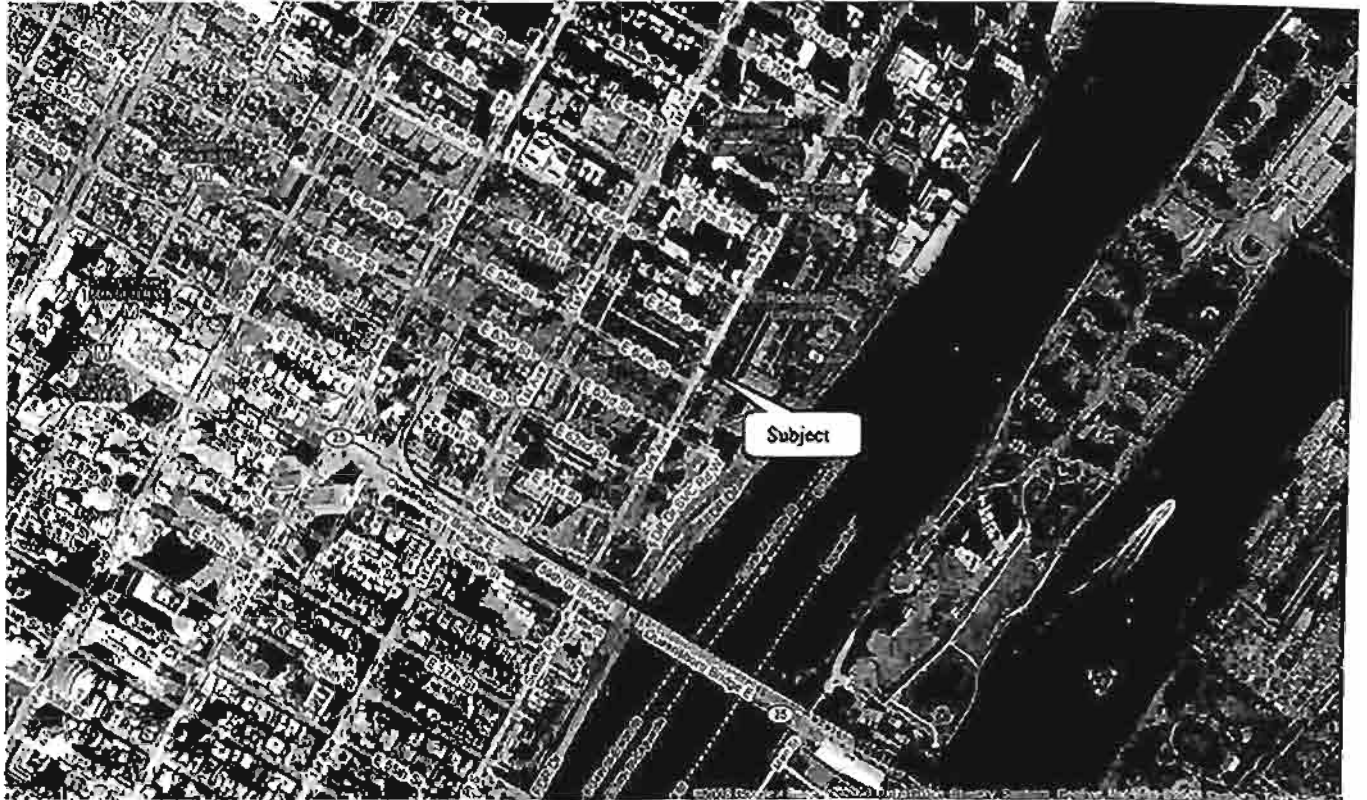




## LOCAL AREA ANALYSIS

### LOCATION

The property is located on the westerly blockfront on York Avenue between East 64<sup>th</sup> and East 65<sup>th</sup> Streets in the Upper East Side section of New York. The Upper East Side is an area that extends from East 59<sup>th</sup> to East 110<sup>th</sup> Streets, east of Central Park and Fifth Avenue to the East River. The closest sub-district defined within the Upper East Side is Lenox Hill, extending from East 66<sup>th</sup> to East 77<sup>th</sup> Streets, generally west of Lexington Avenue. The immediate area of the subject is characterized by low and mid-size housing with institutional/hospital uses. Area institution includes Rockefeller University, Memorial Sloan-Kettering, and Weill Cornell Medical Centers.



The Upper East Side is a general term that incorporates the neighborhoods of Park East, Yorkville and Carnegie Hill. Park East is located between Fifth and Park Avenues, north of East 59<sup>th</sup> Street and is the premier Upper East Side locale. Yorkville is centered around 86<sup>th</sup> Street and Second Avenue. Carnegie Hill is the district around 92<sup>nd</sup> Street and Madison Avenue. The heart of the district is generally considered to be between 65<sup>th</sup> and 79<sup>th</sup> streets. The Plaza District, a commercial area of Midtown Manhattan, borders the Upper East Side on the south. East or Spanish Harlem borders the Upper East Side to the north.

The Upper East Side has historically been one of the more desirable parts of New York City in which to reside and Park East is an especially attractive area. Fifth Avenue, which forms the eastern border of Central Park, was formerly lined with mansions and townhomes that were built by wealthy industrialists and socialites in the late 1880s, shortly after Central Park was laid out. While nearly all of the mansions on Fifth Avenue have been razed for high-rise development, the side streets are still improved with turn-of-the-century mansions. Many of the townhouse and mansions in the Park East area have been converted to apartments, offices, schools or are used by foreign consulates of the United Nations.

The area of the Upper East Side, east of Lexington Avenue, is not considered as prestigious an address as Park East. Housing east of Park Avenue was originally constructed for the working class and consisted of century-old low-rise tenements and brownstones. The architecture in this area is inferior to that of Park East, and there are fewer buildings of historic merit. The Second and Third avenue "Els" (elevated train lines) had been located in the area. The noise and other associated problems of elevated trains diverted luxury residences to the west before they were razed. East End Avenue and parts of York Avenue have some of the more expensive high-rise residences on the East Side. Since they are close to the East River, many apartments enjoy unobstructed river views.

Since World War II, most of the new residential development on the Upper East Side has been concentrated east of Park Avenue due to the lack of available sites and zoning restricts new high-rise construction in Park East. The avenues are, for the most part, lined with modern post-war rental and condominium high-rise buildings that have restaurants, boutiques and rental on the street-level.

The Upper East Side is a place of many art galleries in Manhattan. The construction of the Metropolitan Museum of Art, begun in 1877, served as a magnet attracting other museums and galleries. Fifth Avenue is also known as Museum Mile along parts of its length. The Guggenheim Museum, The Museum of the City of New York and the Frick Collection are in the vicinity on Fifth Avenue. On Madison Avenue the largest and most widely known museum is the Whitney Museum of American Art at East 75<sup>th</sup> Street. Madison Avenue has a wide variety of private art galleries and dealers along the side streets, as articulated earlier. Internationally known auction houses are also located within the Upper East Side. Christie's is located at Park Avenue and East 59<sup>th</sup> Street while Sotheby's is on York Avenue at East 72<sup>nd</sup> Street.

Hunter College of the City University of New York occupies several modern high-rise buildings at 68<sup>th</sup> Street and Lexington Avenue. This liberal arts college is 70 years old and has a 14,000-student enrollment for business and liberal arts students. Marymount Manhattan College has several buildings on East 72<sup>nd</sup> Street and Second Avenue.

The largest institutions of higher learning on the East Side are along York Avenue and the FDR Drive between 63<sup>rd</sup> and 71<sup>st</sup> streets. On this stretch are Rockefeller University and the Cornell Medical Center. Three hospitals adjoin this complex. The more notable is the Memorial Sloan-Kettering Cancer Center which is perhaps the leading institution focusing on cancer care. The Hospital for Special Surgery and Rockefeller Hospital are nearby. Other hospitals on the East Side include Regent on East 61<sup>st</sup> Street, Manhattan Eye, Ear and Throat on East 64<sup>th</sup> Street and Lenox Hill which occupies an entire block at East 76<sup>th</sup> Street and Lexington Avenue. There are also Gracie Square Hospital, Doctors Hospital and two large complexes north of East 96<sup>th</sup> Street, Mount Sinai and Metropolitan. This vast collection of general and specialist health care creates a multi-billion dollar industry. Patients come from all over the world to seek treatment at these fine institutions. Hundreds of private practitioners are found on the East Side, especially on Fifth and Park avenues.

## CONCLUSIONS

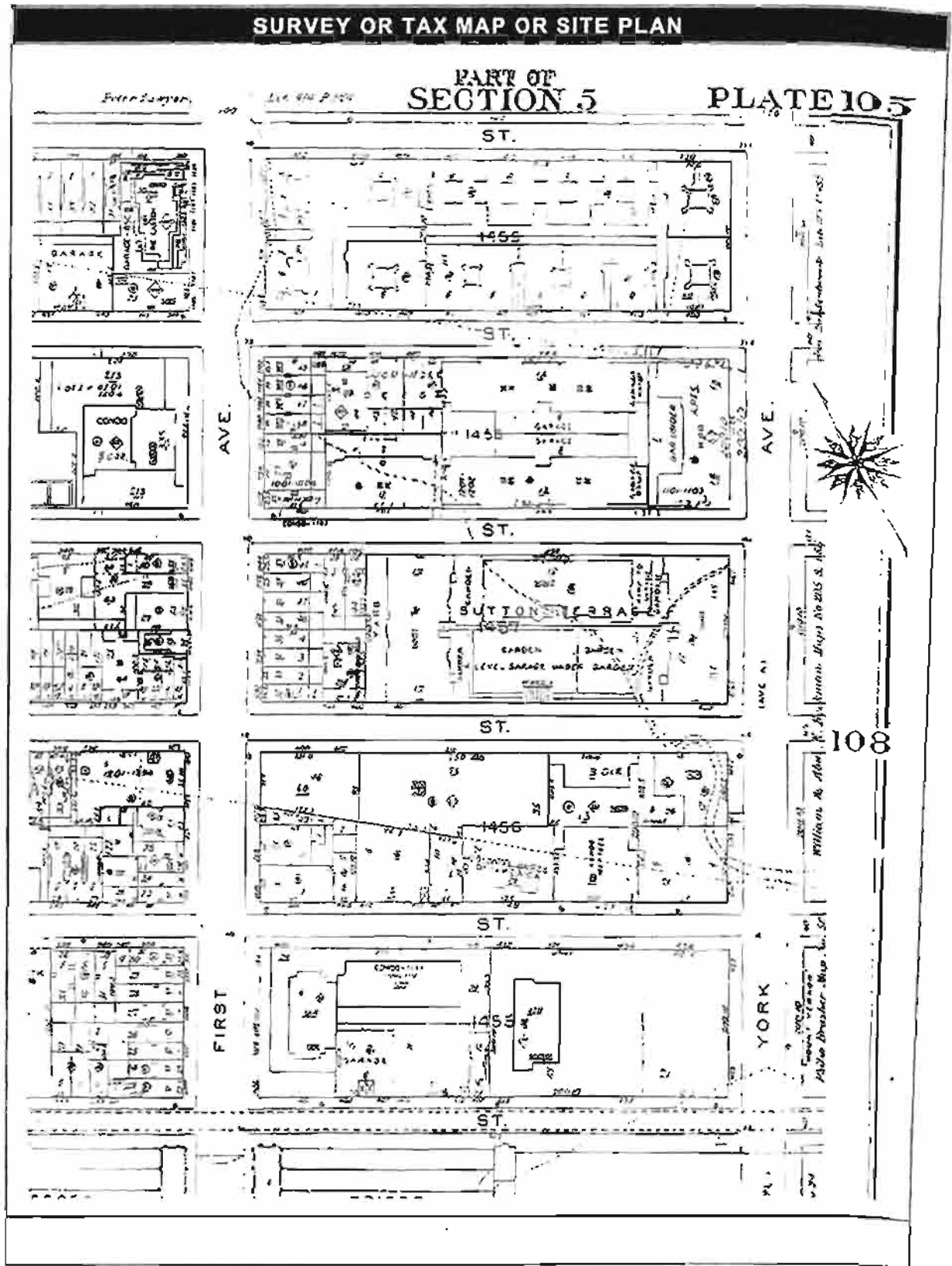
The neighborhood benefits from its a large relative affluent resident population. The cultural attractions of the Upper East Side, have always helped to make it a desirable and culturally enriching place in which to reside and conduct business. The location is considered to be attractive and well served by local service and retail establishments. The immediate vicinity of the subject is one which is relatively distant from subway service. Lexington Avenue at 59<sup>th</sup>, 63<sup>rd</sup>, and 68<sup>th</sup> Streets are the closes subways. The presence of the area hospitals and Rockefeller University interrupt the retail landscape, requiring residents to traverse to First and Second Avenues for some basic neighborhood services. Overall, the area is considered average.

## SITE DESCRIPTION

Location:	429 East 64th Street & 430 East 65th Street New York, New York County, NY 10065 The subject property is located on the westerly blockfront of York Avenue between East 64th and East 65th Streets.	
Shape:	Rectangular	
Topography:	Gently sloping	
Land Area:	0.46 acres / 20,083 square feet	
Frontage:	The subject property has very good frontage. The frontage dimensions are listed below:	
	East 64th Street	101 feet
	East 65th Street	101 feet
	York Avenue	201 feet
Access:	The subject property has good access.	
Visibility:	The subject property has good visibility.	
Soil Conditions:	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate	
Utilities:	All municipal/public utilities are provided and available to the site.	
Site Improvements:	The site improvements include asphalt curbing, courtyard, yard lighting and drainage.	
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.	
Flood Zone:	The subject property is located in flood zone X.	
FEMA Map & Date:	360497-0089F, dated September 5, 2007	
Flood Zone Description:	Areas determined to be outside the 500 year flood plain	
Wetlands:	We were not given a Wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.	
Hazardous Substances:	We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.	

Overall Site Utility: The subject site is functional for its current use.

Location Rating: Average



## IMPROVEMENTS DESCRIPTION

The subject property is improved with a 190-unit apartment complex. The subject property features various amenities, which are listed below:

### SUBJECT PROPERTY AMENITIES

#### PROPERTY AMENITIES

24 Hour Doorman:	No	24-Hour Main/Mgt.	Yes	Fitness Center:	No
Concierge:	No	Security:	No	Fireplace:	No
Valet Services:	No	Laundry Facilities:	Yes	Cable TV:	No
Recreation Area:	No	Tenant Storage:	No	High-Speed Internet:	No
Community Center:	No	Public Transportation:	Yes	Valet Trash:	No
Business Center:	No	Walk-in Closets:	No	Vaulted Ceiling:	No
Tot Lot:	No	Microwave:	No	Balcony / Patio:	No

#### UNIT AMENITIES

Air Conditioning:	No	Panic Alarms:	No	Dishwasher:	No
Washer & Dryer:	No	Mini Blinds:	No	Hardwood Floors:	Yes

Compiled by Cushman & Wakefield, Inc.

The following description of improvements is based on our physical inspection of the improvements and our discussions with the subject property's owner's representative.

### GENERAL DESCRIPTION

Years Built:	1916
Years Renovated:	N/A. Individual units have been renovated.
Number of Units:	190
Number of Buildings:	2
Number of Stories:	6
Land To Building Ratio:	0.24 to 1
Gross Building Area:	84,826 square feet
Net Rentable Area:	70,406 square feet

### CONSTRUCTION DETAIL

Basic Construction:	Wood frame with masonry
Foundation:	Poured concrete slab
Framing:	Wood post and beam
Floors:	Wood sub-floor over wood joists
Exterior Walls:	Stucco and commercial grade brick
Roof Type:	Flat with parapet walls
Roof Cover:	Sealed membrane

Windows: Thermal windows in aluminum frames in most units.

Pedestrian Doors: Glass, wood and metal

## MECHANICAL DETAIL

Heat Source: Oil-fired boiler, burning No. 6 oil. There are 2 oil tanks located in the basement with 10,000 and 11,000-gallon capacity. The mechanical system is located in 416 East 65<sup>th</sup> Street, which provides service to the subject buildings.

Heating System: Steam heat to perimeter coils

Cooling: Window-mounted units

Plumbing: The plumbing system is assumed to be adequate for the existing use and in compliance with local law and building codes. The plumbing system is typical of other properties in the area with a combination of PVC, steel, copper and cast iron piping throughout the building.

Electrical Service: Each unit has 40 AMPs of electrical capacity. Fuse boxes are located above each unit's entrance door. The electrical system is inadequate based on current market standards. The amperage is not adequate to service typical appliances/lightings/electronics/computer usage in the market.

Electrical Metering: The building has a master meter

Emergency Power: None

Elevator Service: The buildings do not contain elevators.

Fire Protection: Not sprinklered. The owner reports several small fire in the structures. Each apartment has a metal fire escape.

Security: None

## INTERIOR DETAIL

Layout: The subject buildings are adjacent to a large complex in the Upper East Side. In combination, the complex is situated on an entire City block between East 64<sup>th</sup> and East 65<sup>th</sup> Streets with avenue frontage along First and York Avenues. These buildings were built in the early 1900's with uniform construction details, excluding the subject buildings. On April 1990, the complex, excluding the subject buildings, was landmarked by The New York City Landmarks Preservation Commission. The subject buildings were landmark designated in November 2006.

The subject of this comparative economic feasibility analysis consists of two, 6-story walk-up apartment buildings. Each building is divided into 4 sectors with separate entrances off the courtyard. A typical sector contains 3 to 5 units per floor. The property contains 190 units with approximately 9 foot ceiling heights. Unit types include studio, one-bedroom, and two bedroom layouts. Each unit features hardwood floors in the bedrooms and living room with vinyl tile floors in the kitchen. Kitchen appliances include 4-burner stove/oven, a refrigerator, wood countertop, and cabinets. The bathrooms contain a 4-foot tub/shower with toilet and vanity. Room

sizes are very small, with atypical dimensions compared to market norms. Door and common area hallways are narrow. Apartments have minimal closet space. Furthermore, 6-story walk-ups typically represent of old tenement designs. walk-up buildings experience higher rates of turnover comparative to elevator buildings, as tenants request re-location to lower floors or move to more functional buildings.

Floor Covering:	Hardwood
Walls:	Painted drywall and plaster
Ceilings:	Painted drywall and plaster
Lighting:	Fluorescent
Restrooms:	Original bathrooms consisted of ceramic tile flooring and ceramic tile tub surround. Due to the small size and inadequate layout of the bathroom, the existing tubs are approximately 48" long with custom-fit toilet. New fixtures must be custom built to accommodate the size of the bathrooms.

#### AMENITIES

Project Amenities:	Laundry facilities available in a neighboring property on First Avenue.
Unit Amenities:	None

#### SITE IMPROVEMENTS

Parking Capacity:	0 spaces
Onsite Landscaping:	Minimal
Other:	The site improvements include asphalt curbing, courtyard, yard lighting and drainage.

#### PERSONAL PROPERTY

Personal property was excluded from our valuation.

#### CAPITAL EXPENDITURES

A prior capital expenditure plan from 2008/2009 included the following items:

- New through-window AC units with upgraded electrical system to support the additional load.
- Installation of toilet exhaust systems.
- Installation of corridor ventilation systems.
- Installation of kitchen ventilation systems.
- Installation of emergency lighting in all egress corridors, lobby, basement, and roof utility rooms.
- Replacement of floor drain grates and cleaning of underground piping.
- Replacement of all existing sanitary stacks and vent risers.
- Replacement of all existing storm water risers.
- New 4" metered domestic water service.



- New domestic water service backflow preventer.
- Insulation of all domestic hot and cold water piping.
- Domestic water service consent pressure pumping system.
- Gas-fired domestic hot water heaters for each building.
- Installation of shut-off valves for cold and hot water risers.
- Installation of full sprinkler system.
- Address fire alarm system.

A total future capital improvement budget of \$10,530,233, excluding unit renovation was provided by Project Consult, a project management consulting firm with extensive experience in the New York City market.

During 2009 and the first 5 months of 2010, ownership did not undertake these improvements, due to a lack of funds. Furthermore, the purpose of this Comparative Economic Feasibility Study is to determine the economic return should the capital expenditure be limited to repairs required for habitability, but not those considered to be upgrades of interior finishes and building-wide systems. Overall, we used a total capital expenditure of \$2,325,000. This equates to 50.0 percent of the original renovation plan as it relates to interior unit upgrades.

## SUMMARY

### Condition:

The improvements were found in fair to poor condition. The improvements are in need of physical and functional upgrade. The improvements provide a fair to average appearance relative to the competing buildings within its market. Its competitive position is poor.

The subject is situated within a market characterized by hi-rise elevator buildings. The subject does not offer physical or service amenities similar to market norms. Its room size dimensions are very small, inferior to competitive product. Furthermore, the infrastructure within the buildings is sub-standard including electrical, plumbing, and fixtures.

We inspected the roof of the buildings and made a detailed inspection of the mechanical systems. The appraisers, however, are not qualified to render an opinion as the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical system.

### Quality:

The building quality was found to be fair to poor.

### Design and Functionality:

The average unit size of the subject buildings is 371 square feet. The unit layout and design are not consistent with current market standards. The existing bathrooms require custom fixtures, including 48" tub and custom-fit toilet. The bathroom size and unit layout prevents further alteration to expand the existing bathroom.

### Actual Age:

94 years

## REAL PROPERTY TAXES AND ASSESSMENTS

### CURRENT PROPERTY TAXES

The subject property is located in the taxing jurisdiction of New York City. The assessor's parcel identification number is Block 1459, Lot 22. According to the local assessor's office, the subject property is classified as a Class II property. The assessment and taxes for the property are presented below:

Property Real Estate Taxes		
2009/2010	Actual	Transitional
Land:	\$1,800,000	\$1,649,700
Improvements:	733,500	1,114,650
Total:	\$2,533,500	\$2,764,350
2010/2011	Actual	Transitional
Land:	\$1,800,000	\$1,800,000
Improvements:	846,000	966,150
Total:	\$2,646,000	\$2,766,150
2009/2010 Class 2 Tax Rate (per \$100 of assessed value)		\$13.241
Total Taxes		\$347,874

Real estate taxes in New York City are the product of the assessed value times the tax rate, for the fiscal year July 1 through June 30 (payable July 1 and January 1). Taxes are estimated based on applying the Class 2 tax rate to the lower of the transitional or actual assessment. The 2009/2010 tax rate for a Class 2 property is \$13.241 per \$100 of assessed value. The real estate taxes for the subject property are based on the fiscal year beginning May 1, 2010. Therefore, we utilized 2 months of the 2009/2010 tax assessment and 10 months of the 2010/2011 tax assessment. Therefore, the total real estate tax burden for the subject site equates to \$347,874, which is \$4.10 per square foot. We used this amount in our analysis.

### TAX COMPARABLE ANALYSIS

To determine if the taxes on the property are reasonable, we examined the actual tax burdens of similar properties in the market. They are illustrated in the table below.

REAL ESTATE TAX COMPARABLES							
No.	Property Name & Location	Parcel No.	Building Area (SF)	Year Built	Assessment	Assess/SF	Total Taxes
S	SUBJECT PROPERTY	Block 1459, Lot 22	84,826	1916	\$2,646,000	\$31.19	\$350,357
1	412 East 55th Street	Block 1366, Lot 39	89,020	1956	\$3,468,800	\$38.96	\$459,277
2	310-20 East 71st Street	Block 1445, Lot 40	59,000	1959	\$1,782,900	\$30.22	\$236,074
3	331 East 71st Street	Block 1446, Lot 14	60,400	1940	\$2,647,800	\$43.84	\$350,595
4	450 East 63rd Street	Block 1457, Lot 17	723,578	1950	\$26,532,000	\$36.67	\$3,513,102
5	436 East 69th Street	Block 1463, Lot 31	97,398	1961	\$3,082,500	\$31.65	\$408,154
6	425-31 East 72nd Street	Block 1467, Lot 18	57,375	1938	\$1,874,700	\$32.67	\$248,229
STATISTICS							
Low:			57,375	1938	\$1,782,900	\$30.22	\$236,074
High:			723,578	1961	\$26,532,000	\$43.84	\$3,513,102
Average:			181,128	1951	6,564,750	\$35.67	869,239

Compiled by Cushman & Wakefield, Inc.

The comparable properties reflect taxes ranging from \$3,239 to \$6,984 per unit or \$4.00 to \$5.80 per square foot, with an average of \$5,097 per unit or \$4.40 per square foot of above grade gross building area.

## REAL ESTATE TAXES UPON STABILIZATION

The subject property will be re-assessed based on the stabilized income of the property. To determine the real estate taxes on a stabilized basis, we examined the actual income and real estate taxes of rental apartment buildings throughout Manhattan. They are illustrated in the table below.

Income vs. Real Estate Taxes							
Property Location	No. of Units	GBA	No. of FM	No. of RR	EGI	RE Taxes	% of EGI
Midtown East	30	18,725 SF	19	11	\$705,330	\$166,528	23.61%
Midtown West	95	63,528 SF	51	44	\$2,941,329	\$700,555	23.82%
Midtown West	479	475,327 SF	479	0	\$23,334,220	\$5,754,546	24.66%
Chelsea	55	55,233 SF	26	29	\$1,850,868	\$383,797	20.74%
Upper West Side	150	124,284 SF	73	77	\$3,933,330	\$801,193	20.37%
Average							23.83%

Based on the 2009 revenue and expense statement, the real estate taxes of the subject property was 33.07 percent of the effective gross income. Based on stabilized occupancy, we believe a reasonable estimate of the real estate taxes for the subject property will be 25.0 percent of the effective gross income.

## ZONING

### GENERAL INFORMATION

The property is zoned R-10 by the New York City. A summary of the subject's zoning is provided below:

#### **R3-2, R4, R4B, R5, R6, R7, R8, R9 AND R10-GENERAL RESIDENCE DISTRICTS.**

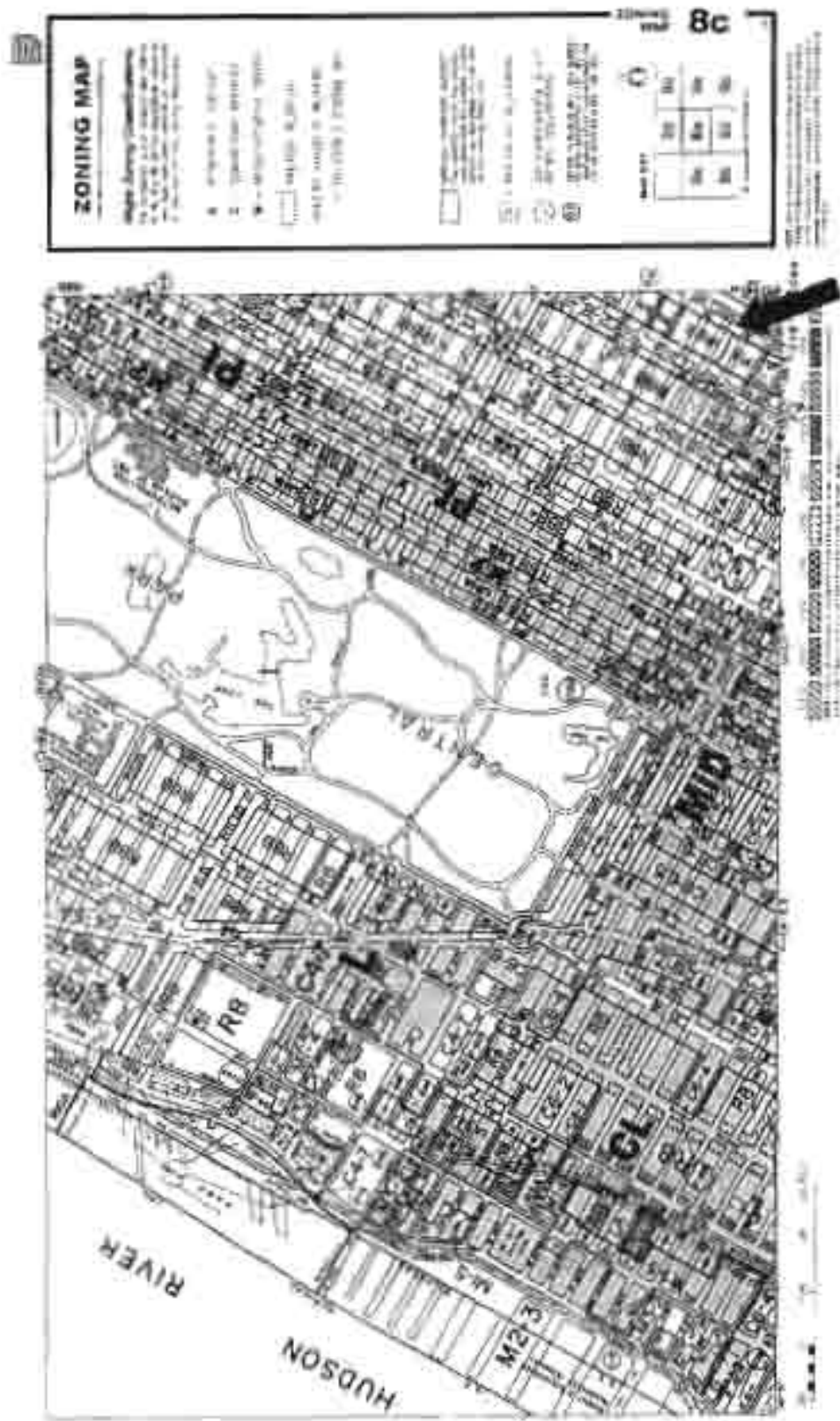
These districts are designed to provide for all types of residential buildings, in order to permit a broad range of housing types, with appropriate standards for each district on density, open space, and spacing of buildings. However, R4B Districts are limited to single- or two-family dwellings, and zero lot line buildings are not permitted in R3-2, R4, (except R4-1 and R4B), and R5 (except R5B) Districts. The various districts are mapped in relation to a desirable future residential density pattern, with emphasis on accessibility to transportation facilities and to various community facilities, and upon the character of existing development. These districts also include community facilities and open uses which serve the residents of these districts or are benefited by a residential environment.

The R-10 zoning district permits a maximum as-of-right, floor area ratio (FAR) that governs building sizes of 10.0 times the lot size for residential uses and 10.0 times the lot size for community facility uses. With Inclusionary Housing Bonus, this zoning districts permits maximum as-of-right FAR of 12.0 times the lot size for residential uses.

In the Property Description section of the report, we estimated that the subject site contains 20,083± square feet. Based upon the maximum residential floor area of 10.0, an as-of-right yield of 200,830± square feet is indicated before mechanical bonuses. Based upon the maximum permitted floor area, the current improvements do not exceed the maximum bulk size. The subject site is substantially under-improved. We are not experts in the interpretation of complex zoning ordinances but the existing and proposed development appear to be a legal, conforming use based on our review of public information.

The above grade gross building area of the existing structure at the subject site is 84,826 square feet. The property is significantly under improved. However, on November 2006, the subject property was included in the amendment of the April 1990 Landmark designation of City and Suburban Homes Company, First Avenue Estate by The New York City Landmarks Preservation Commission. In 1990, the subject buildings had been excluded from the Landmark designation of the city block 1459.

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this consulting assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.



## COMPARATIVE ECONOMIC FEASIBILITY ANALYSIS

### OVERVIEW

According to the New York City Administrative Code Section 25-309, a request for a certificate of appropriateness authorizing demolition, alterations or reconstruction on grounds of insufficient return must meet the following tests:

1. the improvement parcel (or parcels) which includes such improvement, as existing at the time of the filing of such request, is not capable of earning a reasonable return; and
2. the owner of such improvement:
  - in the case of an application for a permit to demolish, seeks in good faith to demolish such improvement immediately (a) for the purpose of constructing on the site thereof with reasonable promptness a new building or other income-producing facility, or (b) for the purpose of terminating the operation of the improvement at a loss; or
  - in the case of an application for a permit to make alterations or reconstruct, seeks in good faith to alter or reconstruct such improvement, with reasonable promptness, for the purpose of increasing the return therefrom.

The Landmarks Law defines reasonable return as a net annual return of six percent of the valuation of the 'improvement parcel' during a 'test year' – defined for the purposes of this report as the most recent calendar year, or 2009. We have attached to this report a copy of Form TC201 for calendar 2009, which shows that during that year the property not only failed to make a reasonable return; it operated at a loss.

We note that the financial results for calendar year 2009 may have been affected by the fact that about 50% of the apartments on the subject property were vacant during that year. To address the question of what the return might have been if the vacant apartments were occupied, we prepared a pro forma statement of income and expenses on the assumption of such occupancy. In addition, because 85 of the vacant apartments could not be occupied unless and until they had been rehabilitated to the extent needed to meet minimal standards of habitability and code compliance, we adjusted the value of the property upward to reflect the costs that would reasonably have been incurred or capitalized in connection with such a rehabilitation.

The analysis of whether the six percent return on the value of the subject property can be realized is based on the formula  $6\% = \text{Numerator/Denominator}$  where (a) the Numerator is the stabilized pro forma net operating income in Year 1 and (b) the Denominator is \$6,647,100 – the sum of the subject property's assessed value (\$2,533,500), renovation costs (\$2,325,000) and capitalized lease-up costs (\$1,788,600).

We present hereafter an estimate of the return from the subject property based on its continued operation with only the minimum improvements needed for occupancy of the vacant units, inclusive of the estimated cost to rehabilitate those units.

## CONTINUED USE - WITH RENOVATION SUFFICIENT TO CURE FIRE & SAFETY ISSUES

### POTENTIAL GROSS REVENUES – RESIDENTIAL

Generally, Manhattan residential tenants pay a fixed gross rent on a monthly basis. It is atypical in this market to provide heat and electricity in the rents. Other operating expenses and real estate taxes are the responsibility of the landlord.

The subject property's rental component includes 190 rental apartments. The residential rental apartments consist of 65 studio units, 119 one-bedroom units, and 6 two-bedroom units. Furthermore, 51.05 percent of the units (97) are rentable at market rates with this component partially leased but overwhelmingly vacant which could be leased if appropriately improved; and 48.95 percent of the units (93) are leased to rent regulated tenants. Total net rentable residential area is estimated at 70,406± square feet. Based upon this mix, an average unit size of 371± square feet is derived.

### MARKET RENTAL RATES - APARTMENTS

In order to evaluate the potential rents for market based units we surveyed the competitive market to determine what comparable buildings in residential areas similar to the subject's are offering. The competitive rental properties surveyed were located in various neighborhoods of Manhattan. From interviews with the leasing agents of the properties, we were able to verify the unit mix and square footages within these competitive projects and the rental ranges associated with each unit type.

In our analysis of the current market rental rates for these units, we utilized the rent per square foot measure. The price per square foot unit of comparison is the most widely used for these types of buildings.

The chart presented on the second following page indicates current rental rates ranging between \$48.65 and \$63.36 per square foot for studio units, \$35.10 and \$49.41 per square foot for one-bedroom units, and \$30.04 and \$53.39 per square foot for two-bedroom units.

A potential tenant in any apartment complex makes subjective judgments concerning location, floor plans, apartment size, quality of finishes, and special amenities included in competitive properties. Other considerations such as parking and convenience to transportation, shopping, recreation, cultural, educational, and employment centers also enter the list of intangibles that may affect the desirability of a residence in the perception of a typical tenant. The comparison of real estate is not a scientific process, but the analysis we have undertaken duplicates that followed by the typical potential tenant.

The following chart exhibits the rental rates of 12 market rate apartments within adjacent buildings of the subject property. These buildings are under the same ownership as the subject and are within landmarked structures. In the aggregate, they contain a total of 965 units, including 215 vacant units. This equates to a vacancy rate of 22.28 percent. Of the 965 units, the following chart exhibits 12 market rate units. The adjacent buildings are generally homogenous in terms of physical features and services. Based on the current scenario, whereby proposed renovation have been reduced to compliance with relevant code to ensure habitability, these units generally have superior renovated interiors, and generally better layouts, and superior overall conditions.

COMPARABLE RENTS					
ADDRESS	UNIT NO	LAYOUT	SIZE	BASE RENT	\$/SF
412 East 65th Street	5G	2-ROOM	356 SF	\$1,339.00	\$45.13
423 East 64th Street	4J	2-ROOM	345 SF	\$1,358.50	\$47.25
407 East 64th Street	1F	2-ROOM	383 SF	\$1,377.87	\$43.17
421 East 64th Street	1I	3-ROOM	369 SF	\$1,047.38	\$34.06
421 East 64th Street	3A	3-ROOM	373 SF	\$1,254.47	\$40.36
404 East 65th Street	2E	2-ROOM	435 SF	\$1,478.90	\$40.80
404 East 65th Street	3B	3-ROOM	420 SF	\$1,765.54	\$50.44
410 East 65th Street	3F	2-ROOM	350 SF	\$1,257.14	\$43.10
410 East 65th Street	5B	2-ROOM	356 SF	\$1,497.90	\$50.49
412 East 65th Street	2I	3-ROOM	455 SF	\$1,420.62	\$37.47
412 East 65th Street	2D	3-ROOM	415 SF	\$1,886.22	\$54.54
414 East 65th Street	6D	4-ROOM	425 SF	\$1,669.60	\$47.14
MIN			345 SF	\$1,047.38	\$34.06
MAX			455 SF	\$1,886.22	\$54.54
AVERAGE			390 SF	\$1,446.10	\$44.48

The following are images of the comparable units illustrated above, which demonstrate superior finishes and overall condition. Without the originally proposed in-unit renovation and upgrades, and the originally proposed building-wide capital expenditure, we do not believe the vacant units will achieve a level of occupancy remotely close to the industry standards.



View of a typical kitchen.



View of a typical bathroom



View of a typical bedroom.



View of a typical kitchen.



View of a typical bathroom



View of a typical bedroom.



projects in Manhattan have similar finishes and appeal. To achieve higher levels of rents, these properties have superior finishes to the immediate areas surrounding the building. Hence, the rents are reasonable.

### **RESIDENTIAL UNIT ABSORPTION**

The provided rent roll indicates that 93 of the units are currently leased. The Ownership reports very high vacancy levels for many years, which is not conducive for tenants in the market. Six-story walk-ups are not popular with families. The buildings lack modern security features. A building with a sprinkler system, is a poor combination regarding fire safety. The typical tenant usage in the market. As such, we conclude that the absorption levels are low. We have projected an absorption period of approximately 12 months. The absorption analysis contained within the residential market report considers the residential market in the short term. It considers that the absorption is due to the renovation of the units.

The Rockrose Corporation is leasing its building at 455 West 14th Street. In February 2009, with tenants moving in beginning in March 2009. The initial absorption rate is averaging 25 to 30 units per month. The building offered free rent, and offered to pay for brokerage commissions if a unit is leased.

In Downtown Manhattan, the Moinian Group leased up 91 units in a 10-story office building. Between the date marketing began in June 2008 and the date the units were leased. Over this initial absorption period, the building offered 1 to 3 months free rent.

The Related Companies leased its units at Southtown Building. The building completed in 2008. Between April and November 2008, the building leased at \$42 to \$44 per square foot. This equates to absorption of approximately 44 units per month. The market is now stabilized.

More recently, several developers have been leasing units in the market. The 569 unit building developed by Glenwood Management. The building has been able to lease units at a rate of approximately \$44 per square foot. Additionally, Silverstein is leasing at his two towers on 42nd Street. The developer has leased approximately 400 units at a similar rate. This equates to 44 units per month.

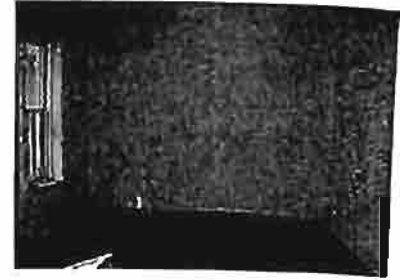
Downtown, Rockrose has been leasing units at 200 Water Street. The building has leased the units in 3 months, which equates to approximately 60 units per month. The new developments that are leasing up. Columbus Square, between Amsterdam and Columbus Avenues will contain 70 units. The building is complete and the developers, Stellar Management and the Rockrose Corporation are leasing up. The building leased in May 2009, which equates to 32 units per month. The Sessions Building on West End Street between Amsterdam and West End Avenue has leased 29 units. This equates to 29 units per month.



View of an updated kitchen.



View of an updated bathroom.



View of an updated bedroom.

The comparable rents exhibited indicate a wide unadjusted range in average rental rate. Location, level of physical and service amenities, building height, room dimensions, and interior apartment finish and ceiling height are the most critical factors affecting the average rent obtainable within apartment buildings.

COMPETITIVE APARTMENT PROJECTS														
PROPERTY INFORMATION					QUOTED MONTHLY RENT									
No.	PROPERTY NAME ADDRESS	NUMBER OF UNITS	YEAR BUILT	NUMBER OF STORIES	BEDS/ BATHS	UNIT SIZE (\$F)		QUOTED RENT PER MONTH			QUOTED RENT \$/SF/YEAR			
1	359 E 62nd St 359 E 62nd St	55	1979	10	Studio	518		\$2,100			\$48.65			
					1 Bedrm	763		\$2,900		\$45.61				
					2 Bedrm	1,610	\$5,201		\$38.77					
					3 Bedrm									
2	Stonehenge 63 300 E 83rd St	90	1949	7	Studio	550		\$2,279			\$49.72			
					1 Bedrm	870		\$2,882		\$39.75				
					2 Bedrm	1,000	\$4,419		\$53.39					
					3 Bedrm									
3	Renoir House 221 E 63rd St	152	1964	12	Studio	550		\$2,256			\$49.22			
					1 Bedrm	850		\$2,486		\$35.10				
					2 Bedrm	1,610	\$4,031		\$30.04					
					3 Bedrm									
4	400 E 57th St 400 E 57th St	264	1931	20	Studio	504		\$2,681			\$63.36			
					1 Bedrm	742		\$3,055		\$49.41				
					2 Bedrm	1,574	\$4,420		\$33.70					
					3 Bedrm									
STATISTICS (Including Subject)						Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Low:		55	1931	7	Studio	504	550	531	\$2,100	\$2,681	\$2,324	\$48.65	\$63.36	\$52.74
High:		264	1979	20	1 Bedrm	742	870	808	\$2,486	\$3,055	\$2,831	\$35.10	\$49.41	\$42.47
Average:		140	1956	12	2 Bedrm	1,000	1,610	1,449	\$4,031	\$5,201	\$4,525	\$30.04	\$53.39	\$38.97
Totals:		561			3 Bedrm									

Compiled by Cushman & Wakefield, Inc.

With consideration given to the interior layout, amenities, building height, and overall conditions, we project a monthly rental rate for the subject of \$600 per unit or approximately \$20.00 per square foot, rounded, as of May 2010. This rental conclusion reflects the achievable rent with minimal update to make the units habitable. To reflect the current market conditions created by the recession and global credit crisis, we did not increase the rental projections through the absorption period.

Buildings owned and operated by the New York City Housing Authority typically offer units in similar condition to the subject units, once brought up to habitable standards. The rent levels within NYCHA's buildings in Manhattan ranges between \$15 and \$30 per square foot. Furthermore, other types of area housing, including current and former Mitchell Lama properties, and rent regulated units in area buildings typically develop rents ranging from \$20 to \$35 per square foot, depending on location, size of apartment and condition of improvements. These

projects in Manhattan have similar finishes and appeal. Although surrounding rental buildings in this area achieve higher levels of rents, these properties have superior finishes, amenities, and less desirable conditions in the immediate areas surrounding the building. Hence, the projected market rental rate of \$600 per month is reasonable.

### RESIDENTIAL UNIT ABSORPTION

The provided rent roll indicates that 93 of the units are occupied; 48.95 percent occupancy is indicated. Ownership reports very high vacancy levels for many years as the utility of the subject's units/layout are not conducive for tenants in the market. Six-story walk-ups are not ideal, especially for senior citizens, or tenants with families. The buildings lack modern security features and the wood frame construction, which lacks a sprinkler system, is a poor combination regarding fire safety. Electrical service is poor and does not support typical tenant usage in the market. As such, we conclude the subject will continue to operate with high vacancy levels. We have projected an absorption period of approximately 51 months. This is well supported by the absorption analysis contained within the residential market analysis and considers the variable factors impacting the residential market in the short term. It considers that no units will be absorbed in the first month of lease due to the renovation of the units.

The Rockrose Corporation is leased its building at 455 West 34<sup>th</sup> Street in Manhattan. It was completed in February 2009, with tenants moving in beginning in March 2009. Rents range between \$40 to \$50 per square foot. The initial absorption rate is averaging 25 to 30 units per month. The developer offered one to two months free rent, and offered to pay for brokerage commissions if applicable.

In Downtown Manhattan, the Moinian Group leased up 95 Wall Street, a 504 unit residential conversion of an office building. Between the date marketing began in June 2008 through September 1, 2009, over 90 percent of the units were leased. Over this initial absorption period, leasing averaged 30 units per month. The landlord offered 1 to 3 months free rent.

The Related Companies leased its units at Southtown Building 6, located on Roosevelt Island. It is a 242 unit building completed in 2008. Between April and November 2009, the property was 62 percent leased at rents of \$42 to \$44 per square foot. This equates to absorption of 25 to 27 units per month. Reportedly, the property is now stabilized.

More recently, several developers have been leasing units in the Hudson Yards area. The Emerald Green is a 569 unit building developed by Glenwood Management. The developer is offering one to two months free rent and has been able to lease units at a rate of approximately 100 per month in the last three months of 2009. Additionally, Silverstein is leasing at his two towers on 42<sup>nd</sup> Street. Since the leasing office opened in May, the developer has leased approximately 400 units at a similar level of concessions as those found at the Emerald Green. This equates to 44 units per month.

Downtown, Rockrose has been leasing units at 200 Water Street. The developer was able to lease 50 percent of the units in 3 months, which equates to approximately 60 per month. On the Upper West Side, there are several new developments that are leasing up. Columbus Square, located from West 97<sup>th</sup> Street to West 100<sup>th</sup> Streets between Amsterdam and Columbus Avenues will contain 710 units once complete. Currently two buildings are complete and the developers, Stellar Management and the Chetrit Group, have leased 290 of the 454 units since May 2009, which equates to 32 units per month. The Sessanta also has two towers and is located on West 60<sup>th</sup> Street between Amsterdam and West End Avenue has leased 261 out of 301 units since May 2009, which equates to 29 units per month.

These comparable properties depict the performance of investment grade assets in Manhattan, with best-in-class physical and service amenities. The subject is not in this competitive class. At the appropriate rent, New York City apartment buildings generally experience less than 5.0 percent vacancy. Based on the schedule of renovations, the proposed upgrade to in-unit habitable features and the rent conclusion, we determined appropriate velocity to be 6 units per quarter. This conclusion considers the practical issues of performing upgrades in conjunction with the layout, infrastructure, and power requirements to work on building and apartments. The presence of lead paint also delays typical renovation schedule. The great impact to the subject absorption level is the physical condition of the units. Multiple work crews would overwhelm the power available within the buildings. The remediation and certification of lead paint removal is a lengthy process. When landlords recapture older vintage apartments and renovate them to de-regulated status, the timing is typically 4 to 6 weeks for interior renovations, preceded by a period awaiting materials and labor crew. Again, this is typical for larger buildings or complexes with multiple work crews. Our model considers two work crews each renovating 3 units per quarter, over a period of 4 to 5 weeks on average.

We leased the 97 vacant market rate units at a rent of \$600.00 per unit.

RESIDENTIAL ABSORPTION ANALYSIS						
Units Leased	Lease Up Period	Current Rent/ Unit	Annual Rent FYB @ Stabilization	Commissions Free Rent	Revenue Loss Free Rent	Estimated Lost Revenue During Lease-up
0 Units Leased Quarter 1		\$600.00	\$0	1 month	\$0	\$0
6 Units Leased Quarter 2		\$600.00	\$43,200	1 month	\$3,600	\$21,600
6 Units Leased Quarter 3		\$600.00	\$43,200	1 month	\$3,600	\$32,400
6 Units Leased Quarter 4		\$600.00	\$43,200	1 month	\$3,600	\$43,200
6 Units Leased Quarter 5		\$600.00	\$43,200	1 month	\$3,600	\$54,000
6 Units Leased Quarter 6		\$600.00	\$43,200	1 month	\$3,600	\$64,800
6 Units Leased Quarter 7		\$600.00	\$43,200	1 month	\$3,600	\$75,600
6 Units Leased Quarter 8		\$600.00	\$43,200	1 month	\$3,600	\$86,400
6 Units Leased Quarter 9		\$600.00	\$43,200	1 month	\$3,600	\$97,200
6 Units Leased Quarter 10		\$600.00	\$43,200	1 month	\$3,600	\$108,000
6 Units Leased Quarter 11		\$600.00	\$43,200	1 month	\$3,600	\$118,800
6 Units Leased Quarter 12		\$600.00	\$43,200	1 month	\$3,600	\$129,600
6 Units Leased Quarter 13		\$600.00	\$43,200	1 month	\$3,600	\$140,400
6 Units Leased Quarter 14		\$600.00	\$43,200	1 month	\$3,600	\$151,200
6 Units Leased Quarter 15		\$600.00	\$43,200	1 month	\$3,600	\$162,000
6 Units Leased Quarter 15		\$600.00	\$43,200	1 month	\$3,600	\$172,800
7 Units Leased Quarter 15		\$600.00	\$50,400	1 month	\$4,200	\$214,200
<b>97 Totals</b>			<b>\$898,400</b>		<b>\$58,200</b>	<b>\$1,672,200</b>

This equates to lease-up costs of \$1,788,600. A contingency was incorporated, which considers any additional costs that may arise during the lease-up period. This is prudent in an economic forecast to account for unforeseen expenses resulting from additional rent loss, labor and clean-up costs, permitting and timing delays. We modeled for one month's rent for each unit to be renovated and leased, totaling \$58,200.

Residential Commissions/overhead	\$58,200
Lost Rental Revenue	\$1,672,200
Contingency	\$58,200
<b>Total Post-Completion Costs</b>	<b>\$1,788,600</b>

### SUBJECT RENT REGULATED UNITS

The subject property contains 93 rent regulated units. Of the rent regulated units, there are 11 rent controlled units. The rent roll indicates that the 93 rent-regulated subject units currently achieve a total monthly rent of \$80,791, or \$969,495 per year, equating to \$868.72 per unit. According to the owner, there are approximately 12

habitable units amongst the vacant units. In addition, the owner is collecting preferential rents from the rent regulated tenants, which are rents below the legal regulated rents. Preferential rents result from market participants unable or unwilling to pay legal recorded rents. This situation, especially considering the low level of rents obtained in the subject, are a strong indication of poor economic performance.

### MCI REVENUE

In this scenario, economic feasibility is measured based on a plan with minimal capital improvements. No MCI revenue was modeled in this scenario.

### MISCELLANEOUS REVENUE

Miscellaneous income includes forfeited deposits, late fees, and other miscellaneous items. We budgeted \$12,500 for miscellaneous revenue. This is a typical amount experienced in the marketplace, for a building in the size range of the subject. The miscellaneous revenue includes income from forfeited security deposits and interest income, and miscellaneous fees (i.e., lost keys, lock replacement).

### POTENTIAL GROSS INCOME –

Potential gross income in Year 1 may be summarized as follows:

Residential – De-Regulated:	\$709,376
Residential – Rent Regulated:	969,495
Miscellaneous Revenue:	12,500
Total:	\$1,691,371

### VACANCY AND COLLECTION LOSS

Both the investor and the appraiser are primarily interested in the annual revenue an income property is likely to produce over a specified period of time, rather than the income it could produce if it were always 100 percent occupied and all tenants were paying their rent in full and on time. A normally prudent practice is to expect some income loss as tenants vacate, fail to pay rent, or pay their rent late.

The adjacent buildings on the same block are under the same ownership as the subject and are within landmarked structures. They are similar in certain features, offering relatively small sized units, within walk-up structures. Locationally, they are very similar. They contain a total of 965 units, and the current rent roll indicates there are 215 vacant units. This equates to a vacancy rate of 22.28 percent. The residential units in these building are the most comparable to the subject. This complex also offer units with renovated interior finishes, generally superior to that exhibited by the subject property, and superior to the proposed habitable upgrades for which we modeled in this economic feasibility study. The high vacancy rate exhibited by these buildings demonstrates that this type of housing has limited appeal in the marketplace. Residential tenants have numerous choices in the immediate competitive area, as well as in other area's of Manhattan.

In our projection we have assumed that the market rate residential units will be assessed a 10.0 percent weighted average global vacancy charge through the majority of the projection period. Our global vacancy factor assumes an average annual collection loss rate of 5.0 percent for the residential tenants and a 5.0 percent global vacancy factor. These estimates are supported by our survey of occupancy rates at competing projects, which reflect an overall average occupancy rate of 95 to 100 percent. While the historical vacancy rate in Manhattan has been generally below 5.0 percent, the historic performance of the subject is very poor in this regard. Tenants are not compelled to rent in the subject, whose units are obsolete in terms of size, room dimension, and infrastructure. We considered this as well as the supply-demand factor discussed earlier in the market analysis. Therefore, we projected an average global vacancy and collection loss of 10.0 percent.

## OPERATING EXPENSES AND NET OPERATING INCOME

Typically, an appraiser attempts to utilize the subject's historical operating expense data supported by comparable expense data. Ownership of the subject property provided us with historical operating expenses for 2007, 2008, and 2009.

EXPENSE ANALYSIS - RESIDENTIAL BUILDINGS									
	2007		2008		2009		C & W Projection		
	Total	Per SF	Total	Per SF	Total	Per SF	Total	Per Unit	Per SF
<b>OPERATING EXPENSES</b>									
Real Estate Taxes	\$304,341	\$3.59	\$307,298	\$3.62	\$341,125	\$4.02	\$380,558	\$2,003	\$4.49
Insurance	\$132,220	\$1.56	\$65,574	\$0.77	\$52,896	\$0.62	135,700	\$714	\$1.60
Salary and Benefits	\$258,846	\$3.03	\$317,146	\$3.74	\$263,097	\$3.10	296,900	\$1,563	\$3.50
Utilities	\$227,884	\$2.69	\$258,930	\$3.05	\$224,396	\$2.65	287,200	\$1,406	\$3.15
Water and Sewer	\$72,796	\$0.86	\$128,832	\$1.52	\$87,706	\$1.03	106,000	\$558	\$1.25
Repairs and Maintenance	\$1,315,754	\$15.51	\$1,409,578	\$16.82	\$39,817	\$0.47	212,100	\$1,116	\$2.50
General and Administrative	\$17,420	\$0.21	\$0	\$0.00	\$0	\$0.00	25,400	\$134	\$0.30
Legal and Professional Fees	\$841,363	\$9.92	**\$361,742	\$4.28	**\$451,337	\$5.32	29,700	\$156	\$0.35
Management	\$32,528	\$0.38		\$0.00		\$0.00	63,600	\$335	\$0.75
Painting and Supplies	\$6,580	\$0.08	\$14,612	\$0.17	\$2,919	\$0.03	47,500	\$250	\$0.56
Miscellaneous	\$66,634	\$0.79	\$5,980	\$0.07	\$133,497	\$1.57	21,200	\$112	\$0.25
<b>TOTAL EXPENSES</b>	<b>\$3,274,366</b>	<b>\$38.60</b>	<b>\$2,968,888</b>	<b>\$33.83</b>	<b>\$1,596,790</b>	<b>\$18.82</b>	<b>\$1,585,858</b>	<b>\$8,347</b>	<b>\$18.70</b>
*Includes Capital Expenditure									
**Includes Management & Administration									

In addition, we have relied upon our own estimates supported by market comparables. We forecasted the property's operating expenses after reviewing operating expenses of similar buildings and after consulting local building managers and agents, including Cushman & Wakefield property management personnel, etc. We also examined industry norms as reported by the Conventional Apartments published by the Institute of Real Estate Management, and the 2008 and 2009 Dollars and Cents of Multi-Family Housing.

Following are the projected operating expenses we have used in our proforma analysis. We have analyzed each item of expense individually and attempted to project what the typical informed investor would consider reasonable. Although every expense category is addressed herein, only those requiring explanation will be discussed in great detail. The unit expense estimates are applied to the gross, above grade area, reported as 84,826± square feet.

The forecast of projected growth rates in all categories of expense reflect typical investor expectations as noted in the Cushman & Wakefield Investor Survey. Except where noted, our projected growth rates for the various types of expense categories generally do not attempt to reflect growth rates for any individual year, but rather the long term trend over the period of analysis. The following is a summary of stabilized expenses that an investor could expect as of May 2010, based upon stabilized operations. The expenses have been applied to the subject in our proforma.

## ANALYSIS OF EXPENSES

Expense	C&W Forecast	Per SF	Analysis
Real Estate Taxes	\$380,558	\$4.49	A complete discussion of the taxes is included in the Real Property Taxes and Assessments section of this report. The real estate taxes are based on the stabilized operation of the subject building.
Insurance	\$135,700	\$1.60	The insurance expense includes the cost of fire and extended liability coverage.
Salary and Benefits	\$296,900	\$3.50	This expense covers the cost of salary and benefits for the operation of the building on a rental basis. It considers the need for full-time superintendents and porters.
Utilities	\$267,200	\$3.15	This category includes common area heat and electricity, gas and/or oil expenses. It considers the extraordinary increase in fuel costs witnessed in 2006, 2007, and early 2008.
Water and Sewer	\$106,000	\$1.25	This category includes all water and sewer charges.
Repairs and Maintenance	\$212,100	\$2.50	Repairs and maintenance considers the ongoing maintenance to the interior and exterior of the building, pest control, as well as any minor and ordinary maintenance to the plumbing and electrical systems, kitchen appliances and the roof. It also includes monies for contract labor for specific repair and maintenance functions.
General and Administrative	\$25,400	\$0.30	This expense covers the cost of office overhead, supplies and administrative costs.
Legal and Professional Fees	\$29,700	\$0.35	Our estimate is based on the budgeted expense plus expense levels at competing properties.
Management	\$63,600	\$0.75	This covers the cost for all management personnel and financial reporting.
Painting and Supplies	\$47,500	\$0.56	This expense allows for the periodic painting of units and common areas. As a rental building, the landlord is required to paint units every three years and usually upon turnover.
Miscellaneous	\$21,200	\$0.25	This accounts for minor unforecasted expenses.

The subject building's operating expense is based on the following factors:

- Distribution of the utility services incorporate more material and distance within the infrastructure, decreasing efficiency.
- Small size of the units, which averages 371 square foot of gross building area per unit. This is half the size of a typical post-war rental building.
- Multiple entrances to the property from street grade and courtyard areas, which requires additional maintenance.
- Including the courtyard, the property has multiple exterior walls to maintain, with extensive perimeter areas requiring facade maintenance.
- The design of the building and the lack of fire-proofing result in high insurance costs.
- The age and efficiency of the mechanical plant, shared with the adjacent buildings, means higher overall expenses.

## SUMMARY OF OPERATING EXPENSES

In our analysis of the subject property, the total fixed and operating expenses, excluding real estate taxes and depreciation factor, is \$1,205,300 or \$14.21 per square foot of above grade area, rounded. Despite the low occupancy rate, our analysis projects a full operating expense as rent regulated tenants can have no diminution in service.

In the proforma, we deducted these expenses on an annual basis from effective gross income to determine the annual net operating income. Our operating expenses estimated for the subject property are similar to the actual operating expenses of competing residential buildings located in the metropolitan region. These comparable indicate a range in expenses, excluding real estate taxes, between \$9.47 and \$14.41 per square foot of gross building area, rounded. The estimate for the subject falls slightly above the range, but is reflective of the size and nature of the development.

<b>COMPARABLE OPERATING EXPENSES APARTMENT BUILDINGS</b>						
<b>PROPERTY</b>	<b>Block 1459, Lot 30</b>			<b>Block 1459, Lot 10</b>		
No. of Stories	6			8		
No. of Units	235			388		
Size (SF)	124,902			133,860		
Year Built/Renov.	1903			1903		
Data Year	2008			2008		
<b>EXPENSES</b>	<b>Total</b>	<b>\$/SF</b>	<b>\$/Unit</b>	<b>Total</b>	<b>\$/SF</b>	<b>\$/Unit</b>
Insurance	\$81,103	\$0.65	\$345	\$101,465	\$0.76	\$262
Salary & Benefits	\$392,259	\$3.14	\$1,669	\$490,741	\$3.67	\$1,265
Utilities	\$320,257	\$2.56	\$1,363	\$400,662	\$2.99	\$1,033
Water & Sewer	\$159,346	\$1.28	\$678	\$230,648	\$1.72	\$594
Repairs & Maintenance	\$102,802	\$0.82	\$437	\$116,092	\$0.87	\$299
General & Administrative	\$72,751	\$0.58	\$310	\$107,958	\$0.81	\$278
Legal & Professional	\$8,607	\$0.07	\$37	\$10,769	\$0.08	\$28
Management	\$0	\$0.00	\$0	\$0	\$0.00	\$0
Misc	\$46,106	\$0.37	\$196	\$42,321	\$0.32	\$109
<b>TOTAL EXPENSES</b>	<b>\$1,183,231</b>	<b>\$9.47</b>	<b>\$5,035</b>	<b>\$1,500,656</b>	<b>\$11.21</b>	<b>\$3,868</b>
<b>Total Expenses Less Mgt</b>	<b>\$1,183,231</b>	<b>\$9.47</b>	<b>\$5,035</b>	<b>\$1,500,656</b>	<b>\$11.21</b>	<b>\$3,868</b>
<b>PROPERTY</b>	<b>Manhattan</b>			<b>Manhattan</b>		
No. of Stories	19			18		
No. of Units	98			112		
Size (SF)	101,306			115,221		
Year Built/Renov.	1939			1950		
Data Year	2010 Budget			2010 Budget		
<b>EXPENSES</b>	<b>Total</b>	<b>\$/SF</b>	<b>\$/Unit</b>	<b>Total</b>	<b>\$/SF</b>	<b>\$/Unit</b>
Insurance	\$29,969	\$0.30	\$306	\$33,188	\$0.29	\$296
Salary & Benefits	\$670,836	\$6.62	\$6,845	\$771,108	\$6.69	\$6,885
Utilities	\$222,054	\$2.19	\$2,266	\$129,391	\$1.12	\$1,155
Water & Sewer	\$35,700	\$0.35	\$364	\$69,600	\$0.60	\$621
Repairs & Maintenance	\$199,501	\$1.97	\$2,036	\$139,733	\$1.21	\$1,248
General & Administrative	\$34,915	\$0.34	\$358	\$32,536	\$0.28	\$291
Legal & Professional	\$57,523	\$0.57	\$587	\$145,061	\$1.26	\$1,295
Management	\$177,260	\$1.75	\$1,809	\$199,414	\$1.73	\$1,780
Misc	\$31,680	\$0.31	\$323	\$116,283	\$1.01	\$1,038
<b>TOTAL EXPENSES</b>	<b>\$1,459,438</b>	<b>\$14.41</b>	<b>\$14,892</b>	<b>\$1,636,314</b>	<b>\$14.20</b>	<b>\$14,610</b>
<b>Total Expenses Less Mgt</b>	<b>\$1,282,178</b>	<b>\$12.66</b>	<b>\$13,083</b>	<b>\$1,436,900</b>	<b>\$12.47</b>	<b>\$12,829</b>



## INCOME AND EXPENSE PRO FORMA

The following chart is our opinion of income and expenses for Year 1.

<b>6-STORY APARTMENT BUILDINGS</b> <b>PROFORMA - WITHOUT CAPITAL EXPENDITURE</b> <b>429 EAST 64TH STREET &amp; 430 EAST 65TH STREET</b> <b>NEW YORK, NEW YORK</b>		
	Year One	
INCOME	Total	\$/SF
Market Rate Units Revenue	\$709,376	
Rent Stabilized Units Revenue	\$969,495	
Miscellaneous Revenue	\$12,500	
Total Gross Income	1,691,371	
Less: Vacancy and Credit Loss	169,137	
Effective Gross Income	1,522,234	
<b>OPERATING EXPENSES</b>		
Real Estate Taxes	380,558	\$4.49
Insurance	135,700	\$1.60
Salary & Benefits	296,900	\$3.50
Utilities	267,200	\$3.15
Water & Sewer	106,000	\$1.25
Repairs & Maintenance	339,304	\$4.00
General & Administrative	25,400	\$0.30
Legal & Professional Fees	29,700	\$0.35
Painting & Supplies	47,500	\$0.56
Management fees	63,600	\$0.75
Miscellaneous Expense	21,200	\$0.25
TOTAL EXPENSES	1,713,062	\$20.20
<b>NET OPERATING INCOME</b>	<b>-190,829</b>	<b>-\$2.25</b>

Based on stabilized operations, the NOI is estimated at negative \$190,829. Operating costs and real estate taxes exceed estimates for effective gross income. The denominator to be used in the test of reasonable return equates to the sum of the assessed value, renovation costs, and the cost to reach stabilization. Therefore, we included the cost of in-unit renovation and the lease-up cost. This equates to a total of \$6,647,100. The economic return equates to negative 2.871%. A Reasonable Return as defined by the New York City Administrative Code is 6.0 percent per annum. Hence, the subject property does not generate a "reasonable return" as improved.

The results of the analysis indicate that continued operation of the property in its renovated conditions with capital expenditure is not economically feasible. The level of feasibility is made worse if measured on a leveraged basis.

## CONCLUSION

Based on continued use without building-wide capital improvement but with capital expenditure sufficient to cure fire and safety conditions in units, the proforma develops a return of negative 2.871% based on the valuation. The income and expenses reported in the TC201 2010 form indicates a negative net operating income (NOI) of \$565,179. This equates to a return of negative 8.503%. A copy of the TC201 2010 form is found in the addenda.

Therefore, we have concluded that the imposition of the landmark's designation on November 21, 2006, has rendered the property incapable of generating a reasonable return on valuation as defined in the New York City Landmarks Law.

The results of the analysis indicate that continued operation of the property in its current condition is not economically feasible. The level of feasibility is made worse if measured on a leveraged basis. Financing for poor quality multi-family assets remains very difficult to obtain in the current market and properties such as the subject would not likely qualify for financing at levels greater than 60 to 70 percent of current market values.

We conclude that the Landmark designation creates a hardship upon ownership as a result of projected economic performance. Furthermore, the Landmark designation prevents re-development in a manner consistent with the highest and best use

## ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.

- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

## CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

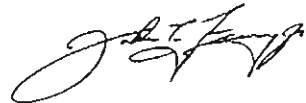
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Matthew C. Mondanile, MAI did not make a personal inspection of the property that is the subject of this report
- As of the date of this report, Matthew C. Mondanile, MAI, has completed the continuing education program of the Appraisal Institute.



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Executive Managing Director  
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## ADDENDA CONTENTS

## NEW YORK CITY ADMINISTRATIVE CODE - TITLE 25

### LAND USE

§ 25-309 Request for certificate of appropriateness authorizing demolition, alterations or reconstruction on ground of insufficient return. a. (1) Except as otherwise provided in paragraph two of this subdivision a, in any case where an application for a permit to demolish any improvement located on a landmark site or in an historic district or containing an interior landmark is filed with the commission, together with a request for a certificate of appropriateness authorizing such demolition, and in any case where an application for a permit to make alterations to or reconstruct any improvement on a landmark site or containing an interior landmark is filed with the commission, and the applicant requests a certificate of appropriateness for such work, and the applicant establishes to the satisfaction of the commission that:

(a) the improvement parcel (or parcels) which includes such improvement, as existing at the time of the filing of such request, is not capable of earning a reasonable return; and

(b) the owner of such improvement:

(1) in the case of an application for a permit to demolish, seeks in good faith to demolish such improvement immediately (a) for the purpose of constructing on the site thereof with reasonable promptness a new building or other income-producing facility, or (b) for the purpose of terminating the operation of the improvement at a loss; or

(2) in the case of an application for a permit to make alterations or reconstruct, seeks in good faith to alter or reconstruct such improvement, with reasonable promptness, for the purpose of increasing the return therefrom;

the commission, if it determines that the request for such certificate should be denied on the basis of the applicable standards set forth in section 25-307 of this chapter, shall, within ninety days after the filing of the request for such certificate of appropriateness, make a preliminary determination of insufficient return.

(2) In any case where any application and request for a certificate of appropriateness mentioned in paragraph one of this subdivision a is filed with the commission with respect to an improvement, the provisions of this section shall not apply to such request if the improvement parcel which includes such improvement has received, for three years next preceding the filing of such request, and at the time of such filing continues to receive, under any provision of law (other than this chapter or section four hundred fifty-eight, four hundred sixty or four hundred seventy-nine of the real property tax law), exemption in whole or in part from real property taxation; provided, however, that the provisions of this section shall nevertheless apply to such request if such exemption is and has been received pursuant to section four hundred twenty-a, four hundred twenty-two, four hundred twenty-four, four hundred twenty-five, four hundred twenty-six, four hundred twenty-seven, four hundred twenty-eight, four hundred thirty, four hundred thirty-two, four hundred thirty-four, four hundred thirty-six, four hundred thirty-eight, four hundred forty, four hundred forty-two, four hundred forty-four, four hundred fifty, four hundred fifty-two, four hundred sixty-two, four hundred sixty-four, four hundred sixty-eight, four hundred seventy, four hundred seventy-two or four hundred seventy-four of the real property tax law and the applicant establishes to the satisfaction of the commission, in lieu of the requirements set forth in paragraph one of this subdivision a, that:

(a) The owner of such improvement has entered into a bona-fide agreement to sell an estate of freehold or to grant a term of at least twenty years in such improvement parcel, which agreement is subject to or contingent upon the issuance of the certificate of appropriateness or a notice to proceed;

(b) The improvement parcel which includes such improvement, as existing at the time of the filing of such request, would not, if it were not exempt in whole or in part from real property taxation, be capable of earning a reasonable return;

(c) Such improvement has ceased to be adequate, suitable or appropriate for use for carrying out both (1) the purposes of such owner to which it is devoted and (2) those purposes to which it had been devoted when acquired unless such owner is no longer engaged in pursuing such purposes; and

(d) The prospective purchaser or tenant:

(1) In the case of an application for a permit to demolish seeks and intends, in good faith either to demolish such improvement immediately for the purpose of constructing on the site thereof with reasonable promptness a new building or other facility; or

(2) In the case of an application for a permit to make alterations or reconstruct, seeks and intends in good faith to alter or reconstruct such improvement, with reasonable promptness.

b. In the case of an application made pursuant to paragraph one of subdivision a of this section by an applicant not required to establish the conditions specified in paragraph two of such subdivision, as promptly as is practicable after making a preliminary determination as provided in paragraph one of such subdivision a, the commission, with the aid of such experts as it deems necessary, shall endeavor to devise, in consultation with the applicant, a plan whereby the improvement may be (1) preserved or perpetuated in such manner or form as to effectuate the purposes of this chapter, and (2) also rendered capable of earning a reasonable return.

c. Any such plan may include, but shall not be limited to, (1) granting of partial or complete tax exemption, (2) remission of taxes and (3) authorization for alterations, construction or reconstruction appropriate for and not inconsistent with the effectuation of the purposes of this chapter.

d. In any case where the commission formulates any such plan, it shall mail a copy thereof to the applicant promptly and in any event within sixty days after giving notice of its preliminary determination of insufficient return. The commission shall hold a public hearing upon such plan.

e. (1) If the commission, after holding a public hearing pursuant to subdivision d of this section, determines that a plan which it has formulated, consisting only of tax exemption and/or remission of taxes, meets the standards set forth in subdivision b of this section, as such plan was originally formulated, or with such modifications as the commission deems necessary or appropriate, the commission shall deny the request of the applicant for a certificate of appropriateness and shall approve such plan, as originally formulated, or with such modifications.

(2) Such plan, as so approved, shall set forth the extent of tax exemption and/or remission of taxes deemed necessary by the commission to meet such standards.

(3) The commission shall promptly mail a certified copy of such approved plan to the applicant and shall promptly transmit a certified copy thereof to the tax commission. Upon application made by the owner of such improvement pursuant to the provisions of paragraph five of this subdivision e, the tax commission shall grant, for the fiscal year next succeeding the date of approval of such plan, the tax exemption and/or remission of taxes provided for therein.

(4) In accordance with procedures prescribed by the regulations of the commission, it shall determine, upon application by the owner of such improvement made in advance of each succeeding fiscal year, the amount of tax exemption and/or remission of taxes, if any, which it deems necessary, as a renewal of such plan for the ensuing year, to meet the standards set forth in subdivision b of this section, and shall promptly mail a certified copy of any approved renewal of such plan to the applicant and shall promptly transmit a certified copy of such renewal to the tax commission. Upon application made by the owner of such improvement pursuant to the provisions of



paragraph five of this subdivision e, the tax commission shall grant, for such fiscal year, the tax exemption and/or remission of taxes specified in such determination.

(5) Where any such plan or a renewal thereof is approved by the commission, pursuant to the provisions of the preceding paragraphs of this subdivision e, prior to January first next preceding the fiscal year to which the tax benefits of such plan or renewal thereof are applicable, the owner shall not be entitled to such benefits for such fiscal year unless he or she files an application therefor with the tax commission between February first and March fifteenth, both dates inclusive, next preceding such fiscal year. Where any such plan or a renewal thereof is approved by the commission between January first and June thirtieth, both dates inclusive, next preceding the fiscal year to which the tax benefits of such plan or renewal thereof are applicable, the owner shall not be entitled to such benefits for such fiscal year unless he or she files an application therefor with the tax commission on or before August first of such fiscal year.

f. (1) In any case where the commission determines, after holding a public hearing pursuant to subdivision d of this section, that a plan which it has formulated, consisting in whole or in part of any proposal other than tax exemption and/or remission of taxes, meets the standards set forth in subdivision b of this section, as such plan was originally formulated, or with such modifications as the commission deems necessary or appropriate, the commission shall approve such plan, as originally formulated, or with such modifications, and shall promptly mail a copy of same to the applicant.

(2) The owner of the improvement proposed to be benefited by such plan mentioned in paragraph one of this subdivision f may accept or reject such plan by written acceptance or rejection filed with the commission. If such an acceptance is filed, the commission shall deny the request of such applicant for a certificate of appropriateness. If a new application for a permit from the department of buildings and a new request for a certificate of appropriateness are filed, which application and request conform with such proposed plan, the commission shall grant such certificate as promptly as is practicable and in any event within thirty days after such filing.

(3) If such accepted plan consists in part of tax exemption and/or remission of taxes, the provisions of paragraphs two, three, four and five of subdivision e of this section shall govern the granting of such tax exemption and/or remission of taxes.

g. (1) Except in a case where the applicant is required to establish the conditions set forth in paragraph two of subdivision a of this section, if

(a) The commission does not formulate and mail a plan pursuant to the provisions of subdivisions b, c, and d of this section within the period of time prescribed by such subdivision d; or

(b) The commission does not approve a plan pursuant to the provisions of subdivision e or f of this section within sixty days after the mailing of such plan to the applicant; or

(c) A plan approved by the commission pursuant to the provisions of paragraph one of subdivision f of this section is rejected by the owner of such improvement pursuant to the provisions of paragraph two of such subdivision;

the commission may, within ten days after expiration of the applicable period referred to in subparagraphs (a) and (b) of this paragraph one, or within ten days after the filing of a rejection of a plan pursuant to paragraph two of subdivision f of this section, as the case may be, transmit to the mayor a written recommendation that the city acquire a specified appropriate protective interest in the improvement parcel which includes the improvement with respect to which the request for a certificate of appropriateness was filed, and shall promptly notify the applicant of such action.

(2) If, within ninety days after transmission of such recommendation, or, if no such recommendation transmitted, within ninety days after the expiration of the period herein prescribed for such transmission, the commission does not:

(a) Give notice, pursuant to section three hundred eighty-two of the charter, of an application to condemn such interest or any other appropriate protective interest agreed upon by the mayor and the commission; or

(b) Enter into a contract with the owner of such improvement parcel to acquire such interest, as recommended or agreed upon;

the commission shall promptly grant, issue and forward to the owner, in lieu of the certificate of appropriateness requested by the applicant, a notice to proceed.

h. No plan which consists in whole or in part of the granting of a partial or complete tax exemption or remission of taxes pursuant to the provisions of this chapter shall be deemed to have been approved by the commission unless it is also approved by the mayor and council within the period of time prescribed by this section for approval of such plan by the commission.

i. (1) In any case where the applicant is required to establish the conditions set forth in paragraph two of subdivision a of this section, as promptly as is practicable after making a preliminary determination with respect to such conditions, as provided in paragraph one of subdivision a of this section, and within one hundred and eighty days after making such preliminary determination, the commission, alone or with the aid of such persons and agencies as it deems necessary and whose aid it is able to enlist, shall endeavor to obtain a purchaser or tenant (as the case may be) of the improvement parcel or parcels with respect to which the application has been made, which purchaser or tenant will agree, without condition or contingency relating to the issuance of a certificate of appropriateness or notice to proceed and subject to the provisions of paragraph three of this subdivision i, to purchase or acquire an interest identical with that proposed to be acquired by the prospective purchaser or tenant whose agreement is the basis of the application, on reasonably equivalent terms and conditions.

(2) The applicant shall, within a reasonable time after notice by the commission that it has obtained such a purchaser or tenant, which notice shall be served within the period of one hundred and eighty days provided by paragraph one of this subdivision i, enter into such agreement to sell or lease (as the case may be) with the purchaser or tenant so obtained. Such notice shall specify a date for the execution of such agreement, which may be postponed by the commission at the request of the applicant.

(3) The provisions of this section shall not, after the consummation of such agreement, apply to such purchaser or tenant or to the heirs, successors or assigns of such purchaser or tenant.

(4) (a) If, within the one hundred eighty day period following the commission's preliminary determination pursuant to paragraph one of subdivision a of this section, the commission shall not have succeeded in obtaining a purchaser or tenant of the improvement parcel, pursuant to paragraph one of this subdivision i, or if, having obtained such a purchaser or tenant, such purchaser or tenant fails within the time provided in paragraph two of this subdivision i, to enter into the agreement provided for by such paragraph two, the commission, within twenty days after the expiration of the one hundred eighty day period provided for in paragraph one of this subdivision i, or within twenty days after the date upon which a purchaser or tenant obtained by the commission pursuant to the provisions of such paragraph one fails to enter into the agreement provided for by said paragraph, whichever of said dates later occurs, may transmit to the mayor a written recommendation that the city acquire a specified appropriate protective interest in the improvement parcel or parcels which include the improvement or are part of the landmark site with respect to which the request for a certificate of appropriateness was filed, and shall promptly notify the applicant of such action.

(b) If, within ninety days after transmission of such recommendation, or, if no such recommendation is transmitted, within ninety days after the expiration of the period herein prescribed for such transmission, the city does not give notice, pursuant to section three hundred eighty-two of the charter, of an application to condemn such interest or any other appropriate protective interest agreed upon by the mayor and the commission, or does not enter into a contract with the owner of such improvement parcel to acquire such interest, as so recommended and agreed upon; the commission shall promptly grant, issue and forward to the owner, in lieu of the certificate of appropriateness requested by the applicant, a notice to proceed.

(5) Such notice to proceed shall authorize the work of demolition, alteration, and/or reconstruction sought with respect to the improvement parcel or parcels concerning which the application was made, only if such work (a) is undertaken and performed by the purchaser or tenant specified pursuant to the provisions of paragraph two of subdivision a of this section, in the application, or a bona-fide assignee, successor, lessee or sub-lessee of such purchaser or tenant (other than the owner who made application therefor), and (b) is undertaken and performed with reasonable promptness after the issuance of such notice to proceed.

## Professional Qualifications

### M. Wendy Hwang

Director

Valuation & Advisory

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#### Background

Wendy Hwang joined the Valuation & Advisory group of Cushman & Wakefield in Midtown Manhattan in February 2006. Prior to joining Cushman & Wakefield, Ms. Hwang was an associate appraiser at Vanderbilt Appraisal Company, LLC in Manhattan. She also worked as a Software Engineer in North America Data Command Center for Citigroup Inc. and Information Technology Specialist for Beckton, Dickenson and Company.

#### Experience

Since joining the division, Ms. Hwang has worked on multi-unit residential properties, mainly in Manhattan and other four boroughs in New York City. She is working as an associate of John T. Feeney, Jr. who specializes in the portfolio valuation of residential properties. Previously, Ms. Hwang worked on residential appraisals including cooperative, condominium, single-family, multi-family, and townhouse residences at Vanderbilt Appraisal Company, LLC for over two years.

#### Education

Stevens Institute of Technology, Hoboken, NJ

Bachelor of Science, Computer Science, May 2003

Literature, May 2003

#### Appraisal Education

Kovats Real Estate and Insurance School, Maywood, New Jersey:

Uniform Standards of Professional Appraisal Practice (15-hour)

Introduction to Real Estate Appraisal (R-1)

Valuation Principles and Procedures (R-2)

Rockland County Board of Realtors, Pearl River, New York:

Fair Housing & Fair Lending/Environmental Issues (AQ-1)

New York Real Estate School, New York, New York:

Applied Residential Property Valuation (R-3)

Introduction to 1-4 Family Income Capitalization (R-4)

Basic Income Capitalization (G-1)

Advanced Income Capitalization (G-2)

Applied Income Property Valuation (G-3)

Appraisal Institute, New York, New York:

Basic Practices and Ethics

7-Hour National USPAP Update

Introduction to Valuation for Financial Reporting

Advanced Sales Comparison and Cost Approaches

#### Memberships, Licenses and Professional Affiliations

- State of New York Certified General Real Estate Appraiser, License #46000048428
- Associate Member of the Appraisal Institute – Metropolitan New York Chapter

## PROFESSIONAL QUALIFICATIONS

### John T. Feeney, Jr.

Executive Director  
Valuation & Advisory

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#### Background

Mr. Feeney is a graduate of Manhattan College School of Business, Class of 1987, with a Bachelor of Science Degree in Finance. He entered the real estate business in 1985 with Cushman & Wakefield, Inc. Since that time, Mr. Feeney was promoted to Associate Director in October 1993 by the Executive Board of Cushman & Wakefield, Inc. He was subsequently promoted to Director in July 1996, to Senior Director in 2006 and to his current title of Executive Director in 2010.

#### Appraisal Experience

Since joining Cushman & Wakefield's Valuation & Advisory group, Mr. Feeney has worked on assignments including vacant land, air rights, office buildings, corporate headquarter facilities (both existing and proposed), shopping centers, industrial complexes, commercial properties, residential properties, hotels and investment properties throughout the United States.

Mr. Feeney is qualified as an expert witness in U.S. Bankruptcy Court, Southern and Eastern Districts of New York, and in the Supreme Court of the State of New York, County of New York, County of Queens and County of Nassau. Mr. Feeney has also been a guest speaker at Columbia University School of Business, and for the Appraisal Institute, Metropolitan District Chapter Number 4.

Since 1997, Mr. Feeney has headed the multi-family valuation team for New York's Valuation Services. During this time, Mr. Feeney has prepared appraisals and consulted on hundreds of multi-family assets including premier developments such as the Residences at the Time Warner Center, Trump World Tower, the Residences at 50 Central Park South, and One Beacon Court. Appraisal and consultation services have been provided to Con Edison on its transaction for its sites along First Avenue, proposed to be developed with over 5,000,000 square feet of mixed use buildings. Mr. Feeney's team was responsible for the appraisal of the first downtown residential buildings to be granted Liberty Bond Financing. Assignments have included properties in each borough of New York City, and include cooperatives, existing and proposed condominium developments, proposed and existing rental developments, 80/20 mixed use developments, Section 8 and Section 236 housing developments, Mitchell Lama developments, development sites, air rights, Low Income Housing Tax Credits, Inclusionary Housing, and benefits related to sub-market financing.

#### Education

Manhattan College  
Riverdale, New York

Degree: B.S. Finance (1987)

New York University

New York, New York

Degree: Master of Science, Real Estate Development and  
Investment Analysis (Currently attending)

#### Appraisal Education

Mr. Feeney has successfully completed all required real estate courses required for the MAI designation offered by either the American Institute of Real Estate Appraisers or the Appraisal Institute.

#### Memberships, Licenses and Professional Affiliations

Associate Member of the Appraisal Institute

New York State Certified General Real Estate Appraiser No. 46000028659



## PROFESSIONAL QUALIFICATIONS

### **Timothy Barnes, CRE, FRICS**

*Managing Director, Capital Markets Group*

*National Practitioner, Dispute Analysis & Litigation Support Services*

*Quality Control Reviewer, New York*

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#### **Cushman & Wakefield, Inc.**

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New York, New York 10104

212-713-6956 Direct

212-841-7849 Fax

Timothy.Barnes@cushwake.com

2003 - Present

#### **PricewaterhouseCoopers LLP**

Director, Real Estate Practice

New York, New York

2000 - 2003

#### **Marchitelli Barnes & Company, Inc.**

New York, New York

1982 – 2000

## Experience

Mr. Barnes has provided valuation and counseling services on a wide variety of commercial, industrial, and residential properties including industrial buildings, shopping centers, office buildings, apartment complexes, malls, mixed-use complexes, auto-related properties, contaminated properties, golf courses, headquarters facilities, portfolios, adapted use properties, environmentally significant land, air rights, underwater land, acreage tracts, and fractional interests. He has prepared reports and studies for institutional, legal, government, private, and corporate clients. These reports have been prepared for mortgage purposes, buy/sell decisions, condemnation matters, zoning and land-use hearings, insurance and contamination claims, real estate tax review proceedings, federal tax trials, bankruptcy proceedings, foreclosure hearings, partnership disputes, and arbitration.

In addition to preparing appraisal and counseling reports himself, Mr. Barnes supervises a staff of other professionals in the scheduling, research, production, and review of reports. He also supervises all pre-trial preparation and post-trial research and investigation. Litigation support services are made available by the company to numerous law firms and to the legal departments of Federal, state, and local government agencies.

Mr. Barnes regularly provides expert services to the Internal Revenue Service, the New York State Department of Transportation as well as other State agencies including the Department of Environmental Conservation, the Department of Parks, Recreation, and Historical Preservation, the Connecticut Office of Policy and Management, and the Connecticut Department of Utilities Control. He has conducted seminars before the Suffolk County Department of Real Estate, the

Appraisal Institute, and the Suffolk County Bar Association (Environmental Committee), and has spoken on a number of topics before appraisal education groups including the Candidates Forum of the Appraisal Institute. He has been a guest lecturer at New York University and the Long Island Real Estate Institute. Mr. Barnes has appeared before numerous planning boards and town boards on behalf of client/applicants and has qualified as an expert witness before a number of trial courts including U.S. Bankruptcy Court, U.S. Tax Court, the Supreme Court of the State of New York, and the New York State Court of Claims.

Mr. Barnes is certified as a Real Estate General Appraiser by the State of New York (No. 46-6137). He is a member of The Counselors of Real Estate and has participated nationally at both the committee and task force levels, including Alternate Dispute Resolution, Litigation Support, Editorial Board of Real Estate Issues, and Invitation Advisory. He is a State Accredited Affiliate of the Appraisal Institute and has variously been affiliated with the Urban Land Institute, the Pension Real Estate Association, The American Bar Association, and the Institute of Professionals in Taxation. In 2008, Mr. Barnes was admitted as a Fellow of the Royal Institution of Chartered Surveyors.

### Education

B.A. Honours, McGill University, Montreal, 1980

#### Appraisal Institute:

- Course 1A1 – Real Estate Appraisal Principles
- Course 1A2 – Basic Valuation Procedures
- Course 1B – Capitalization Theory and Techniques, Part A
- Course 1B – Capitalization Theory and Techniques, Part B
- Course 2-1 – Case Studies in Real Estate Valuation
- Course 2-3 – Standards of Professional Practice

Various seminars including real estate related subjects

### Professional Affiliations

- Royal Institution of Chartered Surveyors
- The Counselors of Real Estate (CRE Designation)
- State Accredited Affiliate of the Appraisal Institute
- Member – Long Island Board of Realtors
- Fellow, Royal Institution of Chartered Surveyors (FRICS)

### Recent Significant Assignments

- Counseled Town of Babylon in renegotiating 400 oceanfront leaseholds.
- Counseled investment bank on feasibility of developing 2,100-acre mixed-use community on Long Island, including mall, power center, and more than 2,000 residential units.
- Valued Class A office building for use in adjudicating a loss claim due to on-site contamination.
- Prepared market analysis and subsequent appraisal of Long Island's largest office building for

New York investment bank.

- Appraisal and consultation for largest employer on Long Island to facilitate purchase and renovation of former Grumman headquarters building.
- Appraised multiple Class A office buildings in three New York suburban counties for pension equity investor.
- Appraised 40-building office/industrial portfolio for pension fund underwriting REIT acquisition.
- Counseled McDonald's Corp. on trial strategy regarding numerous eminent domain appropriations.
- Counseled prospective developer of 600-acre former New York State mental hospital on Long Island.
- Counseled local municipality in preparing RFP for redevelopment and land rights acquisition at New Rochelle Metro North/Amtrak station.
- Prepared both fee simple and transferrable credit appraisals in New York State's 50,000-acre Pine Barrens Core Preservation Area.
- Prepared valuation reports in support of Town of Smithtown equalization rate appeal before New York State Department of Equalization and Assessment.
- Made valuation reports for pension lender funding regional real estate acquisition by K Mart.
- Counseled largest U.S. banking corporation regarding future disposition of 600,000-square-foot regional headquarters buildings.
- Prepared valuation reports for lender funding Pep Boys' fee simple northeast U.S. expansion.
- Provided litigation support and valuation in defending assessment of contaminated Hazeltine site, Riverhead, New York.
- Provided litigation support and valuation in support of certiorari petition on contaminated 500,000-square-foot industrial complex, Colonie, New York.
- Valued 12,000-acre underwater shellfish farm in support of certiorari petition, Great South Bay, New York.
- Counseled investment bank funding acquisition and conversion of former headquarters building to a plug-and-go technology center.
- Provided litigation support and appraisals of 38-property portfolio in support of Trustee's dissolution petition before U.S. Bankruptcy Court.
- Valued service station portfolio for large New York-based Banking Corporation.
- Counseled New York investment bank on acquisition and redevelopment of college campus, Old Westbury, New York.
- Valued all branch leaseholds for conveyance of Key Bank Long Island assets to Dime Savings Bank.
- Made retrospective valuation of historic seaside inn for adjudication of total flood loss claim.
- Eminent domain appraisals of 35 commercial properties in downtown Hartford for development of Adriaen's landing multi-use sports complex.
- Valuation of 22,000-unit residential complex collateralizing major private bond issue.
- Valued 188 department store leaseholds in 38 states for creditors' committee in major bankruptcy.
- Valued over 400 small store leaseholds in southeastern U.S. to advise unsecured creditors of bankrupt retailer.
- Valued 111 real property assets in Metro New York for transfer tax associated with the sale of



EAB to Citigroup.

- Counseled The Nature Conservancy by establishing prototype damage and sale history analysis within the Coastal Erosion Hazard Area of the Atlantic coast.
- Counseled Suffolk County on the revenue generating capacity of more than 100 publicly owned telecommunications sites.
- Valued 35 properties in law firm portfolio for tax certiorari grievances.
- Valued major, national Class-A office building portfolio for joint venture reporting purposes.
- Provided litigation support to a public interest group opposing the sale of National Forest lands in the Grand Tetons, Wyoming.
- Co-authored a cap rate study on 168 properties in four Northern California counties for the largest office REIT in the U.S.
- Counseled the developer of the largest proposed retail/entertainment facility in establishing ad valorem PILOT payments.
- Valued numerous New York area estate holdings and partial interests for various tax and litigation matters.
- Valued several hundred owned and leased properties throughout New York State to facilitate acquisition of Household Finance by HSBC.
- Counseled owner/developer of 300-acre golf course community in negotiating with State University of New York.
- Managed the disposition of a 175-acre waterfront campus for a New York based University.
- Negotiated the acquisition of new commercial and residential facilities on behalf of St. John's University.
- Oversaw the entire litigation process on behalf of a corporate client seeking just compensation for a 260-acre appropriation.
- Participated in the valuation of an 1,800-mile subterranean easement.
- Participated in the development of a damages model to reflect the value of an illegal trespass dating back more than 200 years
- Valued a portfolio of residential buildings worth in excess of 4 billion dollars for a matrimonial proceeding.
- Oversaw the valuation for transfer tax purposes of the entire Bank of New York branch system.
- Prepared a damages model in support of a claim against the developer of a new mixed use facility in downtown Manhattan.
- Valued real estate and partnership interests in a Brooklyn retail portfolio for litigation.
- Valued partnership interests in a national property portfolio for NEBF.
- Valued Family Limited Partnership interests in an RV park portfolio in Arizona.
- Valued numerous limited partnership or minority member interests in portfolios including 34 office buildings in Seattle, 9 industrial buildings in suburban Philadelphia, 12 parking garages in Nashville, and the largest retail mall in Dallas.
- Advised the Board of Directors of Touro Law School on the disposition of their original campus.
- Valued for matrimonial purposes an oceanfront mansion in Southampton worth \$36,000,000.
- Advised General Motors in a condemnation proceeding involving the New York area's largest service facility.
- Valued numerous subterranean, surface and aerial easements on behalf of Consolidated Edison.
- Advised a property owner in a gift tax matter involving 40 acres on the oceanfront in Montauk.

- Made a multiple scenario feasibility study on a superfund site on behalf of the Metropolitan Transportation Authority.
- Oversaw the valuation of one of New York's largest development portfolios to facilitate a corporate reorganization.
- Estimated the market rent of a Hudson River pier on behalf of Consolidated Edison.
- Valued numerous residential and commercial façade easements on behalf of the Internal Revenue Service.
- Managed the real estate case in a \$125,000,000 eminent domain claim against The State University of New York.
- Valued and made feasibility estimates on a large superfund site on behalf of the US Attorney's Office.

## PROFESSIONAL QUALIFICATIONS

### Matthew C. Mondanile, MAI

Executive Managing Director/Area Leader  
Valuation & Advisory

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Actively involved in the analysis and appraisal of commercial real estate for the past 34 years. Nationwide experience on a variety of property types including apartment buildings, office buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed-use projects. Appraisal and consulting assignments have been completed for mortgage loan purposes, condemnations, arbitrations, allocations, estates, tax assessment hearings and as an aid in the decision-making process in the acquisition, disposition and marketing of real estate.

#### Experience

Executive Managing Director/Area Leader – Valuation & Advisory, Cushman & Wakefield, Inc. from January 2010. Previous position as Senior Managing Director/Area Leader from January 2005 through December 2009; New York Manager from April 2001 through December 2004; Senior Director from January 1994 until March 2001; Director from May 1991 until December 1993; and Senior Appraiser from April 1984 until May 1991.

Formerly employed by Douglas Elliman Knight Frank, Inc., New York, New York (1983-1984); Richard W. Boyce, MAI, San Diego, California (1981-1982); R.S.T. Real Estate Company, Inc., Los Angeles, California (1978-1982); and the City of Paterson Tax Assessor's Office, Paterson, New Jersey (1976-1978).

#### Appraisal Experience – New York City Office Buildings

Extensive experience in the analysis and appraisal of New York City office buildings including Class A and B buildings constructed pre and post war as well as mixed-use properties and institutional office buildings. The primary market area of concentration is Manhattan where over 300 office buildings were appraised within the last five years. Notable office building assignments include the following:

- World Trade Center
- World Financial Center
- General Motors Building
- One Penn Plaza
- Trump Tower
- IBM Building
- Swiss Bank Tower
- Lever House
- 1251 6<sup>th</sup> Avenue

#### Brokerage and Consulting Experience

Varied commercial real estate experience in New York City for the past 27 years. Notable recent assignments included:

Consultant to the Port Authority of New York and New Jersey in selecting their alternatives for disposition of the World Trade Center, a seven building office and retail complex in lower Manhattan.

Conducted all aspects of financial analysis of commercial real estate, including benefits and costs of property ownership, as well as asset and property management reorganization; accomplished privatization over a five-year period, resulting in the sale of the leasehold interest in the World Trade Center, at the time the largest office complex in the world.

Consultant to Madison Square Garden; assisted in the negotiation with Vornado Realty Trust to forward sell and trade the existing MSG arena building in return for the Farley Post Office building (which was planned for redevelopment to a transportation hub and was expected to include a new Madison Square Garden under terms of the proposed sale).

Consultant to Goldman Sachs & Company; coordinated and acted as valuation consultant on one of the largest appraisal assignments in history, the acquisition of Equity Office Properties REIT by the Blackstone Group which involved half of the portfolio of 296 office and retail complexes around the United States (including 542 buildings), and sold for a price of \$36 billion dollars.

#### Testimony in Courts of Law and Quasi-Judicial Hearings

- Qualified as an expert witness
- New York City Tax Appeal Tribunal
- New York State Supreme Court
- United States Bankruptcy Court

#### Education

- William Paterson College of New Jersey
- Bachelor of Arts - 1977
- American Institute of Real Estate Appraisers Courses

#### Appraisal Education

As of the current date, Matthew C. Mondanile, MAI, has completed all of the requirements under the continuing education program of the Appraisal Institute .

#### Memberships, Licenses and Professional Affiliations

- State of New York Certified General Real Estate Appraiser #46000004616
- State of New Jersey Certified General Appraiser #42RG00178900
- State of Connecticut Certified General Appraiser #RCG.0001284
- Broker "C" Member The Real Estate Board of New York, Inc.
- State of New York Licensed Real Estate Broker
- Designated Member of the Appraisal Institute (MAI) Certificate 6811
- 2009 President of the Metropolitan New York Chapter of the Appraisal Institute
- Member, Royal Institution of Chartered Surveyors (MRICS)
- Certified Tax Assessor - State of New Jersey