Scenario I – February 2009

- We modeled for income from the 84 vacant market rate units at an average rent of $40.00 per square foot, equating to $1,235 per month.
- The January 2009 rent roll indicates that the 106 rent-regulated subject units currently achieve a total monthly rent of $89,564, or $1,074,771 per year.
- RE Taxes were projected at 25.0% of the EGI.
- The total fixed and operating expenses, excluding real estate taxes and depreciation factor, is $1,205,300.
- Based on stabilized operations, the NOI is estimated at $240,238. The denominator used in the test of reasonable return equates to the sum of the assessed value, the capital improvement costs, 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 $20,186,462(1). The economic return equates to **1.190%**. 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.

SUMMARY OF REVENUE AND EXPENSES
PROFORMA - WITH CAPITAL EXPENDITURE
429 EAST 64TH STREET & 430 EAST 65TH STREET
NEW YORK, NEW YORK

	Year One	
INCOME	**Total**	**$/SF**
Market Rate Units Revenue	$1,231,320	
Rent Stabilized Units Revenue	$1,074,771	
MCI Revenue	$64,486	
Miscellaneous Revenue	$10,000	
Total Gross Income	2,380,577	
Less: Vacancy and Credit Loss	238,058	
Effective Gross Income	2,142,520	
OPERATING EXPENSES		
Real Estate Taxes	535,630	$6.31
Insurance	135,700	$1.60
Salary & Benefits	296,900	$3.50
Utilities	267,200	$3.15
Water & Sewer	106,000	$1.25
Repairs & Maintenance	212,100	$2.50
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
Depreciation Factor	161,352	$1.90
Miscellaneous Expense	21,200	$0.25
TOTAL EXPENSES	1,902,282	$22.43
NET OPERATING INCOME	**240,238**	**$2.83**

(1) Property Tax Assessment + Capital Expenditure + C&W Estimate of Unit Renovation Cost + Lease-Up Cost = $2,749,500 + $10,530,225 + $4,620,000 + $2,286,737 = $20,186,462

Scenario II – February 2009

- We modeled for income from the 84 vacant market rate units at a rent of $35.00 per square foot, equating to $1,082 per month.
- The January 2009 rent roll indicates that the 106 rent-regulated subject units currently achieve a total monthly rent of $89,564, or $1,074,771 per year.
- RE Taxes were projected at 25.0% of the EGI.
- The total fixed and operating expenses, excluding real estate taxes and depreciation factor, is $1,332,504. Operating expenses reflect no building-wide capital expenditure.
- Based on stabilized operations, the NOI is estimated at $60,385. The denominator 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 costs. This equates to a total of $9,838,553(1). The economic return equates to **0.614%**. 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.

6-STORY APARTMENT BUILDINGS
PROFORMA - WITHOUT CAPITAL EXPENDITURE
429 EAST 64TH STREET & 430 EAST 65TH STREET
NEW YORK, NEW YORK

	Year One	
INCOME	**Total**	**$/SF**
Market Rate Units Revenue	$1,077,405	
Rent Stabilized Units Revenue	$1,074,771	
Miscellaneous Revenue	$10,000	
Total Gross Income	2,162,176	
Less: Vacancy and Credit Loss	216,218	
Effective Gross Income	1,945,959	
OPERATING EXPENSES		
Real Estate Taxes	486,490	$5.74
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
Depreciation Factor	66,580	$0.78
Miscellaneous Expense	21,200	$0.25
TOTAL EXPENSES	1,885,574	$22.23
NET OPERATING INCOME	**60,385**	**$0.71**

(1) Property Tax Assessment + C&W Estimate of Unit Renovation Cost + Lease-Up Cost = $2,749,500 + $4,620,000 + $2,286,737 = $9,838,553

Scenario III – May 2010

- We modeled for income from the 97 vacant market rate units at a rent of $600.00 per month per unit.
- The TC201 2010 indicates that the 93 rent-regulated subject units currently achieve a total monthly rent of $80,791, or $969,495 per year.
- RE Taxes were projected at 25.0% of the EGI.
- The total fixed and operating expenses, excluding real estate taxes and depreciation factor, is $1,332,504. Operating expenses reflect no building-wide capital expenditure.
- 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 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(1). 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.

6-STORY APARTMENT BUILDINGS PROFORMA - Capital Expenditure Sufficient to Cure Fire Safety Conditions in Units 429 EAST 64TH STREET & 430 EAST 65TH STREET NEW YORK, NEW YORK		
	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	
OPERATING EXPENSES		
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
NET OPERATING INCOME	**-190,829**	**-$2.25**

(1) Property Tax Assessment + C&W Estimate of Unit Renovation Cost + Lease-Up Cost = $2,533,500 + $2,325,000 + $1,788,600 = $6,647,100

- This scenario modifies the estimate for renovation of the apartment units to reflect the more accurate estimate prepared by Project Consult dated March 23, 2011. Hard costs were modified to $4,018,385 ($41,427/apartment) from the Scenario III conclusion estimated by C&W of $2,325,000.

- This pro forma indicates that the net operating income for the Buildings under normalized conditions in the “test year” would be negative $530,943. Using $4,341,773(1) as the denominator, this equates to a rate of return of **negative 12.229%** -- or far below the 6% return deemed reasonable by the Landmarks Law.

Note:
- The adjacent buildings contain a total of 965 units.
- There are 215 vacant units. This equates to a vacancy rate of 22.28 percent.
- This complex also offer units with renovated interior finishes, much superior to that exhibited by the subject property.
- The high vacancy rate exhibited by these buildings demonstrates that this type of housing has limited appeal in the marketplace.

PROFORMA
429 EAST 64TH STREET & 430 EAST 65TH STREET
NEW YORK, NEW YORK

	Year One	
INCOME	**Total**	**$/SF**
Market Rate Units Revenue	$698,400	
Rent Stabilized Units Revenue	$969,495	
Miscellaneous Revenue	$12,500	
Total Gross Income	1,680,395	
Less: Vacancy and Credit Loss	168,039	
Effective Gross Income	1,512,355	
OPERATING EXPENSES		
Real Estate Taxes	579,757	$6.83
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
Depreciation Factor	131,038	$1.54
Miscellaneous Expense	21,200	$0.25
TOTAL EXPENSES	2,043,299	$24.09
NET OPERATING INCOME	**-530,943**	**-$6.26**

(1) Property Tax Assessment + (Unit Renovation * 0.45) = $2,533,500 + ($4,018,385 * 0.45) = $4,341,773

Scenario V – June 2011

- The analysis also provides an understanding of the impact on the rate of return based on an increase in the rental income from the vacant apartments to an average of $888.25 per month, the mean average rent of comparable apartments in other buildings on the block, and an adjustment of the vacancy and collection loss factor from 10% to 24%, the loss factor over all of the buildings on the balance of the block.

- This pro forma indicates that, even if the income and the loss factor for the subject is adjusted to reflect economic conditions on the balance of the block, the net operating income for the buildings under normalized conditions in the "test year" would still be negative $511,201. Using $4,341,773(1) as the denominator, this equates to a rate of return of **negative 11.774%** -- again, far below the 6% return deemed reasonable by the Landmarks Law. Lowering the vacancy and collection loss factor did not materially affect this conclusion.

PROFORMA 429 EAST 64TH STREET & 430 EAST 65TH STREET NEW YORK, NEW YORK		
	Year One	
INCOME	**Total**	**$/SF**
Market Rate Units Revenue	$1,033,923	
Rent Stabilized Units Revenue	$969,495	
Miscellaneous Revenue	$12,500	
Total Gross Income	2,015,918	
Less: Vacancy and Credit Loss	483,820	
Effective Gross Income	1,532,098	
OPERATING EXPENSES		
Real Estate Taxes	579,757	$6.83
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
Depreciation Factor	131,038	$1.54
Miscellaneous Expense	21,200	$0.25
TOTAL EXPENSES	2,043,299	$24.09
NET OPERATING INCOME	**-511,201**	**-$6.03**

(1) Property Tax Assessment + (Unit Renovation * 0.45) = $2,533,500 + ($4,018,385 * 0.45) = $4,341,773

SUMMARY CHART						
	Capital Expenditure		Concluded	Concluded		Feasibility
	Building-Wide Base	In-Unit	Rent/SF	Rent/Month	Occupancy	Result
Economic Feasibility - 2009 Test Year						
Scenario I	$10,530,225	$4,620,000	$40.00/SF	$1,235/Unit	90.00%	1.190%
Scenario II	$0	$4,620,000	$35.00/SF	$1,081/Unit	90.00%	0.614%
Economic Feasibility - 2010 Test Year						
Scenario III	$0	$2,325,000	$19.43/SF	$600/Unit	90.00%	-2.871%
Sensitivity Analysis - 2010 Test Year						
Scenario IV	$0	$4,018,385	$19.43/SF	$600/Unit	90.00%	-12.229%
Scenario V	$0	$4,018,385	$28.76/SF	$888/Unit	76.00%	-11.77%

RENTAL RATE CONCLUSION

The Cushman & Wakefield 2010 analysis projected that, after completion of the fix-up work required to bring the apartments into code-compliant condition, the average rent would be approximately $600 per unit per month. We believe that this estimated rent level is both reasonable and appropriate under all of the circumstances, including, in particular, the following:

- The average monthly rent for approximately one-third of the 97 vacant units at the time they were voluntarily surrendered was $617, indicating that they were not considered attractive enough for continued occupancy at even that rent level.
- The average monthly rent for apartments on the balance of the city block, in like-kind buildings, is $833. However, these buildings have an overall vacancy rate of 24% despite the fact that the owner maintains a full time rental office on premises. The high vacancy rate suggests that even at the average rent levels it is not possible to achieve occupancy rates comparable to most other buildings in New York City. The use of a $600 per month average rent reflects the discount necessary to attract enough tenants to reach more typical levels of occupancy in the Buildings. That is why our rate of return study assumed a vacancy and collection loss factor of 10% rather than the 24% found in the buildings on the balance of the block.

Subject: Living room of a vacant unit. (Water damage, stained floors, poor waterproofing around window, & uneven floor)

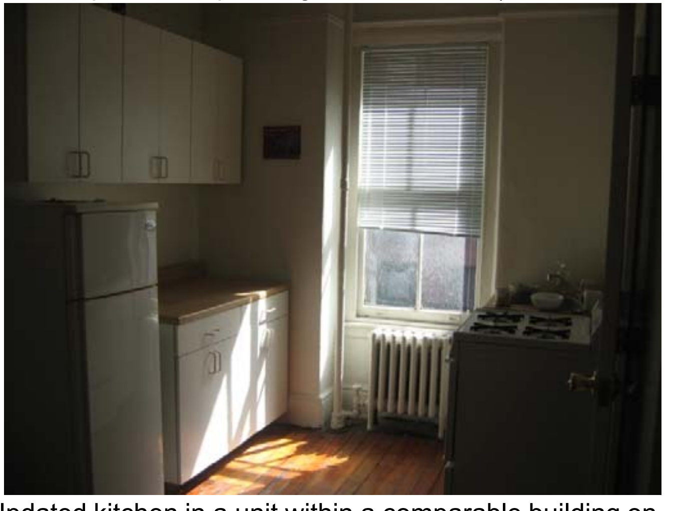
Living room in a renovated, vacant unit in comparable building on same block.

Photographic Comparison

Subject: Kitchen of a vacant unit. (Water damage, linoleum floors, & poor waterproofing around window)

Subject: Bathroom of a vacant unit. (No electrical outlet, & odd layout)

Bathroom in a renovated unit within a comparable building on same block.

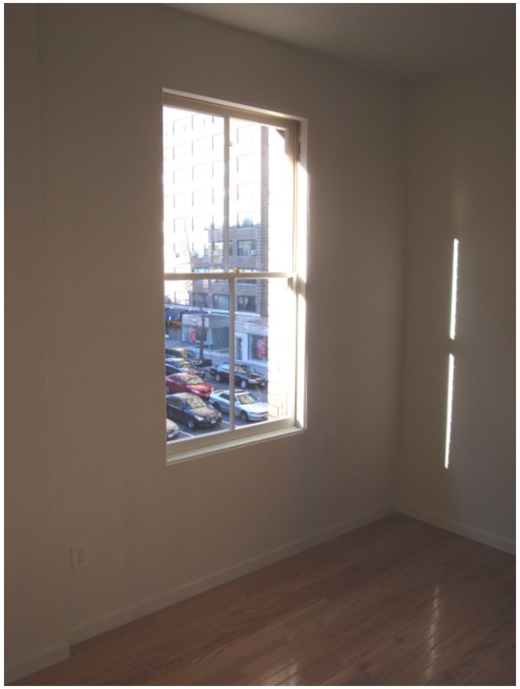


Updated kitchen in a unit within a comparable building on same block.

Subject: Kitchen of a vacant unit.

Kitchen in a renovated unit within a comparable building on same block.

Subject: Living room of a vacant unit.



Living room in a renovated unit within a comparable building on same block.

The HRA rent estimate is misleading for several reasons.

- Average rent levels are not reconciled to the subject, which is demised into units that are not representative of average apartments on the Upper East Side. The subject units are smaller than average, with below average layouts, room sizes and electric amperage. Prudential Douglas Elliman's 2009 market report indicates average studio sizes of 530 square feet and one-bedroom sizes of 786 square feet. Given that the average unit size in the subject is 371 square feet, it is simply wrong to treat the average published rent as directly applicable to the property. Furthermore, HRA listings are generally for 4-5 story walk-up buildings.
- The average rental rates are not effective rents that reflect the rent concessions prevalent in 2009.
- The conclusion that an average rent of $1,508/month/apartment cannot be achieved since the legal rents in many of the units will, even after renovation, still be lower than the market rent.
- An analysis of the last legal rents for the 45 vacant units at 429 East 64th Street indicates that, based on Gleeds/Project Consult's in-unit recoverable renovation costs, the average monthly legal rent will increase only to $1,374 per month. Adding a 3.0 percent one-year renewal rent increase raises the average legal rent only to $1,415 per month. Using the same methodology, legal rents within the 39 vacant units at 430 East 65th Street would reach only $1,477 per month. To achieve $1,508 per unit per month income, additional capital expenditures would be required, altering the calculation for real estate taxes and the denominator in the HRA economic analysis. We note that increasing rent levels would not be welcomed by many of the occupants of these buildings, as such increases would make the units less affordable. In any event, these rent levels would be far in excess of rents achieved on the same block in the other First Avenue Estate buildings for larger apartments.
- The HRA comparable analysis also uses rent listings from area walk-up apartment buildings from 2011; only about 130 of its 409 listings were for apartments being offered in 2009.
- There is no adjustment for a listing price discount, for rent increases between 2009 and 2011, reported to be 11 to 20 percent, or for concessions.

- There is no adjustment to account for the smaller subject unit sizes compared to the market norms. HRA refers to these comparables as “409 rent transactions.” However, not one of them is a completed lease transaction; they are merely listings of units for rent.
- The LPC should bear in mind in assessing the accuracy of the HRA report the following omissions, which on an individual basis adversely affect the accuracy of its conclusions and collectively render its conclusions materially misleading.
  - Its derivation of market rents from listings data and from average published rates, does not provide a meaningful comparison to the subject.
  - Its failure to consider the relationship between permitted legal rents and market rent estimates results in an overstatement of the potential revenue on the subjects’ effective gross income.
  - The absence of consideration of both the smaller sizes and poorer quality of the subject units further overstates potential revenue.
  - No consideration of the discount to listing rates in 2009 or concessions prevalent in the market.

C&W reviewed the report prepared by HRA, discussed the conclusions made and hereafter offer revised analyses.

- The unit rent conclusion projected by HRA is based on asking rents from 2009 to 2011. According to Prudential Douglas Elliman, the discount between listing and taking rents in 2009 on a quarterly basis was 8.0 percent (1Qtr), 9.5 percent (2Qtr), 7.0 percent (3Qtr), and 6.5 percent (4Qtr). This equates to an average listing discount rate of 7.75 percent. Applying the average listing discount rate to HRA's rent projection results in a monthly rental rate of $1,385 per unit, which is below the adjusted legal rents detailed earlier.
- According to CitiHabitat, over 50.0 percent of the leases included owner paid incentives in 2009. These incentives are typically not reflected in the asking rents nor recorded in average rents reported by landlords. The incentives typically include broker fee payment by landlord and/or 1 or 2 months free rent. A one month's free rent would reduce the monthly rental rate of $1,385 to $1,280 per unit, or equating to $40.53 per square foot.
- HRA's monthly rent projection exceeds the legal rent of the vacant units.
- HRA projects a vacancy rate of 5.0 percent for the subject property, post unit renovation. The HRA report fails to include an assessment of credit loss for the project. In comparison, C&W uses a 10 percent rate for vacancy and credit loss. Furthermore, there is greater vacancy rates at the subject and other buildings on the block for apartments located on the 5th and 6th floors.

The following table exhibits revised calculations using changes to real estate taxes, depreciation factor, and rate of return denominator applied to HRA initial conclusion, revised conclusion, and C&W conclusion.

	FORMULA	CALCULATION
Rate of Return Denominator	Actual Assessment + (Renovation Cost X 0.45)	$2,533,500 + ($4,018,385 X 0.45) = $4,341,773
Depreciation Factor:	(Actual Assessment + (Renovation Cost X 0.45)) X 0.02	($2,533,500 + ($4,018,385 X 0.45)) X 0.02 = $86,835
Real Estate Taxes:	(Actual Assessment + (Renovation Cost X 0.45)) X Tax Rate / 100	($2,533,500 + ($4,018,385 X 0.45)) X $13.241 / 100 = $574,894

Based on the findings, we have revised the HRA proforma, incorporating the recalculated rate of return denominator. We have also included the C&W proforma with recalculated denominator. The following table presents a comparison of the original HRA projection, a C&W modified HRA projection, and C&W's revised projection.

	HRA	REVISED HRA
Rent Conclusion	$1,500/Unit or $47.50/SF	$1,280/Unit or $40.43/SF
Vacancy Rate	5.0%	5.0%
Credit Loss	0.0%	5.0%
Net Operating Income	$557,340	$230,490
Rate of Return Denominator:	$4,341,773	$4,341,773
Rate of Return	12.837%	5.309%

- To reconsider, using construction cost estimates prepared by Gleeds and contained within its report dated August 27, 2012, the renovation scenario that was studied in its 2009 report and involved upgrades both to all of the then vacant units and to the common elements and systems of the Subject Buildings; and
- To consider, using construction cost estimates prepared by Gleeds and contained in its report dated August 27, 2012, a gut rehabilitation of the Subject Buildings that included both the installation of elevators and the reconfiguration of apartments.
- In response to comments by the Landmarks Preservation Commission, adjusts the rents (from February 2009 report) at the four comparable properties on a grid that evaluates each of the factors affecting rent levels individually
  - Applying adjustments to the initial comparable set results in a range of applicable unit rents from $30.00 to $44.00 per square foot, rounded. We concluded to $40.00 per square foot for the subject units which is at the high end of the range. Furthermore, the conclusion of $40.00 per square foot is a market rent and we assumed rent stabilization regulations would not prevent any vacant apartment from achieving this as a legal rent.
- In addition to the comparable set of rents included in our February 2009 report, we have compiled three sets of data to use as additional comparable properties in projecting rents. The first set (which was distilled from a compilation of 417 apartments which had completed lease transactions in 2009) is a list of 14 apartments in walk-up, non-doorman buildings between East 60th and East 84th Streets for which we confirmed both actual rental and square footage information.
  - Based on the CitiHabitat's YearEnd 2009 Black and White Report, we adjusted the rents to reflect the 25.0 percent premium in rents for elevatored, doorman buildings over rents for walk-up buildings like the subject.

	Studio	1.0 Bedroom	2.0 Bedroom
Adjusted Avg. Annual Rent/SF	$ 38.99	$ 37.23	$ 38.20
Adjusted Avg. Monthly Rent/Unit	$ 1,778	$ 2,390	$ 3,923

- Below is a summary of **actual** lease transactions within buildings in proximity to the subject with confirmed rents and square footages. These units are almost universally located within elevator buildings. They range from $43.30 per square foot to $48.66 per square foot on average. As recognized in data from reports used in the HRA analysis, elevator buildings command a rent premium of 16 percent while doorman buildings command a 25 percent premium on average in 2009 (Source: CitiHabitats Year End 2009 Black and White Report). Recognizing that the two categories (elevator building with doorman) often co-exist for statistical generation, we consider a negative adjustment of 10 to 15 percent appropriate for these categories. All rent levels have been confirmed with the brokerage firm handling the transactions.

2009 Summary of Rents 2.5 to 4 Room Apartments – Below 16th Fl				
	2.5 Rooms	3 Rooms	3.5 Rooms	4 Rooms
Total Square Footage	5,560	37,218	15,977	9,915
Total Number of Units	10	51	19	9
Overall Monthly Rent	$ 22,547	$ 134,310	$ 58,570	$ 37,800
Overall Avg. Annual Rent/SF	$ 48.66	$ 43.30	$ 43.99	$ 45.75
Overall Avg. Annual Rent/Unit	$ 27,056	$ 31,602	$ 36,992	$ 50,400
Overall Avg. Monthly Rent/Unit	$ 2,255	$ 2,634	$ 3,083	$ 4,200

- On an unadjusted basis, rents range from $43.30 to $45.75 per square foot. Applying a negative adjustment of 10-15 percent produces an adjusted range of $36.81 to $43.79 per square foot prior to consideration of unit layouts, finishes and amenities. The C&W conclusion of $40.00 per square foot is again found to be reasonable.
- These supplemental analyses, all of which contain comparables which have been documented and discussed in greater detail above, confirm that the February 2009 report correctly projected post renovation rents for the then 97 vacant units in the Subject Buildings at $40.00 per square foot.

Additional Scenario Request

- We based MCI revenues on a total capital expenditure of $11,607,582 (August 2012 estimate by Gleeds). The rent regulated units pay a total of $969,495, and pass throughs are limited to 6 percent of this amount, equating to $58,170 in total, or $625.48 per apartment in Year 1. This assumption is generous in that few, if any, MCI applications are approved dollar-for-dollar.
- Based on stabilized operations, the NOI is estimated at $116,386. The calculation used to determine the denominator is the sum of the 2009/2010 assessed value and 45.0 percent of renovation costs. Based on this calculation, the denominator equates to $10,047,300, which produces **1.158%** of economic return.
- We also estimated the denominator based on the assessed value of the real estate taxes utilized in the proforma, which is 25.0 percent of the effective gross income. We applied the 2009/2010 tax rate to the real estate taxes to determine the assessed value. This equates to a real estate tax assessment of $4,271,310. Based on this denominator, the economic return equates to **2.725%**. A Reasonable Return as defined by the New York City Administrative Code is 6.0 percent per annum. In both cases, the subject property does not generate a "reasonable return" as improved.

Elevator Installation Scenario

- We reviewed Gleeds' August 2012 Conceptual Estimate of Probable Cost report indicates a total capital expenditure of $25.4 million, rounded to renovate the subject buildings and install elevators (8 total) to each wing.
  - This equates to $299 per square foot of gross building area.
  - Based on Gleeds report, the new net rentable area will be 63,720 square feet with a total of 120 residential units, post unit combinations.
  - Several soft costs were not identified, such as architectural, engineering, insurance, real estate tax carry and permits, which represent additional and substantial costs beyond the Gleeds estimate.
- The renovation analyzed by Gleeds at the request of the Landmarks Preservation Commission would require that the building be completely vacated.
  - Even if this could be done (and there is no assurance that it could be), there is no way to predict either how long it would take or how much it would cost – both critical factors in the cost of the project.
- The cost of installing the elevators by itself (and exclusive of any properly allocable soft costs) is estimated by Gleeds at $4.4 million, rounded.
  - Renovation/rehabilitation could be implemented only if it were paid for entirely with the owner's equity. However, no rational and prudent owner would make this kind of investment in light on the length of time needed to earn a return of any kind, much less a reasonable return on capital invested and potential profit.

Stahl Real Estate Company

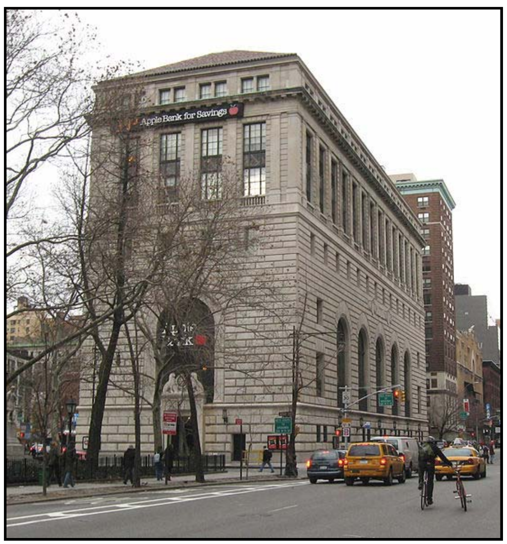
The Stahl Organization is a privately held, New York City-based company founded by Stanley Stahl in 1949. Mr. Stahl passed away in 1999.

Stahl has expertise in purchasing, renovating, and operating Landmarks buildings :

- The Chanin Building (office)
- The Western Union Building (office)
- The Lunt-Fontanne Theatre (Broadway theater)
- The Tiffany Building (subsequently sold)
- The Ansonia (mixed use)
- The Central Savings Bank Building (mixed-use)
- Brooklyn Trust Building (mixed-use)

Stahl Landmark Properties

Lunt-Fontanne Theatre



Central Savings Bank

Western Union Building

Chanin Building

Stahl Landmark Properties

For decades, Stahl Real Estate has served as a conscientious steward of some of New York City's most notable architectural Landmarks .

Brooklyn Trust Company

The Tiffany Building

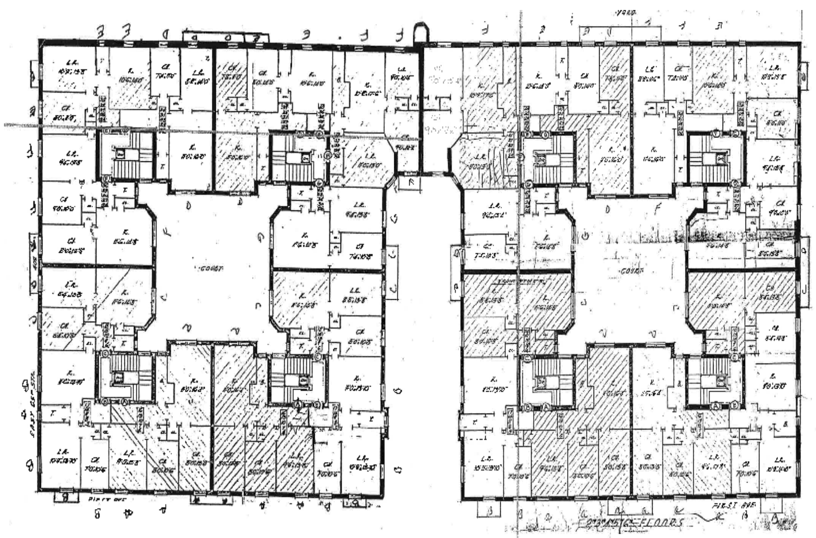
The Ansonia

Advantages at First Avenue

- On Average Units are 23% Larger
- First Avenue Provides for Brighter Units
- Close Proximity to Subways
- Conveniently Located to Retail Services (Pharmacy, Banking, Dry Cleaning, Grocery)
- On-Premise Laundry Facility (20 washers / 10 dryers)

1192-1194 First Avenue
401 East 64th Street
402 East 65th Street

East 65th Street



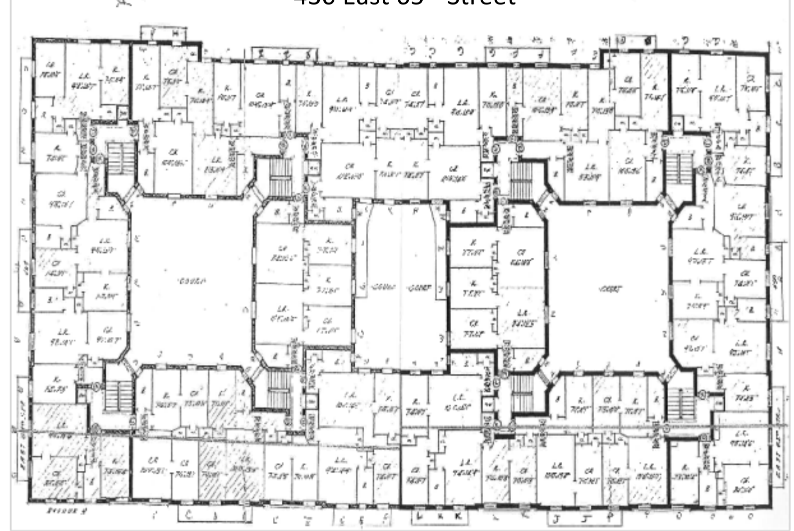
First Avenue

Disadvantages at York Avenue

- Smaller Units with Inferior Layouts
- Interior Courtyards Create Safety Concerns
- Further Distance from Subways
- No Retail Services on York Avenue
- No Laundry Facility On-Site

429 East 64th Street
430 East 65th Street

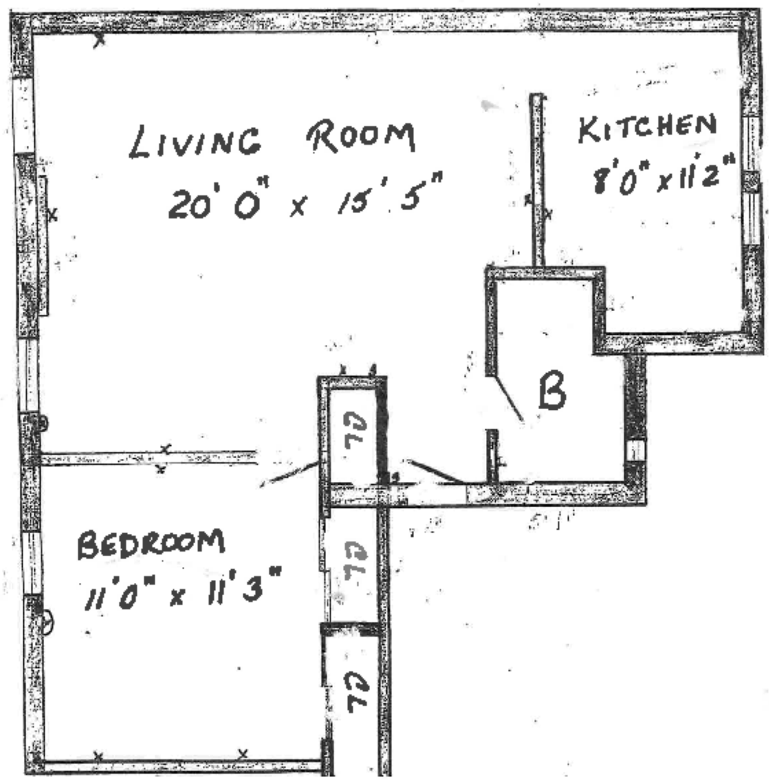
East 64th Street



East 65th Street

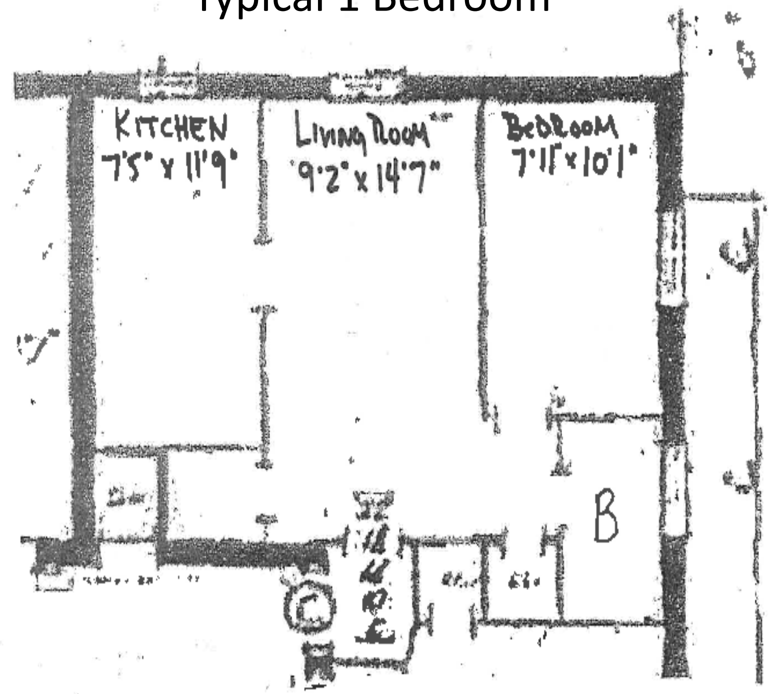
York Avenue

First Avenue
Typical 1 Bedroom



500 ± Square Feet

York Avenue
Typical 1 Bedroom



350 ± Square Feet

Introduction

Gleeds developed report (updated in August 2102) to establish probable cost for the renovation / upgrades to 429 E64th and 430 E65th

Work includes:

- Repairs and upgrades to meet minimum code requirements
- Additional improvement to make the apartments more leasable
- New electrical and plumbing risers
- Window replacement.

Not included:

- Air Conditioning
- Asbestos abatement
- Structural corrections
- Fire Alarm Systems (other than smoke detectors)
- Ventilation systems
- Exterior work

Basis of Estimate

- Gleeds conducted extensive field surveys and inspections of vacant units, inspections of base building systems, and review of floor plans in order to evaluate necessary renovation scope.

- The estimate assumes union labor in New York City. (Skill level, access to manpower)

- Prices reflect 2009 labor and material

- Only vacant apartments (110 units) would be renovated.

Basis of Unit Costs

- Unit pricing includes:
  - Material costs
  - Taxes
  - Delivery
  - Onsite material handling and storage
  - Labor costs including hourly rate, union fringe benefits, payroll insurances, taxes
  - Subcontractor general conditions, overhead, taxes and profit.
- Not included in individual unit rates but added to summary costs is an allowance for General Contractor Overhead, insurance and profit (21%).

Basis of Unit Costs (continued)

Not included in any of the costs are soft costs such as:

- Design Costs
- Expediting Cost
- Finance Costs
- Permit and filing Fees
- Unforeseen conditions
- Asbestos abatement
- Off-site storage fees
- Other third party fees
- Temporary heat and electric
- Overtime costs
- Other Owner soft costs

Basis of Unit Costs (continued)

Also impacting unit cost is:

- Small cores at each building with complicated material handling and limited storage for construction.
- Cost of moving material up a maximum of six flights (no external material hoist costs are included as it would be impracticable)
- Lost labor time due to movement up and down six flights in four separate cores
- The above results in reduced productivity

To address these we have added a premium to the labor production rate used in determining the labor cost.

These factors increase labor cost by 6 to 9 percent depending on trade (due to amount of material / equipment to be moved. This will result in overall cost increase of between 3 and 6 percent.

Additionally, lack of storage and laydown area will limit ability to purchase material for the entire job at once (reducing bulk purchase savings).

Basis of Unit Costs (continued)

Examples of Unit rates and what is included

- New Door
  - Material cost for door, frame and hardware material
  - Labor cost to install the door, frame and hardware
  - Labor and material allowance for the reframing of the door opening
  - Allowance for material handling at site including premium for walk-up
  - Subcontractor markups including General Conditions, insurances, profit
- New Electrical outlet
  - Material cost for the electrical device, electrical back-box, device cover and wiring to electrical panel
  - Labor to install the electrical device, electrical back-box, device cover and wiring to electrical panel
  - Allowance for material handling at site including premium for walk-up
  - Subcontractor markups including General Conditions, insurances, profit

Basis of Unit Costs (continued)

Examples of Unit rates and what is included

- New Water Closet
  - Material cost for water closet, water supply valve, water supply tubing
  - Material cost for rough-in material including water and waste pipe and fittings
  - Labor cost for the installation of water closet rough-in and water closet install
  - Allowance for material handling at site including premium for walk-up
  - Subcontractor markups including General Conditions, insurances, profit

Scope of work

Site work includes:

- Asphalt curbing
- Courtyard concrete
- Exterior lighting
- Drainage – replacement of drain grate and cleaning/repair as necessary, underground storm piping
- Planting

Not included in core and shell:

- No roof replacement
- No corridor ventilation , existing fenestrations
- No bathroom ventilation, existing fenestration

Scope of work (continued)

Core and Shell work includes:

- Replace 269 large and 48 small windows, including change to masonry opening and loose lintel
- New incoming electrical service and new Electrical risers and panels (one main and four distribution panels per core)
- New 4" metered domestic water service with backflow preventer
- New Plumbing risers (domestic cold & hot water, sanitary and vent stacks, storm and gas) and new gas fired domestic hot water heaters
- Stairwell standpipes
- Repair of exiting fire escapes
- Prime and Painting of common interior spaces
- New common area lighting
- New cellar and bulkhead lighting
- Prime and painting of all existing miscellaneous metals (fire escapes/window bars)

Scope of work (continued)

Apartments – Level 1

- Re-grouting at bathrooms
- New kitchens with required appliances
- Sanding and Sealing of existing wood flooring
- 20% repair of plaster ceilings
- 20% repair of plaster partitions
- New electrical panel and distribution
- New lighting
- New interior doors
- 20% finish carpentry repairs (base and moldings)
- Prime and Paint

Scope of work (continued)

Apartments – Level 2 - Same as level one except

- New bathrooms with required fixtures
- 20% repair of existing wood flooring
- 40% repair of plaster ceiling
- 40% repair of plaster partitions
- 40% finish carpentry repairs (base and moldings)

Apartments – Level 3 - Same as level two except

- 60% repair of existing wood flooring
- 60% repair of plaster ceilings
- 60% repair of plaster partitions
- 60% finish carpentry repairs (base and moldings)
- New radiators

Scope of work (continued)

Apartments – Level 4 – Same as level three except

- New wood flooring
- 100% new GWB ceilings
- 100% new GWB partitions
- 100% new finish carpentry repairs (base and moldings)

Total Estimate Cost for Market Rehab Scheme - $17.38 million