

NEW ISSUES - BOOK ENTRY ONLY**DAC Bond**

Moody's: Aaa

Fitch: AAA

(See "Ratings" herein)

**\$362,785,000****BATTERY PARK CITY AUTHORITY
Senior Revenue Bonds****\$356,085,000****Senior Revenue Bonds****Series 2013A (Tax-Exempt Bonds)****\$6,700,000****Senior Revenue Bonds****Series 2013B (Federally Taxable Bonds)****Dated: Date of Delivery****Due: As set forth on the inside cover**

The \$356,085,000 aggregate principal amount Battery Park City Authority Senior Revenue Bonds, Series 2013A (Tax-Exempt Bonds) (the "Series 2013A Bonds"), and the \$6,700,000 aggregate principal amount Battery Park City Authority Senior Revenue Bonds, Series 2013B (Federally Taxable Bonds) (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "Series 2013 Senior Bonds") are issuable only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), to which payments of principal and interest will be made. The Series 2013 Senior Bonds are being issued by the Battery Park City Authority doing business as Hugh L. Carey Battery Park City Authority (the "Authority"). The Series 2013 Senior Bonds will constitute Senior Bonds (as defined in the General Bond Resolution, adopted by the Authority on September 9, 2003 (the "General Resolution") and as described in Appendix C to this Official Statement), and will be secured by the Collateral on a basis senior to all Junior Bonds and Subordinated Payments, and on a parity with all other Senior Bonds, now or hereafter secured under the General Resolution (each, as defined in the General Resolution). In addition to the Series 2013 Senior Bonds, the Authority expects to issue (i) \$210,865,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013C (the "Series 2013C Bonds"), (ii) \$199,330,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013D (the "Series 2013D Bonds"), and (iii) \$199,335,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013E (the "Series 2013E Bonds"), none of which will be offered to the public (collectively, the "Series 2013 Junior Bonds" and, together with the Series 2013 Senior Bonds, the "Series 2013 Bonds"). The Series 2013 Junior Bonds are not being offered by this Official Statement.

Purchasers will receive beneficial interests in the Series 2013 Senior Bonds in the principal amounts described on the inside cover, in book-entry form only and in the denomination of \$5,000 or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Series 2013 Senior Bonds, the principal of and interest on the Series 2013 Senior Bonds are payable to Cede & Co., as nominee for DTC, by The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants, as more fully described herein. The Series 2013 Senior Bonds will be dated their date of delivery and will bear interest from such date until payment of principal has been made. Interest on the Series 2013 Senior Bonds will be payable on each May 1 and November 1 (commencing on May 1, 2014).

The Series 2013 Senior Bonds are subject to optional and mandatory redemption prior to maturity, and the Series 2013A Bonds are subject to mandatory tender for purchase on any optional redemption date, all as described herein. The proceeds of the Series 2013 Bonds, together with other moneys of the Authority, will be used for the following purposes: (1) to provide for ongoing infrastructure and other capital improvements in Battery Park City; (2) to fund any required debt service reserves; (3) to refund certain outstanding indebtedness of the Authority; and (4) to pay costs of issuance of the Series 2013 Bonds. Payments of principal of and interest on the Series 2013 Senior Bonds will be payable from and secured by a pledge of certain revenues of the Authority described herein.

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2013A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) such interest is not treated as a preference item in calculating the alternative minimum tax on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 2013 Senior Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). In the opinion of Bond Counsel, interest on the Series 2013B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. See "TAX MATTERS" herein.

THE SERIES 2013 SENIOR BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, WHICH HAS NO TAXING POWER, AND ARE NOT A DEBT OR LIABILITY OF THE STATE OF NEW YORK OR THE CITY OF NEW YORK. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW YORK OR THE CITY OF NEW YORK IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE SERIES 2013 SENIOR BONDS, NOR ARE THE SERIES 2013 SENIOR BONDS "MORAL OBLIGATION" BONDS SECURED BY A DEBT SERVICE OR OTHER RESERVE FUND FOR WHICH STATUTORY PROVISION FOR THE APPROPRIATION OF FUNDS HAS BEEN MADE.

The Series 2013 Senior Bonds are offered for delivery when, as and if issued and delivered to the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. Certain legal matters will be passed upon for the Authority by its General Counsel. It is expected that the Series 2013 Senior Bonds will be available for delivery to DTC on or about October 23, 2013.

Citigroup**BofA Merrill Lynch****Rice Financial Products Company****J.P. Morgan****Ramirez & Co., Inc.****Lebenthal & Co., LLC****Wells Fargo Securities**

**\$362,785,000
BATTERY PARK CITY AUTHORITY
SENIOR REVENUE BONDS**

**\$356,085,000 SENIOR REVENUE BONDS, SERIES 2013A
(Tax-Exempt Bonds)**

Maturities, Amounts, Interest Rates, Yields and CUSIP* Numbers

Interest					Interest				
<u>November 1</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>November 1</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2014	\$18,345,000	2.000%	0.170%	07133AGC0	2021	\$26,600,000	5.000%	2.440%	07133AHB1
2015	5,000,000	2.000	0.360	07133AGD8	2022	1,100,000	4.000	2.670	07133AGL0
2015	9,605,000	3.000	0.360	07133AGV8	2022	27,280,000	5.000	2.670	07133AHC9
2016	5,000,000	3.000	0.630	07133AGE6	2023	29,760,000	5.000	2.830	07133AHD7
2016	15,995,000	5.000	0.630	07133AGW6	2024	28,740,000	5.000	3.000†	07133AGM8
2017	5,000,000	3.000	0.980	07133AGF3	2025	25,040,000	5.000	3.180†	07133AGN6
2017	17,160,000	5.000	0.980	07133AGX4	2026	23,745,000	5.000	3.330†	07133AGP1
2018	5,000,000	3.000	1.390	07133AGG1	2027	7,895,000	5.000	3.460†	07133AGQ9
2018	18,360,000	5.000	1.390	07133AGY2	2028	8,285,000	5.000	3.590†	07133AGR7
2019	5,000,000	4.000	1.780	07133AGH9	2029	8,705,000	5.000	3.720†	07133AGS5
2019	19,590,000	5.000	1.780	07133AGZ9	2030	9,135,000	5.000	3.840†	07133AGT3
2020	700,000	4.000	2.140	07133AGJ5	2031	7,095,000	4.000	4.050	07133AGU0
2020	25,035,000	5.000	2.140	07133AHA3	2031	2,500,000	5.000	3.920†	07133AHE5
2021	415,000	4.000	2.440	07133AGK2					

**\$6,700,000 SENIOR REVENUE BONDS, SERIES 2013B
(Federally Taxable Bonds)**

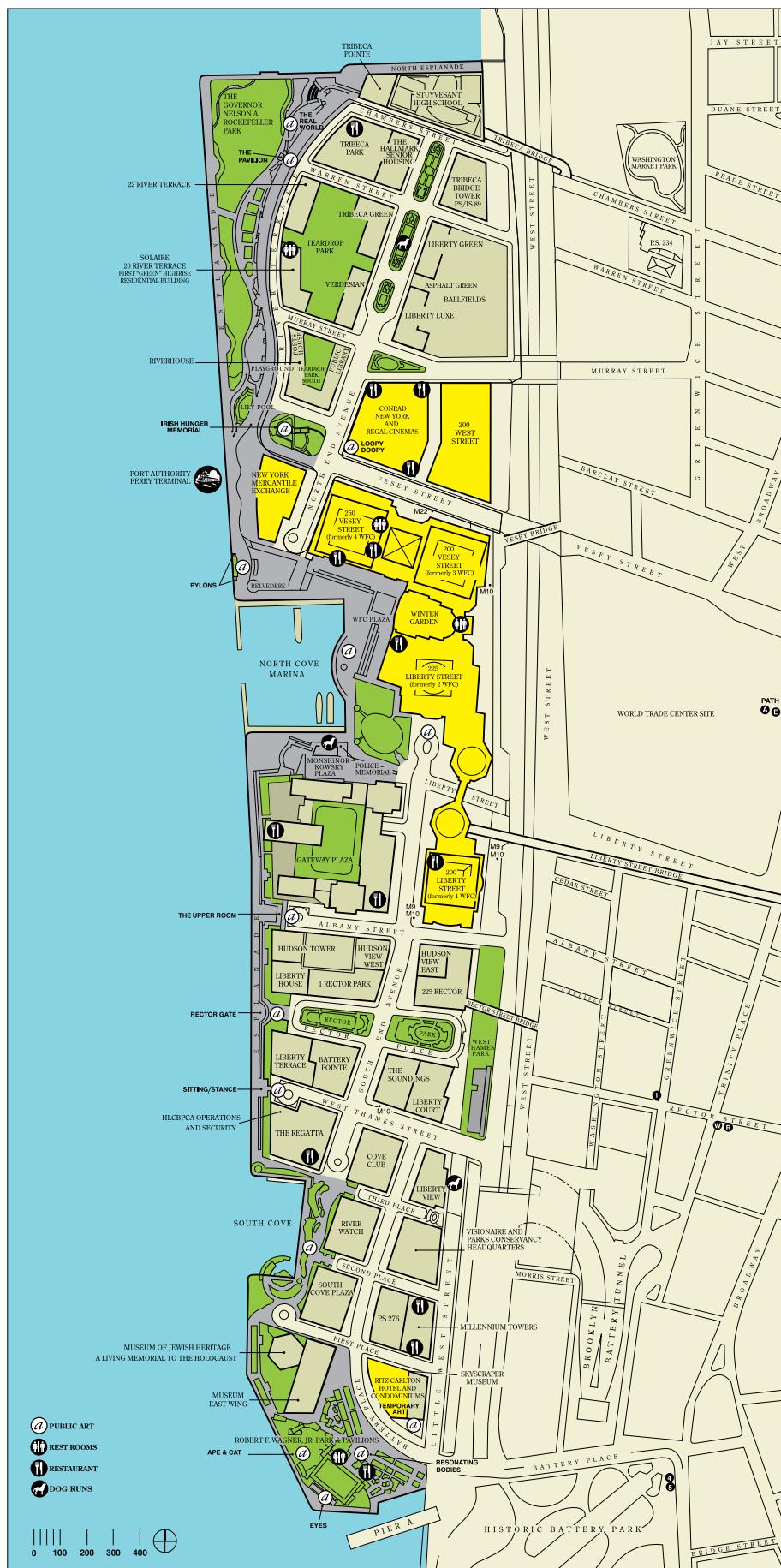
Maturities, Amounts, Interest Rates, Yields and CUSIP* Numbers

Interest				
<u>November 1</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2014	\$1,005,000	2.000%	0.300%	07133AHF2
2015	5,695,000	2.000	0.500	07133AHG0

* Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2013 Senior Bonds. None of the Authority or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2013 Senior Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013 Senior Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2013 Senior Bonds.

† Priced at the stated yield to the November 1, 2023 optional redemption date at a redemption price of par plus accrued interest to the redemption date.

NEW YORK'S BATTERY PARK CITY



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This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Senior Bonds to any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been prepared by the Authority and provides certain information relating to the Authority in connection with the sale of the Series 2013 Senior Bonds.

The information set forth herein has been obtained from the Authority, CBRE, the Real Estate Consultant, and other sources, which are believed by the Authority to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the information set forth in the Real Estate Consultant's Report since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representation must not be relied upon as having been authorized by either of the foregoing.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2013 Senior Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2013 Senior Bonds.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions of the State of New York, The City of New York and the Authority, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority, CBRE or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority and the Underwriters disclaim any obligation or undertaking to release publicly any updates or revisions to any

forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 SENIOR BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2013 SENIOR BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2013 SENIOR BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$362,785,000	
Battery Park City Authority	
Senior Revenue Bonds	
\$356,085,000	\$6,700,000
Senior Revenue Bonds	Senior Revenue Bonds
Series 2013A (Tax-Exempt Bonds)	Series 2013B (Federally Taxable Bonds)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to set forth information concerning the Battery Park City Authority, doing business as the Hugh L. Carey Battery Park City Authority (the “Authority”), and the issuance and sale of the Authority’s \$356,085,000 aggregate principal amount Senior Revenue Bonds, Series 2013A (Tax-Exempt Bonds) (the “Series 2013A Bonds”), and \$6,700,000 aggregate principal amount Senior Revenue Bonds, Series 2013B (Federally Taxable Bonds) (the “Series 2013B Bonds” and, together with the Series 2013A Bonds, the “Series 2013 Senior Bonds”). In addition to the Series 2013 Senior Bonds, the Authority expects to issue (i) \$210,865,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013C (the “Series 2013C Bonds”), (ii) \$199,330,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013D (the “Series 2013D Bonds”), and (iii) \$199,335,000 aggregate principal amount of its Junior Revenue Bonds, Series 2013E (the “Series 2013E Bonds”), none of which will be offered to the public (collectively, the “Series 2013 Junior Bonds” and, together with the Series 2013 Senior Bonds, the “Series 2013 Bonds”). The Series 2013 Junior Bonds are not being offered by this Official Statement. For a brief description of the Series 2013 Junior Bonds, see “PLAN OF FINANCE.”

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings ascribed to them in the Authority’s Series 2013 Resolutions or the Authority’s General Resolution (each as defined below), as applicable, and as defined in “APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution” of this Official Statement. Information set forth on the cover and inside cover page hereof and in the Appendices hereto is part of this Official Statement. Unless otherwise specified herein, references to square footage in respect of Battery Park City mean assessor’s square footage.

Authorization

The Series 2013 Senior Bonds are being issued under the authority conferred by the Battery Park City Authority Act, Title 12 of Article 8 of the Public Authorities Law (constituting Chapter 43-a of the Consolidated Laws of New York) as added by Chapter 343 of Laws of New York, 1968, as amended (the “Act”). The Series 2013 Senior Bonds are being issued under and pursuant to the General Bond Resolution, adopted by the Authority on September 9, 2003 (the “General Resolution”), as supplemented by the Series 2013A Bonds Resolution and the Series 2013B Bonds Resolution, each adopted by the Authority on July 30, 2013 (collectively, the

“Series 2013 Resolutions;” the General Resolution and the Series 2013 Resolutions are collectively defined as the “Resolution”), and by authorizing resolutions adopted by the Authority on August 20, 2013 and October 7, 2013.

Battery Park City

The Authority owns certain real property, generally known as Battery Park City, located in The City of New York (the “City”) and the State of New York (the “State”) on an approximately 92-acre site on the southwestern tip of Manhattan fronting the Hudson River (“Battery Park City”). The Authority has caused the staged development of Battery Park City, in individual parcels, with the goal of creating a richly diversified mixed-use community providing residential and commercial space, with related amenities such as parks, open spaces, plazas, recreational areas, marinas, memorials, museums and a waterfront esplanade.

A portion of the eastern boundary of Battery Park City is adjacent to the recently completed National September 11 Memorial and Museum and the World Trade Center redevelopment site, which site upon completion is expected to contain a significant amount of rentable office space. See “APPENDIX A - Real Estate Consultant’s Report.” Battery Park City overlooks New York Harbor and the Statue of Liberty to the south, the Hudson River and the New York and New Jersey shorelines to the west and north, and the skyline of lower Manhattan to the east. A map of Battery Park City indicating building site locations is included on the inside cover page of this Official Statement. For a more detailed description of Battery Park City and for a description of certain infrastructure thereto, see “BATTERY PARK CITY.”

Security

The Series 2013 Senior Bonds will constitute Senior Bonds (as defined in the General Resolution and as described in Appendix C to this Official Statement), and will be secured by the Collateral (herein defined) on a basis senior to all Junior Bonds and Subordinated Payments (each as defined in the General Resolution), and on a parity with all other Senior Bonds now or hereafter secured under the General Resolution. For a further description of the security for the Series 2013 Senior Bonds under the Resolution, see “SECURITY FOR THE SERIES 2013 BONDS.” There are currently outstanding three Series of Senior Bonds: the Series 2003A Bonds (defined below), the Authority’s Senior Revenue Bonds, Series 2009A (the “Series 2009A Bonds”), and the Authority’s Senior Revenue Bonds, Series 2009B (the “Series 2009B Bonds”). See “DEBT SERVICE REQUIREMENTS.”

The Series 2013 Senior Bonds are special obligations of the Authority and are payable from Pledged Sublease Revenues, Swap Receipts, Condemnation Proceeds, all monies in the Pledged Funds (each as defined in the General Resolution), the investments thereof and the proceeds of such investments pledged by the General Resolution (collectively, the “Collateral”) (see “SECURITY FOR THE SERIES 2013 BONDS” and “REVENUES FROM SPECIFIED SUBLEASES”). The Authority has no obligation to supplement such amounts or to provide additional security in the event that the Collateral is inadequate to pay debt service on the Series 2013 Senior Bonds.

The Authority has no taxing power. The Series 2013 Senior Bonds are not debts or liabilities of the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of the principal of or interest on the Series 2013 Senior Bonds, nor are the Series 2013 Senior Bonds “moral obligation” bonds secured by a debt service or other reserve fund for which statutory provision for the appropriation of funds has been made.

Revenues

The Authority obtains its revenues principally from the leasing and subleasing of individual parcels in Battery Park City pursuant to long-term net ground leases and subleases (collectively, the “Subleases”). A portion of the rent (“Pledged Sublease Revenues”) payable to the Authority from certain Subleases (“Specified Subleases”) relating to parcels in Battery Park City has been pledged by the Authority as Collateral under the Resolution. Specified Subleases relate to: (i) six office buildings containing approximately 10.7 million square feet of office and related retail space including 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street (collectively, formerly known as the World Financial Center towers), the New York Mercantile Exchange and 200 West Street, (ii) 30 residential buildings containing approximately 8,600 residential units totaling approximately 10.1 million square feet and (iii) two hotels with approximately 950,000 square feet. The Authority does not make any representations relating to the current or future ownership structure of any of its ground lessees. All of the Specified Subleases expire after the final maturity of the Series 2013 Bonds. For a discussion of the Pledged Sublease Revenues that comprise a portion of the Collateral, see “SECURITY FOR THE SERIES 2013 BONDS.”

A substantial component of rental payments comprising a portion of Pledged Sublease Revenues consists of payments in lieu of real property taxes (“PILOT”). The amount of PILOT is generally based upon (i) the billable assessed value of the leased premises, as determined by the City, (ii) any tax abatement provided for the leased premises and (iii) the real property tax rate levied by the City. PILOT received under Specified Subleases is subject to change from year to year due to changes in the foregoing components of PILOT. For the period from 2013 to 2043, PILOT payments payable under Specified Subleases relating to executed leases as of the date of this Official Statement are projected by CBRE, Inc. (“CBRE”), the Authority’s real estate consultant, to comprise approximately 84.1% of the total revenues available to the Authority. PILOT constitutes the largest component of the revenues available to the Authority. See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLICENSES - PILOT,” “APPENDIX A - Real Estate Consultant’s Report” and “APPENDIX B - Authority Financial Statements and Supplementary Schedules.”

The ability of each ground lessee to make payments under Specified Subleases is dependent on a number of factors including the ability of the ground lessee to sublet space to office, residential or hotel tenants. No assurance can be given that any current tenants will continue to occupy space in Battery Park City throughout the term of the Series 2013 Senior Bonds. See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLICENSES - Lease Expirations at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street” and “- Other Factors.”

Plan of Finance

The proceeds of the Series 2013 Bonds, together with other moneys of the Authority, will be used for the following purposes: (1) to provide for ongoing infrastructure and other capital improvements in Battery Park City; (2) to fund any required debt service reserves; (3) to refund all or a portion of the Authority's outstanding Senior Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), Junior Revenue Bonds, Series 2003B (Auction Rate Securities) (the "Series 2003B Bonds"), and Junior Revenue Bonds, Series 2003C (Auction Rate Securities) (the "Series 2003C Bonds"), identified under "PLAN OF FINANCE – Bonds to be Redeemed" (collectively, the "Refunded Bonds") by providing for the payment of the principal of and interest and redemption premium, if any, on the Refunded Bonds to the payment dates shown under "PLAN OF FINANCE – Bonds to be Redeemed;" and (4) to pay costs of issuance of the Series 2013 Bonds. The proposed refunding is subject to the delivery of the Series 2013 Bonds. While it is the current intention of the Authority to refinance all of the Refunded Bonds, there can be no assurance that the Refunded Bonds will be refinanced. See "PLAN OF FINANCE."

Description of the Real Estate Consultant's Report

The Authority has engaged CBRE as its real estate consultant to prepare a report (the "Real Estate Consultant's Report") for the fiscal years ended October 31, 2013 through 2043, on certain revenues to be derived from the Specified Subleases, which report is attached as "APPENDIX A - Real Estate Consultant's Report." The opinions and professional judgments of CBRE set forth in the report, which should be read in its entirety, include forecasts that are based upon assumptions and conditions concerning future events and circumstances. Such assumptions and conditions are based upon present circumstances and currently available information and may be affected favorably or unfavorably by future events (including, for example, changes in the assessed values of the respective parcels subject to the Specified Subleases, changes in the City or State laws or practices with respect to real property tax rates or assessments that would directly affect the amount of PILOT received under the Specified Subleases, the bankruptcy of, or defaults by, tenants under the Specified Subleases and changes in general economic conditions). Therefore, the actual results achieved during the forecast period may vary from the forecasts. The scope of engagement of CBRE did not include a valuation of the realty or the present value of the cash flows available to the Authority. In addition, neither CBRE nor the Authority has reviewed the financial position or analyzed the creditworthiness of any tenant under any Specified Sublease or any sublessee of any tenant under any Specified Sublease.

Additional Information

Descriptions of the Authority, the Act and other laws, the Series 2013 Bonds and sources of payment therefor, the Resolution, Battery Park City, the Master Lease (herein defined), the Specified Subleases and certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), are included in this Official Statement. All summaries or descriptions herein of particular documents, laws and agreements do not purport to be complete and are qualified in their entirety by reference to such particular documents, laws and agreements (and the provisions with respect thereto included in the aforesaid documents and agreements), copies of which are available for inspection at the offices of the Authority.

BATTERY PARK CITY

The Site

Battery Park City, a 92-acre mixed-use residential and commercial community, is located on the southwestern tip of Manhattan. A map of Battery Park City indicating building site locations is included on the inside cover page of this Official Statement. A portion of the eastern boundary of Battery Park City is adjacent to the recently completed National September 11 Memorial and Museum and the World Trade Center redevelopment site, which site upon completion is expected to contain a significant amount of rentable office space. See “APPENDIX A - Real Estate Consultant’s Report.” Battery Park City overlooks New York Harbor and the Statue of Liberty to the south, the Hudson River and the New York and New Jersey shorelines to the west and north, and the skyline of lower Manhattan to the east.

Battery Park City is part of New York City’s financial district. Within a reasonable distance from Battery Park City are many of New York City’s well-known neighborhoods, including Greenwich Village, Chinatown, Little Italy, SoHo, Tribeca, Wall Street and the South Street Seaport. City Hall and a large concentration of state and federal offices and courthouses are located several blocks to the northeast of Battery Park City.

The Master Lease and Development Plan

The project area containing Battery Park City was originally leased to the Authority by the City pursuant to a lease, dated November 24, 1969 (as supplemented, restated and amended, the “Master Lease”), which expires on June 18, 2069. In December 1982, the Authority acquired a fee interest in Battery Park City for a nominal consideration; notwithstanding this, the Master Lease remains in effect and the Authority is the landlord and tenant thereunder.

The Master Lease provides for the development of Battery Park City substantially in accordance with the Master Development Plan (the “Master Development Plan”) which is annexed to the Master Lease. The Master Development Plan originally contemplated a build-out of Battery Park City, which included a commercial center, residential housing and public parks, plazas and a waterfront esplanade. The Authority has modified these projected development plans to provide for increased public open space and more commercial development. With (i) six office buildings containing approximately 10.7 million square feet of office and related retail space, (ii) 30 residential buildings containing approximately 8,600 residential units totaling approximately 10.1 million square feet and (iii) two hotels with approximately 950,000 square feet, the development of Battery Park City is substantially complete. See “SPECIFIED SUBLICENSES” herein.

Future Financing Plans of the Authority

The Authority may from time to time borrow or issue additional Bonds pursuant to the General Resolution secured by the Collateral to pay for infrastructure improvements, repairs and continued development of Battery Park City. In addition, the Authority may from time to time issue additional Bonds pursuant to the General Resolution to refund outstanding Bonds of the Authority. In addition to the Series 2013 Senior Bonds, the Authority expects to issue the Series 2013 Junior Bonds. The Authority expects that all or a portion of the proceeds of the Series 2013 Bonds will be used, among other purposes, to refund all or a portion of the Refunded

Bonds. The proposed refunding is subject to the delivery of the Series 2013 Bonds. While it is the current intention of the Authority to refinance all of the Refunded Bonds, there can be no assurance that the Refunded Bonds will be refinanced. To the extent that the Authority does not refinance all of the Refunded Bonds with the proceeds of the Series 2013 Bonds, the Authority may issue bonds at a later date to complete the proposed refunding. See “PLAN OF FINANCE.”

In the past, legislation has been enacted to authorize the use of the Authority’s resources to address the State’s and the City’s financial needs. Future proposals may be made and legislation may be enacted to authorize the application of the Authority’s resources to address State and City financial needs. Payments or contributions by the Authority to the State or the City could be funded in part by the issuance of additional Bonds of the Authority or from other obligations to be issued by the Authority. Issuance of additional Bonds or obligations would require (i) approvals by both the Authority and the City, neither of which has been obtained to date, and (ii) satisfaction of the requirements for the issuance of additional Bonds set forth in the General Resolution, if applicable. For a summary of certain provisions of the General Resolution regarding additional Bonds and related matters, see “SECURITY FOR THE SERIES 2013 BONDS – Additional Bonds” and “REVENUES FROM SPECIFIED SUBLEASES.”

SPECIFIED SUBLEASES

Office Leases			
<u>Site Number</u>	<u>Development</u>	<u>Address</u>	<u>Square Feet</u> ¹
Tower A	f/k/a World Financial Center	200 Liberty Street	1,501,878
Tower B	f/k/a World Financial Center	225 Liberty Street	2,267,925
Tower C	f/k/a World Financial Center	200 Vesey Street	2,149,866
Tower D	f/k/a World Financial Center	250 Vesey Street	2,084,079
15	New York Mercantile Exchange	One North End Avenue	502,000
26	Goldman Sachs Headquarters	200 West Street	<u>2,152,863</u>
			Total: 10,658,611

Residential Leases			
<u>Site Number</u>	<u>Development</u>	<u>Address</u>	<u>Square Feet</u> ¹
South Residential Neighborhood			
POD III	Gateway Plaza ²	345-95 South End Avenue	1,881,621
A	The Soundings ³	280 Rector Place	106,631
B	Liberty Court ³	200 Rector Place	590,974
C	Hudson View East ³	250 South End Avenue	106,052
D	Rector Square/Parc Place ³	225 Rector Place	281,049
E/F	Hudson Tower ³	350 Albany Street	150,855
G	Hudson View West ³	300 Albany Street	91,774
H/I	River Rose ³	333 Rector Place	237,725
J	Liberty House ³	377 Rector Place	220,821
K	Liberty Terrace ³	380 Rector Place	257,092
L	Battery Pointe ³	300 Rector Place	129,176
1	Millennium Ritz-Carlton ³	25 Battery Place	229,060
2A	Millennium Towers ³	30 West Street	416,200
3	The Visionaire ³	70 Little West Street	438,117
4	Liberty View ³	99 Battery Place	348,953
10	Regatta ³	21 South End Avenue	237,270
11	Cove Club ³	2 South End Avenue	189,273
12	River Watch ²	70 Battery Place	230,765
13	South Cove Plaza ²	50 Battery Place	239,165
North Residential Neighborhood			
16/17	Riverhouse ³	1 River Terrace	531,665
18A	The Solaire ²	20 River Terrace	356,786
18B	The Verdesian ²	211 North End Avenue	278,141
19A	22 River Terrace ²	22 River Terrace	331,500
19B	Tribeca Green ²	325 North End Avenue	356,483
20A/C	Tribeca Park ²	400 Chambers Street	484,000
20B	The Hallmark - Senior Living ²	455 North End Avenue	239,508
21A	Tribeca Pointe ²	41 River Terrace	357,000
22	Tribeca Bridge Tower ²	450 North End Avenue	244,617
23	Liberty Green ²	300 North End Avenue	225,000
24	Liberty Luxe ²	200 North End Avenue	<u>338,491</u>
			Total: 10,125,764

¹ Assessor's square footage

² Rental

³ Condominium

Hotel Leases			
<u>Site Number</u>	<u>Development</u>	<u>Address</u>	<u>Number of Rooms</u>
25	Conrad New York Hotel	102 North End Avenue	463
1	Ritz-Carlton Hotel	25 Battery Place	<u>298</u>
			Total: 761

Office Leases

200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street (collectively, formerly known as the World Financial Center towers). The office towers formerly known as the World Financial Center consist of approximately 8.0 million square feet of first-class office and related retail space in four towers, ranging in height from 33 to 51 stories, and two nine-story buildings. This space is leased pursuant to four separate leases (the “Office Tower Leases”), each executed on June 15, 1983, and each of which respectively relate to 200 Liberty Street (formerly known as One World Financial Center), 225 Liberty Place (formerly known as Two World Financial Center), 200 Vesey Street (formerly known as Three World Financial Center) and 250 Vesey Street (formerly known as Four World Financial Center). 200 Liberty Street, 225 Liberty Street and 250 Vesey Street are leased by the Authority to various entities affiliated with Brookfield Financial Properties (“Brookfield”). 200 Vesey Street is leased by the Authority to an entity comprised of (i) the American Express Company and an affiliate of the American Express Company (collectively, “American Express”) and (ii) an affiliate of Brookfield. Each of the Office Tower Leases has a term that expires in 2069. The approximate gross square footage of office area subject to the respective Office Tower Leases is as set forth in the foregoing table.

200 Liberty Street; 225 Liberty Street; 250 Vesey Street. According to information furnished to the Authority from Brookfield, the major space tenants of 200 Liberty Street currently include Cadwalader Wickersham & Taft LLP (“CWT”), Willis of New York, Inc. (“Willis”), Dow Jones & Company, Inc./The Wall Street Journal (“Dow Jones”), and The GfK Group (“GfK”); the major space tenants of 225 Liberty Street currently include Bank of America Corporation (“BofA”), Commerzbank Aktiengesellschaft (“Commerzbank”), and OPPENHEIMERFUNDs, INC. (“Oppenheimer”); the major space tenants of 250 Vesey Street currently include BofA, Brookfield Corporate Operations LLC (“Brookfield Operations”), and the Bank of Nova Scotia;. The Dow Jones space lease at 200 Liberty Street is scheduled to expire in 2020, the CWT space lease at 200 Liberty Street is scheduled to expire in 2025, the Willis space lease at 200 Liberty Street is scheduled to expire in 2026, and the GfK space lease at 200 Liberty Street is scheduled to expire in 2029. The Oppenheimer and Commerzbank space leases at 225 Liberty Street are scheduled to expire in 2028. The BofA lease at 225 Liberty Street is scheduled to expire in 2020. The BofA and Brookfield Operations space leases at 250 Vesey Street are scheduled to expire in 2023. The Bank of Nova Scotia space lease at 250 Vesey is scheduled to expire in 2024.

200 Vesey Street. Currently, American Express and an affiliate of Brookfield are joint tenants under the 200 Vesey Street ground lease. According to information furnished to the Authority from Brookfield, the major space tenants of 200 Vesey Street currently include American Express, the U.S. Securities and Exchange Commission (the “SEC”), the Royal Bank of Canada and Lock Lord Bissell & Liddell LLP (“LLBL”). The American Express lease is scheduled to expire in 2016, the Royal Bank of Canada space lease is scheduled to expire in

2022, the SEC space lease is scheduled to expire in 2021 and the LLBL space lease is scheduled to expire in 2025.

There can be no assurance that the current space tenants of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street will continue to lease, sublease or occupy any portion of such space in the future.

New York Mercantile Exchange. In May 1995, the Authority signed a sublease with the New York Mercantile Exchange, Inc. (“NYMEX”) for the development of a new 502,000 square-foot futures and options exchange trading facility and office building complex located on Site 15, which was completed and occupied as of July 1997. Although NYMEX along with its wholly owned subsidiary, Commodity Exchange, Inc., occupy a majority of the space at the NYMEX building, NYMEX has subleased a portion of the NYMEX building to various third-party tenants, primarily trading firms. In 2008, NYMEX’s parent company was acquired by CME Group Inc. NYMEX is currently exploring a sale of its leasehold interest in Site 15 and the NYMEX building and a partial leaseback of the NYMEX building.

200 West Street. 200 West Street consists of a 2,152,863 square-foot office building, which is being used primarily for the international headquarters of The Goldman Sachs Group, Inc. Occupancy of the lower floors of the building commenced in late 2009, and the building is now fully occupied.

Residential Leases

There are 30 residential subleases in Battery Park City, including the Ritz-Carlton residential condominium sublease for residential condominiums at Site 1 (the “Hotel/Residential Sublease”). Gateway Plaza is the first and largest residential development undertaken at Battery Park City, containing 1,712 residential units totaling approximately 1.9 million square feet. The other 29 residential subleases relate to 3,648 condominium units totaling approximately 4.6 million square feet and 3,255 units of predominantly market-rate rental units totaling approximately 3.7 million square feet, which are all located in multi-storied buildings throughout Battery Park City. The allocation of residential space between condominiums and rental units and aggregate square footage relating to such categories of residential space are subject to change to the extent that condominium projects are converted to rental projects and vice versa. In addition, the number of condominium units may vary to the extent that individual condominium units are combined into larger units. Each of the residential subleases has a final expiration date of 2069. Reappraisal dates for purposes of determining base rent occur every 15 years after the initial lease appraisal date, which is generally 20 to 25 years after the date on which a temporary certificate of occupancy is issued. Twelve leases for buildings in the south neighborhood with condominium units were modified to provide for increased fixed ground rents spread over the first two reappraisal periods (totaling 30 years). This modification reduced the ground rent increase from the original terms (six percent of fair market value). In addition, representatives of leaseholders of nine other rental apartment buildings submitted a proposal to the Authority to modify their respective ground leases with respect to the scheduled reset of base rent to six percent of fair market value. No decisions have yet been made by the Authority with respect to such proposal. These nine rental properties have land rent reset dates ranging from November 2018 to August 2029.

Hotel Leases

A Ritz-Carlton hotel and residential condominium is located in the south neighborhood, and a Conrad New York hotel is located in the north neighborhood. The Conrad New York, opened in 2011, is a repositioning and expansion of the former hotel that occupied its space. See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES – Economic Circumstances.”

Additional Information

For a further description of the Specified Subleases, the Master Lease, the Ancillary Agreements and certain other agreements, see “APPENDIX D - Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents.”

REVENUES FROM SPECIFIED SUBLEASES

Table 1

**Summary of Pledged Sublease Revenues and Operating Expenses ⁽¹⁾⁽²⁾
(cash basis) (unaudited) (dollars rounded in thousands)**

	Fiscal Year Ended October 31,					Six months ended April 30, 2013
	2008	2009	2010	2011	2012	
Office						
PILOT ⁽³⁾	\$71,641	\$79,288	\$74,807	\$73,933	\$81,089	\$43,106
Non-PILOT ⁽⁴⁾	27,168	26,650	24,220	25,435	24,641	12,539
Residential						
PILOT ⁽⁵⁾	54,869	58,874	63,431	66,238	71,083	30,570
Non-PILOT ⁽⁶⁾	19,367	20,142	21,634	22,423	24,947	13,261
Hotel						
PILOT ⁽⁷⁾	5,600	8,276	10,076	10,316	11,240	5,568
Non-PILOT ⁽⁸⁾	986	1,001	1,016	1,032	1,048	780
Total Pledged Sublease Revenues	<u>\$179,631</u>	<u>\$194,231</u>	<u>\$195,184</u>	<u>\$199,377</u>	<u>\$214,048</u>	<u>\$105,824</u>
Operating and Administrative Expenses ⁽⁹⁾	\$29,000	\$28,000	\$27,104	\$27,328	\$25,257	\$14,222

(1) The amounts set forth in this table were derived from the Authority's accounting records and are unaudited. Pledged Sublease Revenues are determined on a cash basis pursuant to the General Resolution. Amounts set forth in this table are determined on a cash basis and may not agree with amounts set forth in the financial statements of the Authority contained in "APPENDIX B – Authority Financial Statements and Supplemental Schedules," which are determined on an accrual basis.

(2) See "APPENDIX D – Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents" for the definition of certain terms used in this table, the related footnotes and the discussion of revenues and expenses below.

(3) Includes all PILOT rental payments with respect to the 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street, NYMEX and 200 West Street Leases.

(4) Includes all non-PILOT Pledged Sublease Revenues with respect to the 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street and NYMEX Leases. In August 2005, a lease was signed by Goldman Sachs Headquarters LLC for the development of 200 West Street. The lease required that a \$161 million lump sum rent payment be deposited with an escrow agent and, on October 31, 2010, the Authority received \$169.3 million, which included interest accrued on the escrowed amount, from the escrow agent as the building was completed and the City fulfilled all of its obligations in relation to the site. No other non-PILOT Revenues are due or included in Pledged Sublease Revenues with respect to 200 West Street.

(5) Includes all PILOT rental payments with respect to all Residential Leases, which includes PILOT rental payments for the residential portion of the Hotel/Residential Lease. In addition to the amounts reflected in Table 1, the Authority received pre-lease escrow payments of \$328 thousand and \$494 thousand from Sites 23 and 24, respectively, during the fiscal year ended October 31, 2008. This table shows PILOT revenues net of abatements available under Section 462-a of the New York Real Property Law.

(6) Includes all non-PILOT Pledged Sublease Revenues with respect to all Residential Leases, which includes non-PILOT rental payments for the residential portion of the Hotel/Residential Lease. In addition to the amounts reflected in Table 1, the Authority received: (A) upfront lease payments of (i) \$22.5 million, \$33.9 million and \$14 million from Sites 23, 24 and 3, respectively, during the fiscal year ended October 31, 2008 and (ii) \$16 million from Site 3 during the fiscal year ended October 31, 2009; and (B) pre-lease escrow payments of \$543 thousand and \$819 thousand from Sites 23 and 24, respectively, during the fiscal year ended October 31, 2008.

(7) Includes all PILOT rental payments with respect to all Hotel Leases.

(8) Includes all non-PILOT Pledged Sublease Revenues with respect to all Hotel Leases.

(9) Operating and Administrative Expenses include amounts required to be set aside under the General Resolution for budgeted operating expenses during the respective fiscal year end (and, with respect to the six months ended April 30, 2013, half of such amount for the 2013 fiscal year) rather than the total actual operating expenses of the Authority for such fiscal year.

Pledged Sublease Revenues

Table 1 contains certain historical information regarding Pledged Sublease Revenues received during the five years ended October 31, 2008 through October 31, 2012 and for the six-month period from November 1, 2012 through April 30, 2013. The foregoing table is not included herein to illustrate trends or projections of revenues to be realized in future years. For projections by CBRE of Pledged Sublease Revenues for the years ended October 31, 2013 through 2043, see “APPENDIX A - Real Estate Consultant’s Report.” See also “APPENDIX B - Authority Financial Statement and Supplemental Schedules.”

As shown in Table 1 above, the principal components of Pledged Sublease Revenues derive from PILOT and non-PILOT base rent payments. PILOT payable to the Authority is generally calculated based upon three variables: (i) the billable assessed value of the leased premises, as determined by the City, (ii) any tax abatement provided for the leased premises and (iii) the real property tax rate levied by the City, as described below.

During the five fiscal years ended October 31, 2012, Pledged Sublease Revenues increased primarily due to increases in residential and hotel PILOT and non-PILOT revenues under the terms of Specified Subleases and the addition of new Specified Subleases. See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES - Defaults and Terminations – *Residential Condominium Projects*.”

Non-PILOT-based Pledged Sublease Revenues includes with respect to office leases, Base Rent and Additional Base Rent. Non-PILOT based Pledged Sublease Revenues includes, with respect to hotel projects, Base Rent and, for the Ritz-Carlton project, Supplemental Hotel Base Rent. Non-PILOT based Pledged Sublease Revenues, with respect to residential properties, includes (i) Base Rent and Supplemental Rent and (ii) for the Gateway Sublease, Land Rent. As to residential properties containing retail space, Percentage Rent is payable, and for residential condominium developments, Transaction Payments (each as defined in each Sublease), based on the sales price of condominium units, are also payable, but these elements of sublease revenues for residential properties are not included in Pledged Sublease Revenues. See “SECURITY FOR THE SERIES 2013 BONDS – Pledge of the General Resolution – *Pledged Sublease Revenues*.” For additional information relating to PILOT and non-PILOT based Pledged Sublease Revenues see “APPENDIX D - Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents.”

Assessed Values, Tax Abatements and Tax Rates

PILOT is primarily dependent upon assessed values, tax abatements and tax rates of the properties located in Battery Park City. As of the date hereof, the respective aggregate billable assessed values of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street, the NYMEX building, 200 West Street, the residential buildings and hotel buildings for each City tax year (ended June 30) during the period 2008 through 2013 were as follows:

Table 2

**Summary of Billable Assessed Values
of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street, NYMEX Building,
200 West Street, Residential and Hotel Buildings⁽¹⁾
For Tax Year Ending June 30
(dollars rounded in thousands)**

Office	2008	2009	2010	2011	2012	2013
200 Liberty Street	\$145,000	\$150,000	\$132,000	\$133,200	\$140,740	\$137,523
225 Liberty Street	184,390	197,310	206,320	187,650	203,413	182,090
200 Vesey Street	162,000	174,390	181,030	179,100	156,488	153,359
250 Vesey Street	172,030	185,780	185,500	180,450	190,000	190,813
NYMEX	43,155	46,121	45,450	41,850	42,000	43,367
200 West Street	—	—	—	<u>260,946</u>	<u>265,764</u>	<u>279,582</u>
Total	<u><u>\$706,575</u></u>	<u><u>\$753,601</u></u>	<u><u>\$750,300</u></u>	<u><u>\$983,196</u></u>	<u><u>\$998,405</u></u>	<u><u>\$986,733</u></u>
Residential ⁽²⁾	\$661,774	\$693,722	\$724,980	\$775,594	\$809,320	\$832,952
Hotel	\$75,069	\$83,877	\$91,658	\$84,117	\$89,088	\$85,890

(1) Figures are based on City of New York Department of Finance final assessments for the tax year and may not reflect subsequent appeals. Figures do not include land or partial assessments that may have occurred prior to completion of construction.

(2) The increases in billable assessed values for the residential buildings are primarily attributable to the completion of construction of new buildings during the period and the inclusion of the billable assessed values for such new buildings in subsequent years (which were not included in the years prior to completion of construction) and to increases in transitional assessed values resulting from the phase in of prior increases in actual assessed values.

Source: City of New York Department of Finance.

Assessed Value. The assessed valuation for any parcel located in Battery Park City may be reduced as a result of administrative appeals and court challenges, which its ground lessees or, in certain cases, major space tenants may prosecute. An administrative appeal before the New York City Tax Commission regarding the assessment on 200 Liberty Street for the tax year 2013–14 was settled at an actual assessment of \$144,850,000 and related pending court challenges were discontinued without reduction of assessment. 225 Liberty Street has court challenges pending for tax years 2007–08 through 2012–13, filed an administrative challenge for 2013–14, which was not settled, and it is anticipated to file a court challenge for 2013–14. 200 Vesey Street has court challenges pending for tax years 2010–11 through 2012–13, filed an administrative challenge for 2013–14, which was not settled, and it is anticipated to file a court challenge for 2013–14. 250 Vesey Place has no court challenges pending, filed an administrative challenge for 2013–14, which was not settled, and it is anticipated to file a court challenge for 2013–14. The NYMEX building has no court challenges pending, filed an administrative challenge for 2013–14, which was not settled, and it is anticipated to file a court challenge for 2013–14. 200 West

Street has no court challenges pending, filed an administrative challenge for 2013–14, which was not settled, and it is anticipated to file a court challenge for 2013–14. The deadline to file a court challenge to the 2013–14 assessment is October 24, 2013. The Authority expects that for future tax years there will be administrative appeals and court challenges that may result in reductions in the assessed valuations of the aforementioned buildings. Any such reductions would result in decreased PILOT payments under Specified Subleases. In addition, future assessments by the City of New York Department of Finance may be greater or less than historical assessments. Also, see “APPENDIX A – Real Estate Consultant’s Report” for a discussion of prior reductions of assessed valuations of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street, the NYMEX building and residential buildings as a result of administrative appeals or court challenges and for assumed reductions in assessed valuations underlying CBRE’s projections contained in such report.

Tax Abatements. During the five fiscal years ended October 31, 2012, the respective rates of annual change in PILOT were affected by tax abatements granted pursuant to Specified Subleases. Abatements for non-residential properties vary from parcel to parcel and are negotiated on a case by case basis. Abatements for residential properties are consistent with City as-of-right abatements provided to residential properties located in lower Manhattan, except in the case of Gateway Plaza. Gateway Plaza is obligated under its sublease to make a PILOT payment equal to 10% of the total rents less the net costs of providing utilities to dwelling units therein. The sublease was modified in 2009 to provide for the 10% structure to continue through February 15, 2016 and, thereafter, the PILOT payments will be increased by 20% every year until February 16, 2020 when PILOT payments will be equal to the taxes that would otherwise be payable. For a further discussion of the tax abatements applicable to the Specified Subleases, see “APPENDIX A - Real Estate Consultant’s Report.”

Tax Rate. Another factor affecting PILOT over the five-year period described in Table 1 herein was the City real property tax rate. The respective City real property tax rates for each tax year (ended June 30) during the period 2008 through 2013 are set forth in Table 3 below.

Table 3

**City Real Property Tax Rates
For Tax Year Beginning July 1/Ending June 30,**

	<u>2007/08⁽³⁾</u>	<u>2008/09⁽⁴⁾</u>	<u>2008/09⁽⁵⁾</u>	<u>2009/10⁽⁶⁾</u>	<u>2010/11⁽⁷⁾</u>	<u>2011/12⁽⁸⁾</u>	<u>2012/13⁽⁹⁾</u>
Commercial ⁽¹⁾	10.059%	9.870%	10.612%	10.426%	10.312%	10.152%	10.288%
Residential ⁽²⁾	11.928%	12.139%	13.053%	13.241%	13.353%	13.433%	13.181%

(1) Class 4 property.

(2) Class 2 property.

(3) Effective July 1, 2007 through June 30, 2008.

(4) Effective July 1, 2008 through December 31, 2008.

(5) Effective January 1, 2009 through June 30, 2009.

(6) Effective July 1, 2009 through June 30, 2010.

(7) Effective July 1, 2010 through June 30, 2011.

(8) Effective July 1, 2011 through June 30, 2012.

(9) Effective July 1, 2012 through June 30, 2013.

Source: City of New York Department of Finance.

Expenses

Table 1 contains certain historical budgeted information on the Operating Expenses (as defined in the General Resolution) of the Authority and is not meant to illustrate trends or projections of the Authority's Operating Expenses in future years.

Amounts deposited into the Project Operating Fund (as defined in the General Resolution) in a fiscal year, together with money, retained in such fund from the prior fiscal year, are applied to the payment of actual Operating Expenses in accordance with the General Resolution. For a description of deposits to and disbursements from the Project Operating Fund, see "SECURITY FOR THE SERIES 2013 BONDS - Application of Revenues" and "APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution - Establishment of Funds and Accounts, and Application Thereof."

During the five-year period ended October 31, 2012, the Authority consistently achieved Operating Expenses commensurate with or below its annual budgeted amounts. The Authority has budgeted approximately \$28.2 million for Operating Expenses for its fiscal year ending October 31, 2013. The Authority currently anticipates that budgeted amounts for Operating Expenses in future fiscal years will increase on average by 2% per annum, compounded annually. However, the Authority gives no assurance that its actual Operating Expenses will not increase at a substantially greater rate or that its Operating Expenses will not have an adverse effect on its ability to pay debt service on any Bonds.

Agreements with the City Relating to Disposition of Revenue

The Authority has entered into a settlement agreement (the "Settlement Agreement") with the City that provides, in effect, that: (i) all PILOT received by the Authority from its tenants remaining after operating and administrative expenses, payment of a proportionate part of principal and interest on the Authority's bonds and on any bonds issued to finance the Housing New York Corporation housing program, certain site development costs and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority and the City shall jointly determine.

The Authority retains a portion of the estimated excess revenues at year-end as corporate funds to be spent in a manner and for such purposes as the Authority and the City shall jointly decide. In January 2010, the City and the Authority signed an agreement (the "2010 Agreement") to distribute \$861 million of excess revenues from the joint purpose fund established under the Settlement Agreement. The City and the State were each allocated \$200 million on a *pari passu* basis. After meeting that \$400 million obligation, an additional amount of up to \$200 million is to be distributed by the Authority to a City 421-A affordable housing fund followed by \$261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the joint purpose fund and there is no time limit or a minimum for the amount that needs to be paid or accrued over time. For further details, see "APPENDIX B – Authority Financial Statements and Supplementary Schedules."

CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES

Economic Circumstances

General economic circumstances, which cannot be predicted, may adversely affect the financial condition of occupants of Battery Park City and, consequently, the ability of a ground lessee under a Specified Sublease to make required payments to the Authority. Neither the Authority nor CBRE has reviewed the financial position or analyzed the creditworthiness of any ground lessee under the Specified Subleases, any space tenants of any such ground lessees or, in the case of the residential condominium units, the individual unit owners.

The Authority is unable to predict how a ground lessee, a space tenant or any residential condominium unit owner will be affected by economic factors. Certain ground lessees under Specified Subleases experienced financial difficulties as a result of the financial crisis and 2008 economic downturn and approached the Authority in an effort to restructure their respective lease obligations. All such ground lessees remained current on their lease obligations. However, the Authority can give no assurance that its ground lessees will continue to pay rent at the rates, and subject to the increases, set forth in their respective leases or subleases. Moreover, the Authority cannot predict whether other ground lessees under Specified Subleases will seek modification of their future lease obligations. For a description of such restructuring, see “SPECIFIED SUBLEASES – Residential Leases.”

The amounts of Pledged Sublease Revenues described herein reflect the terms of Specified Subleases as currently in effect. Except for restrictions relating to the Authority’s disposition of parcels in Battery Park City, there are no restrictions in the Resolution with respect to the ability of the Authority to amend the Specified Subleases, and all such amendments are solely within the operational discretion of the Authority. Pursuant to the foregoing, the Authority has in the past modified and may in the future modify the terms of Specified Subleases. Such modifications could affect Pledged Sublease Revenues.

In addition, general economic circumstances could have an effect on City tax policy and assessments as they relate to Specified Subleases, which could adversely affect the amounts of Pledged Sublease Revenues to be received by the Authority. The Authority is under no obligation to supplement Pledged Sublease Revenues in the event that such revenues are not sufficient to provide amounts adequate to pay debt service on the Series 2013 Senior Bonds.

PILOT

A substantial component of Pledged Sublease Revenues consists of PILOT. The calculation of PILOT is generally based upon the (i) the billable assessed value of the leased premises, as determined by the City, (ii) any tax abatement provided for the leased premises and (iii) the real property tax rate levied by the City. Each of the foregoing components is subject to change, and accordingly the amount of PILOT payable under Specified Subleases is subject to change. In addition, the assessed valuation for any building in Battery Park City may be reduced as a result of administrative appeals or court challenges prosecuted or appealed by ground lessees or major space tenants. Increased tax abatements, and/or reduction in City tax rates, and/or reductions in assessed valuation due to legal proceedings or administrative proceedings or

otherwise may reduce PILOT payments paid under Specified Subleases and accordingly reduce Pledged Sublease Revenues available to pay debt service on the Series 2013 Senior Bonds. See “APPENDIX A - Real Estate Consultant’s Report” for CBRE’s projections of the future assessed values of the parcels subject to the Specified Subleases.

For a discussion of certain factors underlying recent assessment reductions, see “APPENDIX A - Real Estate Consultant’s Report.”

Lease Expirations at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street

A significant portion of the revenues available to pay debt service on the Series 2013 Senior Bonds will depend on the ability of the ground lessees under the Office Tower Leases to sublease space to office tenants at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street on economically favorable terms. Upon expiration or earlier termination of space leases at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street, the ground lessee may be unable to renew such space lease, the ground lessee may be unable to re-let such premises or the terms of renewal or re-letting (including the cost of leasing commissions, required renovations or concessions to subtenants) may be less favorable to the ground lessee than current space lease terms.

A majority of space leases at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street will expire during the stated term of the Series 2013 Senior Bonds. If a ground lessee under an Office Tower Lease were unable to promptly renew a space lease or re-let office space for a substantial portion of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street or if the rental rates upon such renewal or re-letting were significantly lower than expected, there could be an adverse impact on the financial condition of such ground lessee, which could, in turn, adversely affect (i) such ground lessee’s ability to pay rent under such Office Tower Lease and (ii) Pledged Sublease Revenues available to pay debt service on the Series 2013 Senior Bonds. Furthermore, the inability of a ground lessee to lease or re-let office space or renew an existing space lease at any of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street on favorable terms could result in a reduction in the assessed value of such building. Such reduction could adversely affect PILOT payable under such Office Tower Lease.

Ground Lessees may be affected by various circumstances over which the Authority has no control, such as general economic conditions, increases in operating expenses and the possibility of economic or physical decline of the area surrounding, or physical damage to, 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street that would make such buildings less attractive to new subtenants. Moreover, new office buildings currently planned for development or in construction near Battery Park City at the World Trade Center redevelopment site may add approximately 8.7 million square feet of rentable office space over the next four years, including 1, 3 and 4 World Trade Center, which are scheduled for completion in 2014 and 2015. As a result, Ground Lessees also may be affected by a change in demand for office space at 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street. See “APPENDIX A - Real Estate Consultant’s Report” for a more detailed discussion of the City’s

economy, the Manhattan office market and other factors affecting PILOT and the impact of the foregoing on the revenues expected to be derived by the Authority from the Specified Subleases.

Defaults and Terminations

Office Specified Subleases. Each of the 200 Liberty Street, the 225 Liberty Street, the 200 Vesey Street, the 250 Vesey Street, the NYMEX and the 200 West Street leases provide that upon an event of default by the ground lessee thereunder, the Authority shall have the right to terminate said lease. This termination right is subject to notice and cure rights of leasehold mortgagees secured by such leases. In addition, upon termination of any such lease the Authority is required, upon request of a leasehold mortgagee and upon payment by such leasehold mortgagee of all unpaid amounts due under the defaulted lease, to enter into a new lease with such leasehold mortgagee. If the Authority terminates a Specified Sublease and no mortgagee requests a new lease, the lien of such leasehold mortgagee's mortgage may be extinguished, whereupon the Authority would have the right to recover possession of the premises demised under such Specified Sublease.

No assurance can be given that the termination by the Authority of a Specified Sublease will occur expeditiously. A defaulting ground lessee may commence proceedings to enjoin such termination or may assert affirmative defenses to delay the termination. Furthermore, no assurance can be given that a leasehold mortgagee will cure a ground lessee's default or execute a replacement lease with the Authority or, if a leasehold mortgagee does cure or execute a replacement lease, that such cure or execution will be undertaken in a timely manner. In the event of a significant delay between a default, termination and re-letting, loss of Pledged Sublease Revenues to the Authority could be significant and could adversely affect the Authority's ability to pay debt service on the Series 2013 Senior Bonds.

Residential Condominium Specified Subleases. Seventeen of the residential Specified Subleases have been submitted to residential condominium regimes. If, by reason of a residential condominium unit owner's default, the board of managers of the condominium fails to pay the rental in full under a Specified Sublease, the Authority has agreed to give up its right to terminate the whole of such Specified Sublease. In such event the condominium board is only obligated to pay to the Authority rentals collected from the non-defaulting unit owners, and generally the Authority's redress is limited to the defaulting residential condominium unit owner. Accordingly, the Authority's rights and remedies are limited with respect to residential Specified Sublease defaults resulting from defaulting residential condominium unit owners.

As to eleven of the Specified Subleases in the south neighborhood, these limited rights have been further constrained by a 1999 New York State Court of Appeals decision holding that a first mortgagee's lien on unpaid mortgage sums takes priority over a condominium board's lien on unpaid common charges. The Authority's rentals for these eleven buildings were considered part of the condominium board's common charges and, as a result, were also subordinated in priority to the mortgage holder's lien.

Finally, in the event the Authority were to become the owner of a condominium unit by reason of a unit owner's default, the Authority would be required to pay to the condominium board accrued and unpaid common charges relating to such unit (other than the portion which

relates to unpaid rent due the Authority) as well as paying the common charges on such unit during the period of the Authority's ownership of such unit. The Authority has revised its ground lease provisions concerning residential condominiums in an effort to remedy the foregoing priority of lien problems with the prior ground lease provisions. Such revised provisions affect the seven other residential condominiums and have not been the subject of litigation. Therefore, no assurance can be given that a court would find that such revised terms establish a first priority for payments due to the Authority with respect to residential condominiums.

Pledged Sublease Revenues could be substantially reduced and the Authority's ability to pay debt service on the Series 2013 Senior Bonds could be adversely affected in the event a significant percentage of residential condominium owners fail to pay rent under residential Specified Subleases. Generally, enforcement of remedies under residential leases is difficult and time-consuming. Furthermore, the Authority's right with respect to defaulting condominium unit owners with respect to eleven Specified Subleases has been limited as noted above. Finally, in the case of these eleven Specified Subleases, any rights of the Authority to receive defaulted lease payments is subordinate to the rights, if any, of condominium mortgagees. For a more detailed description of provisions related to condominiums under the Specified Subleases, see "APPENDIX D - Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents."

Since its inception, the Authority has experienced rent strikes by condominium owners due to forces beyond its control. However, no such rent strike was of long duration, affected the collection of Pledged Sublease Revenues or was in any other way material to the Authority. Most recently, there was a rent strike following the September 11th attack of short duration that did not affect the collection of Pledged Sublease Revenues and was in no other way material to the Authority. The Authority cannot predict whether rent strikes will occur in the future.

Other Factors

Aside from the foregoing, the Authority's receipt of Pledged Sublease Revenues may be affected by the following additional factors:

Bankruptcy. No inquiry has been made as to the financial condition of any of the ground lessees under the Specified Subleases or any space tenants or residential condominium unit owners. Generally under the Federal Bankruptcy Code (the "Bankruptcy Code"), individuals and business entities in financial distress may settle debts through a liquidation of assets or may provide for the settlement of claims through either a plan of reorganization or a plan of adjustment of the debtor's financial affairs. Bankruptcy Courts are courts of equitable jurisdiction and, as such, have the judicial discretion to examine a broad range of issues affecting the debtor. If the debtor/tenant under a Specified Sublease asserts or prevails in obtaining relief from the Bankruptcy Court, the timing of receipt or the amount of revenues, or both, derived by the Authority from the Specified Subleases and the ability of the Authority to pay debt service on the Series 2013 Senior Bonds could be adversely affected.

Condemnation. In the event of a condemnation of all or substantially all of the premises demised under a Specified Sublease for 200 Liberty Street, 225 Liberty Street, 200 Vesey Street

or 250 Vesey Street, such Sublease would be terminated and the Authority would be entitled to receive condemnation proceeds regarding the same. The Authority is required to apply such condemnation proceeds to the redemption of the outstanding Bonds of the Authority. If the premises demised under all of the Specified Subleases were condemned, there would be no revenues available to pay debt service on outstanding Bonds of the Authority and there is no assurance that condemnation proceeds will be sufficient to redeem all outstanding Bonds.

Catastrophic Events. Battery Park City has experienced the effects of catastrophic events, including severe weather events and terrorist attacks. For example, in 2012, Superstorm Sandy caused damage to the Authority's infrastructure assets in an amount that was initially estimated to be approximately \$10 million. However, the Authority holds corporate self-insurance reserve funds to cover any unreimbursed damages and the Authority's management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover a substantial portion of these costs.

In the event that Battery Park City or any of the surrounding neighborhoods becomes subject to any other such catastrophic event, a ground lessee may become unable to satisfy its obligations under its ground lease, resulting in a loss of Pledged Sublease Revenues to the Authority. Any such loss could be significant and could adversely affect the Authority's ability to pay debt service on the Series 2013 Senior Bonds. In addition, insurance coverage may not cover the costs associated with any of these risks adequately or at all.

Possible Liability Relating to Environmental Matters. Under various Federal, State and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Certain environmental laws impose liability for release of asbestos-containing materials ("ACMs") into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with its ownership of Battery Park City, the Authority may be potentially liable for such costs. The Authority has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the parcels and the Authority is not aware of any other environmental condition with respect to any of the parcels that could be material. No assurance, however, can be given that no tenant has created any material environmental condition not known to the Authority or that future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in imposition of environmental liability.

PLAN OF FINANCE

General

The proceeds of the Series 2013 Bonds, together with other moneys of the Authority (collectively, the "Available Funds"), will be used for the following purposes: (1) to provide for ongoing infrastructure and other capital improvements in Battery Park City; (2) to fund any required debt service reserves; (3) to refund all or a portion of the Refunded Bonds by providing

for the payment of the principal of and interest and redemption premium, if any, on the Refunded Bonds to the payment dates shown under “PLAN OF FINANCE – Bonds to be Redeemed;” and (4) to pay the costs of issuance of the Series 2013 Bonds. The Authority expects that the proceeds of the Series 2013 Senior Bonds will be used to fund ongoing infrastructure and other capital improvements in Battery Park City, to refund all or a portion of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds and to pay the costs of issuance of the Series 2013 Senior Bonds.

In addition to the Series 2013 Senior Bonds, the Authority expects to issue the Series 2013 Junior Bonds. The Series 2013C Bonds will be stated to mature on November 1, 2042 and the Series 2013D Bonds and the Series 2013E Bonds will be stated to mature on November 1, 2039. The Series 2013 Junior Bonds are Variable Interest Rate Bonds (as defined in the General Resolution). Each Series of the Series 2013 Junior Bonds will initially bear interest at a variable rate based on a percentage of one-month LIBOR plus a spread. The Series 2013 Junior Bonds will be subject to mandatory tender, subject to certain conditions, on November 1, 2019. Any Series 2013 Junior Bonds that are not tendered and purchased by the Authority on November 1, 2019 will bear interest thereafter at a stepped-up rate. As to payment of principal and interest, the Series 2013 Junior Bonds are Junior Bonds (as defined in the General Resolution). Pursuant to the agreements between the Authority and the respective purchasers of the Series 2013 Junior Bonds, various additional fees and other amounts may be payable by the Authority from time to time, each constituting a Subordinated Payment (as defined in the General Resolution). The Authority expects that the proceeds of the Series 2013 Junior Bonds will be used to fund ongoing infrastructure and other capital improvements in Battery Park City, to fund any required debt service reserves, to refund all or a portion of the Series 2003B Bonds and the Series 2003C Bonds and to pay the costs of issuance of the Series 2013 Junior Bonds. The Series 2013 Junior Bonds are not being offered by this Official Statement.

The proposed refunding is subject to the delivery of the Series 2013 Bonds. While it is the current intention of the Authority to refinance all of the Refunded Bonds, there can be no assurance that the Refunded Bonds will be refinanced. To the extent that the Authority does not refinance all of the Refunded Bonds with the proceeds of the Series 2013 Bonds, the Authority may issue bonds at a later date to complete the proposed refunding.

Bonds to be Redeemed

A portion of the Available Funds will be deposited into escrows established under Escrow Deposit Agreements, to be entered into between the Authority and the Trustee, as escrow deposit agent, in amounts that will provide for the payment of the par redemption price of and interest on the Refunded Bonds, on the dates and in the amounts shown below.

<u>Series</u>	<u>Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>
2003A Senior Revenue Bonds	\$319,435,000	11/1/2014 – 2026	11/22/2013
2003B-1 Junior Revenue Bonds	75,000,000	11/1/2039	11/27/2013
2003B-2 Junior Revenue Bonds	75,000,000	11/1/2039	11/29/2013
2003B-3 Junior Revenue Bonds	85,000,000	11/1/2039	11/29/2013
2003C-1 Junior Revenue Bonds	100,000,000	11/1/2033	11/29/2013
2003C-2 Junior Revenue Bonds	68,700,000	11/1/2031	12/5/2013
2003C-3 Junior Revenue Bonds	1,350,000	11/1/2031	11/7/2013*
2003C-3 Junior Revenue Bonds	67,350,000	11/1/2031	12/12/2013
2003C-4 Junior Revenue Bonds	1,350,000	11/1/2031	11/14/2013*
2003C-4 Junior Revenue Bonds	67,350,000	11/1/2031	12/19/2013
2003C-5 Junior Revenue Bonds	1,400,000	11/1/2031	11/21/2013*
2003C-5 Junior Revenue Bonds	67,325,000	11/1/2031	12/26/2013

* Will be redeemed pursuant to mandatory sinking fund redemption on such date.

Capital Program

The Authority expects to use the proceeds of the Series 2013 Senior Bonds to fund certain infrastructure and other capital improvements in Battery Park City, including the following: completion of the Pier A building; storm and flood mitigation projects; partial funding for the construction of a pedestrian bridge to replace the temporary Rector Street bridge and repairs to two additional pedestrian bridges; seawall reconstruction and pile remediation, repair and replacement of electrical grid infrastructure, including mitigation of ground settlement, construction of security walls; and various other projects.

APPLICATION OF PROCEEDS

Estimated sources and uses of the Series 2013 Senior Bonds and other funds¹ are as follows:

Sources of Funds

Par Amount of the Series 2013 Senior Bonds	\$362,785,000
Original Issue Premium.....	51,225,051
Available Money of the Authority	11,270,109
 Total Sources	 <u>\$425,280,160</u>

Uses of Funds

Infrastructure and Other Capital Improvements.....	\$ 6,800,000
Deposit to Refunding Escrows	413,707,258
Costs of Issuance ²	3,657,609
Underwriters' Discount	1,115,293
 Total Uses	 <u>\$425,280,160</u>

¹ In addition, the proceeds of the Series 2013 Junior Bonds are expected to be used, among other things, to fund infrastructure and other capital improvements and to refund all or a portion of the Series 2013B Bonds and the Series 2013C Bonds. See "PLAN OF FINANCE."

² Includes State bond issuance charge.

DESCRIPTION OF THE SERIES 2013 SENIOR BONDS

General

The Series 2013 Senior Bonds will be issued in fully-registered form without coupons and shall be dated, shall mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2013 Senior Bonds will bear interest payable on each May 1 and November 1 (commencing on May 1, 2014) at the annual rates as set forth on the inside cover page hereof. Interest on the Series 2013 Senior Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The principal or Redemption Price of the Series 2013 Senior Bonds shall be payable at the principal corporate trust office of the Trustee in New York, New York. Interest on the Series 2013 Senior Bonds shall be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof on the Record Date next preceding the Interest Payment Date (which is the 15th day next preceding the Interest Payment Date) by check or draft mailed on the Interest Payment Date to the registered owner; except that if and to the extent there shall be a default in the payment of the interest due on any Interest Payment Date, the defaulted interest shall be paid to the owners in whose names the Series 2013 Senior Bonds are registered at the close of business on a special record date to be fixed by the Trustee, which date shall be an Interest Payment Date unless the Trustee shall deem another date more suitable. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date.

Book-Entry-Only System

Purchasers will acquire beneficial interests in the Series 2013 Senior Bonds in book-entry form only and will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Series 2013 Senior Bonds, the principal of and interest on the Series 2013 Senior Bonds will be payable to Cede & Co. as nominee for DTC, by the Trustee. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants. For more information relating to the Book-Entry-Only System see “APPENDIX G - Book-Entry-Only System” herein.

Redemption of Series 2013 Senior Bonds

Optional Redemption

The Series 2013A Bonds

The Series 2013A Bonds maturing on or before November 1, 2023 are not subject to optional redemption prior to maturity. The Series 2013A Bonds maturing after November 1, 2023 are subject to redemption, in whole or in part, on any Business Day on or after November 1, 2023 at the option of the Authority, from maturities and interest rates and in amounts within maturities and interest rates selected by the Authority, at a redemption price of par plus accrued interest to the redemption date. See “*Selection of Series 2013 Senior Bonds for Redemption*” below.

The Series 2013B Bonds

The Series 2013B Bonds are subject to redemption, in whole or in part, on any Business Day at the option of the Authority at a redemption price equal to the greater of:

(a) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Series 2013B Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2013B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2013B Bonds are to be redeemed, discounted to the date on which such Series 2013B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 25 basis points;

plus, in each case, accrued interest to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most

nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; *provided*, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

See “*Selection of Series 2013 Senior Bonds for Redemption*” below.

Mandatory Tender of Series 2013A Bonds on Optional Redemption Dates

The Authority has the right to convert any or all of the Series 2013A Bonds to other interest rate modes on any date on which such Series 2013A Bonds are subject to redemption at the option of the Authority. The Trustee will give 30 days’ notice of any such conversion to the registered owners of the affected Series 2013A Bonds (a “Mandatory Tender Notice”), and on the date set forth in the Mandatory Tender Notice, each such Series 2013A Bond will be deemed tendered for purchase at a purchase price equal to the price at which it is redeemable on such date as described under “Optional Redemption—The Series 2013A Bonds” above. All Series 2013A Bonds deemed tendered on any such date will be purchased at their respective Purchase Prices if proceeds of any remarketing of such Bonds, together with any funds provided by the Authority at its option, are available for such purpose in an amount sufficient to pay the Purchase Price of all such Series 2013A Bonds. If such proceeds or funds are not so available in such amount, or if the Authority cancels the mandatory tender of such Series 2013A Bonds, such Series 2013A Bonds will not be purchased and the related interest rate mode conversion will not occur. The Authority has the right to cancel any mandatory tender of Series 2013A Bonds for any reason (including the failure to satisfy conditions to an interest rate mode conversion) if such right is reserved in the related Mandatory Tender Notice. The information in this Official Statement that relates to the Series 2013A Bonds describes the Series 2013A Bonds while bearing interest at a fixed rate prior to any mandatory tender of the Series 2013A Bonds only and does not purport to describe the Series 2013A Bonds while bearing interest in any other interest rate mode authorized by the Resolution.

Redemption from Condemnation Proceeds

The Series 2013 Senior Bonds are also subject to mandatory redemption, in whole or in part (and by lot if less than all of a maturity within a series is to be redeemed), at any time prior to maturity, from amounts, if any, received by the Authority due to condemnation proceedings or exercise of the right of eminent domain with respect to any parcel of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street (or portion thereof) in Battery Park City, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. In redeeming Bonds from Condemnation Proceeds, Senior Bonds, including the Series 2013A Bonds and the Series 2013B Bonds, will be redeemed prior to the redemption of Junior Bonds. Subject to the foregoing restriction, the particular bonds to be redeemed from condemnation proceeds shall be determined by the Authority in its discretion. See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES - Other Factors - *Condemnation*” and “APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution - Covenants of the Authority - Proceeds of Condemnation.” See also “*Selection of Series 2013 Senior Bonds for Redemption*” below.

No Mandatory Sinking Fund Redemption

The Series 2013 Senior Bonds are not subject to mandatory sinking fund redemption.

Selection of Series 2013 Senior Bonds for Redemption

In the event less than all of the Series 2013A Bonds of like maturity and tenor are to be redeemed at any time prior to maturity, the Trustee shall select the particular Series 2013A Bonds or portions thereof to be redeemed by lot, using such method of selection as it shall deem proper in its sole discretion.

In the event less than all of the Series 2013B Bonds of like maturity and tenor are to be redeemed at any time prior to maturity, so long as the Series 2013B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2013B Bonds, the particular Series 2013B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures so long as DTC's operational procedures allow for redemption on a pro rata pass-through distribution of principal basis. If DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, such Series 2013B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Series 2013B Bonds are not registered in book-entry only form, any redemption of less than all of the Series 2013B Bonds of like maturity and tenor will be allocated among the registered owners of such Series 2013B Bonds on a pro rata basis.

It is the Authority's intent that redemption allocations of the Series 2013B Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, none of the Authority or the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2013B Bonds on such basis.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, or any replacement nominee appointed by DTC, is the registered owner of the Series 2013 Senior Bonds, the Trustee will send any notice of redemption of Bonds only to DTC not less than thirty (30) days prior to the redemption date. Any failure of DTC to advise any Participant, or of a Participant to notify the Beneficial Owner, of any such notice and its contents or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series 2013 Senior Bonds called for redemption. See "Book-Entry-Only System" above.

Interest on the Series 2013 Senior Bonds will cease to accrue on the date of redemption thereof, assuming the satisfaction of certain notification and other requirements of the Resolution pertaining to such redemption, including satisfaction of the conditions precedent, if any, stated in the redemption notice. If the conditions precedent, if any, to a redemption of Series 2013A Bonds are not satisfied on the redemption date, then such redemption will be deemed to be cancelled.

City Repurchase Right

Certain agreements entered into by the Authority provide that the City has the right to acquire, at any time, Battery Park City (the “City Repurchase Right”) for a nominal consideration after: (a) substantially all notes, bonds and other indebtedness incurred by the Authority (including the Series 2013 Senior Bonds), or for which the Authority’s revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. Subject to the foregoing, the City may, whenever funds are available therefor or upon furnishing such funds, require the Authority to redeem at any time all Outstanding Bonds in accordance with the terms described under “-Redemption - *Optional Redemption*,” above. To date, the City has not expressed its intent regarding its right to exercise the City Repurchase Right. However, no assurances can be given that the City will not choose to exercise the City Repurchase Right.

DEBT SERVICE REQUIREMENTS

Senior Revenue Bonds

Twelve Months Ended <u>October 31⁽³⁾</u>	<u>Existing Senior Revenue Bonds⁽¹⁾</u>	<u>Series 2013A and Series 2013B Bonds</u>			<u>Total Senior Revenue Bonds Debt Service</u>	<u>Additional Junior Revenue Bonds⁽²⁾</u>	<u>Total Revenue Bonds Debt Service</u>
		<u>Total⁽⁴⁾</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2013	\$19,379,153	\$ —	\$ —	\$ —	\$19,379,153	\$ —	\$19,379,153
2014	5,336,706	19,350,000	16,971,649	36,321,649	41,658,355	29,888,371	71,546,726
2015	5,333,956	20,300,000	16,215,700	36,515,700	41,849,656	29,677,731	71,527,388
2016	5,346,081	20,995,000	15,713,650	36,708,650	42,054,731	29,473,294	71,528,025
2017	5,341,031	22,160,000	14,763,900	36,923,900	42,264,931	29,263,856	71,528,787
2018	5,345,831	23,360,000	13,755,900	37,115,900	42,461,731	27,869,618	70,331,349
2019	5,313,406	24,590,000	12,687,900	37,277,900	42,591,306	27,737,980	70,329,286
2020	5,336,681	25,735,000	11,508,400	37,243,400	42,580,081	27,750,263	70,330,344
2021	5,323,631	27,015,000	10,228,650	37,243,650	42,567,281	27,765,389	70,332,670
2022	5,320,181	28,380,000	8,882,050	37,262,050	42,582,231	27,747,958	70,330,189
2023	5,300,681	29,760,000	7,474,050	37,234,050	42,534,731	27,794,011	70,328,742
2024	5,286,856	28,740,000	5,986,050	34,726,050	40,012,906	30,320,667	70,333,573
2025	5,277,256	25,040,000	4,549,050	29,589,050	34,866,306	35,463,407	70,329,713
2026	5,277,006	23,745,000	3,297,050	27,042,050	32,319,056	38,008,112	70,327,168
2027	5,245,006	7,895,000	2,109,800	10,004,800	15,249,806	47,080,021	62,329,827
2028	5,268,606	8,285,000	1,715,050	10,000,050	15,268,656	47,058,490	62,327,146
2029	5,235,606	8,705,000	1,300,800	10,005,800	15,241,406	47,097,141	62,338,548
2030	5,308,206	9,135,000	865,550	10,000,550	15,308,756	47,016,618	62,325,374
2031	5,241,550	9,595,000	408,800	10,003,800	15,245,350	47,084,639	62,329,989
2032	13,341,750	—	—	—	13,341,750	48,988,326	62,330,076
2033	13,165,856	—	—	—	13,165,856	49,164,423	62,330,279
2034	13,192,763	—	—	—	13,192,763	49,137,131	62,329,893
2035	12,526,238	—	—	—	12,526,238	49,801,538	62,327,776
2036	12,556,013	—	—	—	12,556,013	49,771,547	62,327,559
2037	12,596,581	—	—	—	12,596,581	49,736,555	62,333,136
2038	12,624,756	—	—	—	12,624,756	49,704,364	62,329,120
2039	12,658,625	—	—	—	12,658,625	49,672,373	62,330,998
2040	—	—	—	—	—	33,257,983	33,257,983
2041	—	—	—	—	—	33,258,789	33,258,789
2042	—	—	—	—	—	21,621,596	21,621,596

(1) Includes: debt service on portions of the Series 2003A Bonds that will not be refunded with the proceeds of the Series 2013 Bonds; the Series 2009A Bonds; and the Series 2009B Bonds.

(2) Includes debt service on the Series 2013C Bonds, the Series 2013D Bonds and the Series 2013E Bonds expected to be issued by the Authority.

(3) Includes accrued debt service due on each November 1.

(4) Does not reflect the Series 2009A Cash Subsidy Payments to be received by the Authority relating to the Series 2009A Bonds.

(5) Reflects debt service on variable rate debt at an average annual all-in interest rate of 4.0% and interest rate exchange agreements that provide for the Authority to pay a rate of 3.452% to the counterparties.

SECURITY FOR THE SERIES 2013 BONDS

The Authority has no taxing power. Neither the City nor the State shall be liable on the Series 2013 Bonds, and the Series 2013 Bonds shall not be a debt or liability of the City or the State. Neither the faith and credit nor the taxing power of the City or the State are pledged to payment of the principal of or interest on the Series 2013 Bonds nor are the Series 2013 Bonds “moral obligation” bonds secured by a debt service or other reserve fund for which statutory provision for the appropriation of funds has been made. Furthermore, the Series 2013 Bonds are not secured by a mortgage or any other interest in real property of the Authority.

Pledge of the General Resolution

The Pledged Sublease Revenues, Swap Receipts, Condemnation Proceeds, all monies in the Pledged Funds, the investments thereof and the proceeds of such investments, are pledged under the General Resolution for the payment of the principal and Redemption Price of and interest on Senior Bonds (including the Series 2013 Senior Bonds), Junior Bonds, Senior Reimbursement Obligations, Junior Reimbursement Obligations, Senior Swap Payments, Junior Swap Payments and Subordinated Payments, all in accordance with the terms and provisions of the General Resolution, subject only to the provisions of the General Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution. The pledge of the General Resolution shall be valid and binding from and after the date of adoption of the General Resolution, and the Pledged Sublease Revenues, Swap Receipts, Condemnation Proceeds, all monies in the Pledged Funds, the investments thereof and the proceeds of such investments thereby pledged (collectively, the “Collateral”) shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Pledged Sublease Revenues. “Pledged Sublease Revenues” are defined under the General Resolution as all Sublease Rentals (together, to the extent provided in any Supplemental Resolution, with all or any portion of any money, due and payable to the Authority by or for the account of a Sublessee pursuant to a Sublease, that does not constitute Sublease Rentals).

“Sublease Rentals” are defined under the General Resolution as the money due and payable to the Authority by or for account of a Sublessee pursuant to a Sublease, exclusive of: (i) Civic Facilities Payments and Transaction Payments, (ii) payments in lieu of sales taxes thereunder, (iii) (A) in the case of a Sublease of a parcel other than 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street, rentals thereunder that are not (1) base rent or land rent payments, (2) supplemental rent payments (which include payments sometimes referred to as incremental rent, supplemental hotel base rent or additional rent), (3) real property tax equivalency payments or (4) payments in lieu of real property taxes and (B) in the case of a Sublease of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street or 250 Vesey Street, rentals thereunder that are not (1) base rent payments, (2) additional base rent payments, or (3) payments in lieu of real property taxes, and (iv) to the extent that the Authority elects to make any payment required to be made by any Sublessee under a Sublease, sums of money reimbursed to the Authority for such payments.

See “CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES” for a discussion of the circumstances under which Pledged Sublease Revenues may be insufficient to pay debt service on the Series 2013 Bonds.

Application of Revenues

Under the General Resolution there is created and established a “Pledged Revenue Fund”, which shall be held by the Trustee. Pursuant to the General Resolution, the Authority obligates and binds itself irrevocably to pay, or cause to be paid, to the Trustee all Pledged Sublease Revenues, Swap Receipts and Build America Bonds subsidy payments as and when actually received by or for the account of the Authority. Monies, including interest earned or other sums received on obligations purchased as an investment of such monies and any profit realized from the sale of such obligations, from time to time in the Pledged Revenue Fund (including monies or the proceeds of any property other than the Pledged Sublease Revenues that may be pledged pursuant to the Resolution and that may be deposited to the credit of the Pledged Revenue Fund) shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution. Subject to payments to be made from the Pledged Revenue Fund as described below, once a month on any day within the first five Business Days of each calendar month, monies in the Pledged Revenue Fund shall be disbursed and applied by the Trustee as directed in writing by the Authority, in the following order, subject to the provisions of the Resolution:

- (a) FIRST, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Project Operating Fund the sum, if any, necessary to increase the amount in the Project Operating Fund so that it equals the Project Operating Fund Requirement;
- (b) SECOND, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Senior Payments Account of the Debt Service Fund the sum, if any, necessary to increase the amount in the Senior Payments Account so that it equals the Senior Payments Requirement;
- (c) THIRD, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Junior Payments Account of the Debt Service Fund the sum, if any, necessary to increase the amount in the Junior Payments Account so that it equals the Junior Payments Requirement;
- (d) FOURTH, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Reserve Fund the sum, if any, necessary to increase the amount in the Reserve Fund so that it equals the Reserve Fund Requirement; and
- (e) FIFTH, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Subordinated Payments Fund the sum, if any, necessary to increase the amount in the Subordinated Payments Fund so that it equals the Subordinated Payments Requirement.

As of each November 1, prior to any disbursement from the Pledged Revenue Fund to be made during such calendar month pursuant to the preceding paragraph: (i) *first*, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Senior Payments

Account of the Debt Service Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to subparagraph (b) above, to make all payments scheduled to be made from the Senior Payments Account during the next three calendar months; (ii) second, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Junior Payments Account of the Debt Service Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to subparagraph (c) above, to make all payments scheduled to be made from the Junior Payments Account during the next five calendar months; (iii) third, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Subordinated Payments Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to subparagraph (e) above, to make all payments scheduled to be made from the Subordinated Payments Fund pursuant to the General Resolution during the next five calendar months; and (iv) fourth, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Residual Fund the balance of funds on deposit in the Pledged Revenue Fund.

Reserve Fund

The General Resolution establishes the Reserve Fund for the benefit of the holders of the Series 2013 Senior Bonds and other Beneficiaries. The General Resolution requires that the amount on deposit in the Reserve Fund be at least equal to the Reserve Fund Requirement upon the issuance of any Series of Bonds. The “Reserve Fund Requirement”, as of any date of calculation, is the sum of the amounts specified for each Series of Outstanding Bonds, in the applicable Series Resolution for each Series of Outstanding Bonds, as the “Series Reserve Requirement” (which may be zero). As of the delivery date of the Series 2013 Senior Bonds, the amount on deposit in the Reserve Fund is expected to be \$70,000,000. The Series Reserve Requirement for the Series 2013A Bonds is \$26,576,639 and the Series Reserve Requirement for the Series 2013B Bonds is zero. In addition, the Series Reserve Requirement for the Series 2013C Bonds is \$14,487,740, the Series Reserve Requirement for the Series 2013D Bonds is \$13,695,214 and the Series Reserve Requirement for the Series 2013E Bonds is \$13,695,559. The Series Reserve Requirement for the Series 2009A Bonds is zero and the Series Reserve Requirement for the Series 2009B Bonds is \$1,544,848. The Authority has agreed to set aside and deposit into the Reserve Fund, on the date of original issuance of the Series 2013 Senior Bonds, a portion of the proceeds from the sale of the Series 2013 Junior Bonds in the amount of \$2,934,652 so that the amount on deposit in the Reserve Fund will be equal to the aggregate Reserve Fund Requirement for the Series 2013 Bonds and the other Bonds then Outstanding on and as of such date.

As more fully described in “APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution,” the General Resolution permits withdrawals from the Reserve Fund for certain purposes, including payment of debt service on the Bonds in the event that, on any debt service payment date, there is a deficiency of funds available therefor in the Debt Service Fund.

Additional Bonds

The Authority may issue additional Bonds so long as before or simultaneously with each and any such issuance there is delivered to or filed with the Trustee either (i) a Ratings Confirmation or (ii) a certificate signed by an Authorized Officer stating that the sum of:

(x) the Pledged Sublease Revenues obtained by the Authority during the Historical Test Period (net of Operating Expenses incurred by the Authority during the Historical Test Period), and

(y) income and earnings received by the Authority during the Historical Test Period from the investment of monies held or to be held in trust for the payment of Bonds (other than monies held in trust for, upon and after the defeasance of any Bonds),

for the Historical Test Period, in the current Fiscal Year and in each future Fiscal Year, to and including the Fiscal Year in which the latest final stated maturity of Bonds then or thereupon to be outstanding shall be scheduled to occur, was or will be a sum at least equal to (i) two hundred per centum (200%) of the sum of Aggregate Debt Service payable from the Senior Payments Account of the Debt Service Fund and (ii) one hundred fifty-five per centum (155%) of the sum of Aggregate Debt Service. The "Historical Test Period" is defined under the General Resolution to mean, as of any date of calculation, at the option of the Authority, either (i) the most recently completed Fiscal Year for which audited financial statements of the Authority shall have been published, or (ii) the most recently completed period of twelve (12) full calendar months for which the Authority has sufficient data to make the calculations required above.

The Authority may issue Refunding Bonds so long as before or simultaneously with each and any such issuance there is delivered to or filed with the Trustee either (i) Ratings Confirmation or (ii) a certificate signed by an Authorized Officer confirming that for the then current and each future Fiscal Year, to and including the Fiscal Year in which the date of the latest final maturity of outstanding Bonds (including such Refunding Bonds) then or thereupon to be outstanding shall be scheduled to occur, the amount by which the sum of:

(x) the Pledged Sublease Revenues obtained (net of Operating Expenses actually incurred by the Authority) or estimated by the Authority (based upon a report of a Real Estate Consultant, which report shall be dated within 60 days prior to the date of such pledge, assignment or other encumbrance) to be obtainable (net of Operating Expenses estimated by the Authority to be incurred), and

(y) income and earnings estimated by the Authority to be received (such estimate to be certified in writing by an Authorized Officer and a duly authorized officer of each other issuer, respectively) from the investment of monies held or to be held in trust for the payment of Bonds (other than monies held in trust for, upon and after the defeasance of any Bonds),

shall exceed Aggregate Debt Service, will not be reduced (or, in case the sum of items (x) and (y) is less than Aggregate Debt Service, that the amount of such deficit will not be increased) as a result of the issuance of such Refunding Bonds.

Other Security Provisions

Beneficiaries of General Resolution; Amendments. The General Resolution inures to the benefit of the Authority, the Trustee, the Paying Agent and the Beneficiaries and only the Authority, the Trustee and such fiduciaries are entitled to enforce the provisions of the General Resolution. Under certain conditions, the Authority may modify the General Resolution without the consent of any Beneficiaries. See “APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution - Supplemental General Resolutions” and “Amendments of General Resolution.”

Operation of Battery Park City. Under the General Resolution, the Authority covenants that it will maintain and operate Battery Park City, or cause Battery Park City to be operated and maintained, including the enforcement of the Authority’s rights under each Sublease of a parcel from which the Authority derives Pledged Sublease Revenues, under the same standard of care as would be applied by an owner or operator of similar property in like circumstances.

Amendment of Master Lease and Specified Subleases. Except for restrictions relating to the Authority’s disposition of parcels in Battery Park City, there are no restrictions in the Resolution with respect to the ability of the Authority to amend the Master Lease or the Specified Subleases, and all such amendments are solely within the operational discretion of the Authority. There can be no assurance that such amendments, if implemented, will not have an adverse effect on Pledged Sublease Revenues.

No Acceleration of the Series 2013 Senior Bonds. Neither the Trustee nor any holder of the Series 2013 Senior Bonds may declare or has any right to declare any of the Series 2013 Senior Bonds due and payable in advance of stated maturity. For a description of remedies under the General Resolution and limitations thereon following the occurrence of an event of default under the General Resolution, see “APPENDIX C - Definitions and Summary of Certain Provisions of the General Resolution - Defaults and Remedies.”

THE AUTHORITY

The Authority is a body corporate and politic constituting a public benefit corporation created in 1968 for the purpose of financing, developing, constructing, maintaining, and operating a planned community development of Battery Park City as a mixed commercial and residential community.

Under the Act, the Authority has the following powers, among others: to borrow money and to issue negotiable bonds, notes or other obligations and to provide for the rights of the holders thereof; to acquire, lease, hold, mortgage and dispose of real property and personal property or any interest therein for its corporate purposes; to construct, improve, operate and maintain Battery Park City; to make bylaws for the management and regulation of its affairs, and, subject to agreements with bondholders, for the regulation of Battery Park City; to make contracts and to execute all necessary or convenient instruments, including leases and subleases; to accept grants, loans or contributions from the United States, or the State or the City, or any agency or instrumentality of any of them, or from any other source and to expend the proceeds for any corporate purpose; to fix, establish and collect rates, rentals, fees and other charges for the use of Battery Park City, subject to and in accordance with agreements with bondholders and noteholders; and to do all things necessary or convenient to carry out the powers expressly granted by the Act. The Authority has no taxing power.

Certain activities of the Authority, including issuing and refinancing debt, are subject to the jurisdiction of the New York State Public Authorities Control Board.

Members

The membership of the Authority consists of seven (7) members appointed by the Governor, with the advice and consent of the State Senate. The members elect the Chairman of the Authority from among their number. A majority of the members of the Authority constitutes a quorum for the transaction of any business or the exercise of any power or function of the Authority. The members appointed by the Governor serve for the full or unexpired portions of six-year terms.

The current members of the Authority are:

Dennis Mehiel, Chairman and Chief Executive Officer: term expires December 31, 2015.

Frank J. Branchini, Vice Chairman: term expires June 22, 2014.

Donald Capoccia, Member: term expires February 7, 2016.

Fernando A. Mateo, Member: term expires February 7, 2016.

Martha J. Gallo, Member: term expires December 31, 2014.

Carl F. Mattone, Member: term expires December 31, 2016.

Lester Petracca, Member: term expires June 22, 2014.

The principal officers and executive staff of the Authority include:

Robert M. Serpico, interim President and CFO.

Phyllis Taylor, Executive Vice President and General Counsel.

Anne Fenton, Deputy COO.

Karl Koenig, Controller.

Seema Singh, Deputy General Counsel.

AGREEMENT OF THE STATE

In Section 1978 of the Act, the State has pledged to, and agreed with, the holders of obligations of the Authority (including the Series 2013 Senior Bonds) that it will not limit or alter the rights vested by the Act in the Authority to acquire, lease, mortgage or dispose of real or personal property or any interest therein or construct, improve, enlarge, operate and maintain Battery Park City, to fix, establish and collect the rates, rentals, fees and other charges referred to in the Act and to fulfill the terms of any agreements made with holders of such obligations, or in any way impair the rights and remedies of such holders until such obligations, together with interest thereon, interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

LEGALITY FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 1980 of the Act, the obligations of the Authority (including the Series 2013 Senior Bonds) are made securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Under the provisions of such Section, the Series 2013 Senior Bonds are also made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

TAX MATTERS

The Series 2013A Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax

covenants described herein, (i) interest on the Series 2013A Bonds (the “Tax-Exempt Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Tax-Exempt Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax-Exempt Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax-Exempt Bonds.

Prospective owners of the Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Tax-Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Tax-Exempt Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a

Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) on tax-exempt obligations, including the Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under Federal or state law or otherwise prevent beneficial owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax-Exempt Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be

that an owner of a Tax-Exempt Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Tax-Exempt Bond.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Bond Counsel relating to the Tax-Exempt Bonds are set forth in Appendix F hereto.

The Series 2013B Bonds

General

In the opinion of Bond Counsel to the Authority, interest on the Series 2013B Bonds (the “Taxable Bonds”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income

Interest and original issue discount (as defined below) on the Taxable Bonds are not excludable from gross income for United States Federal income tax purposes.

Original Issue Discount

For United States Federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount (“OID”) if the excess of a Taxable Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined de minimis amount. The “issue price” of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond’s stated redemption price at maturity over its issue price is less than 0.25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (the “de minimis amount”), then such excess, if any, constitutes de minimis OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Taxable Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder’s regular method of tax accounting. A U.S. Holder of a Taxable Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Taxable Bond is the sum of the daily portions of OID with respect to such Taxable Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Taxable Bond. The daily portion of OID on any Taxable Bond is determined by allocating to each day in any “accrual period” a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Taxable Bond may be of any length and the accrual periods may vary in length over the term of the Taxable Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Taxable Bond’s “adjusted issue price” at the beginning of such accrual period and such Taxable Bond’s yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Taxable Bond at the beginning of any accrual period is the issue price of the Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Taxable Bond (other than a payment of qualified stated interest) and (ii) the Taxable Bond’s adjusted issue price as of the beginning of the final accrual period. Under the

OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method described immediately above under the heading “Original Issue Discount,” with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading “Bond Premium”. In applying the constant-yield method to a Taxable Bond with respect to which this election has been made, the issue price of the Taxable Bond will equal its cost to the electing U.S. Holder, the issue date of the Taxable Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Taxable Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Taxable Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Taxable Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Taxable Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Taxable Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Bonds.

Bond Premium

In general, if a U.S. Holder acquires a Taxable Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Taxable Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Taxable Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual

period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders—Disposition of Taxable Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Taxable Bond. A U.S. Holder's adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond, increased by any OID included in the U.S. Holder's income with respect to the Taxable Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond was held for more than one year.

U.S. Holders—Defeasance

U.S. Holders of the Taxable Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the Resolution of the Taxable Bonds (a "defeasance") (See "APPENDIX C – Definitions and Summary of Certain Provisions of the General Resolution"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders—Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2003-2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii)

provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure

The advice under the caption "The Series 2013B Bonds," concerning certain income tax consequences of the acquisition, ownership and disposition of the Taxable Bonds, was written to support the marketing of the Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Taxable Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

For the proposed form of the opinion of Bond Counsel relating to the Series 2013B Bonds, see Appendix F hereto.

AUTHORITY LITIGATION

The Authority believes that there is no litigation of any nature now pending or threatened against the Authority contesting or affecting the validity of the Master Lease or the Specified Subleases. The Authority believes that there is no litigation of any nature now pending or threatened restraining or enjoining or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2013 Senior Bonds, or in any way contesting or affecting the validity of the Series 2013 Senior Bonds, the Resolution or any proceeding of the Authority taken with respect to the authorization, issuance or sale of the Series 2013 Senior Bonds or the pledge or application of any monies under the Resolution or the existence of the Authority or its powers under the Act relating to the adoption of the Resolution.

The Authority experiences routine litigation and claims in connection with its operation and ownership of Battery Park City, the conduct of its affairs and the ownership of its properties,

which seek to recover damages for alleged personal injuries, loss of service or medical expenses. Except as set forth below, the anticipated cost of any recovery, and the estimated costs and expenses in the defense of such pending or threatened actions or matters are, in the opinion of the Authority, not expected to materially and adversely affect the Authority's financial condition or are covered by insurance of the Authority and/or other parties.

Approximately 800 claims have been asserted against the Authority in Federal court by plaintiffs who worked in and around the World Trade Center site after the September 11th attack (such claims hereinafter referred to as 9/11 Claims). Some of the plaintiffs had performed clean-up activities for ground lessees of the Authority and for the tenants of commercial and residential buildings in Battery Park City. Plaintiffs seek damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. The Authority's ground leases provide for ground lessees to indemnify the Authority against certain claims. To date, Brookfield, Merrill Lynch and Lefrak have agreed to assume the defense of the 9/11 Claims related to the premises that they control. The Authority is pursuing the tender of the remaining claims to its other ground lessees. Certain of the Authority's insurers have taken the position that their insurance policies for the applicable period do not provide coverage to the Authority for these claims.

In November 2010, off-site cases (*i.e.*, cases in the area surrounding the World Trade Center site, such as those in Battery Park City) were permitted to proceed with litigation. However, the federal James Zadroga 9/11 Health and Compensation Act of 2010 (the "Zadroga Act") bars Plaintiffs participating in the amended 2001 Victim Compensation Fund (the "VCF") from suing the Authority and requires them to drop their lawsuits, thereby reducing the Authority's potential exposure. A total of 153 plaintiffs with claims against the Authority chose to drop their lawsuits and to participate in the VCF. The United States District Court for the Southern District of New York (the "Court") has so ordered these dismissals and 153 cases against the Authority have been dismissed with prejudice.

The Court subsequently dismissed an additional 81 cases against the Authority with prejudice due to the plaintiffs' failure to properly verify their responses under oath as required by the Court ordered database of off-site cases. The United States Court of Appeals for the Second Circuit (the "Second Circuit") recently affirmed the dismissal of these cases.

As a result of a motion to dismiss those cases where the plaintiffs did not allege a physical injury, alleged only a fear of cancer or only sought medical monitoring, the Court dismissed an additional 104 cases against the Authority with prejudice. The dismissal of these cases is presently the subject of an appeal by the plaintiffs to the Second Circuit. As a result of these dismissals, 534 cases remain in suit against the Authority.

The Authority is named as a defendant in seven of the nine first phase cases that are nearing completion of discovery. The Authority has successfully tendered its defense to its lessees in three of those cases. The Court recently ordered the second phase of discovery to begin, which consists of 30 cases in which the Authority is named as a defendant. However, many of these plaintiffs are making claims against the Authority for locations where the Authority is receiving a defense and indemnification from Brookfield, Merrill Lynch or Lefrak. The Court has ordered that 15 cases proceed to trial on July 14, 2014.

AUTHORITY FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

The financial statements of the Authority as of and for the fiscal years ended October 31, 2012 and 2011 included in Appendix B, have been audited by Marks Paneth & Shron LLP, independent accountants, as stated in their report appearing therein. Also included in Appendix B are the unaudited, reviewed financial statements of the Authority for the six months ended April 30, 2013 and the report thereon of independent accountants Marks Paneth & Shron LLP.

No projections contained in this Official Statement or in any of the appendices to this Official Statement, including but not limited to the Real Estate Consultant's Report included as Appendix A, were prepared with a view towards complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information. Neither Marks Paneth & Shron LLP nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained in this Official Statement or in any of the appendices to this Official Statement, including but not limited to the Real Estate Consultant's Report included as Appendix A, nor have they expressed any opinion or other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computations of the adequacy of the cash to be held in escrow to provide for the payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds and (ii) certain mathematical computations supporting the conclusion that the Series 2013 Bonds are not "arbitrage bonds" under the Code, will be verified by Samuel Klein and Company, Certified Public Accountants, as verification agent.

CONTINUING DISCLOSURE UNDER RULE 15c2-12

In order to assist the Underwriters in complying with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Authority, the Trustee and Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, will enter into a written agreement (the "Series 2013 Continuing Disclosure Agreement") for the benefit of the owners of the Series 2013 Senior Bonds pursuant to which the Authority will undertake to provide continuing disclosure of certain financial information and operating data and certain events, if material. A copy of the Series 2013 Continuing Disclosure Agreement, in substantially the form which the Authority expects to execute and deliver as a condition to the issuance and sale of the Series 2013 Senior Bonds, is contained as "APPENDIX E - Form of Continuing Disclosure Agreements" to this Official Statement.

The Continuing Disclosure Agreement (the "Series 2003 Continuing Disclosure Agreement") executed by the Authority with respect to the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds (collectively, the "Series 2003 Bonds") and the Continuing Disclosure Agreement (the "Series 2009 Continuing Disclosure Agreement") executed by the Authority with respect to the Series 2009A Bonds and the Series 2009B Bonds (collectively, the "Series 2009 Bonds"), require the Authority to file continuing disclosure with

respect to its audited financial statements, updates to Tables 1, 2 and 3 contained in the Official Statements relating to the Series 2003 Bonds and the Series 2009 Bonds and notices of certain events pursuant to Rule 15c2-12. Although the Authority filed its audited financial statements in a timely manner in compliance with the Series 2003 Continuing Disclosure Agreement and the Series 2009 Continuing Disclosure Agreement, the Authority failed to file certain updates to Tables 1, 2 or 3 and notices of downgrades of the bond insurers providing credit enhancement in respect of the Series 2003B Bonds and the Series 2003C Bonds in a timely manner. In addition, the required continuing disclosure information was not filed under all of the related CUSIP numbers in every instance. The Authority recently supplemented the continuing disclosure information that it was required to file, and is now in compliance, in all material respects, with its existing continuing disclosure obligations. In addition, the Authority has contracted with DAC, and they have collectively established procedures to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase from the Authority the Series 2013A Bonds at a price reflecting net original issue premium of \$51,035,987.35 and underwriters' discount equal to \$1,098,561.44 and to purchase from the Authority the Series 2013B Bonds at a price reflecting original issue premium of \$189,063.95 and underwriters' discount equal to \$16,731.48. The Underwriters have agreed to reoffer the Series 2013 Senior Bonds at the public offering price or prices (or corresponding yield or yields) set forth on the inside cover page hereof. The Series 2013 Senior Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices (or yields higher than the corresponding yields), and prices (or corresponding yields) may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2013 Senior Bonds if any of the Series 2013 Senior Bonds are purchased. Citigroup Global Markets Inc. ("CGMI") has been appointed as representative of the Underwriters.

The following paragraphs have been furnished by one or more of the Underwriters for inclusion in this Official Statement. The Authority does not guarantee the accuracy or completeness of the information contained in such paragraphs and such information is not to be construed as a representation of the Authority.

CGMI, one of the Underwriters of the Series 2013 Senior Bonds, has entered into an agreement (the "CGMI Distribution Agreement") with TMC Bonds L.L.C. ("TMC") for the distribution to retail investors of certain municipal securities offerings. In connection with the CGMI Distribution Agreement, TMC has established an electronic primary offering application through which certain broker-dealers and municipal securities dealers approved by CGMI and TMC (each, an "Approved Party") can submit orders for, and receive allocations of, new issue municipal securities for retail investors, and CGMI may share with TMC a portion of its underwriting compensation, which TMC may share with each Approved Party, with respect to Series 2013 Senior Bonds that are allocated to such retail orders. Any such sharing will not affect the aggregate underwriting compensation set forth above or CGMI's share of such compensation. Citigroup Financial Products Inc., CGMI's parent company, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2013 Senior Bonds, has entered into negotiated dealer agreements (each, a “JPMS Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Series 2013A Senior Bonds, at the original issue prices. Pursuant to each JPMS Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2013 Senior Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2013 Senior Bonds that such firm sells.

JPMorgan Chase Bank, National Association, an affiliate of JPMS, is expected to enter into a privately negotiated direct purchase transaction with the Authority pursuant to which, on or about the time of the delivery of the Series 2013 Senior Bonds, JPMorgan Chase Bank, National Association will purchase the Series 2013C Bonds from the Authority.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, one of the Underwriters of the Series 2013 Senior Bonds, has entered into an agreement (the “WF Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2013 Senior Bonds. Pursuant to the WF Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2013 Senior Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Series 2013 Senior Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Municipal Capital Strategies, LLC, an affiliate of WFBNA, is expected to enter into a privately negotiated direct purchase transaction with the Authority, pursuant to which, on or about the time of the delivery of the Series 2013 Senior Bonds, Wells Fargo Municipal Capital Strategies, LLC will purchase the Series 2013D Bonds from the Authority.

In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the offered bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt securities (or related derivative securities) and financial instruments (which may include bank

loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

FINANCIAL ADVISORS

Public Financial Management, Inc. (“PFM”) has been retained to act as financial advisor for the Authority in connection with the issuance of the Series 2013 Senior Bonds.

Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RATINGS

Moody’s Investors Service, has assigned a long-term rating of “Aaa” to the Series 2013 Senior Bonds, noting a stable rating outlook. Fitch Ratings has assigned long-term ratings of “AAA” to the Series 2013 Senior Bonds, noting a negative rating outlook.

The ratings by each rating agency are subject to withdrawal, qualification, or downgrade. The ratings reflect only the views of the respective rating agencies at the time the ratings were issued, and an explanation of the significance of such ratings may be obtained from such rating agencies. The ratings are not a recommendation to buy the Series 2013 Senior Bonds. There is no assurance that the ratings given by any rating agency will continue for any given period or that such ratings will not be withdrawn, qualified, or downgraded by such rating agency if, in its judgment, circumstances so warrant. Any withdrawal, qualification, or downgrade of ratings can be expected to have an adverse effect on the market price of the Series 2013 Senior Bonds.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization of the Series 2013 Senior Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, whose final approving opinion (in substantially the form attached to this Official Statement as “APPENDIX F - Form of Opinion of Bond Counsel”) will be delivered with the Series 2013 Senior Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. Certain legal matters will be passed upon for the Authority by its General Counsel.

MISCELLANEOUS

Descriptions of the Authority, the Act and other laws, the Series 2013 Bonds and sources of payment therefor, the Resolution, Battery Park City, the Master Lease, the Specified Subleases, and certain provisions of the Internal Revenue Code of 1986, as amended, are included in this Official Statement. All summaries or descriptions herein of particular documents, laws and agreements do not purport to be complete and are qualified in their entirety by reference to such particular documents and agreements (and the provisions with respect thereto included in the aforesaid documents and agreements), copies of which (other than the Specified Subleases) are available for inspection at the offices of the Authority.

Pursuant to the General Resolution, the Authority has covenanted to keep proper books of record and account in which complete and correct entries will be made of all its transactions under the General Resolution. Such books are to be open to inspection by the Trustee and the registered owners of not less than 5% of the Series 2013 Senior Bonds during regular business hours of the Authority.

Any statement in this Official Statement involving a matter of estimate or opinion, whether or not expressly so stated, is intended as such, and not as a representation of fact and no assurance can be given that facts will materialize as so estimated or opined. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchaser, registered owner or Beneficial Owner of any Bond.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the sale of the Series 2013 Senior Bonds that there has been no change in the affairs of the Authority after the date hereof.

This Official Statement is submitted in connection with the sale of the Series 2013 Senior Bonds. This Official Statement and the distribution thereof have been duly authorized and approved by the Authority and duly executed and delivered on behalf of the Authority by an Authorized Officer of the Authority.

BATTERY PARK CITY AUTHORITY

By: /s/ Robert M. Serpico
Robert M. Serpico
President

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APPENDIX A

Real Estate Consultant's Report

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September 30, 2013

The Battery Park City Authority
One World Financial Center, 24th Floor
New York, NY 10281

Attn: Mr. Robert Serpico
Executive Vice President and CFO

To The Battery Park City Authority:

In accordance with your request, we have prepared a 30-year forecast of certain lease revenues emanating from the Battery Park City Authority's ownership of the underlying land at Battery Park City for the prospective September 2013 bond issuance.

These lease revenues are unusual, in that revenues flow from both contractual rent payments as well as from Payments in Lieu of Taxes (PILOT). The PILOT is an income stream that, although collected by the Authority, is set by a variable method of calculation formulated and quantified by the City of New York.

While we have relied upon our real estate experience in the marketplace to assist in this forecast, there remain aspects of the New York City Assessor's approach that are imprecise. In addition, there are a number of variables that may affect the forecast results, but that cannot be quantified here. These include, but are not limited to, market risk, risks from the economic, political and fiscal policy arenas, as well as risks pertaining to the impact of technological change and to sudden, unforeseen events. We have taken a conservative outlook, which we believe reasonably reflects unquantifiable or unpredictable risk and that the assumptions used are reasonably sound and prudent.

We have not been asked to value the Authority's interest in any property; nor to give an opinion as to the creditworthiness of its tenants or their subtenants. We have performed a comprehensive market study in order to support the methodology required to project the revenues, and to forecast a conservative revenue stream that may be used in conjunction with the financing by the Authority. This report was prepared to be included within the Official Statement regarding such financing.

Very truly yours,

CBRE, INC.

REAL ESTATE CONSULTANT'S REPORT

Pro Forma Revenue Forecast Study

Prepared For:

THE BATTERY PARK CITY AUTHORITY

Prepared By:

CBRE

As of

September 30, 2013

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I. INTRODUCTION

SCOPE OF REPORT

CBRE, Inc. ("CBRE") has been retained by the Battery Park City Authority (the "Authority") to forecast certain lease revenues paid to the Authority through the fiscal year 2043 by the tenants under leases for the four World Financial Center ("WFC") buildings, Goldman Sachs headquarters ("200 West Street"), the New York Mercantile Exchange ("NYMEX") building, two hotel projects (the Conrad Hilton New York/retail/Regal Cinemas movie theater project, and the Ritz-Carlton Hotel), and 30 residential leases. The Authority has directed CBRE to include certain revenues for projects built and completed as of the date of this report and no other revenues to the Authority have been included in this forecast. It should be noted that although the four WFC buildings are now being referred to as Brookfield Place, for the purpose of this analysis we have utilized their prior naming convention as this is consistent with our prior reports and is the name most commonly utilized in the marketplace.

CBRE performed a similar forecast in conjunction with the Authority's 2003 and 2009 bond offerings. The Authority has made available to CBRE the subject leases, which are summarized in the Official Statement, and which summaries are consistent with CBRE's understanding.

The Authority has further requested CBRE to project only certain selected revenue components of each of the subject leases. The selected lease revenues components included in the scope of this report are:

- | | |
|-----------------------|---|
| Office Leases: | <ul style="list-style-type: none"> 1. Base and Additional Rent 2. Payments in Lieu of Taxes ("PILOT") |
| Residential Leases: | <ul style="list-style-type: none"> 1. Base and Supplemental Rent 2. PILOT |
| Hotel Project Leases: | <ul style="list-style-type: none"> 1. Base Rent 2. PILOT |

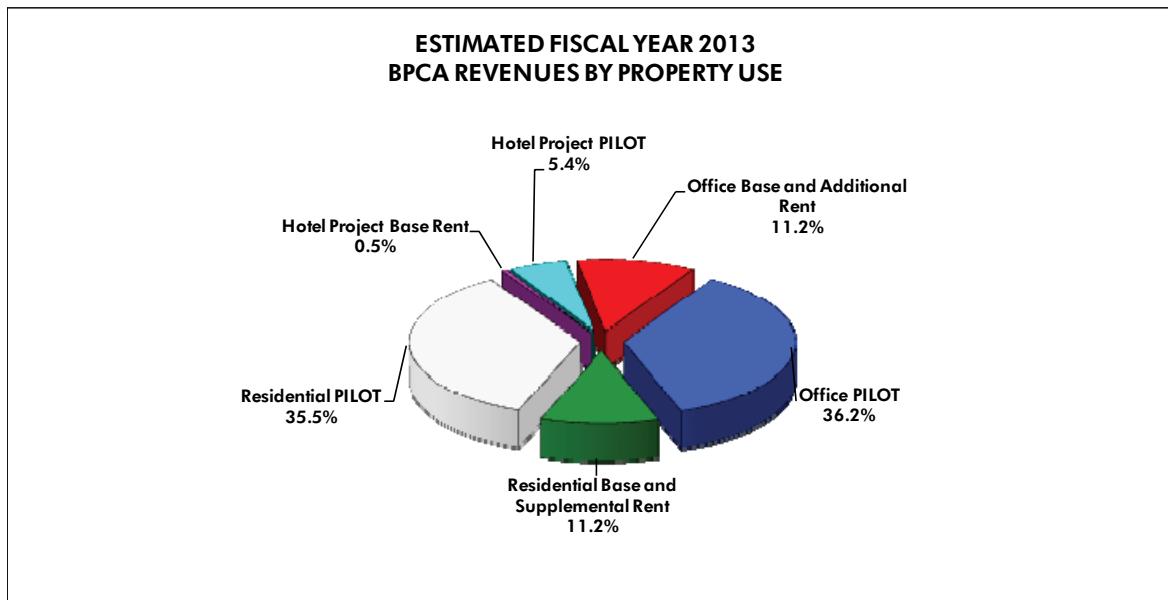
Any other revenues to the Authority derived from these leases are not included in the scope of this report.

Our forecast of these lease revenues should neither be construed as an indication of market value of any property nor used in a determination of such value. CBRE has assumed the continuation and observance of the existing leases throughout the forecast period. All references in this document to historical revenue collections are based on information provided to CBRE by the Battery Park City Authority.

OVERVIEW OF REPORT

Total revenues paid to the Authority from the selected lease components are assumed to be received on a cash basis and in accordance with the Authority's fiscal year ending October 31. For the fiscal year ending October 31, 2013, total lease revenues are estimated by CBRE to be \$219.0 million.

For this analysis, we have grouped the properties by use type, including office, residential and hotel project components. The office component includes the four WFC buildings (also known as 200 Liberty Street, 225 Liberty Street, 200 Vesey Street and 250 Vesey Street), Goldman Sachs headquarters at 200 West Street and the NYMEX building. The residential component consists of a total of 30 rental and condominium apartment developments. Finally, the hotel project component includes the Ritz-Carlton Hotel and the Hilton/Conrad Hilton New York Hotel and its retail portion and movie theater. The composition of these revenues is illustrated graphically below.



In order to forecast these revenues CBRE has analyzed each of the components of the leases individually. Below is a brief description of the analyses undertaken by CBRE as well as some of our conclusions. All components and issues will be described and analyzed in each of the chapters relating to the individual revenue components and in greater detail in the exhibits.

Each chapter of the report will discuss the factors and issues associated with any attempt to make projections over a long-term horizon. In making the projections of the revenue components mentioned above, CBRE has identified and considered a number of factors, which directly, indirectly or in conjunction with other variables could affect such projections. Such factors include, without limitation:

- Current real estate market condition and trends;

- national and local economic conditions and trends;
- regional employment trends and their impact on rent levels and occupancy at the World Financial Center;
- implementation of and changes to budgetary and fiscal policy by New York City and their impact on future tax assessment policy;
- various aspects of national, state and local public policy, population trends in New York City and the Metropolitan New York region; and
- public and private actions affecting the planned redevelopment of Lower Manhattan.

As the forecast period is extended, such factors tend to increase the variability of the projections for such period and the probability of deviation of actual outcomes from forecasts becomes greater.

Accordingly, on the basis of an assessment of the variables involved in the predictions made for the forecast period subject to this report and the degree of uncertainty caused by them, CBRE has made various assumptions regarding those variables. The main assumptions driving the revenue forecasts are summarized in the section entitled Revenue Forecast Assumptions.

CBRE has also made certain underlying assumptions regarding the management, maintenance, and legal status of the properties, the reliability of the information provided to CBRE, and the extent of CBRE's duties as real estate consultant in forecasting the revenues. These assumptions are contained in Exhibit A. **All assumptions should be read in their entirety and in conjunction with the text of this report, the tables contained in this report and the other information presented in this report.**

Throughout the term of our projections we have applied conservative assumptions and adjusted for the potentially adverse effects of events such as economic downturns and major office lease expirations. However, despite all of the uncertainties in the market, positive conditions and trends in the commercial and residential market taken into account developing the revenue projections. In regard to the commercial market, the redevelopment of the World Trade Center site has advanced substantially and the completion of significant commercial and transportation components is now in view. With significant investment in the renovation of the retail and public space, the former World Financial Center should bolster its position as a premier Downtown office and retail complex and together with the improved transportation connections it can be expected to continue as one of the more desirable office properties in the Downtown market during our forecast period. Some of the more prominent firms in New York City occupy space in the complex, including:

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • American Express • Willis • Royal Bank of Canada | <ul style="list-style-type: none"> • Cadwalader, Wickersham & Taft • CommerzBank AG | <ul style="list-style-type: none"> • Merrill Lynch (B of A) • Oppenheimer & Co |
|--|---|--|

In regard to the residential market, Battery Park City has established itself as a highly desirable residential community with high occupancy rates that will continue to be enhanced in coming years by public and private development initiatives in the Downtown area and by the ongoing development by the Authority. Battery Park City illustrated its resilience as a residential neighborhood after September 11th and has maintained strong occupancy in rental buildings and demand for condominium units during the recent economic recession and most recently following Superstorm Sandy.

The Battery Park City residential component is comprised of 8,615 units of residential development within 30 buildings that have been constructed since 1980. The overall residential component includes 13 rental buildings and 17 condominium projects with 4,967 and 3,648 units respectively. The most recent residential completions within Battery Park City are Milstein's Freedom and Liberty buildings, while the headquarters of Goldman Sachs at 200 West Street is the most recent commercial completion and represents the largest commercial addition to Lower Manhattan in recent years with over two million square feet developed.

Lower Manhattan has gained wider acceptance by city dwellers as a neighborhood to reside in, with Battery Park City leading this marketplace as the neighborhood of choice for families. New residential construction and the conversion of older office buildings has changed the character of Downtown from a business district to a lively mixed-use community active every day and every hour. This phenomenon has helped to create a "critical mass" of residents who support the cultural, social, retail and other amenities that serve the Downtown neighborhood. These resources and broader community are positive factors affecting the appeal of the residential buildings within Battery Park City.

According to the Manhattan Community District 1, which represents the area below Canal Street, the population for lower Manhattan increased by 77.2% during the last decade. In 2000, the population totaled 34,420, while in 2010 census it was 60,978. This reflects an annual compounded growth rate of 5.9% .

Battery Park City comprises Census Tract 317.03 and 317.04 within the Borough of Manhattan. According to Claritas Demographics, this area had a 2000 population of 7,950, which increased to 13,386 through 2010 (5.3% annual rate of increase) and has subsequently increased to 14,330, an increase of 944 or an annual rate of 2.3%. Claritas projects population growth to be moderate over the near term future but remain positive with annual increases of 1.8% through 2018, for a total addition to the local population of 1,354 people.

It is our view that our projections account for these positive considerations and provide a conservative basis upon which the Authority can assess future revenues.

OFFICE BASE RENT AND ADDITIONAL BASE RENT

Office Base Rent and Additional Rent represented 11.5% of the 2012 revenues (based on figures provided by the Battery Park City Authority) and are projected to represent 11.2% of 2013 revenues. Base Rent is contractually fixed in each lease throughout the lease term, including the entire forecast period. The four WFC leases provide for the tenants to pay Additional Base Rent from the period beginning September 1999 until 2014, with the exception of 3WFC, for which Additional Base Rent ended in 2009. CBRE has analyzed and calculated these lease obligations along with the NYMEX lease obligation (The Base Rent for 200 West Street – Goldman Sachs was paid as a lump sum prior to the forecast period and is not included in this analysis). Our calculations of Base Rent and Additional Base Rent show these revenue components at \$24.6 million in 2012, decreasing gradually to \$19.0 million by 2015 before stepping back up and leveling off at \$21 million in 2018.

OFFICE PILOT

Office PILOT payments represented 37.9% of 2012 revenues (per BPCA statements) and are estimated at 36.2% of 2013 revenues. PILOT is a lease payment by the tenants of each lease to the Authority in lieu of paying real property taxes to the City.

PILOT payments are based on three variables and can be generally calculated as follows:

	Billable Assessed Value
Multiplied by:	Tax Rate
Less:	Abatement
Equals:	PILOT Payment

The determination of the billable assessed value and tax rate by the New York City Assessor is a central part of the PILOT calculation and, consequently, of the overall revenues to the Authority. Abatements are no longer applied to the WFC buildings. The NYMEX building has a defined abatement schedule and the office portion of its PILOT payment is based on the average assessment of the WFC buildings. For 200 West Street, PILOT is based on the lowest of the actual assessment, a capped assessment at 115% of the average assessment of the four WFC buildings, or the land assessment plus abated building assessment.

As will be described in detail later, the City's current assessment policy for office properties is based on an income approach to value, which depends upon the establishment of Net Operating Income and capitalization rates. Based on discussions with City officials, we have assumed that this policy will continue.

The income approach varies depending on the nature of the property's occupancy. For example, 1WFC is considered a multi-tenant building and its Net Operating Income is based upon reported income and expenses. However, 2WFC, 3WFC and 4WFC are considered owner-occupied (or partially owner-occupied in the case of 2WFC and 3WFC) buildings by the Assessor, whereby reported income is not reflective of market and thus is estimated by the Assessor. In such cases, the Assessor estimates market income and expenses in order to calculate a Net Operating Income for the property. Although NYMEX is primarily owner-occupied, partial income information is provided to the Assessor for the sublease tenants. The Assessor uses that reported income to estimate income and expenses for NYMEX. For buildings with significant vacancies, the Assessor will apply an estimate of market rent to the vacant space, bringing income levels up to what the Assessor considers to be stabilized levels.

In order to project the variables used in the assessment process over the long term, an understanding of the underlying economic conditions and the current state of, and trends in, the New York City office market is necessary. A summary office market analysis is provided in the body of this report with additional supportive documentation in Exhibit C. Due to the risks associated with forecasting these variables and the unique nature and relationship of these variables to the revenues of the Authority, CBRE has taken a conservative outlook, which we believe reasonably reflects unquantifiable or unpredictable risk including the City fiscal policy, public policy regarding planned and future development and retention of tenants in Manhattan.

Our methodology is reflective of the current condition and historical trends within the New York real estate market, with additional consideration related to the recovery from the financial crisis and its impact on large Downtown tenants such as AIG and Merrill Lynch (now part of Bank of America). In addition, our analysis considers the continued rebuilding of the World Trade Center site and the trends within the Downtown market.

In 2012 the office PILOT payments totaled \$81.1 million, while our current year total \$79.3 million. We have modeled declining PILOT projections to the 2 WFC and 4WFC in the near term to reflect the large rollover at these properties, while the remaining WFC properties are projected to have steady growth of 2% per annum. The addition of 200 West Street to Battery Park City resulted in significant increases in PILOT revenue, although much of this increase is not phased-in until the abatements fully expire in 2015/2016. Given the historic increases in market rental rates and property tax rates over time, there is long-term upside potential within the commercial component and thus revenue from this component is projected to increase to approximately \$158.5 million by 2043.

RESIDENTIAL BASE RENT AND SUPPLEMENTAL/INCREMENTAL RENT

Residential Base Rent and Supplemental or Incremental Rent represent 11.7% of 2012 revenues and are projected at 10.9% of 2013 revenues. All residential leases contractually stipulate Base Rent, which is to be paid throughout the forecast period. Many of the leases also obligate the tenants to pay Supplemental Rent or Incremental Rent as a part of base rent, only to the extent that PILOT payments are below certain minimum levels. CBRE has analyzed and calculated these contractual obligations. In this analysis, the term Supplemental Rent will also refer to the term Incremental Rent. Our calculations of future Base Rent and Supplemental Rent show these revenue components increasing gradually to \$50.0 million in 2043 from a base of \$24.4 million in 2013.

RESIDENTIAL PILOT

Residential PILOT represents 33.2% of the 2012 revenues and is projected at 35.7% of the 2013 revenue. This component is a payment by the tenant of each lease to the Authority in lieu of paying real property taxes to the City, on a basis conceptually similar to that of the office PILOT. The projections have been adjusted to take into account reductions due to Section 467a of the New York Real Property Tax Law. CBRE has analyzed the City's current assessment policy, which relies on the income approach to value, and based on discussions with City officials has assumed its continuation. Analysis of the current residential market conditions and trends was undertaken to estimate the percentage change in the assessed values during the forecast period.

Gateway Plaza's lease obligates the tenant to make a PILOT payment equal to 10% of the total rents less the net costs of providing utilities to dwelling units therein. The lease was modified in 2009, allowing the 10% structure to continue through February 15, 2016. Thereafter, the PILOT payments are phased-in to the equivalent of full taxes at 20% per year and are fully phased in on February 16, 2020.

Due to the projected growth in assessments and tax rates as well as the phase-out of tax abatements for some of the newer properties, the residential PILOT payments are projected to increase at a compounded average growth of 3.74% between 2013 and 2043. By 2043, the residential PILOT revenue is projected to increase to \$157.4 million from the 2013 total of \$78.2 million.

HOTEL PROJECT BASE RENT

Hotel Project Base Rent includes rent from the Ritz-Carlton Hotel, the Conrad Hilton New York Hotel, and the retail component of the Conrad Hilton New York project. These rents represent less than 1.0% of the estimated 2013 revenues. The leases feature a fixed rent schedule. Our calculations of future Base Rent show hotel project revenue components increasing gradually from a base of \$1.06 million in 2013 to \$1.95 million in 2043.

HOTEL PROJECT PILOT

The hotel project PILOT represents approximately 5.3% of 2012 actual and 5.4% of the 2012 projected revenues. This component is a payment by the tenant of each lease to the Authority in lieu of paying real property taxes to the City, in a manner conceptually similar to that of the office properties. The Conrad Hilton New York Hotel has scheduled PILOT payments subject to an abatement program set forth in the lease for the first ten years, with a recapture for the next ten years. The recapture amount represents the difference between the total taxes paid within the first ten years and the actual unabated taxes that are applicable for that property. The retail component has scheduled PILOT payments for the first twenty years. The Ritz-Carlton Hotel lease stipulates that the tenant will pay the full, unabated PILOT payment, but provides that the non-PILOT payments for the first ten years for the hotel and residential portion are credited to the hotel PILOT in declining amounts during that period to simulate an abatement program. The total credits given are recaptured over the next ten years, beginning in the 2010 tax year. After the first twenty years, all of the hotel project tenants make unabated PILOT payments. It should be noted that the re-capture provision for the Conrad Hilton New York Hotel went into effect in 2009 and is responsible for the majority of the increase from prior year figures.

MANHATTAN OVERVIEW

The total population of Manhattan grew modestly during the last decade, rising from 1,537,195 in 2000 to a 2010 level of 1,585,873 residents, reflecting a 0.3% annual growth rate. According to Claritas, Inc., projections for 2013 indicate that the population for Manhattan increased at an annual rate of 0.7% during the past three years to 1,620,501 residents. The median household income for Manhattan of \$62,915 in 2013 represents a 32.5% increase over the 2000 census figures.

Like the nation, New York City suffered a substantial decline in employment during the recession and financial crisis of 2007 - 2009. In contrast with the City's experience in preceding recessions, however, job losses in the City were not as severe as those at the national level, and the City's recovery has been stronger.

According to the Labor Department the cumulative result of the relatively mild recession and a strong recovery has been an increase in private payroll employment in the New York City from an average of 3.253 million in the last quarter of 2007 to 3.383 million (an all-time high) in the last quarter of 2012. Moreover, that job growth has continued through June 2013, as the City registered the largest first-half increase in payroll employment in this century.

The City's recovery has been broadly based, with substantial gains in professional and business services, digital media, film and television production, higher education, ambulatory health care, retailing and restaurants. Among New York City's major industries, only in financial services has employment been slow to recover. The rebound held for jobs in office-based sectors as well, although not as strong as it was for the private sector as a whole. By 2012, office-based private employment had returned to – but had not yet grown beyond – pre-recession levels.

BATTERY PARK CITY OVERVIEW

Battery Park City consists of a 92-acre mixed-use development that contains approximately 21.8 million square feet of development and includes more than 35 acres of open space/recreational areas.

Battery Park City is subdivided into three major areas including the North Residential Neighborhood, the World Financial Center area (now being referred to as Brookfield Place), and the South Residential Neighborhood. This includes six, Class A office buildings, two hotels, a multi-plex movie theater and retail uses, and thirty apartment buildings containing approximately 8,615 units. The breakdown is as follows:

- 10.7 million square feet of office use has been completed.
- 10.1 million square feet of residential use has been completed.
- 0.94 million square feet of hotel related use has been completed.

Some of the most recent construction projects include:

- The Verdesian (Site 18B) - a 24-story, 252-unit luxury high-rise rental apartment building
- Tribeca Green (Site 19B) - a 24 story, 274-unit luxury high-rise rental apartment building
- Millennium Towers (Site 2A) – a 37-story, 282-unit high-rise luxury condominium apartment building
- Riverhouse (Site 16/17) - a 31-story, 268-unit luxury high-rise condominium apartment building
- The Visionaire (Site 3) – a 33-story, 250-unit luxury high-rise condominium apartment building
- MP Liberty (Liberty Luxe) (Site 23) – a 22-story, 345-unit rental apartment building
- MP Freedom (Liberty Green) (Site 24) – a 32 story, 345-unit rental apartment building
- 200 West Street (Site 26) – a 2.15 million square feet office building (Goldman Sachs Headquarters)

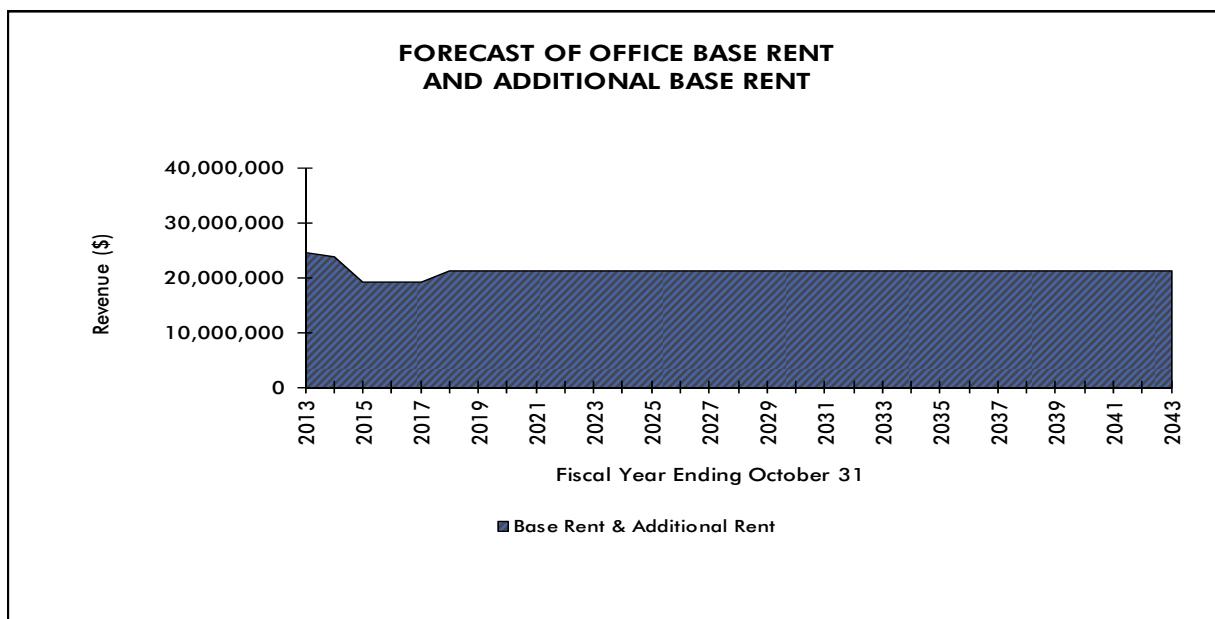
The new buildings and development projects reflect a diversity of uses that enhance the quality of life for Battery Park City residents. Battery Park City also includes numerous public facilities including recreational and cultural amenities such as the Robert F. Wagner, Jr. Park, Rector Park, the Esplanade, South Cove, Stuyvesant High School, playing fields, the Police Memorial, Governor Nelson A. Rockefeller Park, the Belvedere at North Cove Park, the Museum of Jewish Heritage, The Irish Hunger Memorial and the Skyscraper Museum. There are several displays of public art throughout Battery Park.

II. OFFICE BASE RENT AND ADDITIONAL BASE RENT

There are six existing office buildings including the four World Financial Center buildings, Goldman Sachs Headquarters at 200 West Street and the New York Mercantile Exchange (NYMEX) building. All of the office leases (with the exception of 200 West Street) require the tenants to make fixed annual Base Rent payments on a monthly basis. The WFC leases also include Additional Base Rent for the WFC buildings. Additional Base Rent commenced in the lease year beginning September 1, 1999 and continues through August 31, 2014, with the exception of 3WFC, for which payment ended on August 31, 2009. There are no Additional Base Rent payments for the NYMEX lease. The NYMEX lease indicates that a base rent of \$1.00 is payable for the trading floor area (113,625 square feet) for the first twenty years, while stipulated fixed rents are payable for the office areas.

Based on information provided by BPCA, our cash flow tables indicate that the fixed annual payments total \$24.6 million in fiscal year ending October 31, 2012. The cash flow fluctuates in the near term as the WFC's remaining Additional Rent phases out in 2014 and the NYMEX lease includes a step in 2018. It should be noted that the 200 West Street building has a prepayment agreement whereby a one-time payment in lieu of annual Base Rent was made (prior to our analysis period).

Both Base Rent and Additional Base Rent payments are stipulated in the lease documents and are not contingent upon any event or formula. Pursuant to the terms of the relevant leases as currently in effect, these rents are not subject to adjustment in any event other than default of a lease. CBRE has assumed the continuation and observance of the existing leases throughout the forecast period.



III. OFFICE PILOT

OVERVIEW

The WFC, NYMEX and 200 West Street buildings are situated on land owned by the Authority, an entity established by the State Legislature, which is tax exempt under New York State Law. The land and buildings in Battery Park City are therefore exempt from New York City real property taxes. However, under the WFC, NYMEX and 200 West Street leases, tenants are obligated to make PILOT payments to the Authority in lieu of these real property taxes.

Each parcel is assessed under prevailing New York City assessment procedures applicable to office buildings, with some modification to NYMEX as described below. The assessed value of each site forms the basis for the PILOT payment. Two other components comprise the total PILOT payment: the tax rate and any applicable abatement schedule, which are discussed in later chapters. Together, the relationship between these variables can be generally characterized as:

	Billable Assessed Value
Multiplied by:	Tax Rate
Less:	Abatement
Equals:	PILOT Payment

However, the NYMEX PILOT is based upon the types of occupancy in the building: (i) for portions of the building designated as the trading area, PILOT is zero for the first twenty years of occupancy, (ii) for portions of the building used by NYMEX for administrative, office, retail, and accessory space, PILOT is based upon the average assessment per square foot for the World Financial Center subject to a declining abatement schedule stated in the lease, and (iii) for office space leased to other parties, PILOT is based upon the actual assessment for the building without an abatement.

The forecasted PILOT revenue for 200 West Street is based on land value in the initial years following construction. Full PILOT is phased in through 2016 as the abatement on the physical improvement phase out at 20% per year. The PILOT payment is structured whereby it may not exceed 115% of the average PILOT payable by the four World Financial Center properties. 200 West Street was provided a \$6 million credit that offset PILOT collections through 2011.

The following pages discuss the rationale for the forecast of PILOT revenues, which are a function of the three components of the above equation. To forecast the assessed value of each site, we have reviewed the New York City Assessor's current methodology of estimating market value and calculating assessed value, ascertained the variables that are employed in the Assessor's calculation, and then projected the buildings' assessed values from these variables. A brief overview of the New York City economy and office market has been incorporated within this chapter (with additional detail provided in Appendix C) to provide a framework from which these variables have been determined over the period of our analysis. Tax rates were then analyzed and projected over the period of our analysis to calculate future PILOT payments. The abatement schedule for the four WFC buildings has been completed and is no longer a factor in the projections.

NEW YORK CITY COMMERCIAL ASSESSMENT POLICY

The current system of assessment in New York City dates back to tax year 1982/83 when the New York State Legislature overhauled the Real Property Tax Law and established four separate real property classes. Prior to this period, there was no classification system for real property. Based upon building type and use, the four classes are as follows: Class I - one-, two-, and three-family homes; Class II - all other residential property; Class III - utility property; Class IV - all other commercial property and vacant land. The tax rate for each class of property is established annually by the City through the budget process.

The office buildings at Battery Park City all have Class IV property designations. Under the current four-class system of assessment, Class IV properties are required to have "actual" and "transitional" assessments assigned to them each year. The "billable" assessed value is the lower of the actual or transitional assessment. The actual assessment, sometimes referred to as the "target" assessment, reflects the Assessor's estimate of the property's market value multiplied by 45%, which represents the Assessor's equalization ratio for Class IV properties. When a property's actual assessment in any tax year is changed by an increase or decrease in its value, the law requires that the transitional assessment be established which phases in 20 percent of the total change each year for the next five years. This system also applies to the Class II properties in Battery Park City.

However, changes in the actual assessments that are attributable solely to physical change are not phased in over five years. Rather, they are fully added to or subtracted from the transitional assessment in the year in which they occur. The billable assessment, upon which the tax rate is applied to calculate real property taxes payable, is the lesser of the total actual or transitional assessment set forth in a given tax year. This has the effect of phasing in any market value increases in assessed value (land and building), while permitting a prompt reduction of taxes in the case of a decline in a property's actual assessed value (below transitional levels). Thus, instances where a decline in market value causes the actual assessment to fall below the transitional assessment, the billable assessment may reflect the full impact of the decline.

Currently, the assessment process is based primarily on the income approach. For the purpose of this analysis, CBRE has assumed that the current assessment policy primarily utilizing the income approach will remain in effect for the duration of the forecast period.

CURRENT AND HISTORICAL ASSESSED VALUES

The following tables provide a history of the assessed values for the six existing office buildings. For ease of presentation, we have included only the total of each year's assessment, although the land and the building each have a separate allocation.

ASSESSED VALUES - 1WFC/200 Liberty St. (Block 16, Lot 120)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88	\$152,000,000	\$135,900,000	\$135,900,000	N/A
1988/89	\$160,000,000	\$150,800,000	\$150,800,000	10.96%
1989/90	\$164,000,000	\$160,100,000	\$160,100,000	6.17%
1990/91	\$164,250,000	\$163,450,000	\$163,450,000	2.09%
1991/92	\$157,500,000	\$162,350,000	\$157,500,000	-3.64%
1992/93	\$151,200,000	\$159,990,000	\$151,200,000	-4.00%
1993/94	\$124,655,580	\$152,321,116	\$124,655,580	-17.56%
1994/95	\$133,000,000	\$146,121,116	\$133,000,000	6.69%
1995/96	\$133,000,000	\$139,871,116	\$133,000,000	0.00%
1996/97	\$148,050,000	\$137,981,116	\$137,981,116	3.75%
1997/98	\$143,550,000	\$136,451,116	\$136,451,116	-1.11%
1998/99	\$143,550,000	\$140,230,000	\$140,230,000	2.77%
1999/00	\$147,600,000	\$143,150,000	\$143,150,000	2.08%
2000/01	\$155,250,000	\$147,600,000	\$147,600,000	3.11%
2001/02	\$159,750,000	\$149,940,000	\$149,940,000	1.59%
2002/03	\$143,100,000	\$149,850,000	\$143,100,000	-4.56%
2003/04	\$152,100,000	\$151,560,000	\$151,560,000	5.91%
2004/05	\$169,750,000	\$155,990,000	\$155,990,000	2.92%
2005/06	\$164,700,000	\$157,880,000	\$157,880,000	1.21%
2006/07	\$148,000,000	\$155,530,000	\$148,000,000	-6.26%
2007/08	\$145,000,000	\$155,910,000	\$145,000,000	-2.03%
2008/09	\$150,000,000	\$155,490,000	\$150,000,000	3.45%
2009/10	\$132,000,000	\$147,940,000	\$132,000,000	-12.00%
2010/11	\$133,200,000	\$141,640,000	\$133,200,000	0.91%
2011/12	\$143,500,000	\$140,740,000	\$140,740,000	5.66%
2012/13	\$137,522,700	\$139,244,540	\$137,522,700	-2.29%
2013/14	\$144,850,000	\$138,214,540	\$138,214,540	0.50%

Source: NYC Department of Finance & Tax Commission

ASSESSED VALUES - 2WFC/225 Liberty St. (Block 16, Lot 125)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88 ¹	\$157,000,000	\$137,600,000	\$137,600,000	N/A
1988/89	\$225,000,000	\$213,800,000	\$213,800,000	55.38%
1989/90	\$246,000,000	\$246,600,000	\$246,000,000	15.06%
1990/91	\$254,750,000	\$251,550,000	\$251,550,000	2.26%
1991/92	\$244,600,000	\$251,690,000	\$244,600,000	-2.76%
1992/93	\$235,000,000	\$247,885,000	\$235,000,000	-3.92%
1993/94	\$195,000,000	\$236,080,000	\$195,000,000	-17.02%
1994/95	\$200,000,000	\$226,275,000	\$200,000,000	2.56%
1995/96	\$200,000,000	\$214,920,000	\$200,000,000	0.00%
1996/97	\$195,000,000	\$205,000,000	\$195,000,000	-2.50%
1997/98	\$185,000,000	\$195,000,000	\$185,000,000	-5.13%
1998/99	\$195,000,000	\$195,000,000	\$195,000,000	5.41%
1999/00	\$203,400,000	\$195,680,000	\$195,680,000	0.35%
2000/01	\$211,050,000	\$197,890,000	\$197,890,000	1.13%
2001/02	\$215,100,000	\$201,910,000	\$201,910,000	2.03%
2002/03	\$146,250,000	\$177,998,710	\$146,250,000	-27.57%
2003/04	\$155,000,000	\$188,322,903	\$155,000,000	5.98%
2004/05	\$175,000,000	\$183,238,064	\$175,000,000	12.90%
2005/06	\$191,250,000	\$180,120,000	\$180,120,000	2.93%
2006/07	\$200,000,000	\$177,100,000	\$177,100,000	-1.68%
2007/08	\$200,700,000	\$184,390,000	\$184,390,000	4.12%
2008/09	\$219,600,000	\$197,310,000	\$197,310,000	7.01%
2009/10	\$220,050,000	\$206,320,000	\$206,320,000	4.57%
2010/11	\$187,650,000	\$205,600,000	\$187,650,000	-9.05%
2011/12	\$203,413,050	\$206,282,610	\$203,413,050	8.40%
2012/13	\$182,089,800	\$202,560,570	\$182,089,800	-10.48%
2013/14	\$189,757,350	\$196,592,040	\$189,757,350	4.21%

¹2WFC was not substantially completed until tax year 1988/89, therefore 1987/88 assessed values reflect partial completion

Source: NYC Department of Finance & Tax Commission

ASSESSED VALUES - 3WFC/200 Vesey St. (Block 16, Lot 140)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88	\$210,000,000	\$189,800,000	\$189,800,000	N/A
1988/89	\$210,000,000	\$198,200,000	\$198,200,000	4.43%
1989/90	\$226,000,000	\$208,800,000	\$208,800,000	5.35%
1990/91	\$229,950,000	\$216,190,000	\$216,190,000	3.54%
1991/92	\$214,800,000	\$218,150,000	\$214,800,000	-0.64%
1992/93	\$205,000,000	\$217,150,000	\$205,000,000	-4.56%
1993/94	\$170,000,000	\$209,150,000	\$170,000,000	-17.07%
1994/95	\$170,000,000	\$197,950,000	\$170,000,000	0.00%
1995/96	\$174,000,000	\$186,760,000	\$174,000,000	2.35%
1996/97	\$175,000,000	\$178,800,000	\$175,000,000	0.57%
1997/98	\$175,000,000	\$172,800,000	\$172,800,000	-1.26%
1998/99	\$185,850,000	\$175,970,000	\$175,970,000	1.83%
1999/00	\$187,000,000	\$179,370,000	\$179,370,000	1.93%
2000/01	\$188,500,000	\$182,270,000	\$182,270,000	1.62%
2001/02	\$190,350,000	\$185,340,000	\$185,340,000	1.68%
2002/03	\$129,150,000	\$153,569,177	\$129,150,000	-30.32%
2003/04	\$145,000,000	\$169,380,657	\$145,000,000	12.27%
2004/05	\$163,800,000	\$166,269,463	\$163,800,000	12.97%
2005/06	\$179,100,000	\$165,979,998	\$165,979,998	1.33%
2006/07	\$178,500,000	\$163,609,998	\$163,609,998	-1.43%
2007/08	\$162,000,000	\$165,679,998	\$162,000,000	-0.98%
2008/09	\$188,550,000	\$174,389,998	\$174,389,998	7.65%
2009/10	\$197,000,000	\$181,029,998	\$181,029,998	3.81%
2010/11	\$179,100,000	\$181,029,998	\$179,100,000	-1.07%
2011/12	\$156,488,400	\$176,627,678	\$156,488,400	-12.63%
2012/13	\$153,358,650	\$174,899,408	\$153,358,650	-2.00%
2013/14	\$169,363,800	\$171,062,168	\$169,363,800	10.44%

Source: NYC Department of Finance & Tax Commission

ASSESSED VALUES - 4WFC/250 Vesey St. (Block 16, Lot 150)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88	\$180,000,000	\$162,700,000	\$162,700,000	N/A
1988/89	\$195,000,000	\$185,000,000	\$185,000,000	13.71%
1989/90	\$207,000,000	\$200,000,000	\$200,000,000	8.11%
1990/91	\$211,800,000	\$204,960,000	\$204,960,000	2.48%
1991/92	\$202,000,000	\$204,960,000	\$202,000,000	-1.44%
1992/93	\$195,000,000	\$203,560,000	\$195,000,000	-3.47%
1993/94	\$165,000,000	\$196,160,000	\$165,000,000	-15.38%
1994/95	\$163,500,000	\$187,460,000	\$163,500,000	-0.91%
1995/96	\$163,500,000	\$177,800,000	\$163,500,000	0.00%
1996/97	\$160,000,000	\$166,600,000	\$160,000,000	-2.14%
1997/98	\$150,000,000	\$150,300,000	\$150,000,000	-6.25%
1998/99	\$162,600,000	\$152,520,000	\$152,520,000	1.68%
1999/00	\$175,500,000	\$157,620,000	\$157,620,000	3.34%
2000/01	\$184,950,000	\$164,610,000	\$164,610,000	4.43%
2001/02	\$195,300,000	\$173,670,000	\$173,670,000	5.50%
2002/03	\$150,000,000	\$173,670,000	\$150,000,000	-13.63%
2003/04	\$140,000,000	\$169,150,000	\$140,000,000	-6.67%
2004/05	\$160,000,000	\$166,050,000	\$160,000,000	14.29%
2005/06	\$178,650,000	\$164,790,000	\$164,790,000	2.99%
2006/07	\$180,000,000	\$161,730,000	\$161,730,000	-1.86%
2007/08	\$201,500,000	\$172,030,000	\$172,030,000	6.37%
2008/09	\$208,750,000	\$185,780,000	\$185,780,000	7.99%
2009/10	\$185,500,000	\$190,880,000	\$185,500,000	-0.15%
2010/11	\$180,450,000	\$191,240,000	\$180,450,000	-2.72%
2011/12	\$190,000,000	\$193,240,000	\$190,000,000	5.29%
2012/13	\$190,813,050	\$191,102,610	\$190,813,050	0.43%
2013/14	\$172,997,550	\$183,952,120	\$172,997,550	-9.34%

Source: NYC Department of Finance & Tax Commission

ASSESSED VALUES - NYMEX (Block 16, Lot 225)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88	\$9,692,093	\$7,305,677	\$7,305,677	N/A
1988/89	\$11,454,179	\$8,513,755	\$8,513,755	16.54%
1989/90	\$11,454,179	\$9,505,307	\$9,505,307	11.65%
1990/91	\$18,684,291	\$11,849,135	\$11,849,135	24.66%
1991/92	\$18,700,109	\$14,119,941	\$14,119,941	19.16%
1992/93	\$14,645,251	\$15,150,656	\$14,645,251	3.72%
1993/94	\$14,663,007	\$15,753,549	\$14,663,007	0.12%
1994/95	\$14,663,007	\$16,343,870	\$14,663,007	0.00%
1995/96	\$14,663,007	\$15,489,710	\$14,663,007	0.00%
1996/97	\$16,918,877	\$15,113,136	\$15,113,136	3.07%
1997/98 *	\$48,194,183	\$46,840,654	\$46,840,654	209.93%
1998/99	\$61,850,001	\$60,809,106	\$60,809,106	29.82%
1999/00	\$62,100,000	\$61,344,916	\$61,344,916	0.88%
2000/01	\$57,000,000	\$60,860,730	\$57,000,000	-7.08%
2001/02	\$58,500,000	\$60,255,358	\$58,500,000	2.63%
2002/03	\$44,800,000	\$56,849,994	\$44,800,000	-23.42%
2003/04	\$42,400,000	\$52,659,997	\$42,400,000	-5.36%
2004/05	\$43,500,000	\$49,239,997	\$43,500,000	2.59%
2005/06	\$46,350,000	\$47,109,997	\$46,350,000	6.55%
2006/07	\$49,000,000	\$45,209,997	\$45,209,997	-2.46%
2007/08	\$43,155,000	\$44,880,997	\$43,155,000	-4.55%
2008/09	\$46,800,000	\$46,121,000	\$46,121,000	6.87%
2009/10	\$45,450,000	\$46,511,000	\$45,450,000	-1.45%
2010/11	\$41,850,000	\$45,611,000	\$41,850,000	-7.92%
2011/12	\$42,000,000	\$44,211,000	\$42,000,000	0.36%
2012/13	\$43,366,950	\$44,253,390	\$43,366,950	3.25%
2013/14	\$56,480,850	\$45,829,560	\$45,829,560	5.68%

Source: NYC Department of Finance & Tax Commission

* NYMEX completed in 1997

ASSESSED VALUES - 200 West Street (Block 16, Lot 260)				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
2010/11	\$261,000,000	\$260,946,000	\$260,946,000	N/A
2011/12	\$285,000,000	\$265,764,000	\$265,764,000	1.85%
2012/13	\$285,000,000	\$279,582,000	\$279,582,000	5.20%
2013/14	\$230,247,900	\$271,199,580	\$230,247,900	-17.65%

Source: NYC Department of Finance & Tax Commission

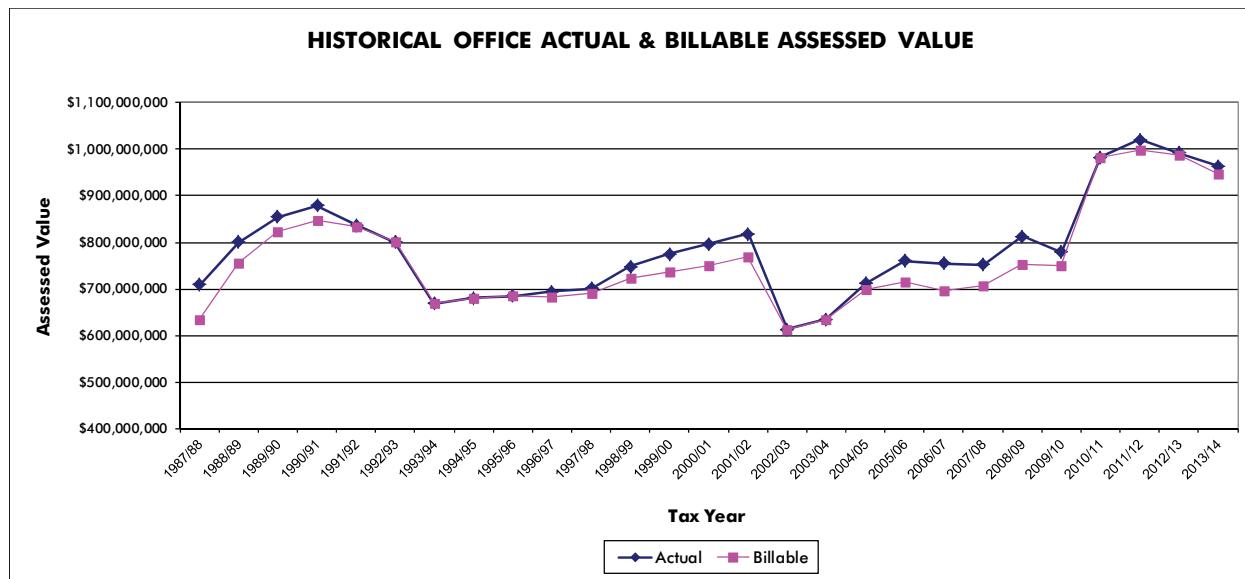
The table below summarizes the aggregate tax year assessments for the four WFC buildings, the NYMEX building and 200 West Street.

ASSESSED VALUES				
Total OFFICE - Block 16, Lots 120, 125, 140, 150, 225 & 260				
Tax Year	Actual Assessment	Transitional Assessment	Billable Assessed Value	% Change From Previous Year
1987/88*	\$708,692,093	\$633,305,677	\$633,305,677	N/A
1988/89	\$801,454,179	\$756,313,755	\$756,313,755	19.42%
1989/90	\$854,454,179	\$825,005,307	\$824,405,307	9.00%
1990/91	\$879,434,291	\$847,999,135	\$847,999,135	2.86%
1991/92	\$837,600,109	\$851,269,941	\$833,019,941	-1.77%
1992/93	\$800,845,251	\$843,735,656	\$800,845,251	-3.86%
1993/94	\$669,318,587	\$809,464,665	\$669,318,587	-16.42%
1994/95	\$681,163,007	\$774,149,986	\$681,163,007	1.77%
1995/96	\$685,163,007	\$734,840,826	\$685,163,007	0.59%
1996/97	\$694,968,877	\$703,494,252	\$683,094,252	-0.30%
1997/98 **	\$701,744,183	\$701,391,770	\$691,091,770	1.17%
1998/99	\$748,850,001	\$724,529,106	\$724,529,106	4.84%
1999/00	\$775,600,000	\$737,164,916	\$737,164,916	1.74%
2000/01	\$796,750,000	\$753,230,730	\$749,370,000	1.66%
2001/02	\$819,000,000	\$771,115,358	\$769,360,000	2.67%
2002/03	\$613,300,000	\$711,937,881	\$613,300,000	-20.28%
2003/04	\$634,500,000	\$731,073,557	\$633,960,000	3.37%
2004/05	\$712,050,000	\$720,787,524	\$698,290,000	10.15%
2005/06	\$760,050,000	\$715,879,995	\$715,119,998	2.41%
2006/07	\$755,500,000	\$703,179,995	\$695,649,995	-2.72%
2007/08	\$752,355,000	\$722,890,995	\$706,575,000	1.57%
2008/09	\$813,700,000	\$759,090,998	\$753,600,998	6.66%
2009/10	\$780,000,000	\$772,680,998	\$750,299,998	-0.44%
2010/11***	\$983,250,000	\$1,026,066,998	\$983,196,000	31.04%
2011/12	\$1,020,401,450	\$1,026,865,288	\$998,405,450	1.55%
2012/13	\$992,151,150	\$1,031,642,518	\$986,733,150	-1.17%
2013/14	\$963,697,450	\$1,006,850,008	\$946,410,700	-4.09%

* Assessed Value for 87/88 tax year reflects partial completion of 2WFC
** NYMEX was completed.
*** Goldman Completed

Source: NYC Department of Finance & Tax Commission

The previous chart illustrates the significant decline in aggregate actual assessments from 1992/93 to 1993/94 tax years reflecting the settlements with the City's Tax Commission (as will be further explained), as well as declining market rents as applied by the "mark to market" approach. This is graphically illustrated below. Between the 1993/94 and 1997/98 tax years, assessed values were stable, while from 1997/98 to 2001/02 assessment increases reflected the improving real estate market conditions. Following the September 11th attack and the economic recession, the assessments declined substantially in 2002/2003 and gradually increased through the onset of the most recent recession which impacted the 2009/2010 tax year. The subsequent increases over the period thereafter resulted heavily from the addition of the 200 West Street, as well as some assessment increases for the other properties. Currently the assessed values observed have increased at a somewhat slower rate, again reflecting settlements with the City's Tax Commission.



Overall, the previous graph illustrates the relationship of the Actual and Billable assessments and how they respond to economic changes and unforeseen events. Further, the assessments reflect the lag in the assessment process between the applicable tax year and the year for which income and expenses are reported.

Using the actual assessed value per square foot of gross building area (per the Department of Finance) as the denominator, we have compared the current assessed values of the subject office buildings to Downtown office buildings that are considered the best comparables, though the other Downtown buildings do not possess the same appeal as the WFC buildings. The high quality of construction, tenancy, and amenities of the WFC buildings places them near the forefront of the Downtown office market

Historically, due to the WFC development's unique characteristics, which are not often found in other Downtown developments, the buildings had been more comparable to Midtown office buildings. However, in current market conditions, the WFC assessments fall more in line with other downtown buildings.

COMPARISON OF 2013/2014 ACTUAL ASSESSED VALUES				
SUBJECT	Year Built	Square Feet	2013/14 Actual Assessment	Assessed Value Per Sq. Ft.
1WFC	1986	1,501,878	\$144,850,000	\$96.45
2WFC	1987	2,267,925	\$189,757,350	\$83.67
3WFC	1984	2,149,866	\$169,363,800	\$78.78
4WFC	1986	2,084,079	\$172,997,550	\$83.01
NYMEX	1997	502,000	\$56,480,850	\$112.51
GOLDMAN	2006	2,152,863	\$230,247,900	\$106.95
Low				\$78.78
High				\$112.51
Average				\$93.56
DOWNTOWN COMPARABLE BUILDINGS				
60 Wall Street	1988	1,617,206	\$213,905,750	\$132.27
7 World Trade Center	2006	1,636,000	\$171,188,640	\$104.64
140 Broadway	1967	1,141,266	\$130,000,000	\$113.91
1 Chase Manhattan Plaza	1963	2,239,000	\$200,710,350	\$89.64
388 Greenwich Street	1989	1,594,289	\$137,000,000	\$85.93
101 Barclay Street	1983	1,133,548	\$100,538,100	\$88.69
32 Old Slip (Financial Square)	1987	973,587	\$107,460,900	\$110.38
180 Maiden Lane	1984	1,079,361	\$134,647,155	\$124.75
17 State Street	1988	544,015	\$57,500,000	\$105.70
Low				\$85.93
High				\$132.27
Average				\$106.21
MIDTOWN COMPARABLE BUILDINGS				
550 Madison Avenue (Sony)	1982	827,686	\$147,028,050	\$177.64
590 Madison Avenue (IBM)	1982	999,636	\$257,800,000	\$257.89
1301 Avenue of the Americas	1963(1990)	1,482,208	\$299,000,000	\$201.73
Equitable Tower	1985	1,638,637	\$327,039,750	\$199.58
Low				\$177.64
High				\$257.89
Average				\$209.21

Source: The City of New York Department of Finance; Compiled by CBRE, Inc.

The WFC buildings have assessments that range between \$78.78 and \$96.45 per square foot, while the assessment of NYMEX and 200 West Street are somewhat higher at \$112.51 and \$106.95 per square foot, respectively. Discussions with the Assessor's office have indicated that the assessment for 200 West Street will likely increase in the coming year as more appropriate rent comparables will be considered in determining market rent for the owner occupied areas of the buildings. 200 West Street and NYMEX currently have abatements that reduce the tax expense separate from the assessment listed.

THE INCOME APPROACH TO VALUE

In using the income approach to value, the Assessor capitalizes the net operating income of a building to estimate market value. Once this market value has been determined, the assessed value is then determined by multiplying the market value by the 45 percent Equalization Ratio. This calculation can be summarized as follows:

	Estimate of Actual or Market Rental Income
Less:	Operating Expenses (excluding real estate tax)
Equals:	Net Operating Income
Divided by:	Adjusted Capitalization Rate (loaded for real estate taxes)
Equals:	Market Value
Multiplied by:	45 percent Equalization Ratio
Equals:	Assessed Value

Owners of income-producing properties having assessed values greater than \$40,000 are required to file an annual Real Property Income and Expense Statement (“RPIE”) with the City of New York Department of Finance. These records are directly used in the Assessor's calculation of value. For owner-occupied or single-tenant properties where no statement is filed, the assessment is based on market rents and expenses assigned to the property by the Assessor based on market evidence from comparable buildings and guidelines described later in this analysis. 2WFC and 3WFC as well as the NYMEX building contain some owner occupied areas, although all submit RPIE statements. Because the income and expense statements are submitted based on a building's prior year operations and guidelines used by the Assessor are compiled early in the assessment process, a lag of up to two years can be created between market conditions at the time of assessment and the data reported to the Department of Finance.

The guidelines issued by The City of New York Department of Finance for the 2013/2014 tax year for use by the Assessor contain information regarding market rents, expenses and capitalization rates associated with various rent and expense levels. The guidelines for Class IV properties in Manhattan are segmented by location (Downtown vs. Midtown), building type (office, retail, garage, or factory), and building class (Trophy, Class A, Class B, or Other).

The Assessor considers both reported actual operating expenses and comparable operating expenses contained in the guidelines. The expense amount does not include real estate taxes. For owner-occupied buildings (or portions of buildings), operating expenses are estimated from comparable buildings and are adjusted based upon the amenities of the subject building, location, and classification. For buildings with vacancies that are significantly in excess of market levels, the Assessor will analyze the property at a stabilized occupancy with their market rent estimate applied to the vacant space. Given the significant rollover in 2WFC and 4WFC during 2013, it is likely that the assessments over the next two years will include the application of the Assessors market rent to these spaces.

The Assessor derives a building's pre-tax capitalization rate utilizing the Ellwood formula, a mortgage-equity procedure that provides basic capitalization rates for many combinations of equity yield requirements and mortgage terms. Such rates can be adjusted for anticipated changes in income over a prescribed holding period. This capitalization rate is further adjusted to compensate for the exclusion of real estate taxes from expenses by multiplying the prior year's tax rate by the 45 percent equalization rate and adding this amount to the pre-tax capitalization rate.

If the Assessor believes the contractual rents of a building exceed current market rents, a higher-than-market capitalization rate is applied to bring the assessment in line with market levels. Based on our discussions with the assessors, when contract rents are above market based on newly signed leases in the building or essentially similar ones, a higher than market capitalization rate is utilized to appropriately reflect the market value. The Assessor's capitalization rate may also be adjusted to account for high vacancy/non-stabilized operations of a property, relative to the overall marketplace.

THE APPEAL PROCESS

All real property in New York City is assessed annually using a taxable status date of January 5. The tentative assessments are made public on January 15, prior to the tax year beginning the following July 1. Property assessments are completed by the Department of Finance on an annual basis. The actual assessed value is the product of the Assessor's opinion of market value multiplied by the Assessor's 45 percent equalization ratio.

Property owners have the right to appeal these assessed values. Assessed values may be appealed in two administrative procedures. A property owner may file an Application for Informal Review within the Department of Finance. The second procedure, which is typically utilized by commercial and multi-family property owners, involves filing an Application for Correction with the New York City Tax Commission. This agency operates independently and is authorized to order changes in assessed values.

Property owners of buildings possessing the size, quality, appeal, and market value similar to the WFC properties historically have gone through the process of hiring tax attorneys and/or real estate appraisers to assist them in the tax appeal process. It is not unusual to have applications filed on an annual basis, as the savings in real property taxes associated with modest reductions in assessed values typically justify the time and effort involved in the appeal process. The WFC and NYMEX leases provide that the tenants and some major subtenants thereunder have the same right to institute tax certiorari proceedings to contest the tentative assessed value of the premises covered by their respective lease.

The last day to file an administrative appeal with the New York City Tax Commission with respect to the tentative assessments is generally March 1. A taxpayer who qualifies for a hearing before the Tax Commission for a tax year is eligible to receive a settlement offer for that tax year and the prior tax year, provided a legal proceeding is pending for the prior year and the taxpayer qualifies for a hearing for that tax year. To accept a Tax Commission offer for a tax year(s), the taxpayer must discontinue any prior pending tax certiorari proceedings filed by that taxpayer or a related entity and agree not to institute a proceeding for a current tax year.

Final assessments, which are published on May 25, may be challenged in New York State Supreme Court provided that the Tax Commission has not previously reduced them. This appeal process may last over several years and incorporate multiple tax years.

Listed in the following table are charts illustrating the history of assessed value reductions for the four WFC buildings, the NYMEX building and 200 West Street.

Tax Year	INDIVIDUAL-ASSESSMENT REDUCTION HISTORY						Goldman Sachs						
	1 WFC		2 WFC		3 WFC			4 WFC		NYMEX			
	Reduction from Actual Assessment	% Difference		Reduction from Actual Assessment	% Difference		Reduction from Actual Assessment	% Difference		Reduction from Actual Assessment	% Difference	Reduction from Actual Assessment	% Difference
1991/92	\$0	0.00%	\$15,500,000	5.96%	\$7,500,000	3.37%	\$9,500,000	4.49%	\$0	0.00%	\$0	0.00%	
1992/93	\$0	0.00%	\$12,500,000	5.05%	\$6,500,000	3.07%	\$7,500,000	3.70%	\$0	0.00%	\$0	0.00%	
1993/94	\$0	0.00%	\$21,000,000	9.72%	\$4,384,945	2.51%	\$21,300,000	11.43%	\$0	0.00%	\$0	0.00%	
1994/95	\$21,800,000	14.08%	\$12,850,000	6.04%	\$20,800,000	10.90%	\$13,440,000	7.60%	\$0	0.00%	\$0	0.00%	
1995/96	\$22,700,000	14.58%	\$21,850,000	9.85%	\$19,050,000	9.87%	\$13,800,000	7.78%	\$0	0.00%	\$0	0.00%	
1996/97	\$0	0.00%	\$20,100,000	9.34%	\$18,050,000	10.31%	\$12,800,000	7.41%	\$0	0.00%	\$0	0.00%	
1997/98	\$0	0.00%	\$19,750,000	9.65%	\$10,850,000	5.84%	\$15,600,000	9.42%	\$0	0.00%	\$0	0.00%	
1998/99	\$0	0.00%	\$9,750,000	4.76%	\$0	0.00%	\$3,000,000	1.81%	\$0	0.00%	\$0	0.00%	
1999/00	\$0	0.00%	\$0	0.00%	\$5,150,000	2.68%	\$0	0.00%	\$0	0.00%	\$0	0.00%	
2000/01	\$0	0.00%	\$0	0.00%	\$7,250,000	3.70%	\$0	0.00%	\$5,100,000	8.21%	\$0	0.00%	
2001/02	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	
2002/03	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$7,950,000	5.03%	\$2,000,000	4.27%	\$0	0.00%	
2003/04	\$0	0.00%	\$21,850,000	12.36%	\$21,050,000	12.68%	\$21,100,000	13.10%	\$7,100,000	8.18%	\$0	0.00%	
2004/05	\$30,950,000	15.42%	\$72,500,000	29.29%	\$13,050,000	7.38%	\$67,250,000	29.59%	\$2,400,000	5.23%	\$0	0.00%	
2005/06	\$56,250,000	25.46%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	
2006/07	\$65,300,000	30.61%	\$9,700,000	4.63%	\$4,650,000	2.54%	\$3,150,000	1.72%	\$23,000,000	4.48%	\$0	0.00%	
2007/08	\$39,050,000	21.22%	\$0	0.00%	\$0	0.00%	\$25,750,000	11.33%	\$0	0.00%	\$0	0.00%	
2008/09	\$6,150,000	3.94%	\$0	0.00%	\$0	0.00%	\$2,750,000	1.30%	\$0	0.00%	\$0	0.00%	
2009/10	\$10,200,000	7.17%	\$0	0.00%	\$10,250,000	4.89%	\$10,250,000	5.24%	\$0	0.00%	\$0	0.00%	
2010/11	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	
2011/12	\$11,721,650	7.55%	\$0	0.00%	\$0	0.00%	\$5,524,100	2.83%	\$4,983,150	10.61%	\$9,001,200	3.06%	
2012/13	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$24,733,650	7.99%	
2013/14	\$5,603,000	3.72%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	

Source: NYC Department of Finance & Tax Commission

The large settlement amounts listed for the 2004/2005 tax year involved a combination of policy changes related to looking at the four WFC appeals as a group as well as a struggling retail environment and Lehman's relocation out of the complex. The subsequent reductions at 1WFC were the result of the releasing of the former Lehman space at lower rents. The Tax Commission hearing schedule enables the consideration of more current market and property specific information.

The following table summarizes the combined settlement figures for the WFC properties and the NYMEX building. It does not include 200 West Street as this property was not historically part of the complex (new construction).

COMBINED ASSESSMENT SETTLEMENTS 1WFC, 2WFC, 3WFC, 4WFC & NYMEX				
Tax Year	Original Assessment	Settled Assessment	\$ Amount Difference	% Difference
1991/92	\$870,100,109	\$837,600,109	\$32,500,000	3.74%
1992/93	\$827,345,251	\$800,845,251	\$26,500,000	3.20%
1993/94	\$716,003,532	\$669,318,587	\$46,684,945	6.52%
1994/95	\$750,053,007	\$681,163,007	\$68,890,000	9.18%
1995/96	\$762,563,007	\$685,163,007	\$77,400,000	10.15%
1996/97	\$745,918,877	\$694,968,877	\$50,950,000	6.83%
1997/98	\$747,944,183	\$701,744,183	\$46,200,000	6.18%
1998/99	\$761,600,001	\$748,850,001	\$12,750,000	1.67%
1999/00	\$780,750,000	\$775,600,000	\$5,150,000	0.66%
2000/01	\$809,100,000	\$796,750,000	\$12,350,000	1.53%
2001/02	\$819,000,000	\$819,000,000	\$0	0.00%
2002/03	\$623,250,000	\$613,300,000	\$9,950,000	1.60%
2003/04	\$705,600,000	\$634,500,000	\$71,100,000	10.08%
2004/05	\$898,200,000	\$712,050,000	\$186,150,000	20.72%
2005/06	\$816,300,000	\$760,050,000	\$56,250,000	6.89%
2006/07	\$840,600,000	\$755,500,000	\$85,100,000	10.12%
2007/08	\$789,255,000	\$752,355,000	\$36,900,000	4.68%
2008/09	\$822,150,000	\$815,500,000	\$6,650,000	0.81%
2009/10	\$813,150,000	\$780,000,000	\$33,150,000	4.08%
2010/11	\$722,250,000	\$722,250,000	\$0	0.00%
2011/12	\$757,630,350	\$735,401,450	\$22,228,900	2.93%
2012/13	\$707,151,150	\$707,151,150	\$0	0.00%
2013/14	\$739,052,550	\$733,449,550	\$5,603,000	0.76%
Total	\$17,824,967,017	\$16,932,510,172	\$892,456,845	5.01%

Source: NYC Department of Finance & Tax Commission

The chart shown below illustrates the settled assessment for the individual WFC properties. Amounts shown in bold represent settled figures.

CURRENT ASSESSMENT SETTLEMENTS				
Property	Settled Through	Actual Assessments		
		2013/14	2012/13	2011/2012
1 WFC	2011/12	144,850,000	137,522,700	143,500,000
2WFC	2010/11	189,757,350	182,089,800	203,413,050
3 WFC	2010/11	169,363,800	153,358,650	156,488,400
4 WFC	2012/13	172,997,550	190,813,050	190,000,000
NYMEX	2012/13	56,480,850	43,366,950	42,000,000
Goldman	2012/13	230,247,900	285,000,000	285,000,000

The appeals process may reduce revenue, particularly after a market downturn, and thus diminish PILOT revenue in varying degrees from year to year. To maintain the conservative nature of our projections, we have anticipated appeals and reductions of assessed values for all of the subject buildings for each year of the projections through our selection of conservative capitalization rates and net income growth.

In the appeal of an assessment, the taxpayer must establish the market value of the property and may challenge the Assessor's 45 percent equalization ratio ("ratio"), i.e. the relationship between the assessed value and the market value. To prove a ratio, a taxpayer must demonstrate the relationship between the assessed values and the market values of all property in the same tax class as the taxpayer's property for the tax year of the assessment. Prior to 1997, the then applicable laws prevented use of sales to establish ratio in tax appeals. However, in 1997 the New York Real Property Tax Law was amended to permit proof of ratio by actual sales of real property. This change was first applicable for the 1998/99 tax year.

As we have previously described, the Assessor has come to exclusively rely on the income valuation rather than on the sales comparison approach in the determination of market value. To the extent that proof of ratio by the way of sales would suggest market values greater than the income valuation method, a sales ratio might be less than the 45 percent utilized by the Assessor.

Assessments are presumptively correct. The taxpayer has the burden of proof in challenging the Commission's assessment. The taxpayer must establish both market value and ratio. The City in defending the assessment may use the sales comparison approach, the income approach or the cost approach or a combination to establish market value.

CALCULATION OF TAX YEAR 2013/2014 OFFICE ACTUAL ASSESSED VALUES

The following table shows the calculations used by the Assessor to reach pre-appeal actual assessments for tax year 2013/14 for all of the subject office buildings.

SUMMARY OF 2013/14 ASSESSED VALUES CALCULATION

	<i>Per Square Foot</i>					
	<i>IWFC</i>	<i>2WFC</i>	<i>3WFC</i>	<i>4WFC</i>	<i>NYMEX</i>	<i>Goldman</i>
Effective Gross Income	\$51.90	\$39.41	\$39.23	\$40.77	\$51.80	\$48.18
Operating Expenses	<u>\$21.83</u>	<u>\$13.79</u>	<u>\$15.10</u>	<u>\$15.35</u>	<u>\$17.42</u>	<u>\$16.40</u>
Net Operating Income	\$30.08	\$25.62	\$24.12	\$25.42	\$34.38	\$31.78
Base Capitalization Rate	8.880%	9.150%	9.150%	9.150%	9.120%	8.740%
Effective Tax Rate (45% of prior year tax rate)	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>
Total Adjusted Capitalization Rate	13.509%	13.779%	13.779%	13.779%	13.749%	13.369%
Indicated Market Value	\$222.63	\$185.95	\$175.08	\$184.48	\$250.04	\$237.68
Assessed Value (45% of MV)	\$100.18	\$83.68	\$78.78	\$83.02	\$112.52	\$106.96

Source: NYC Department of Finance

As illustrated in the above table, the Department of Finance had arrived at assessed values of \$78.78 to \$100.18 per square foot for the four WFC properties, while the NYMEX is assessed at \$112.52 per square foot and 200 West Street is at \$106.96.

RENTAL INCOME

Although not all of the WFC buildings are required to report income and expenses to the Assessor's office, all of the properties currently file RPIE statements with the City. The 2013/2014 tax year filings were submitted in 2012 and represent 2011 income and expenses for the properties. The structure of the occupancy within the buildings has resulted in the department of finance categorizing the properties as a mix of owner and non-owner occupied properties, with income and expenses based on actual collections and outflows of income for multi-tenant components.

For the multi-tenanted/non owner-occupancy portions of the buildings, rent and operating expenses are drawn directly from the RPIE statements submitted to the Assessor. The income reflects contract rents from tenants and subtenants, and includes recovery of some of the expenses. Although NYMEX is essentially owner-occupied, rent and operating expenses for the subleased portion of the building are drawn directly from the income statement submitted to the Assessor.

For the owner-occupied buildings or portions of buildings the Assessor estimates income and expense based on market rent and market operating costs. The Assessor considers the WFC properties to be trophy properties in the largest category (above 1,133,500 SF). The rents that the Assessor has assigned to trophy buildings in this size range within the Downtown market for the 2013/2014 tax year ranged between \$39.17 and \$49.13 per square foot, with the WFC properties at the lower end of the range for buildings with owner occupied components, while the multi-tenanted building (1WFC) is above the range based on reported income. NYMEX and 200 West Street both fall above the upper end of the reported range, although it should be noted that NYMEX is classified in a smaller tier of buildings (488,901 to 788,200 SF, with an upper end for rents at \$42.82 per square foot). The effective gross incomes (EGI's) shown in the prior table reflect the Assessors application of a vacancy rate and other income factors.

OPERATING EXPENSES

The operating expenses per the Assessor's 2013/2014 assessments for the WFC, NYMEX and 200 West Street properties are shown below:

OPERATING EXPENSES - 2013/2014 ASSESSMENT		
Building	Total Op. Exp.	Op. Exp. Per SF
1 WFC	\$32,778,832	\$21.83
2WFC	\$31,282,256	\$13.79
3WFC	\$32,467,055	\$15.10
4WFC	\$31,992,114	\$15.35
NYMEX	\$8,744,754	\$17.42
Goldman	\$35,306,953	\$16.40
	Min	\$13.79
	Max	\$21.83
	Average	\$16.65

Source: NYC Assessor

The reported operating expenses for the subject properties ranged between \$13.79 and \$21.83 per square foot, with an average of \$16.65 per square foot. Of particular note is the tight range in total operating expenses between the WFC properties and 200 West Street, even though there is a significant difference on a per square foot basis. This is generally in excess of typical levels of \$12.00 to \$14.00 per square foot, at which CBRE estimates downtown office buildings should operate. This is reasonable given the large amount of common area within the complex, the high end tenancy and the amenities offered within the Battery Park City complex.

HISTORICAL FACTORS AFFECTING ASSESSMENT

The Winter Garden Atrium and Power Plant were historically assessed under a different cost methodology calculation. The Winter Garden Atrium had been included in the assessed value calculation for 2WFC due to its location, and the Power Plant was included within the total assessed value of 4WFC, in which it is physically located. Effective in the 2003/04 assessments, the values of these structures were implicitly reflected in the assessed value of all of the buildings, reflecting their utility to each building. We believe this methodology, which is more appropriate and consistent with other similar office complexes, will remain in effect.

FORECAST OF OFFICE ASSESSED VALUES

The projection of future assessments entails the estimation of each property's net operating income and the application of an appropriate capitalization rate. This chapter will provide these estimates and a brief discussion of the rationale behind the choice of each. Additional detail on economic and market conditions and trends affecting these estimated values are provided in Exhibit C.

OVERVIEW OF MANHATTAN OFFICE MARKET

New York City is by far the largest and most concentrated office market in the country. In fact, the Downtown Manhattan submarket, if viewed separately, rank as the nation's 5th largest office market behind Midtown Manhattan, Downtown Chicago, Greater Los Angeles and Washington DC. The World Financial Center, which is widely regarded as one of the premier office complexes in Manhattan, has held a position at the top of the Downtown market since its completion. The World Financial Center's quality of design and construction, large, efficient floorplates, elegant finishes and public spaces, waterfront location and reputable management provide its distinguished character and contribute to its high market position.

The Manhattan office market has been on a gradual improving trend since the end of the prior recession in 2009. Improvements in the marketplace first became evident in 2010, with significant leasing activity leading to mild reductions in concession packages, and gradual increases in average asking rents and declines in vacancy. Demand continued to accelerate in 2011, resulting in notable increases in average asking rents and occupancy levels. In 2012 the office market in New York City was somewhat slower compared to prior years of recovery, with monthly figures indicating mild increases in vacancy over year-end as several large financial services tenants have placed space on the market. Market participants placed the blame for the slowdown on a mixture of election year political indecision and changes in the financial services industry. Although demand in this sector has been somewhat reduced, there have been significant improvements in the technology sector throughout Manhattan.

The investment property market followed a similar trend as the office leasing market, with post-recession demand materializing in 2010 and accelerating through 2011 and 2012. Demand in the investment properties market is projected to remain strong throughout the near term future, with value appreciation likely though gradual improvements in property operations as opposed to the cap rate compression and spiking of market rents that drove values in 2011 and through much of 2012. More specific details regarding market conditions at the subject's market and submarket level are contained in the following sections.

The overall office market as tracked by CBRE, Inc., Inc. contains approximately 389.9 million square feet of rentable area within 780 buildings. As of mid-year 2013, the overall average asking rent in Manhattan is \$61.12 per square foot with a current availability rate of 12.72% and a vacancy rate of 5.1%. Availability and vacancy differ in that availability involves all space that is being actively marketed and is available for tenant build-out within 12 months, while vacancy involves only unoccupied space that is available for lease.

The Downtown office market contains 117 buildings, or approximately 82.96 million square feet. The following chart provides a summary of the Manhattan office market as of mid-year 2013.

NEW YORK CITY OFFICE MARKET OVERVIEW - SECOND QUARTER 2013							
Submarket	# of Bldgs	Inventory (SF)	Avg Ask Rent/SF	Vacancy Rate	Availability Rate	YTD Annual Absorption	YTD Annual Lease Activity
MIDTOWN							
Park Avenue	38	30,224,896	\$74.24	9.09%	10.70%	1,976	685,393
5th/Madison Ave	28	11,787,829	\$80.63	10.03%	12.76%	268,779	384,210
East Side	43	20,810,261	\$61.90	4.65%	8.97%	(69,198)	400,444
6th/Rock Cntr.	46	45,651,944	\$78.93	7.66%	13.25%	(24,154)	1,337,816
TimesSquare/West Side	47	33,677,077	\$65.35	7.73%	9.93%	255,820	1,011,031
Times Square South	45	18,500,038	\$46.73	7.60%	11.27%	181,975	847,155
Grand Central	87	43,975,728	\$60.16	9.77%	14.87%	(793,595)	1,235,035
Plaza District	29	12,448,760	\$102.86	12.42%	16.07%	(21,062)	384,836
Penn Station	25	17,834,009	\$53.53	8.85%	15.16%	(955,309)	1,082,769
Total Midtown Market	388	234,910,542	\$69.51	8.44%	12.49%	(1,154,768)	7,368,689
MIDTOWN-SOUTH							
Chelsea	39	12,315,916	\$57.10	6.81%	8.79%	(176,066)	321,388
Flatiron	61	11,494,302	\$67.74	4.60%	11.22%	(685,545)	510,094
Park South/Madison Sq.	61	19,498,322	\$58.87	6.47%	11.27%	(368,075)	361,862
Union Square	28	4,677,224	\$60.36	2.03%	6.48%	(183,341)	161,253
Noho/Soho	51	8,179,473	\$78.55	9.44%	11.21%	(97,309)	520,254
Hudson Square/TriBeCa	35	15,894,681	\$56.45	3.52%	8.75%	506,921	224,660
Total Midtown South	275	72,059,918	\$63.44	5.63%	9.96%	(1,003,415)	2,099,511
DOWNTOWN							
Financial	82	56,671,466	\$41.77	8.16%	14.39%	(1,394,680)	2,145,131
City Hall	28	11,982,749	\$37.01	4.14%	6.43%	(68,581)	189,862
WFC	7	14,306,795	\$59.72	1.86%	29.01%	180,594	121,828
Total Downtown	117	82,961,010	\$47.13	6.49%	15.76%	(1,282,667)	2,456,821
OVERALL MANHATTAN	780	389,931,470	\$61.12	7.51%	12.72%	(3,440,850)	11,925,021



The Downtown marketplace had been operating within a relatively tight band of availability and average asking rent, however with large blocks of spaces within the World Financial Center placed on the market, the asking rent and availability rate have both increased. A summary of the Downtown office markets historical trends is presented below:

DOWNTOWN HISTORICAL OFFICE MARKET OVERVIEW					
Period	Average Asking Rent	Vacancy Rate	Availability Rate	Net Absorption YTD	Leasing Activity YTD
2Q2013	\$47.13	6.49%	15.76%	(1,282,667)	2,456,821
1Q2013	\$46.87	6.78%	13.88%	---	---
4Q 2012	\$46.85	6.83%	14.22%	(2,527,929)	4,482,662
3Q 2012	\$40.13	7.23%	10.61%	---	---
2Q 2012	\$39.29	7.90%	10.83%	---	---
1Q 2012	\$40.00	7.41%	10.45%	---	---
4Q 2011	\$39.30	7.49%	10.46%	2,535,650	5,860,784
3Q 2011	\$38.97	7.64%	10.96%	---	---
2Q 2011	\$39.11	8.20%	11.28%	---	---
1Q 2011	\$39.33	8.90%	13.24%	---	---
4Q 2010	\$38.00	9.29%	13.75%	(2,056,590)	3,254,435
3Q 2010	\$38.20	8.34%	14.29%	---	---
2Q 2010	\$38.26	8.34%	14.98%	---	---
1Q 2010	\$38.81	8.28%	13.45%	---	---
4Q 2009	\$38.12	7.60%	11.50%	(1,318,039)	2,892,474
3Q 2009	\$39.54	7.70%	11.81%	---	---
2Q 2009	\$41.91	8.14%	11.13%	---	---
1Q 2009	\$43.17	7.95%	10.49%	---	---
2008	\$47.68	---	9.72%	(1,586,986)	3,108,669
2007	\$47.26	---	7.58%	1,331,558	4,509,024
2006	\$39.99	---	9.04%	4,313,458	6,926,550
2005	\$35.41	---	14.25%	504,000	5,798,412
2004	\$29.94	---	15.02%	316,011	5,446,929
2003	\$32.92	---	15.28%	(719,593)	4,545,788
2002	\$35.59	---	14.41%	(1,839,691)	5,558,610
2001	\$41.55	---	11.94%	(18,700,587)	6,244,840
2000	\$44.70	---	4.37%	4,400,512	8,760,219
1999	\$33.76	---	8.92%	2,595,080	6,846,224

Compiled by CBRE, Inc.

Although the availability rate for Downtown is high relative to historic levels, the vacancy rate remains at the lower end of historic range. This dichotomy in statistics is a function of the recent addition of large blocks of available space that remains occupied through the remainder of their lease term, but which are being marketed as available for lease.

MARKET RENTAL ESTIMATE

The New York City Assessor collects income and expense information from property owners, as required by state law. There has historically been up to a two-year lag in property information as a result of this process. Therefore, the net operating income that the Assessor utilized for the 2013/2014 tax year was based on reported income and expense data from the 20011 RPIE.

In order to establish market rents for the 2013/2014 tax year for the owner occupied buildings or portions thereof, it is necessary to examine completed lease transactions, which may be considered comparable to the WFC, NYMEX and 200 West Street. CBRE has used its extensive knowledge of the Downtown market and made a selection of comparable lease transactions.. A summary of these transactions may be found in Exhibit B.

Based upon our analysis, CBRE estimates the market rental rates for the 2013/2014 assessments for space in the WFC submarket range from \$46 to \$52 per square foot. It is our opinion that the four World Financial Center properties merit a rent of \$46 to \$48 per square foot, while the NYMEX building would be similar to 1WFC at \$46 per SF. The recently completed 200 West Street building would have a \$4 per square foot premium at \$52 per square foot.

CBRE ESTIMATE OF MARKET RENTS	
on a per square foot basis	
	<u>2013/2014</u>
1WFC	\$46.00
2WFC	\$48.00
3WFC	\$48.00
4WFC	\$48.00
NYMEX	\$46.00
Goldman	\$52.00
<hr/> CBRE <hr/>	

NEW YORK ECONOMIC AND EMPLOYMENT OUTLOOK

NEW YORK'S ECONOMY

The Manhattan office market serves the needs of an economy that is more concentrated in the financial and business services sectors than the nation as a whole. New York's economy has become more driven by these office-using sectors in part as a consequence of the rapid and steady decline in manufacturing jobs since the 1960s. Over the last several decades, however, as a result of its strengthening position as a global commercial and cultural center, the City has developed an increasingly diverse economy. Although New York remains subject to economic volatility emanating from Wall Street and the securities industry, the City is buttressed by the presence of leading companies across a broad array of industries, including media and entertainment, business and professional services, health care and pharmaceuticals, information technology and telecommunications, manufacturing and diversified service companies, and higher education. New York attracts such businesses because it offers a highly educated and talented workforce, a large and relatively affluent consumer base, a concentration of suppliers and service companies, and a global transportation gateway. The City's established position as an international cultural center has also enhanced to its position as a premier travel destination and business location.

The number of workers who occupy office space is the primary determinant of demand for office real estate. CBRE has collaborated with Appleseed, a New York economic consulting firm, to analyze those industries that are the primary users of office space to determine an aggregate level of office employment. As of year-end 2012 New York City had approximately 1.20 million office workers. A discussion of the impact of the current conditions in the financial services industry and in the larger economy on the employment outlook for the City and Manhattan follows.

NEW YORK CITY EMPLOYMENT OUTLOOK

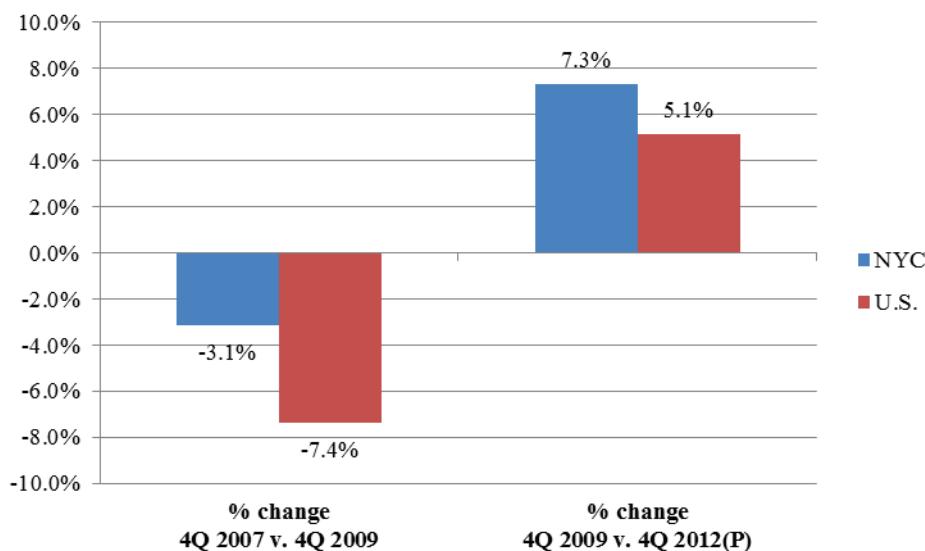
RECESSION AND RECOVERY: THE ECONOMY OF NEW YORK CITY, 2007-2012

Like the nation, New York City suffered a substantial decline in employment during the recession that began at the end of 2007 and accelerated with the financial crisis of September 2008. In contrast with the City's experience in preceding recessions, however, job losses in New York City were not as severe as those at the national level, and the City's recovery has been stronger.

According to the Labor Department's Current Employment Statistics (CES), as Figure 1 shows:

- From the fourth quarter of 2007 through the fourth quarter of 2009, private payroll employment in New York City declined by 3.14 percent (a loss of 102,000 jobs), while private payroll employment at the national level fell by 7.37 percent.
- From the last quarter of 2009 through the last quarter of 2012, private payroll employment in the City rose by 7.34 percent (a gain of 231,500 jobs) and at the national level by 5.13 percent.

Figure 1: Percentage decline and percentage increase in private payroll employment, NYC v. U.S.



Source: Current Employment Statistics (NYS Department of Labor & Bureau of Labor Statistics)

Combining the impact of a relatively mild recession and a strong recovery, private payroll employment in the New York City rose from an average of 3.253 million in the last quarter of 2007 to 3.383 million (an all-time high) in the last quarter of 2012.

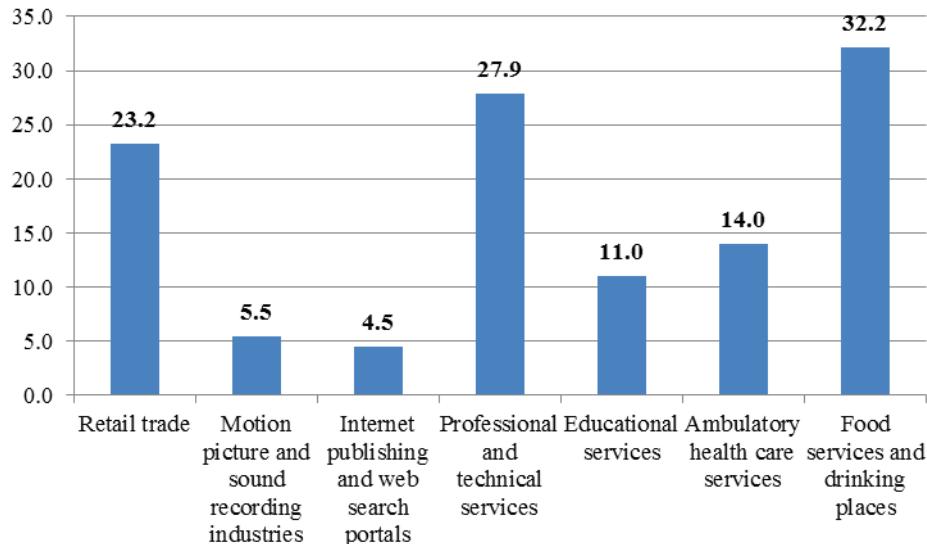
Moreover, CES data, show that job growth has continued into 2013. From January through June 2013, the City registered the largest first-half increase in payroll employment since before the recession of 2000-2002.

Figure 2: New York City Total Private Employment (Not Seasonally Adjusted), December 2007 – June 2013 (preliminary) (data in thousands)



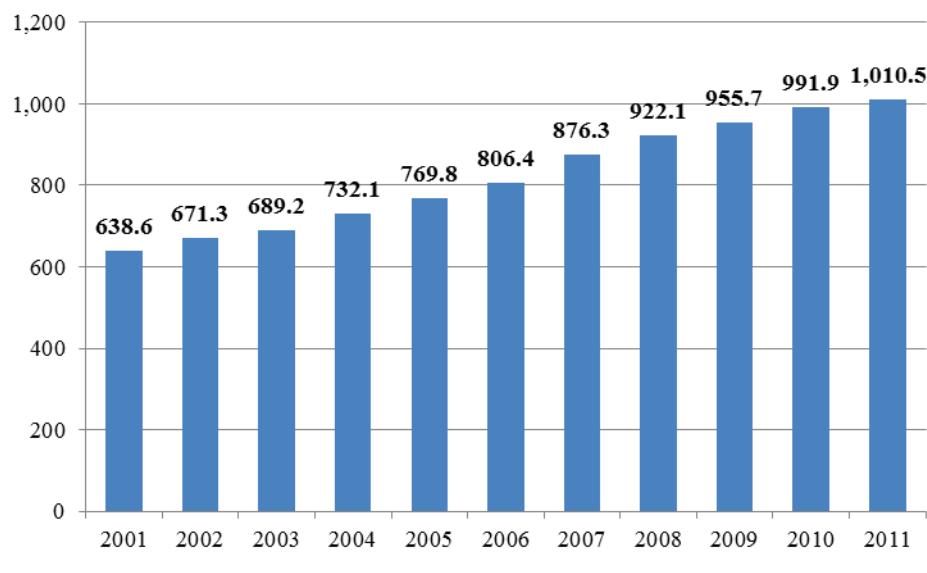
Source: Current Employment Statistics (NYS Department of Labor)

The City's recovery has been broadly based, with substantial gains in professional and business services, digital media, film and television production, higher education, ambulatory health care, retailing and restaurants. Among New York City's major industries, only in financial services has employment been slow to recover; of approximately 35,500 jobs lost in that sector between 2007 and 2010, the City regained only about 7,500 through 2012.

Figure 3: Growth in New York City Private Employment in Select Industries, 2010-2012 (in thousands)

Source: Quarterly Census of Employment and Wages (Bureau of Labor Statistics)

Moreover, although New York City has registered strong growth in private payroll jobs since the latter part of 2009, in at least one respect that measure understates the strength of the City's economy during the last several years. Throughout the recession – just as it had throughout the boom that preceded it – the City continued to register strong year-to-year gains in employment of proprietors. As Figure 4 shows, between 2007 and 2011 (the last year for which data are available), the number of proprietors working in New York City rose by 234,200 – from 876,300 to 1,010,500, an increase of 15 percent.

Figure 4: New York City Proprietors Employment, 2001 – 2011 (in thousands)

Source: U.S. Bureau of Economic Analysis

Proprietor employment includes a wide range of workers – operators of “mom & pop” retail and service businesses; people who are employed full-time but run a home-based business on the side; self-employed taxi and livery cab drivers; independent truckers, free-lance information technology professionals and designers; independently practicing attorneys, accountants and financial advisors; and partners in a variety of small financial firms.

OFFICE-BASED EMPLOYMENT IN NEW YORK CITY

As with the private-sector as a whole, wage-and-salary employment in office-based industries in New York City declined during the recession and has rebounded during the recovery. In percentage terms, however, the decline in office-based industries was sharper than it was for the private sector as a whole; and the recovery has not been as strong. As a result (as Table 1 shows), office-based private payroll employment in New York City in 2012 had returned to – but had not yet grown beyond – pre-recession levels.

Table 1: New York City Office-based Employment by Industry, 2007, 2010 & 2012 (preliminary)
(employment in 000's)

Industry	2007	2010	2012(p)	Change ‘07-‘10	Change ‘07-‘12
<i>Total, All employment</i>	3,641.3	3,590.6	3,749.7	(50.7)	108.4
<i>Total, Private employment</i>	3,094.6	3,042.6	3,218.5	(52.1)	123.9
Wholesale trade*	35.1	32.1	32.7	(3.0)	(2.4)
Transportation					
Freight transportation arrangement	8.0	7.0	7.0	(1.0)	(1.0)
Information					
Publishing industries, except Internet	54.0	45.8	45.0	(8.3)	(9.0)
Broadcasting, except Internet	24.9	24.0	27.7	(0.9)	2.8
Telecommunications**	12.2	10.1	10.8	(2.1)	(1.4)
Data processing, hosting, and related services	5.4	4.7	5.2	(0.7)	(0.2)
Other information services					
News syndicates	3.1	3.5	3.5	0.4	0.4
Internet publishing and web search portals	4.4	7.7	12.2	3.3	7.7
All other information services	0.6	0.6	0.7	0.0	0.1
Finance and insurance	341.3	305.8	313.3	(35.6)	(28.1)
Real estate	107.8	107.1	107.8	(0.8)	(0.1)
Professional and technical services	324.2	310.8	338.7	(13.5)	14.4
Management of companies and enterprises	57.7	60.9	62.9	3.3	5.3
Administrative and support services					
Employment services	63.7	56.1	63.3	(7.6)	(0.4)
Business support services	14.8	13.1	13.3	(1.7)	(1.5)
Health care and social assistance					
Offices of physicians	46.7	49.8	51.6	3.1	4.9
Individual and family services***	57.8	58.7	60.0	0.9	2.2
Arts, entertainment, and recreation					
Promoters of performing arts and sports	9.7	9.8	11.1	.01	1.4
Membership associations and organizations					
Grant-making and giving services	11.0	11.6	12.8	0.5	1.7
Social advocacy organizations	10.0	10.8	11.4	0.8	1.4
Civic and social organizations	10.7	10.2	10.6	(0.5)	(0.1)
Professional and similar organizations	16.8	17.3	18.1	0.5	1.4
Total, Office-based employment	1,220.1	1,157.6	1,219.7	(62.5)	(0.4)

* 25 percent of all wholesale trade jobs are assumed to be office-based. ** 50 percent of all telecommunication jobs are assumed to be office-based. *** 50 percent of all individual and family services jobs are assumed to be office-based

Source: Quarterly Census of Employment and Wages (Bureau of Labor Statistics)

The decline in office-based payroll employment was sharper in Manhattan than it was for the City as a whole. Office-based employment in Manhattan declined by 6.7 percent between 2007 and 2010 – a loss of 66,500 jobs. As was the case City-wide, the largest share of these losses occurred in the financial services sector.

Comparing Tables 1 and 2 shows that the loss of office-based jobs between 2007 and 2010 was generally confined to Manhattan; in the four other boroughs, employment in office-based industries actually increased by 1.7 percent between 2007 and 2010 – a gain of 4,000 jobs. Through 2012, Manhattan had gained back only about 75 percent of the office-based wage-and-salary jobs lost during the recession.

Table 2: Manhattan Office-based Employment by Industry, 2007, 2010 & 2012 (preliminary) (employment in thousands)

Industry	2007	2010	2012(p)	Change '07-'10	Change '07-'12
<i>Total, All employment</i>	2,359.0	2,280.1	2,381.9	(79.0)	22.9
<i>Total, Private employment</i>	1,911.4	1,835.1	1,946.1	(76.3)	34.7
Wholesale trade*	20.3	17.9	18.3	(2.4)	(2.0)
Transportation					
Freight transportation arrangement	2.1	1.8	1.8	(0.3)	(0.2)
Information					
Publishing industries, except Internet	51.1	43.4	42.8	(7.7)	(8.3)
Broadcasting, except Internet	24.9	24.0	25.3	(1.0)	0.4
Telecommunications**	7.6	6.2	6.9	(1.3)	(0.7)
Data processing, hosting, and related services	4.9	3.9	4.3	(0.9)	(0.6)
Other information services					
News syndicates	3.1	3.5	3.5	0.4	0.4
Internet publishing and web search portals	4.2	7.2	11.7	3.0	7.5
All other information services	0.6	0.6	0.7	0.0	0.1
Finance and insurance	300.0	269.1	275.8	(30.8)	(24.1)
Real estate	73.9	73.1	73.0	(0.8)	(0.8)
Professional and technical services	292.7	276.8	301.0	(15.9)	8.4
Management of companies and enterprises	52.8	54.3	56.3	1.6	3.5
Administrative and support services					
Employment services	52.5	43.2	47.8	(9.3)	(4.6)
Business support services	12.3	10.2	10.0	(2.0)	(2.2)
Health care and social assistance					
Offices of physicians	19.0	20.4	21.2	1.4	2.2
Individual and family services***	21.1	19.8	20.5	(1.3)	(0.6)
Arts, entertainment, and recreation					
Promoters of performing arts and sports	9.4	9.5	10.3	0.1	0.9
Membership associations and organizations					
Grantmaking and giving services	10.0	10.4	11.5	0.4	1.5
Social advocacy organizations	7.4	8.0	9.0	0.7	1.6
Civic and social organizations	5.9	5.4	5.3	(0.5)	(0.6)
Professional and similar organizations	13.7	14.1	14.9	0.4	1.1
Total, Office-based employment	989.3	922.8	972.0	(66.5)	(17.3)

* 25 percent of all wholesale trade jobs are assumed to be office-based. ** 50 percent of all telecommunication jobs are assumed to be office-based. *** 50 percent of all individual and family services jobs are assumed to be office-based

Source: Quarterly Census of Employment and Wages (Bureau of Labor Statistics)

It should be noted that the office-based employment numbers presented in Tables 1 and 2 include only wage-and-salary jobs. They do not include proprietors working in office-based industries. Given the growth in proprietors' employment since 2007, it is likely that City-wide office-based employment is now significantly higher than it was in 2007.

In Manhattan – where proprietors' employment increased by 48,200 (15 percent) between 2007 and 2011 – this growth suggests that total office-based employment may also have returned to pre-recession levels.

OUTLOOK FOR NEW YORK CITY'S ECONOMY

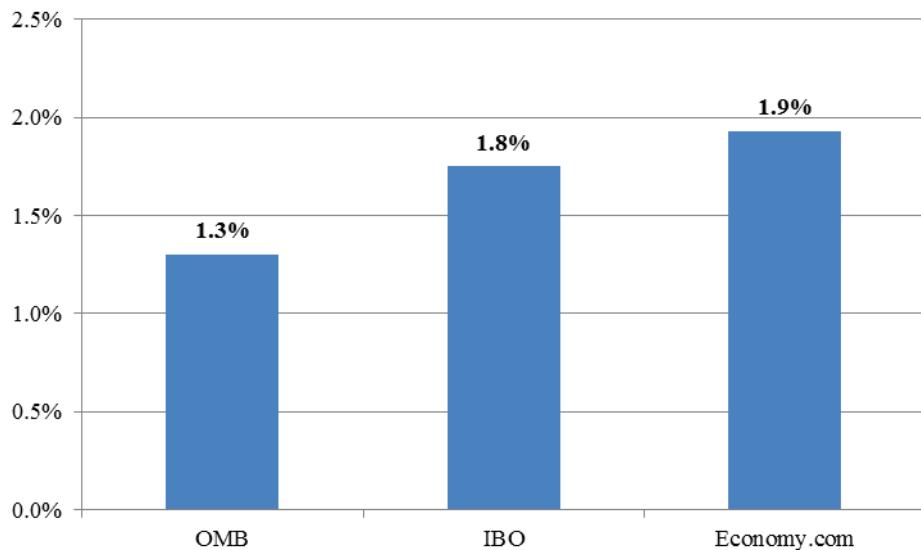
Recent economic forecasts suggest that New York City will continue to enjoy moderate to strong employment growth through 2017.

- From 2012 through 2017, the New York City Office of Management and Budget (OMB) expects total non-farm employment in the City to increase by 252,000 – a cumulative increase of 6.6 percent, and an average annual increase of 1.3 percent.¹
- The New York City Independent Budget Office (IBO) forecasts somewhat stronger growth. Over the same five-year period, IBO foresees an increase of 354,200 in non-farm payroll jobs – a cumulative increase of 9.1 percent, and an average annual increase of about 1.75 percent.²
- For the New York metropolitan area (including New York City and Westchester, Rockland, Putnam, Hudson, Bergen and Passaic counties), Economy.com forecasts an increase of 533,600 jobs from 2012 through 2017 – a cumulative increase of 10.0 percent, and an average annual increase of 1.93 percent.³

¹ City of New York Office of Management and Budget, *Executive Budget Fiscal Year 2014: Message of the Mayor*, May 2013. Total non-farm employment includes public as well as private-sector payroll employment. Almost all of the projected growth, however, will occur in the private sector.

² NYC IBO, *An Analysis of the 2014 Executive Budget and Financial Plan through 2017*, May 2013

³ Moody's Analytics, 2013

Figure 5: Forecasted Average Annual Percent Increase in Employment, 2012 – 2017

Sources: NYC OMB, NYC IBO, Moody's Economy.com

All three forecasts project (in varying degrees) that the rate of growth in payroll employment will decline from the 2.5 percent average annual increase during the first three years of the recovery. However, they are all optimistic in that they expect job growth to continue through 2017 – which translates into at least eight straight years of job growth. It may be difficult to sustain strong job growth throughout such an extended period.

Moreover, New York City faces significant risks and uncertainties that could adversely affect the growth of its economy during the next five years. They include:

- The risk that a widening or escalation of conflicts in the Middle East could cause a surge in oil prices, with adverse consequences for economic growth both domestically and internationally. More directly, rising fuel prices could also erode the gains in travel and tourism that the City has recorded during the past few years.
- A prolonged period of little or no growth in the economy of the Eurozone, punctuated by periodic financial crises.
- Continued downward pressure on discretionary federal spending, prolonging the “fiscal drag” imposed on the U.S. economy in 2013 through the combination of higher payroll taxes and reduced spending.
- The potential for further cutbacks in the City’s financial services sector, resulting from new restrictions imposed by the Wall Street Reform and Consumer Protection Act (Dodd-Frank), higher capital requirements and other regulatory interventions.

These factors suggest that more conservative estimates of average annual job growth (such as OMB’s) may be justified.

Assuming that payroll employment in New York City grows by an average of 50,000 jobs per year through 2017, Appleseed estimates that office-based payroll employment will grow by an average of 19,000 jobs per year. Table 4 provides a projected breakdown of office-based payroll employment growth by sector.

Table 4: Projected Growth in Office-based Payroll Employment by Sector in New York City, 2012-2017

Industry	Average annual growth rate	Average annual increase in jobs
Information services	1.5%	2,400
Finance and insurance	1.3%	4,000
Professional and technical services	2.5%	8,500
Management of companies	1.3%	800
Employment services	1.5%	1,000
Offices of physicians and other practitioners	2.0%	1,000
Individual and family services	1.0%	500
Civic, social and other organizations	2.0%	800
Total	1.6%	19,000

Source: Quarterly Census of Employment and Wages (BLS) for 2012; average annual growth rates as estimated by Appleseed

It should be noted that the preceding estimates of growth in payroll employment do not take into account growth in proprietors' employment. Even if the number of proprietors working in the City increases at only half the rate of growth recorded between 2001 and 2011, this would represent an average increase of 25,000 per year through 2017.

The Bureau of Economic Analysis does not report proprietor's employment by industry. Using another data set, however – the Census Bureau's "non-employer business" statistics – we can get a rough idea of how self-employment is distributed across sectors of the New York City economy.⁴ For 2011, the Census Bureau estimates that there were 825,400 non-employer businesses in New York City, of which 242,500 (29.4 percent) were in office-based industries. Based on the growth of non-employer businesses in office-based industries since 2007 (and assuming that growth in office-based proprietors' employment has been similar) we estimate that from 2012 through 2017, the number of office-based proprietors will increase by an average of 2,500 per year, for an average annual increase in total office-based employment of 21,500 per year.

⁴ Non-employer businesses are essentially a subset of proprietors – those whose businesses do not employ anyone other than the proprietor. Many self-employed tradesmen, taxi and truck drivers, free-lance professionals and artists fit into this category. The owners of a mom-and-pop retail business, partners in a small law firm, a cabinet-maker and others might, in contrast, employ several people on an hourly or salaried basis.

Based on the geographic distribution of new jobs during the recovery, we estimate that 79 percent of all new office-based wage-and-salary jobs (an average of about 15,000 new jobs each year) will be located in Manhattan. We further estimate that about 36 percent of all growth in office-based proprietors' employment (an average of 900 annually) will be located in Manhattan.

We thus estimate that total office-based employment in Manhattan will increase by an average of 15,900 per year from 2012 through 2017, for a five-year total of 79,500 new office-based jobs.

IMPLICATIONS FOR LOWER MANHATTAN

While QCEW data on payroll employment by industry are not currently available below the county level, we can estimate Lower Manhattan's share of Manhattan's office-based employment using the Census Bureau's Local Employment Dynamics (LED data). Based on LED data, we estimate that in 2011 (the last year for which these data are available), there were approximately 388,000 wage and salary jobs in Lower Manhattan – about 19 percent of all wage and salary jobs in Manhattan.⁵ Of these Lower Manhattan jobs, approximately 198,000 – about 55 percent – were in office-based private industries. Government jobs (most of them also office-based) accounted for another 31 percent.

Excluding government employment, we estimate that Lower Manhattan accounts for about 18 percent of all wage and salary employment in office-based private industries in Manhattan. If we assume that Lower Manhattan's share of projected growth in office-based private-sector employment is consistent with its current share, we can estimate that between 2012 and 2017, the number people employed in office-based industries in Lower Manhattan will increase by approximately 14,300.

Growth of office-based employment in Lower Manhattan could be constrained by the relatively high concentration of financial services jobs in the area. As of 2012, Appleseed estimates that the financial services sector accounted for about 45 percent of all office-based private employment in Lower Manhattan, versus 28 percent for Manhattan as a whole.

It is important to note, however, that the financial sector's share of employment in Lower Manhattan has been declining for some time. As recently as 2005, financial services accounted for an estimated 57 percent of all office-based jobs in the area. The growth of office-based employment in Lower Manhattan is now driven by sectors other than finance, including professional and business services, media and non-profit organizations.

⁵ For purposes of this analysis, Lower Manhattan is defined as Manhattan below Chambers Street, plus Tribeca (the area between Chambers and Canal Streets, west of Broadway) and the downtown Civic Center (roughly the area between Chambers and Leonard Streets, and from Broadway on the west to Park Row on the east).

Other factors as well will favor the growth of office-based employment in the area. Recent and projected demographic trends in and near Lower Manhattan have enhanced its attractiveness as a location for high-value office-based industries. The area is home to a fast-growing population of relatively young, well-educated, affluent workers.

- Between 2000 and 2010, the resident population of the area grew by 80 percent (from 33,000 to 59,500). Claritas estimates that by 2017, the local resident population will have grown to more than 70,400.
- In 2010, 63 percent of all Lower Manhattan residents were between ages 18 and 44; and 18 percent were age 45 to 64. Only 6 percent were 65 or older.
- As of 2012, Claritas estimates that 80 percent of all Lower Manhattan residents age 25 and older had at least a bachelor's degree – including 40 percent who had graduate or professional degrees.
- Claritas estimates that in 2012, the median household income of Lower Manhattan residents was more than \$112,700.

As shown in Table 5, similar trends are evident in other nearby areas that are within a 20-minute commute from Lower Manhattan, including the waterfront neighborhoods of Jersey City and Hoboken (Hudson County, New Jersey) and in the Downtown Brooklyn area.

Table 5: Selected demographic characteristics: Lower Manhattan, Hudson County waterfront and Downtown Brooklyn

	Lower Manhattan	Jersey City/ Hoboken, NJ waterfront	Western/Downtown Brooklyn
Population, 2012	60,424	62,698	72,364
Population, 2017	70,430	70,552	74,131
% age 18-44, 2010	62.7%	66.9%	53.2%
% age 25 or older with at least a bachelor's degree, 2012	79.9%	73.7%	67.0%
Median household income, 2012	\$112,718	\$73,715	\$72,817

Sources: 2010 Census, Claritas, Appleseed calculations

Similarly, an October 2012 report by the Alliance for Downtown New York highlights the growing numbers of younger, well-educated creative and professional workers living in New York City neighborhoods or other New York-area communities that are within a thirty-minute commute from Lower Manhattan by mass transit.

- Nine of the ten neighborhoods in the thirty-county tri-state area that saw the greatest increases in the number of residents in creative and professional jobs between 2000 and 2010 – including Lower Manhattan, the Newport and Grove Street neighborhoods in Jersey City, Downtown Brooklyn, the Lower East Side and the Williamsburg/Greenpoint area – are within 30 minutes commuting distance from Lower Manhattan.⁶
- Eight of the ten neighborhoods that between 2000 and 2010 reported the largest increases in the number of college-educated residents age 18 to 44 were also within 30 minutes commuting time from Lower Manhattan.⁷

Overall, the number of college-educated younger adults living within a thirty-minute commute from Lower Manhattan grew by 32 percent between 2000 and 2010, while the number living elsewhere in the Tri-State area grew by only 6 percent. If these trends continue, the number of college-educated younger adults living within a 30-minute subway, PATH or ferry ride from Lower Manhattan will by about 2015 exceed the number living on Long Island, in the Lower Hudson Valley and in southwestern Connecticut *combined*.

Based on these trends, the Alliance concludes that “the high-value knowledge workers who drive the region’s economy – the people companies want to hire – increasingly live within a 30-minute commute of Lower Manhattan.”⁸

Given continuing changes in the composition of office-based employment in Lower Manhattan, as well as the area’s growing demographic advantage, we expect that through 2017 Lower Manhattan will at least maintain – and could very well increase – its share of Manhattan’s overall office-based employment.

IMPLICATIONS FOR THE DOWNTOWN MANHATTAN OFFICE MARKET

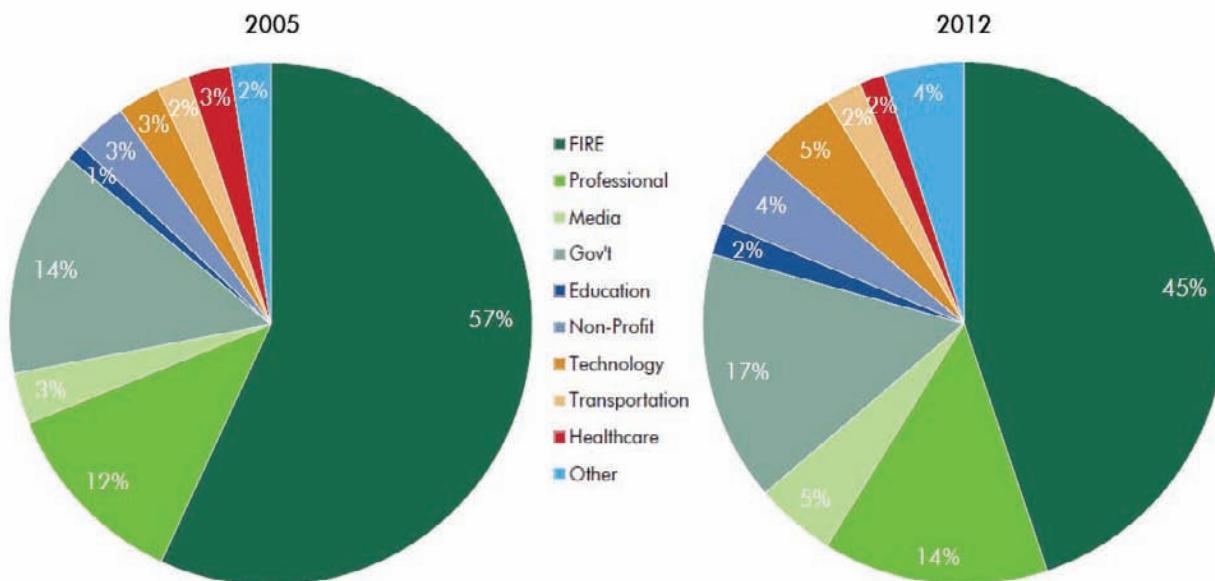
The changes both in the composition of the office-based employment and in the demographic trends discussed above are reflected in changes in the composition firms occupying office space in the Downtown market.

⁶ Alliance for Downtown New York, *The Brain Gain: How the region’s Shifting Demographics Favor the Lower Manhattan Business District*, October 2012, p. 6

⁷ Ibid., p. 9

⁸ Ibid., p. 3

TENANT DIVERSITY



As the chart above illustrates the composition of office occupiers the downtown market has changed markedly from 2005 and 2012. The share of office space occupied by the FIRE sector [Finance, Insurance and Real Estate] shrunk from 57% of occupied space to 45%. While still the dominant sector, FIRE's diminishing importance is a continuing trend as the market becomes more diverse. Particularly noteworthy is the increase in the technology and media sectors, which grew from 4.35 million square feet to 7.43 million square feet and now represent about 10% share of the market. The 2012 figures do not include the Condé Nast lease in One World Trade Center and 222 Broadway which will add 1.16 million square feet to the media sector.

As discussed above there are several factors that give reason to be optimistic about the Downtown office market. These include the projected growth in office-based jobs and the demographic changes that highlight a shift in the center of young college-educated population to Lower Manhattan or nearby in Brooklyn and the New Jersey waterfront.

This demographic shift is a factor in the movement of Condé Nast, Group M and other creative tenants Downtown. Other favorable factors are:

- The scheduled completion of the transportation infrastructure improvements at the World Trade Center and the Fulton Street Transit Center;
- The market price differential between Downtown and Midtown and more recently Midtown South. Downtown office rents continue to offer savings to price-sensitive tenants versus Midtown now increasingly Midtown South.

- The continuing development of Lower Manhattan as a mixed-use neighborhood with all the attendant cultural, recreational and civic amenities.

Brookfield Properties faces a significant challenge to attract tenants to fill the approximately 2.8 million square feet of space being vacated by the departure of Nomura, Deloitte and the majority of Bank of America / Merrill Lynch. Brookfield's leasing strategy seeks to take advantage of the favorable factors discussed above to lease the available space within the Battery Park City office buildings. They signaled their repositioning strategy with the renaming of the complex to Brookfield Place, dropping the World Financial Center brand, and marketing the buildings under their street addresses. Brookfield is investing approximately \$280 million to revamp and remerchandise the retail component of the complex to upgrade, expand the shopping and dining choices for office workers, residents and tourists and to upgrade lobby and elevator area within the office towers. The Port Authority of New York/New Jersey is also investing a significant amount to construct a connecting passageway to the World Trade Center complex and the subway and transit connections at the World Trade Center and Fulton Street. The renovations will include a new entrance on West Street featuring a glass pavilion entering directly into the Winter Garden shops. These improvements to be completed by 2014 are designed to enhance the attractiveness of the office space to tenants in the growing sectors of the City's economy and fill the space vacated by financial-sector tenants. In recognition of the market preference for new office construction, Brookfield plans to position the Brookfield Place towers at a rental rate below the newly constructed buildings at the World Trade Center and above the modern office buildings of similar vintage in the Financial District along Water Street and east of Broadway. This represents a realistic repositioning from the WFC's former position at the top of the Downtown market while still offering the quality of space and amenities to compete for the better tenants in the market. CBRE believes that Brookfield's strategy is reasonably sound and that the likelihood it will be successful is reasonably good. However, the changes in the composition of Downtown office tenants represent both an opportunity and a challenge for the renamed WFC. The opportunity is to capture a significant share of the larger firms in the growing media, technology, and professional services sectors. The broader changes in Downtown's street life, amenities and office-tenant mix – and the proximity of Conde Nast at One World Trade Center - should encourage other media and creative tenants to consider the WFC. Brookfield's re-investment and repositioning is meant to attract significant-size firms including those in media or technology which the WFC has not previously done. The WFC has been able to attract professional and business services firms and that together with the retention and expansion of existing tenants may prove to be sufficient. To that point, Brookfield informed CBRE that is close to completing a lease with a major law firm that would be relocating from Midtown. The risk is that WFC may not attract a sufficient number of such firms and may instead be forced compete with lower-priced Financial District buildings for the more price-sensitive tenants relocating from the more expensive Midtown and Midtown South markets. CBRE has recognized this risk by setting our market rents below the level achieved at the WFC in recent lease transactions.

Future Market Rental Growth Forecast The changes in employment discussed above that will drive demand for office space are not the only factor that impacts availability and pricing. Market rent and vacancy rates are also affected by changes in the supply of office space through additions to inventory due to new construction or conversions and subtractions due to residential or institutional conversions or demolition. Due to the limited availability of developable land and the high cost of high-rise, commercial construction, few new office buildings have been built in Manhattan over the past two decades. New office buildings now planned for development or in construction may add 8.7 million square feet over the next four years, including 1, 3 and 4 World Trade Center which are scheduled for completion in 2014 and 2015 respectively. These buildings will replace a portion of the approximately 14 million square feet of office space lost as a result of the attacks of September 11. Planned development of a new office tower at the Hudson Yards site is also underway. If all were completed, it would add about 9.5 million SF, a relatively modest increment compared with prior periods. With the City's economy in a relatively strong position in its recovery from the recent recession, and the limited presence of the large additions to supply – through speculative new construction and over-leasing that coincided with the 1987 and 2001 recessions, - the planned new construction is expected to be absorbed without a major market disruption. Given the barriers to new office development in Manhattan it is likely that increases in supply due to new construction will remain at relatively low levels during the forecast period.

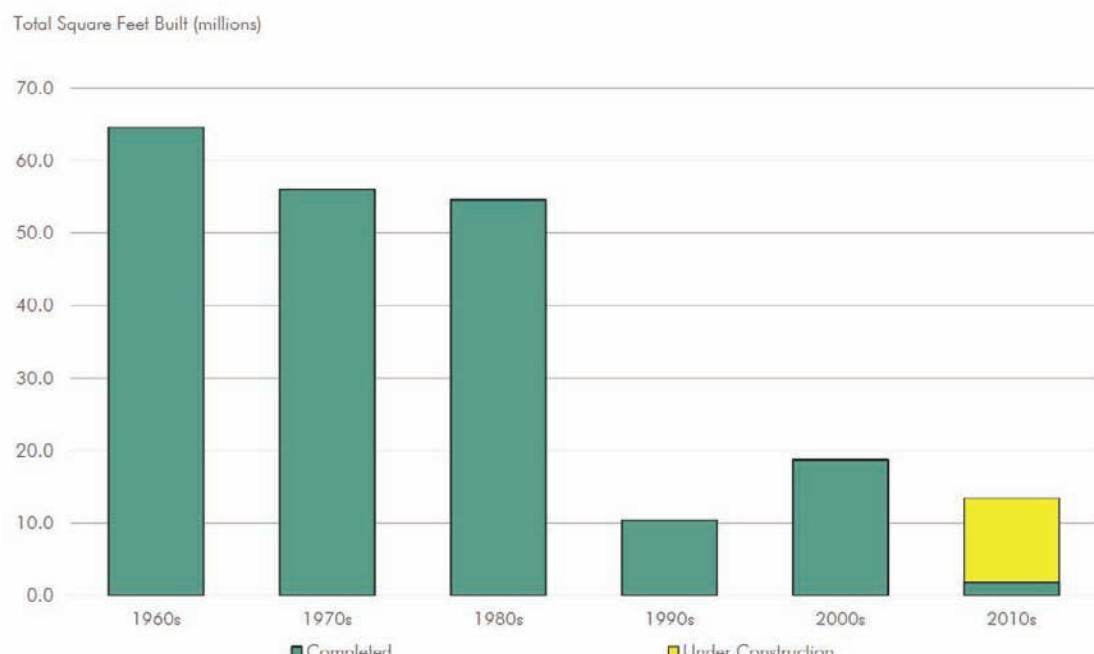
A summary of the under construction and proposed developments that are anticipated in the near term is presented on the following illustration, with an historical summary on the following page.



Source: CBRE Research.

SF reflect building office RSF, not overall RSF.

Historical Activity by Decade



Source: CBRE Research.

Total Office Building New Construction

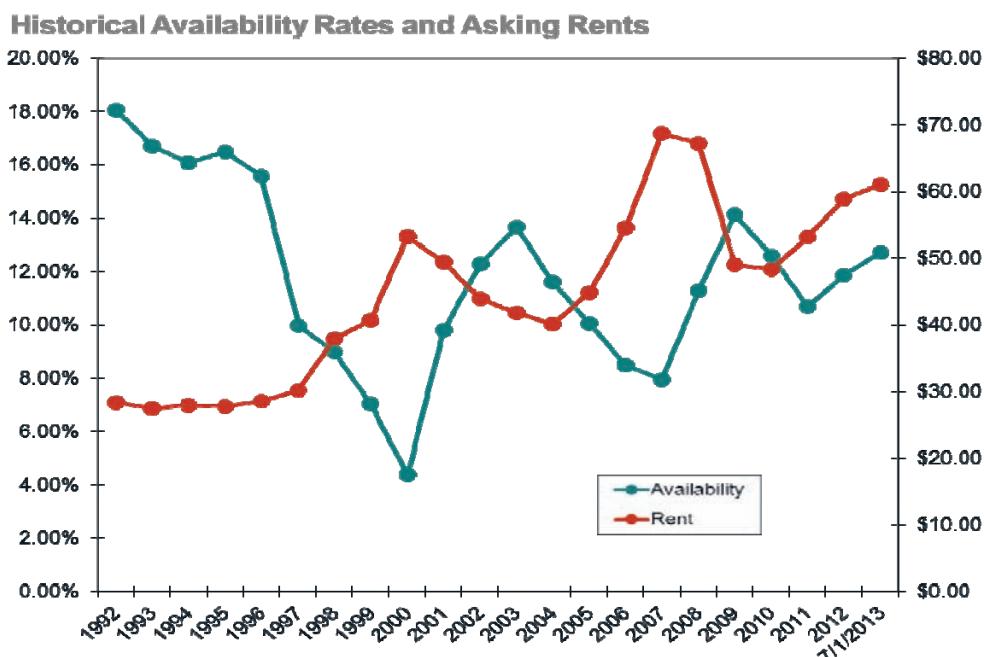
	RSF 1980s	RSF 1990s	RSF 2000s	RSF 2010s	Total Number of Buildings
Midtown	30,478,159	8,688,279	14,505,622	1,385,001	80
Midtown South	3,916,016	412,000	395,516	405,234	11
Downtown	20,208,145	1,278,756	3,774,695	0	24
Manhattan	54,602,320	10,379,035	18,675,833	1,790,235	115

	RSF Under Construction	Total Number of Buildings
Midtown	3,426,543	4
Midtown South	389,806	1
Downtown	7,800,000	3
Manhattan	11,616,379	8

Numbers reflect building office RSF, not overall RSF.

Source: CBRE Research.

Historic Trends. The correlation between vacancy rate and asking rent is not simply linear. In tight markets with low vacancy rates, asking rent may increase despite a rise in vacancy. Similarly in weak markets with high vacancy rate, asking rent may decrease even when vacancy rate declines. However, the correlation between vacancy rate and asking rent is evident when observed over several market cycles. As previously noted, high levels of speculative office construction coming to market during the recessionary period from 1987-1993 resulted in peak vacancy rates in those years. Strong job growth sustained over several years was required to absorb the excess space and return the market to relative equilibrium and support rising rents. The less pronounced rise in vacancy rate in the downturn from 2000-2003 is due in part to the moderating effect of reductions in supply due to the loss of the World Trade Center and low levels of new construction. Job growth following that downturn, led initially by professional business services, pushed vacancy rates down and business expansion in tightening market conditions drove asking rents to historic highs in Manhattan.



The effect of the 2007-09 recession on the Manhattan office market is evident in the chart above. Reflecting the loss of office-using jobs discussed earlier, the availability rate rose rapidly between 2007 and 2009 from 7.9% to 14.5% and asking rent plummeted over the same period from \$68.69 to \$49.01. Asking rent stabilized in 2010 and – buoyed by employment growth - has risen since to \$61.12, still below the pre-recession peak. In contrast to the usual pattern the availability rate has also risen since 2011 primarily due to new additions to supply both from new office construction and from office space vacated by Goldman Sachs upon relocation to its new headquarters at 200 West Street, Bank of America Merrill Lynch and AIG. The relatively higher rent for this added space has the related effect of raising the average market asking rent.

In order to estimate the future rate of growth in market rent, CBRE divided the forecast period into two segments. For the first four years of the period CBRE based its forecast on a consideration of the several factors discussed above. Forecasts for New York City covering the period from 2013 through 2017 were made for office employment, vacancy and market rent. For the New York Metropolitan Region, CBRE Economic Advisors projected in May 2013 that market rents to rise 1.3% in 2013 and then to rise steadily from 2014 through 2017 at an annual rate ranging from 4.1% to 5.0%. CBRE EA projects that vacancy will fall to 7.5 % by 2017, and expects that Downtown Manhattan market will outperform the Region as a whole. CBRE EA utilizes employment forecasts by Moody's Economy.com. Because for present purposes, CBRE is using the more conservative projection of employment growth provided by NYC OMB and Appleseed, we have likewise assumed more conservative growth in rent over the near term.

For the remainder of the forecast period we have made assumptions about a long-term growth rate based on historic trends. Average long-term rental growth may be calculated from available data for various time periods that would be appropriate for comparison to the current period. For the period from 1992 through 2012 covered by data compiled by CBRE, annual growth in asking rent has averaged approximately 3.7 percent. Based on other sources, New York City OMB puts the average annual growth rate at 3.92%. There is, however, considerable variance from that average from year to year due to the cyclical nature of the real estate market and other fluctuations. In general, historic data on average annual rental growth closely parallels, or slightly exceeds, the historic inflation rate.

Because the growth in market rents is a primary factor in determining assessed value over the long term, we have adjusted the growth rate to accommodate the assessment risk, which could not be calculated in another manner. These risks include, but are not limited to, economic risk, public policy and regulatory changes, sudden-impact-event risk, and the risk of technological change, which may adversely affect the market and these specific building's rent and occupancy. Our long-term income growth estimate is estimated at a conservative 2.0% per annum through 2020 and 1% per annum thereafter.

ESTABLISHING EXPENSES AND EXPENSE GROWTH RATES

As previously presented, the operating expenses per the Assessor's 2013/2014 assessments for the WFC, NYMEX and GS property are shown below:

OPERATING EXPENSES - 2013/2014 ASSESSMENT		
Building	Total Op. Exp.	Op. Exp. Per SF
1 WFC	\$32,778,832	\$21.83
2WFC	\$31,282,256	\$13.79
3WFC	\$32,467,055	\$15.10
4WFC	\$31,992,114	\$15.35
NYMEX	\$8,744,754	\$17.42
Goldman	\$35,306,953	\$16.40
	Min	\$13.79
	Max	\$21.83
	Average	\$16.65

Source: NYC Assessor

The reported operating expenses for the subject properties ranged between \$13.79 and \$21.83 per square foot, with an average of \$16.65 per square foot. Of particular note is the tight range in total operating expenses between the WFC properties and 200 West Street, even though there is a significant difference on a per square foot basis. As was previously noted, this is generally in excess of typical levels of \$12.00 to \$14.00 per square foot, at which CBRE estimates downtown office buildings should operate. But the higher expense is reasonable given the large amount of common area, the high end tenancy and the amenities offered within the Battery Park City complex. We have modeled operating consistent with the Assessor's prior year figures.

Increases in operating expenses generally follow inflationary patterns. We have elected to use the Economy.com forecast for New York Primary Metropolitan Statistical Area ("PMSA"), and United States inflation rates. The New York PMSA includes the following counties: Bronx, Kings, New York, Queens, Richmond, Putnam, Rockland, and Westchester.

From 1980 to 1993, the New York PMSA, with a few exceptions, consistently registered a higher annual Consumer Price Index ("CPI") than the nation, as displayed in the following graph. Since 1994, the New York PMSA has generally shown movements similar to the United States CPI index.

CPI - ALL URBAN CONSUMERS - HISTORICAL				
	NY PMSA		U.S.	
	CPI	% Change	CPI	% Change
1980	82.1	n/a	82.4	n/a
1981	90.1	9.7%	90.9	10.3%
1982	95.3	5.8%	96.5	6.2%
1983	99.8	4.7%	99.6	3.2%
1984	104.8	5.0%	103.9	4.3%
1985	108.7	3.7%	107.6	3.6%
1986	112.3	3.3%	109.6	1.9%
1987	118.0	5.1%	113.6	3.6%
1988	123.7	4.8%	118.3	4.1%
1989	130.6	5.6%	124.0	4.8%
1990	138.5	6.0%	130.7	5.4%
1991	144.8	4.5%	136.2	4.2%
1992	150.0	3.6%	140.3	3.0%
1993	154.5	3.0%	144.5	3.0%
1994	158.2	2.4%	148.2	2.6%
1995	162.2	2.5%	152.4	2.8%
1996	166.9	2.9%	156.9	3.0%
1997	170.8	2.3%	160.5	2.3%
1998	173.6	1.6%	163.0	1.6%
1999	177.0	2.0%	166.6	2.2%
2000	182.5	3.1%	172.2	3.4%
2001	187.1	2.5%	177.1	2.8%
2002	191.9	2.6%	179.9	1.6%
2003	197.8	3.1%	184.0	2.3%
2004	204.8	3.5%	188.9	2.7%
2005	212.7	3.9%	195.3	3.4%
2006	220.7	3.8%	201.6	3.2%
2007	226.9	2.8%	207.3	2.8%
2008	235.8	3.9%	215.3	3.8%
2009	236.8	0.4%	214.5	-0.4%
2010	240.9	1.7%	218.1	1.6%
2011	247.7	2.8%	224.9	3.2%
2012	252.6	2.0%	229.6	2.1%
2012 YTD	252.4	n/a	229.5	n/a
2013 YTD	256.9	1.8%	233.5	1.8%
Average Compounded Growth:				
1980-2012	3.6%		3.3%	
1992-2012	2.6%		2.5%	
2002-2012	2.8%		2.5%	

Source: Bureau of Labor Statistics

As illustrated in the above table, the average annual compound growth over the past 32 years for the PMSA was 3.6%, while for the U.S. it was 3.3%. However, more recently the annual percent change in CPI has decreased. During the past decade, the average annual compound growth rate was 2.8% for the PMSA and 2.5% for the U.S. Similarly, over the past 20 years, the average annual compound growth rate was 2.6% and 2.5%, respectively. These historical increases in the CPI are similar to the rate of increases in market asking rent over a comparable period. We have assumed that this pattern will hold throughout the forecast period.

ESTABLISHING CAPITALIZATION RATES

From the Assessor's estimates of income and expenses, a net operating income is derived for each building. This income is then capitalized into an estimate of market value. Suggested pre-tax capitalization rates are provided in the Assessor's guidelines and vary according to rent levels. The relationship between market rents and pre-tax capitalization rates suggests an upward or downward adjustment depending upon the relationship of a building's contractual rent or assigned market rent compared to the market rents in the Assessor's guideline. The current methodology favored by the Assessor's office for calculating capitalization rates is the Band of Investment, which blends equity returns and mortgage interest rates. The resulting range utilized by the Department of Finance for Downtown trophy office buildings is reported to be 8.87% to 9.36%. That rate is adjusted by to account for the real estate taxes which the Assessor has excluded from operating expenses. The adjustment based on the current real estate tax rate is an incremental rate of 4.629%, which when added to the pre-tax cap rates results in a range of 13.5% to 14%.

The general relationship between rents and capitalization rates is significant in that: 1) higher market rents are linked with higher capitalization rates, reflecting the adage that "the risk is the rate"; in other words, the risk of continuing to achieve contract rents in the range of historical highs in a long-term projection is quite high; and 2) as long as the building is rented at "market" rent levels, a market capitalization rate is applied. This process serves to equalize the assessments of the six buildings, despite the discrepancy in rents between the WFC buildings.

In terms of formulation, the Assessor uses a base capitalization rate, which is further adjusted to compensate for the exclusion of real property taxes from expenses. The capitalization rates used by the Assessor to establish the 2013/2014 assessments of the World Financial Center and NYMEX buildings are summarized in the table below:

COMPONENTS OF CAPITALIZATION RATE - 2013/2014						
	1 WFC	2 WFC	3 WFC	4 WFC	NYMEX	Goldman
Pre-Tax Cap Rate	8.880%	9.150%	9.150%	9.150%	9.150%	8.740%
Adjustment for Real Property Tax	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>	<u>4.629%</u>
Assessor's Capitalization Rate	13.509%	13.779%	13.779%	13.779%	13.779%	13.369%

Source: NYC Department of Finance

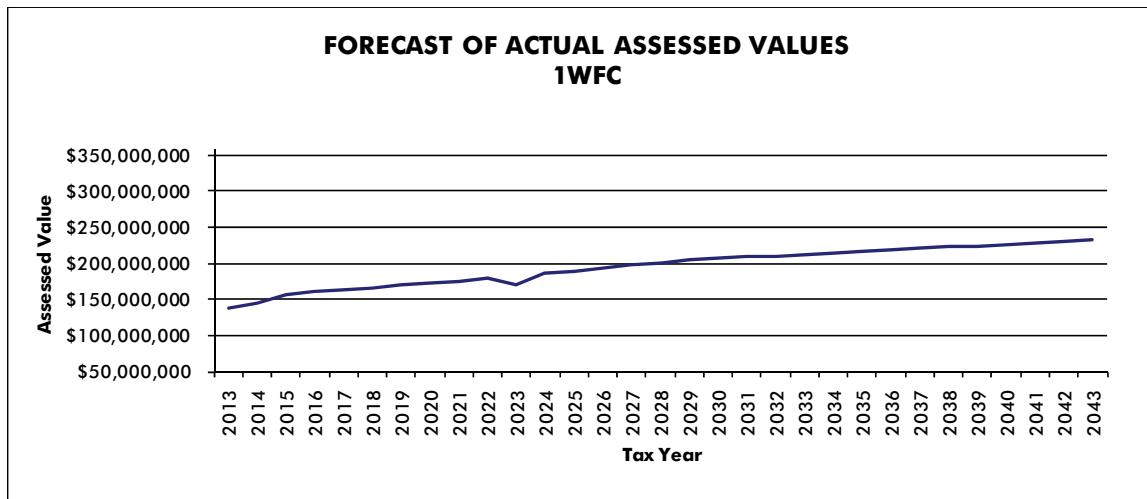
We anticipate that capitalization rates will remain within a consistent range over the long term future, as the current rates are nearer to the upper end of the range. Some of the changes in market conditions have been reflected in the current capitalization rate selections, as evidenced by the increases from previous historical figures shown below:

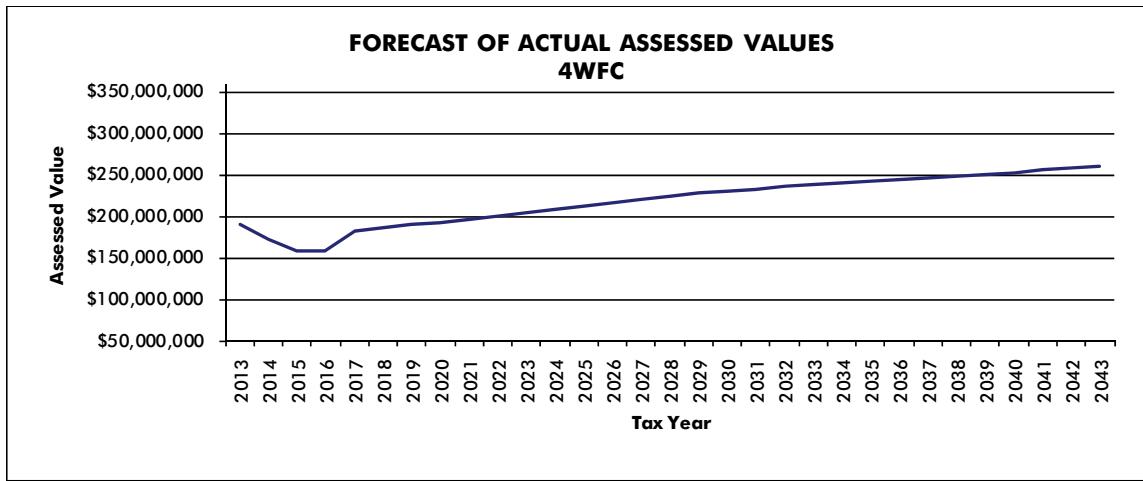
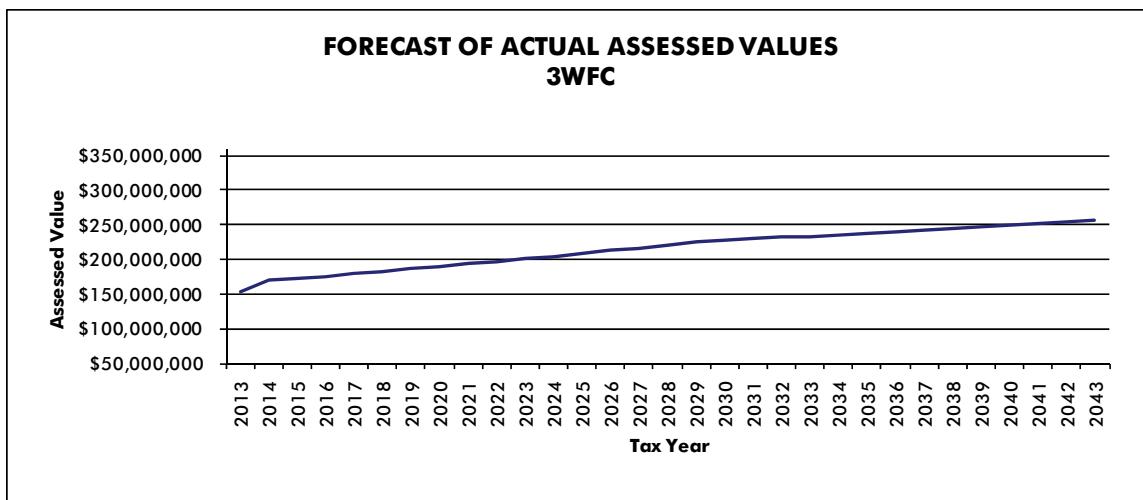
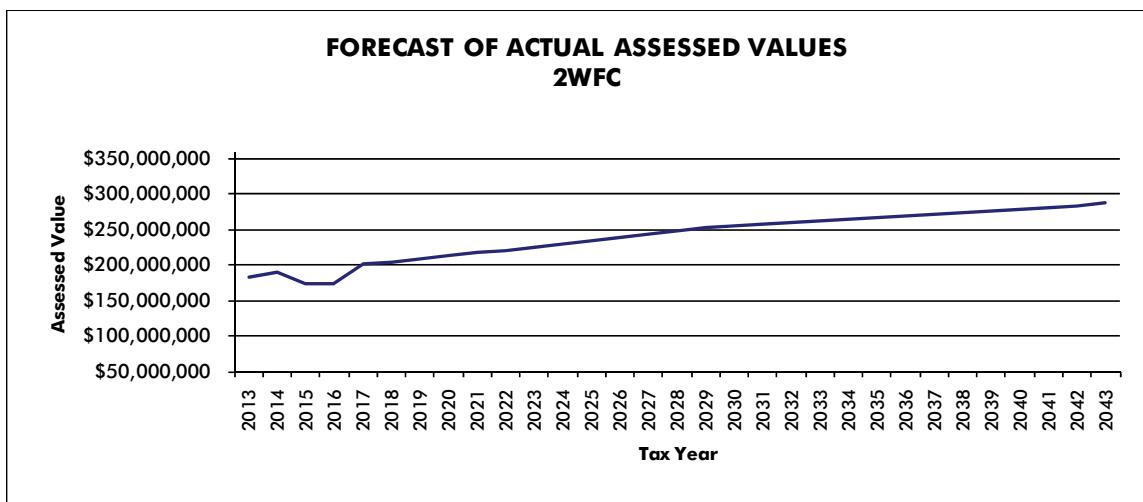
	HISTORICAL PRE-TAX CAPITALIZATION RATES					
	1 WFC	2 WFC	3 WFC	4 WFC	NYMEX	GOLDMAN
2005/06	9.00%	8.25%	8.25%	8.25%	n/a	n/a
2006/07	8.55%	8.00%	8.40%	8.40%	n/a	n/a
2007/08	7.80%	7.80%	7.60%	7.80%	8.60%	n/a
2008/09	8.30%	8.30%	8.30%	8.10%	9.30%	n/a
2009/10	8.50%	8.60%	8.60%	8.60%	8.60%	n/a
2010/11	9.10%	9.10%	9.10%	9.10%	9.10%	n/a
2011/12	8.25%	8.20%	8.20%	8.20%	8.90%	8.40%
2012/13	8.70%	9.41%	9.42%	9.36%	8.53%	8.50%
2013/14	8.88%	9.15%	9.15%	9.15%	9.12%	8.74%

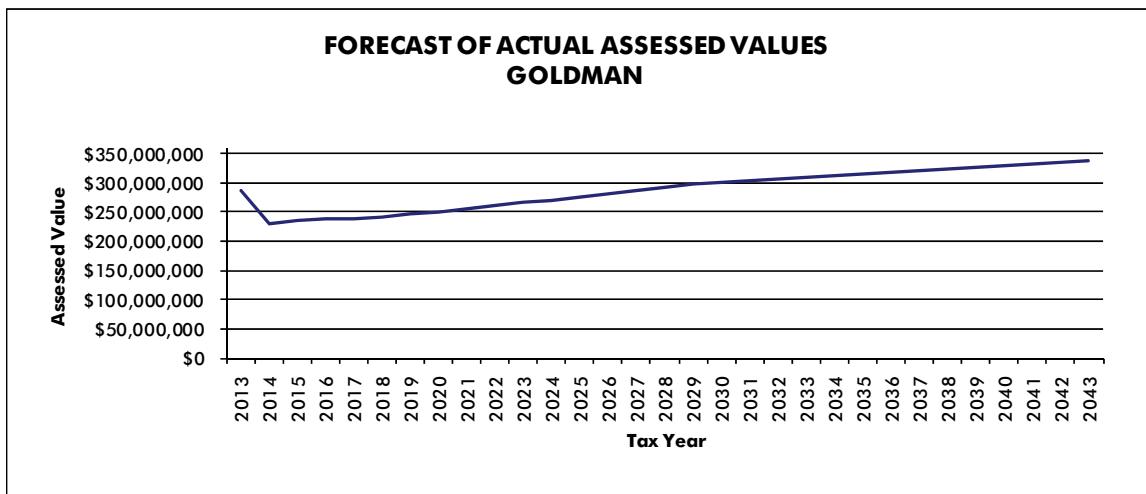
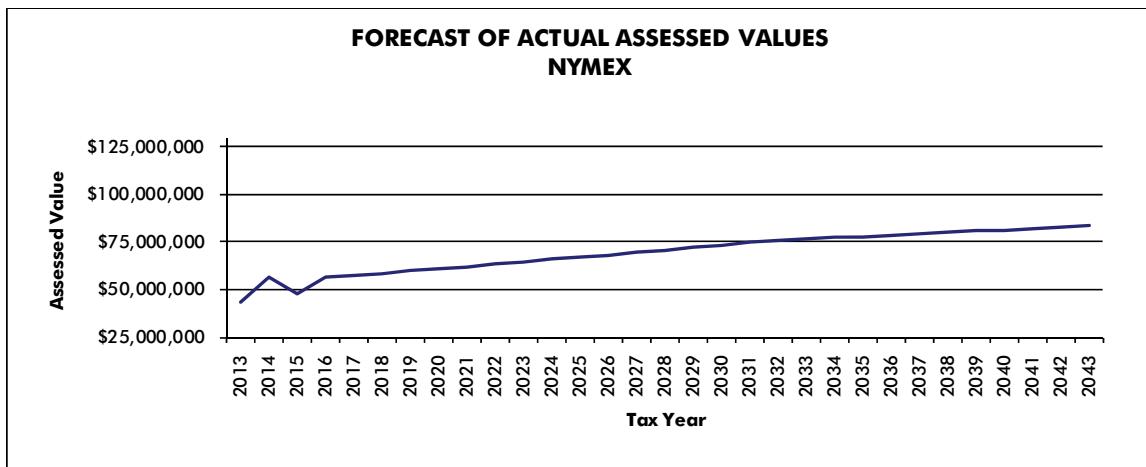
We have modeled some fluctuation in assessment as it relates to the existing tenancy and operations of the individual buildings, with the rates returning to a figure that is level with the current assessor cap rates. Although the current rates appear somewhat high relative to the market, as our analysis takes a conservative stance on tax growth , we have not compounded our projected income increases with reductions in the capitalization rate.

OFFICE ASSESSED VALUE CONCLUSION

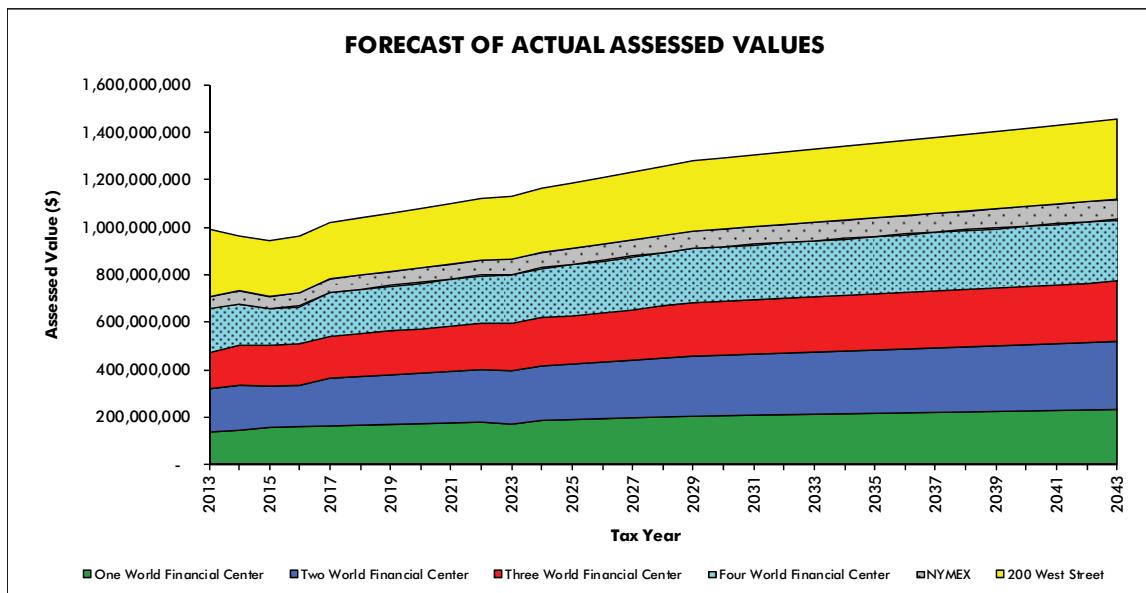
CBRE has graphed below the forecast assessed values that result from the assumptions of rent, expenses and capitalization rates as described in the preceding chapter.







The following graph illustrates the projected actual assessed values for all of the office buildings.



As the preceding graph indicates, the aggregate assessed values of the WFC, NYMEX and 200 West Street buildings in 2014/2015 are projected to dip by approximately \$20 million as a result of vacancy projected within the buildings. Over the 30-year period (Year ending 2043) the assessment increases to \$1.46 billion, indicating an annual increase of 1.4%. It should be noted that although the 200 West Street assessment became finalized in 2010/2011, the PILOT payments are structured at a discount and have initial year credits and thus actual collections do not increase in-line with the assessment increase until 2016.

With the exception of the 200 West Street, all of the WFC properties have potential major tenant rollovers during the 30-year period, including the Cadwalader lease at 1WFC, Merrill Lynch (now BofA) at 2WFC and 4WFC and Merrill Lynch at 2WFC (space was sublet to Nomura and Deloitte & Touche who have subsequently vacated the building). As was previously noted, Brookfield Financial Properties owns the lower level floors in 3WFC, while American Express has retained the remaining interest in the upper level floors. Thus, this building is partially multi-tenanted. As such, we have accounted for the rollover of a multi-tenanted building. It should be noted that due to the lag in assessment process the negative effects of these lease rollovers on assessed values may lag the lease expiration by up to two years, although as previously discussed, the appeals process may result in reducing or eliminating that lag.

While assessed value is the main component of PILOT for a specific property, the tax rate and, in some instances, abatements also affect the PILOT amount. Assessments are multiplied by the appropriate tax rate to arrive at the tax equivalent amount. The abatement schedules for the WFC buildings have been completed and are no longer a factor in the forecast of PILOT revenue for these buildings, although 200 West Street has some time remaining in its benefit period and NYMEX has benefits associated with the trading floor premises through 2017.

TAX RATES

The New York City Council sets the annual tax rates for each property class based on the total amount of ratables and budget needs. The rate is typically established in June and takes effect on July 1. Tax bills may be paid in four equal quarterly installments in arrears beginning July 15. The 2012/2013 Class IV tax rate is comprised of a 1st half rate of \$10.152 and a 2nd half rate of \$10.424 per \$100 of AV, which results in an average annual tax rate of \$10.288 per \$100 of A.V. for 2012/2013 tax year. The 2013/2014 tax rate is expected to remain the same, but was not final as of the date of our analysis.. In order to forecast changes in the tax rate over the next 30 years, it is important to understand the historical trend of New York City real estate tax rates and their use by the City as a tool to generate revenue.

Prior to the 1982/83 tax year, as described earlier, a single tax rate was applicable to all property types. Following the revision of the tax policy in the 1981/82 tax year, separate tax rates were assigned to each tax class. A summary of the Class IV rates applicable to the commercial component of the Battery Park City is shown below:

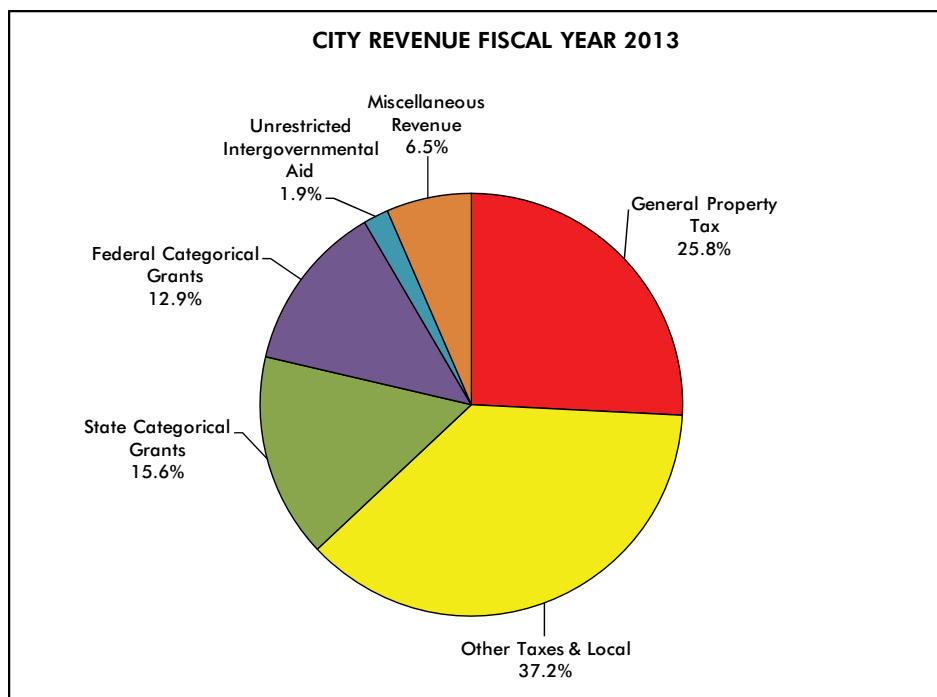
NYC TAX RATES					
		Tax Class 4			
YEAR	Rate	% Change	Compounded Annual Growth Rate		
12/13	10.288%	1.34%			
11/12	10.152%	-1.55%			
10/11	10.312%	-1.09%			
09/10	10.426%	1.81%			
08/09 - blended	10.241%	3.76%			
07/08	10.059%	-8.53%	Total Survey	81/82 to 12/13	0.42%
06/07	10.997%	-2.73%	Last 15 Years	00/01 to 12/13	0.37%
05/06	11.306%	-2.18%	Last 10 Years	04/05 to 12/13	-1.29%
04/05	11.558%	1.11%	Last 5 Years	08/09 to 12/13	0.09%
03/04	11.431%	-1.29%			
02/03 - 2nd half	11.580%	18.45%			
02/03 - 1st half	9.776%	0.66%			
01/02	9.712%	-0.57%			
00/01	9.768%	-2.21%			
99/00	9.989%	-2.41%			
98/99	10.236%	0.71%			
97/98	10.164%	-0.86%			
96/97	10.252%	-1.44%			
95/96	10.402%	-1.94%			
94/95	10.608%	-1.08%			
93/94	10.724%	0.24%			
92/93	10.698%	0.63%			
91/92	10.631%	6.27%			
90/91	10.004%	4.87%			
89/90	9.54%	-0.45%			
88/89	9.58%	1.29%			
87/88	9.46%	0.00%			
86/87	9.46%	0.00%			
85/86	9.46%	0.00%			
84/85	9.46%	1.47%			
83/84	9.32%	0.31%			
82/83	9.29%	3.84%			
81/82	8.95%	n/a			

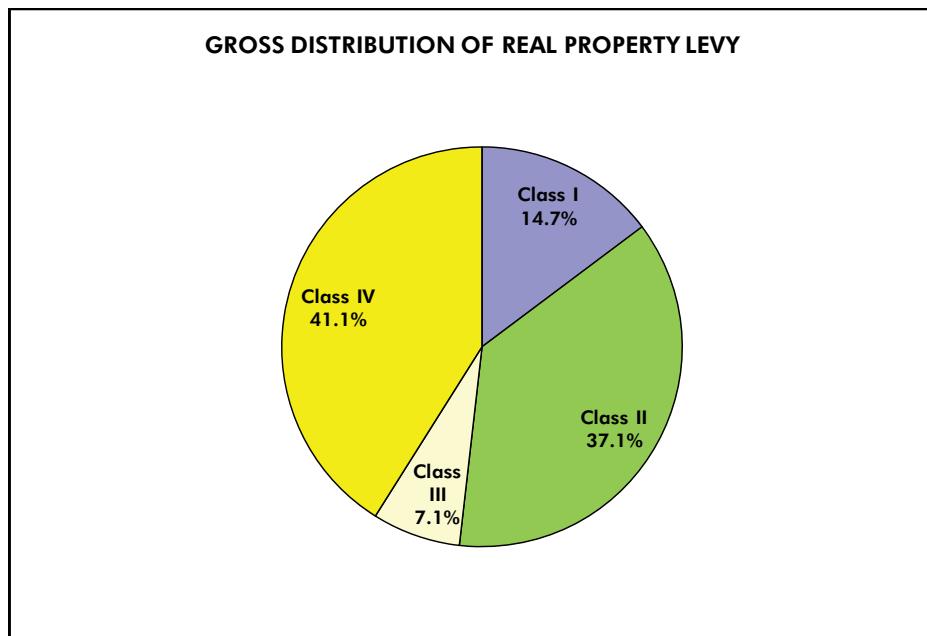
Source: New York City Department of Finance

As illustrated in the previous table, over the period since the 1982/83 revisions of the tax policy and assignment of separate tax rates, the Class IV property tax has evidenced a compound average annual growth rate of 0.41%. The positive compound average annual growth was primarily a result of the significant increase made in the latter half of 2002/2003 when the City increased the rate by 18.45% to \$11.580 per \$100 of assessed value and 2008/2009's blended 1st/2nd half increase of 3.76% in the rate. The declining trend in tax rates since that time has resulted from significant increases in assessment and the City's strong financial position over the previous five years, however during the prior national economic recession, this trend reversed and the rate increased during that time.

Real Property Tax is the largest single source of tax revenue to the City. Each year, the property tax revenue and the class tax rates are set through the City's budget process. The property tax revenue target is based on the difference between the appropriate expenses and the estimate of all revenues excluding the property tax. As a consequence, the trend in tax rates tends to have a somewhat inverse relationship with changes in the overall economy. During economic recessions declines in revenue from sales and income taxes results in the City of New York turning to property tax for a steady or increasing revenue stream. So, when other tax revenues and assessed values increase in times of economic prosperity the property tax rate typically declines, while the opposite can be said of recessionary periods when rates are increased to keep City programs funded. The City does not anticipate any material change in the overall tax rate over the near term.

It should also be noted that since the introduction of separate tax rates in 1982 and the policy requirement that the levy distribution among tax classes be based on market value, the tax rate for Class IV properties has increased significantly less than the other tax classes. Below are two graphs, the first showing the City's projected fiscal year 2013 revenues (from July 2013 reforecast) broken out by revenue source, and the second illustrating the share of the overall property tax revenue derived from each property class. General Property Tax Revenue represents 25.8% of the City's total revenues. Of the total property tax levy, 41.1% is derived from Class IV properties, which continues to be among one of the highest sources of City revenue.





The City's Five Year Financial Plan from June 2013 projects increased general property tax revenue as shown on the following chart:

**NYC OFFICE OF MANAGEMENT & BUDGET
FIVE YEAR PLAN**

Year	GENERAL PROPERTY TAX PROJECTIONS	% Change
FY 2013	\$18,711,000,000	n/a
FY 2014	\$19,570,000,000	4.59%
FY 2015	\$20,238,000,000	3.41%
FY 2016	\$21,259,000,000	5.04%
FY 2017	\$22,026,000,000	3.61%

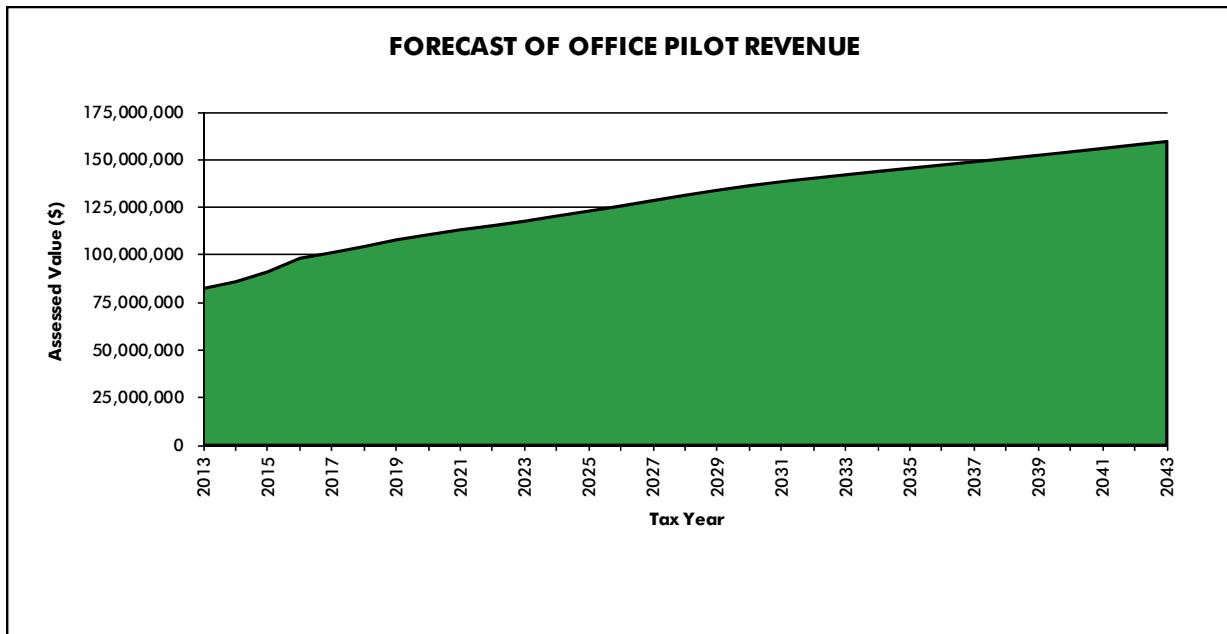
The compounded annual growth over the five year projection period totals 3.32% which is above our projected figures for Office PILOT growth. Given New York City's historical performance and our near term declines in the assessments of some of the WFC properties, we have taken a conservative view of tax rates in the short and long term. We have assumed that the tax rate will increase at an annual rate of 0.25% throughout the analysis.

OFFICE PILOT FORECAST

The NYMEX lease provides that PILOT payments associated with the trading floor area shall be zero for the first twenty years. In addition, the lease stipulates that the tenant is required to pay an unabated PILOT payment for the subleased portion of the building (approximately 55%), while the PILOT payment liability was phased in over a twelve-year period for the office area occupied by the NYMEX. Further, the PILOT payment for the NYMEX-occupied office area is based on the average assessed value per square foot of the four WFC buildings.

200 West Street is currently taxed based on the property's land value and phases into a structure whereby until 6/30/2015 the PILOT payment is set based on the lower of the property's actual assessment or 115% the average assessment per square foot of the World Financial Center properties. The PILOT agreement for 200 West Street also has \$6 million of credit that previously offset PILOT collections through 2011.

As a result of the projected assessed values and estimated tax rates, the total PILOT payments for the subject office buildings to the Authority over the next 30 years are forecasted as follows:

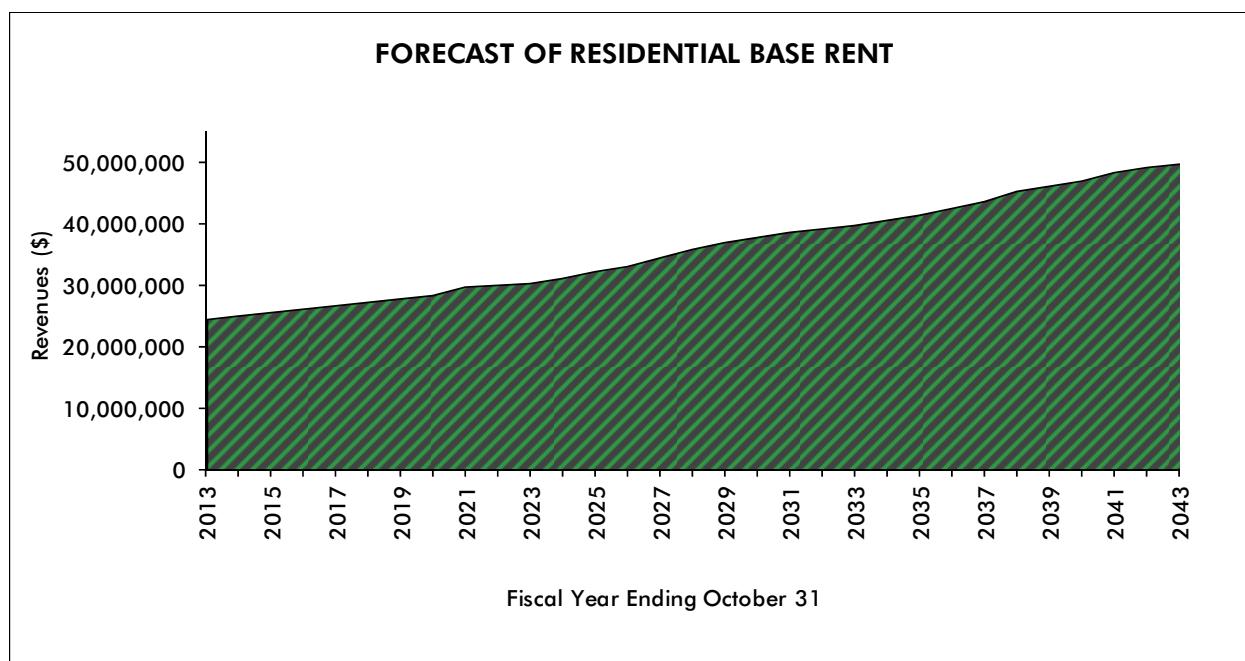


Over the course of the forecast period, the PILOT payments fluctuate as we have incorporated major WFC tenant rollovers into the assessment, however the stable nature of the Goldman Sachs and American Express occupancies, in conjunction with the 5-year phase-in of changes effectively smoothes out the growth in PILOT over the term. The office PILOT payments are projected to equal \$158.5 million in 2043, from a starting level of \$79.3 million in 2013. This indicates a compound annual growth rate of 2.33%.

IV. RESIDENTIAL BASE RENT AND SUPPLEMENTAL RENT

Each residential tenant is obligated under its lease to pay Base Rent on a monthly basis commencing on the date of execution. For the period beginning on the commencement date and ending on the day prior to the twenty-fifth or twentieth anniversary of the date on which a temporary certificate of occupancy was issued ("First Appraisal Date"), the Base Rent is equal to an amount specified in each lease. Thereafter, Base Rent is adjusted every fifteen years based upon an appraisal of the land underlying each lease. Furthermore, the leases stipulate that Base Rent payable after any reappraisal shall not be less than the Base Rent payable prior to such reappraisal. Instead of undertaking a study of land values ten or more years from now, we have assumed payment of Base Rent at the minimum amount contractually set. Subsequent to the bond offering in 2008, representatives from 11 condominium buildings approached the Authority and negotiated relief on their ground rent reset. It is important to note that the negotiated ground resets resulted in rent levels that were above the contractual minimums that were utilized in the previous revenue forecast. Also of note, it that the Authority has advised CBRE that the owners of nine rental buildings have requested modifications to their leases similar to what was granted to the condominium owners. To date, the Authority has made no decision to modify the leases and has indicated that they would not reduce the ground rents below the contractual minimum under any circumstance. CBRE's forecast of revenues would not be negatively affected as our inclusion of the contractual minimum rents is not dependent on future land values.

Many of the tenants are required to pay to the Authority Supplemental Rent. As previously discussed, Supplemental Rent also includes Incremental Rent revenue and Additional revenue. Payments of Supplemental Rent generally expire on the day prior to the First Appraisal Date. The exceptions are for Parcel H/I, which expired on their 15th anniversary of the issuance of the certificate of occupancy, Site 20B, which is on the 22nd anniversary, and Site 21A, which is on the 23rd anniversary. In addition, Supplemental Rent for Site 22 is applied for the entire term of the lease. Supplemental Rent is equal to the difference, if any, between the amounts specified in the lease and PILOT for the applicable lease year. Our forecast recognizes these instances in which PILOT falls below the specified amount and sets Supplemental Rent equal to the difference. As noted the Supplemental Payments for Site 22 continue until lease expiration in 2069. For the most part, the Supplemental Rent Payments are minimal and declining through the near term before gradually increasing in the later years of the forecast period to approximately \$370,000 in 2043. Overall, Base and Supplemental Rent will increase gradually from a 2013 base of \$24.4 million to \$50.0 million in 2043.



V. RESIDENTIAL PILOT

All of the residential leases require tenants to make payments to the Authority in lieu of taxes (PILOT) since the properties are exempt from paying New York City property taxes. Except for Gateway Plaza, these payments are equal to the property taxes that would be payable for each site if it were privately owned, plus a land tax equivalent specified in each lease. In addition, thirteen of the sites had a tax abatement that reduced the PILOT payment on the building by 100 percent for the first two years. The abatement schedule provided for full taxes to be phased in through 20 percent step reductions every two years for the subsequent eight years. Of the remaining sites, five currently have a tax abatement that is for a total of 20 years with 100 percent abatement for the first twelve years and then a reduction of 20 percent every two years for the subsequent eight years. Gateway Plaza has a special PILOT program, which is described below. The remaining four sites do not have any form of tax abatements.

GATEWAY PLAZA

The Gateway Plaza site was leased by the Authority in 1980 to a limited-profit housing company and developed as Mitchell Lama housing. Since HUD insured the Authority's financing of the project, and the finances of the project were subject to Federal rules related to that financing, the normal Mitchell Lama rent limits did not apply. In 2005 the project was refinanced with a new HUD-insured loan and is no longer in the Mitchell Lama program. The Authority has recently reached an agreement with the Gateway lessee that obligates it to lease individual apartments within the complex at rents that are subject to Rent Guidelines Board (RGB) increases for rent-stabilized apartments through June 30, 2020.

The PILOT payments reflected in our analysis for Gateway Plaza are based on the contractual obligation to pay PILOT in an amount equal to ten percent of the difference between the total rents from the buildings and the cost of utilities. The Authority has provided CBRE with documentation of the annual PILOT payment by Gateway Plaza of approximately \$5.7 million for fiscal year 2013. Due to the historically high level of occupancy at this project and the strong demand for its apartments, we do not believe this income will decline. We have projected that the Gateway Plaza PILOT to remain flat at the 2013 level through February 15, 2016 at which point full PILOT payments based on the assessment of the property are set to be phased in at 20% per year until fully phased-in during 2020 at \$19.3 million. Although there is potential at that point for the property to shift to market rent leases, we have taken a conservative approach and assumed that rental income will remain consistent with historic stabilized levels. Accordingly, we have modeled future increases based on the Rent Guidelines Board increases for rent-stabilized apartments which have averaged approximately 3.0% per year over the last 20 years.

NEW YORK CITY RESIDENTIAL ASSESSMENT POLICY

Residential property is also assessed with predominant reliance on the income approach. Section 581 of the Real Property Tax Law requires that residential condominiums and cooperative be assessed as if they were rental buildings, and that rental buildings be assessed without consideration of potential value as condominiums or cooperatives.

Income-producing properties such as the rental buildings submit actual income and pre-tax operating expenses to the Assessor. For condominiums and cooperatives, where there are no income statements, the Assessor ascribes rents and expenses from the guidelines and comparable rental building information. A building is assessed in its entirety, with a pro-rata share of the assessment assigned to each unit. After estimating a building's effective gross income, the market value is calculated by multiplying the operating income by a gross income multiplier. The Actual Assessment is arrived by applying the 45 percent equalization ratio to the market value. As in the case of Class IV office properties, real estate taxes are paid on the lower of the Actual and Transitional assessed values, termed the "billable" assessed value. The "billable" assessed value is then multiplied by the applicable tax rate to calculate property taxes payable.

According to the Assessor's guidelines, the residential buildings in Battery Park City are categorized as "good quality, high-rise Elevator and Luxury Apartments Constructed after 1974".

APPEAL PROCESS

The appeal process for residential properties is the same as described for the commercial properties in Section III of the report.

HISTORICAL ASSESSED VALUES

The tables on the following pages show aggregate assessments for the residential buildings over the past 15 tax years. Please note that the newer residential buildings are illustrated in separate tables, since the historical information for these buildings is more limited.

Residential Base Rent and Supplemental Rent

RESIDENTIAL - TARGET ASSESSMENT (45% of Market Value)

	GBA (SF)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	% Growth	
Site A The Soundings	106,631	8,145,002	8,904,874	9,787,511	9,001,354	8,817,313	7,287,301	8,107,211	9,452,351	9,902,257	10,386,026	11,016,458	3.07%	
Assessment per Square Foot		76.38	83.51	91.79	84.42	82.69	68.34	76.03	88.65	92.86	97.40	103.31		
% Growth		19.55%	9.33%	9.91%	-8.03%	-2.04%	-17.35%	11.25%	16.59%	4.76%	4.89%	6.07%		
Site B Liberty Court	590,974	45,270,010	49,508,888	58,288,483	52,290,494	51,012,026	52,590,146	44,625,164	43,286,409	43,286,409	43,719,273	44,375,062	-0.20%	
Assessment per Square Foot		76.60	83.78	98.63	88.48	86.32	88.99	75.51	73.25	73.25	73.98	75.09		
% Growth		22.56%	9.36%	17.73%	-10.29%	-2.44%	3.09%	-15.15%	-3.00%	0.00%	1.00%	1.50%		
Site C Hudson View East	106,052	8,063,995	9,013,228	9,535,052	9,535,052	8,142,302	7,435,802	7,685,110	8,408,155	9,335,701	9,344,701	11,966,090	4.03%	
Assessment per Square Foot		76.04	84.99	89.91	89.91	76.78	70.11	72.47	79.28	88.03	88.11	112.83		
% Growth		17.55%	11.77%	5.79%	0.00%	-14.61%	-8.68%	3.35%	9.41	11.03%	0.10%	28.05%		
Site D Park Place	281,049	19,575,000	18,675,000	21,330,000	18,000,000	27,900,000	15,660,167	20,852,966	22,008,812	29,977,348	26,349,745	31,365,490	4.83%	
Assessment per Square Foot		69.65	66.45	75.89	64.05	99.27	55.72	74.20	78.31	106.66	93.75	111.60		
% Growth		15.69%	-4.60%	14.22%	-15.61%	55.00%	-43.87%	33.16%	5.54%	36.21%	-12.10%	19.04%		
Site E/F Hudson Tower	150,855	10,946,254	12,233,071	12,627,451	12,515,858	12,487,501	11,020,501	11,020,501	12,822,510	12,327,295	13,455,628	13,802,229	2.35%	
Assessment per Square Foot		72.56	81.09	83.71	82.97	82.78	73.05	73.05	85.00	81.72	89.20	91.49		
% Growth		17.37%	11.76%	3.22%	-0.88%	-0.23%	-11.75%	0.00%	16.35%	-3.86%	9.15%	2.58%		
Site G Hudson View West	91,774	7,200,003	7,426,528	8,527,499	8,374,949	8,694,001	7,335,004	7,235,004	8,162,964	8,023,128	9,430,450	9,792,010	3.12%	
Assessment per Square Foot		78.45	80.92	92.92	91.26	94.73	79.92	78.84	88.95	87.42	102.76	106.70		
% Growth		20.08%	3.15%	14.82%	-1.79%	3.81%	-15.63%	-1.36%	12.83%	-1.71%	17.54%	3.83%		
Site H/I River Rose	237,725	17,820,000	17,910,000	20,025,000	18,540,000	19,035,000	19,620,000	20,160,000	20,160,000	20,970,000	23,410,796	23,175,080	23,834,258	2.95%
Assessment per Square Foot		74.96	75.34	84.24	77.99	80.07	82.53	84.80	88.21	98.48	97.49	100.26		
% Growth		20.00%	0.51%	11.81%	-7.42%	2.67%	3.07%	2.75%	4.02%	11.64%	-1.01%	2.84%		
Site J Liberty House	220,821	16,721,999	18,699,585	16,951,502	17,408,715	18,928,364	17,294,401	16,647,752	19,488,608	20,705,246	20,156,859	20,596,965	2.11%	
Assessment per Square Foot		75.73	84.68	76.77	78.84	85.72	78.32	75.39	88.26	93.76	91.28	93.27		
% Growth		20.35%	11.83%	-9.35%	2.70%	8.73%	-8.63%	-3.74%	17.06%	6.24%	-2.65%	2.18%		
Site K Liberty Terrace	257,092	19,602,013	21,923,563	20,461,969	20,909,261	21,093,293	20,128,955	19,405,257	22,670,549	25,083,132	24,898,044	25,131,899	2.52%	
Assessment per Square Foot		76.25	85.28	79.59	81.33	82.05	78.29	75.48	88.18	97.56	96.84	97.75		
% Growth		21.17%	11.84%	-6.67%	2.19%	0.88%	-4.57%	-3.59%	16.82%	10.64%	-0.74%	0.94%		
Site L Battery Pointe	129,176	9,945,009	10,859,225	12,721,064	11,043,003	10,836,005	9,315,017	10,115,993	11,665,015	12,226,599	12,745,024	12,717,077	2.49%	
Assessment per Square Foot		76.99	84.07	98.48	85.49	83.89	72.11	78.31	90.30	94.65	98.66	98.45		
% Growth		22.78%	9.19%	17.15%	-13.19%	-1.87%	-14.04%	8.60%	15.31%	4.81%	4.24%	-0.22%		
Site 4 Liberty View	348,953	26,130,155	26,964,216	28,767,240	29,091,598	28,459,997	27,170,906	26,196,080	29,031,978	30,664,679	30,865,639	30,936,953	1.70%	
Assessment per Square Foot		74.88	77.27	82.44	83.37	81.56	77.86	75.07	83.20	87.88	88.45	88.66		
% Growth		22.27%	3.19%	6.69%	1.13%	-2.17%	-4.53%	-3.59%	10.83%	5.62%	0.66%	0.23%		
Site 10 The Regatta	237,270	18,616,498	20,205,271	20,600,994	21,587,580	20,745,004	18,342,001	19,512,005	20,712,573	21,234,942	21,974,117	22,363,659	1.85%	
Assessment per Square Foot		78.46	85.16	86.83	90.98	87.43	77.30	82.24	87.30	89.50	92.61	94.25		
% Growth		33.02%	8.53%	1.96%	4.79%	-3.90%	-11.58%	6.38%	6.15%	2.52%	3.48%	1.77%		
Site 11 Cove Club	189,273	13,430,253	14,601,517	14,219,552	15,675,849	15,718,501	14,245,504	14,945,504	16,249,496	18,173,101	18,965,400	20,288,705	4.21%	
Assessment per Square Foot		70.96	77.15	75.13	82.29	83.05	75.25	78.96	85.85	96.02	100.20	107.19		
% Growth		23.56%	8.72%	-2.62%	9.54%	0.92%	-9.39%	4.93%	8.73%	11.84%	4.36%	6.98%		
Site Pod III Gateway Plaza	1,881,621	93,400,000	101,700,000	136,800,000	112,950,000	120,150,000	148,950,000	125,100,000	117,000,000	117,008,550	133,518,150	134,905,500	3.75%	
Assessment per Square Foot		49.64	54.05	72.70	60.03	63.85	79.16	66.49	62.18	62.18	70.96	71.70		
% Growth		2.75%	8.89%	34.51%	-17.43%	6.37%	23.97%	-16.01%	-6.47%	0.01%	14.11%	1.04%		
TOTAL RESIDENTIAL	4,829,266	314,866,191	338,624,966	390,643,317	356,823,713	372,019,307	376,392,705	351,608,547	361,929,420	381,359,183	398,984,336	413,092,355	2.26%	
Assessment per Square Foot		65.20	70.12	80.89	73.89	77.03	77.94	72.81	74.95	78.97	82.62	85.54		
% Growth		15.33%	7.55%	15.36%	-8.66%	4.26%	1.18%	-6.58%	2.94%	5.37%	4.62%	3.54%		

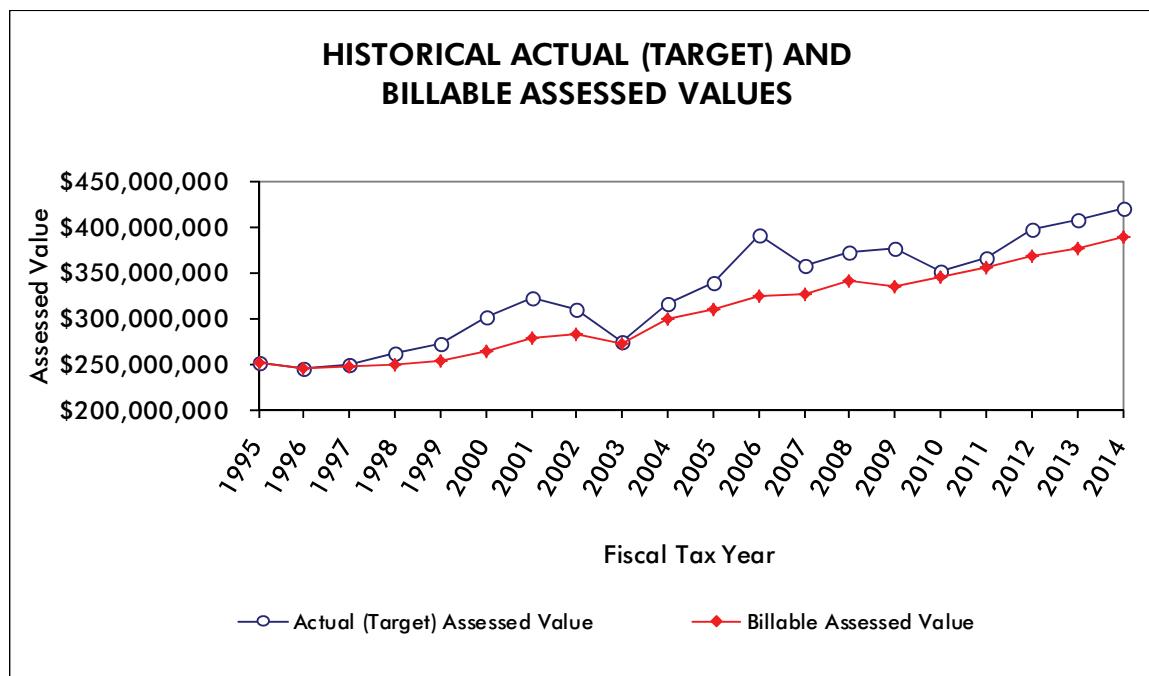
(1) Represents the compounded growth from the 1994/95 tax year.

RESIDENTIAL - BILLABLE ASSESSED VALUE

	GBA (SF)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	% Growth
Site A The Soundings	106,631	7,592,551	7,462,838	7,913,703	7,836,192	8,165,766	7,287,301	8,107,211	8,461,438	8,712,906	9,026,649	9,772,661	2.56%
Assessment per Square Foot		71.20	69.99	74.22	73.49	76.58	68.34	76.03	79.35	81.71	84.65	91.65	
% Growth		11.45%	-1.71%	6.04%	-0.98%	4.21%	-10.76%	11.25%	4.37%	2.97%	3.60%	8.26%	
Site B Liberty Court	590,974	41,797,296	43,272,806	46,599,085	47,699,470	50,527,293	52,020,175	44,625,164	47,731,903	50,985,018	51,022,541	50,894,612	1.99%
Assessment per Square Foot		70.73	73.22	78.85	80.71	85.50	88.02	75.51	80.77	86.27	86.34	86.12	
% Growth		13.15%	3.53%	7.69%	2.36%	5.93%	2.95%	-14.22%	6.9%	6.82%	0.07%	-0.25%	
Site C Hudson View East	106,052	6,969,368	7,465,974	7,746,597	8,052,057	8,131,536	7,435,802	7,685,110	7,831,349	8,051,829	8,371,141	9,347,952	2.98%
Assessment per Square Foot		65.72	70.40	73.05	75.93	76.67	70.11	72.47	73.84	75.92	78.93	88.14	
% Growth		4.85%	7.13%	3.76%	3.94%	0.99%	-8.56%	3.35%	1.90%	2.82%	3.97%	11.67%	
Site D Park Place	281,049	19,503,000	18,675,000	19,159,000	18,000,000	20,581,000	15,660,167	20,748,710	20,884,444	23,279,887	22,969,808	26,110,875	2.96%
Assessment per Square Foot		69.39	66.45	68.17	64.05	73.23	55.72	73.83	74.31	82.83	81.73	92.91	
% Growth		15.27%	2.59%	-4.25%	2.5%	-6.05%	14.34%	-23.91%	3.49%	0.65%	11.47%	13.67%	
Site E/F Hudson Tower	150,855	9,927,804	10,450,150	10,431,489	10,764,975	11,389,701	11,020,501	11,020,501	12,822,510	12,327,295	12,425,688	12,685,633	2.48%
Assessment per Square Foot		65.81	69.27	69.15	71.36	75.50	73.05	73.05	85.00	81.72	81.18	84.09	
% Growth		6.45%	5.26%	-0.18%	3.20%	5.80%	-3.24%	0.00%	16.35%	-3.86%	-0.66%	3.59%	
Site G Hudson View West	91,774	6,458,363	6,444,756	7,031,127	7,126,083	7,575,130	7,335,004	7,235,004	7,625,095	7,682,387	7,982,449	8,548,751	2.84%
Assessment per Square Foot		70.37	72.40	76.61	77.65	82.54	79.92	78.84	83.49	83.71	86.98	93.15	
% Growth		7.71%	2.89%	5.81%	1.35%	6.30%	-3.17%	-1.36%	5.90%	0.26%	3.91%	7.09%	
Site H/I River Rose	237,725	17,820,000	17,642,996	17,166,096	17,089,996	18,106,996	18,836,000	19,241,000	19,710,000	23,410,796	23,175,080	23,834,258	2.95%
Assessment per Square Foot		74.96	74.22	74.06	71.89	76.17	79.23	80.94	82.91	98.48	97.49	100.26	
% Growth		20.00%	-0.99%	-0.20%	-2.94%	5.95%	4.03%	2.15%	2.44%	18.78%	-1.01%	2.84%	
Site J Liberty House	220,821	15,680,614	16,298,423	16,566,511									

For the older buildings in the period from the 2003/2004 tax year to the 2013/2014 tax year, actual or target assessments on a building-by-building basis have witnessed compound annual average growth rates between -0.2 to 4.8% percent averaging 2.8%. Growth was strongest in the early part of the period as reductions after September 11, 2001 were eliminated, and appear to have stabilized between 2006/07 and 2007/08, before the declines from the prior recession were factored into the assessments in 2009/10.

The trends in Actual and Billable assessment since 1994/95 witnessed both positive and negative growth and are displayed graphically in the following chart.



The tables on the following pages show aggregate assessments for the more recently constructed residential buildings.

Residential Base Rent and Supplemental Rent

RECENTLY CONSTRUCTED RESIDENTIAL - TARGET ASSESSMENT (45% of Market Value)											
	GBA (SF)	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Annual % Growth
Site 20B The Hallmark - Senior Housing	239,508	21,240,000	20,025,000	23,760,000	30,645,000	33,120,000	34,740,000	34,498,800	36,059,400	36,168,750	6.88%
Assessment per Square Foot		88.68	83.61	99.20	127.95	138.28	145.05	144.04	150.56	151.01	
% Growth		32.58%	-5.72%	18.65%	28.98%	8.08%	4.89%	-0.69%	4.52%	0.30%	
Site 21A Tribeca Pointe	357,000	29,070,000	30,510,000	31,680,000	26,370,000	30,150,000	28,080,000	29,036,250	33,014,250	36,466,200	2.87%
Assessment per Square Foot		81.43	85.46	88.74	73.87	84.45	78.66	81.33	92.48	102.15	
% Growth		18.32%	4.95%	3.83%	-16.76%	14.33%	-6.87%	3.41%	13.70%	10.46%	
Site 20 A/C Tribeca Park	484,000	36,585,000	36,180,000	36,225,000	34,785,000	36,495,000	35,100,000	38,169,000	38,759,400	39,495,150	0.96%
Assessment per Square Foot		75.59	74.75	74.85	71.87	75.40	72.52	78.86	80.08	81.60	
% Growth		-4.35%	-1.11%	0.12%	-3.98%	4.92%	-3.82%	8.74%	1.55%	1.90%	
Site 12 River Watch	230,765	14,850,000	11,925,000	12,510,000	13,770,000	14,310,000	12,105,000	14,071,050	15,183,000	15,525,450	0.56%
Assessment per Square Foot		64.35	51.68	54.21	59.67	62.01	52.46	60.98	65.79	67.28	
% Growth		0.92%	-19.70%	4.91%	10.07%	3.92%	-15.41%	16.24%	7.90%	2.26%	
Site 13 South Cove Plaza	239,165	14,985,000	14,400,000	13,770,000	14,130,000	14,490,000	12,555,000	15,344,100	16,911,000	18,402,300	2.60%
Assessment per Square Foot		62.66	60.21	57.58	59.08	60.59	52.50	64.16	70.71	76.94	
% Growth		1.83%	-3.90%	-4.38%	2.61%	2.55%	-13.35%	22.22%	10.21%	8.82%	
Site 1 Ritz-Carlton Apartments	229,060	21,645,017	21,341,310	20,745,000	20,205,006	23,355,850	27,949,671	29,261,702	29,866,507	4.11%	
Assessment per Square Foot		94.49	94.49	93.17	90.57	88.21	101.96	122.02	127.75	130.39	
% Growth		-6.15%	0.00%	-1.40%	-2.79%	-2.60%	15.59%	19.67%	4.69%	2.07%	
Site 22 Tribeca Bridge Tower	244,617	15,300,000	16,155,000	16,335,000	19,035,000	17,910,000	17,730,000	19,282,950	20,510,550	21,040,650	4.06%
Assessment per Square Foot		62.55	66.04	66.78	77.82	73.22	72.48	78.83	83.85	86.01	
% Growth		-21.30%	5.59%	1.11%	16.53%	-5.91%	-1.01%	8.76%	6.37%	2.58%	
Site 19A 22 River Terrace	331,500	31,860,000	34,560,000	33,615,000	30,285,000	32,985,000	32,895,000	32,976,450	36,486,000	36,945,900	1.87%
Assessment per Square Foot		96.11	104.25	101.40	91.36	99.50	99.23	99.48	110.06	111.45	
% Growth		12.74%	8.47%	-2.73%	-9.91%	8.92%	-0.27%	0.25%	10.64%	1.26%	
Site 18A The Solaire	356,786	32,715,000	35,235,000	32,085,000	36,450,000	39,555,000	39,375,000	45,438,300	42,559,200	43,510,950	3.63%
Assessment per Square Foot		91.69	98.76	89.93	102.16	110.86	110.36	127.35	119.28	121.95	
% Growth		0.06%	7.70%	-8.94%	13.60%	8.52%	-0.46%	15.40%	-6.34%	2.24%	
Site 18B The Verdesian	278,141	32,715,000	28,728,000	31,680,000	17,910,000	30,870,000	31,860,000	34,100,000	30,375,000	31,401,000	-0.51%
Assessment per Square Foot		91.69	103.29	113.90	64.39	110.99	114.55	122.60	109.21	112.90	
% Growth		NA	-12.19%	10.28%	-43.47%	72.36%	3.21%	7.03%	-10.92%	3.38%	
Site 19B TriBeCa Green	356,483	NA	44,775,000	45,450,000	33,840,000	34,830,000	33,210,000	35,668,350	34,926,300	35,620,200	-3.21%
Assessment per Square Foot		NA	125.60	127.50	94.93	97.70	93.16	100.06	97.97	99.92	
% Growth		NA	NA	1.51%	-25.54%	2.93%	-4.65%	7.40%	-2.08%	1.99%	
Site 2a Millennium Tower	416,200	NA	NA	36,827,206	38,663,563	35,335,505	37,952,792	38,376,609	41,334,758	42,815,690	2.54%
Assessment per Square Foot		NA	NA	88.48	92.90	84.90	91.19	92.21	99.31	102.87	
% Growth		NA	NA	NA	4.99%	-8.61%	7.41%	1.12%	7.71%	3.58%	
Site 3 The Visionnaire	438,117	NA	NA	NA	23,625,000	24,640,659	48,823,316	49,576,054	48,362,391	48,905,557	15.66%
Assessment per Square Foot		NA	NA	NA	53.92	56.24	111.44	113.16	110.39	111.63	
% Growth		NA	NA	NA	4.30%	98.14%	1.54%	-2.45%	1.12%		
Site 16 & 17 Riverhouse	531,665	NA	NA	NA	32,850,000	32,850,217	48,728,707	56,349,904	56,928,612	58,506,760	12.24%
Assessment per Square Foot		NA	NA	NA	61.79	61.79	91.65	105.99	107.08	110.04	
% Growth		NA	NA	NA	0.00%	48.34%	15.64%	1.03%	2.77%		
Site 23 Milstein Freedom	225,000	NA	21,053,670	34,450,970	27.92%						
Assessment per Square Foot		NA	59.01	96.56							
% Growth		NA	63.63%								
Site 24 Milstein Liberty	338,491	NA	11,451,424	21,342,195	36.52%						
Assessment per Square Foot		NA	32.10	59.82							
% Growth		NA	86.37%								
TOTAL (excluding Site 2a, 3, 16/17 & 23/24)	2,990,542	250,965,017	249,363,018	253,001,310	244,125,000	270,090,006	267,795,850	290,866,571	299,119,502	308,822,857	2.33%
Assessment per Square Foot		83.92	83.38	84.60	81.63	90.31	89.55	97.26	100.02	103.27	
% Growth		18.53%	-0.64%	1.46%	-3.51%	10.64%	-0.85%	8.62%	2.84%	3.24%	

RECENTLY CONSTRUCTED RESIDENTIAL - BILLABLE ASSESSED VALUE											
	GBA (SF)	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Annual % Growth
Site 20B The Hallmark - Senior Housing	239,508	18,396,000	18,441,000	19,233,000	22,338,000	25,758,000	28,458,000	31,352,760	31,964,880	32,037,750	7.18%
Assessment per Square Foot		76.81	77.00	80.30	93.27	107.55	118.82	130.90	133.46	133.76	
% Growth		14.83%	0.24%	4.29%	16.14%	15.31%	10.48%	10.17%	1.95%	0.23%	
Site 21A Tribeca Pointe	357,000	29,070,000	28,142,997	28,583,997	26,370,000	29,556,000	28,080,000	29,036,250	29,330,100	30,886,490	0.76%
Assessment per Square Foot		81.43	78.83	80.07	73.87	82.79	78.66	81.33	82.16	86.52	
% Growth		18.32%	-3.19%	1.57%	-7.75%	12.08%	-4.99%	3.41%	1.01%	5.31%	
Site 20 A/C Tribeca Park	484,000	36,585,000	35,951,998	35,744,998	34,785,000	35,697,000	35,100,000	36,154,800	36,401,880	37,343,910	0.26%
Assessment per Square Foot		75.59	74.28	73.85	71.87	73.75	72.52	74.70	75.21	77.16	
% Growth		-4.35%	-1.73%	-0.58%	-2.69%	2.62%	-1.67%	3.01%	0.68%	2.59%	
Site 12 River Watch	230,765	14,850,000	11,925,000	12,510,000	13,770,000	14,120,000	12,105,000	13,605,210	13,887,810	14,238,900	-0.52%
Assessment per Square Foot		64.35	51.68	54.21	59.67	61.19	52.46	58.96	60.18	61.70	
% Growth		0.92%	-19.70%	4.91%	10.07%	2.54%	-14.27%	12.39%	2.08%	2.53%	
Site 13 South Cove Plaza	239,165	14,437,000	14,030,000	13,770,000	14,024,000	13,331,000	12,555,000	13,085,820	14,686,020	15,458,880	0.86%
Assessment per Square Foot		60.36	58.66	57.58	58.64	55.74	52.50	57.73	61.41	64.64	
% Growth		-1.83%	-2.82%	-1.85%	1.84%	-4.94%	-5.82%	9.96%	6.38%	5.26%	
Site 1 Ritz-Carlton Apartments	229,060	21,645,017	21,310,828	20,745,000	20,205,006	21,349,035	22,759,368	24,343,445	26,167,747	2.40%	
Assessment per Square Foot		94.49	94.49	93.04	90.57	88.21	93.20	99.36	106.28	114.24	
% Growth		-12.14%	0.00%	-1.54%	-2.66%	-2.60%	5.66%	6.61%	6.96%	7.49%	
Site 22 Tribeca Bridge Tower	244,617	15,300,000	16,155,000	16,335,000	17,253,000	16,947,000	17,433,000	18,058,590	18,893,700	19,294,830	2.94%
Assessment per Square Foot		62.55	66.04	66.78	70.53	69.28	71.27	73.82	77.24	78.88	
% Growth		-21.30%	5.59%	1.11%	5.62%	-1.77%	2.87%	3.59%	4.62%	2.12%	
Site 19A 22 River Terrace	331,500	26,883,000	28,845,000	30,618,000	30,285,000	32,661,000	32,868,000	32,551,290	33,125,490	34,457,670	3.15%
Assessment per Square Foot		81.10	87.01	92.36	91.36	98.52	99.15	98.19	99.93	103.94	
% Growth		5.59%	7.30%	6.15%	-1.09%	7.85%	0.63%	-0.96%	1.76%	4.02%	
Site 18A The Solaire	356,786	32,009,399	32,862,148	32,085,000	33,835,950	35,208,000	36,540,000	38,580,660	40,675,500	42,087,690	3.48%
Assessment per Square Foot		89.72	92.11	89.93	94.84	98.68	102.41	108.13	114.01	117.96	
% Growth		1.10%	2.66%	-2.36%	5.46%	4.06%	3.78%	5.58%	5.43%	3.47%	
Site 18B The Verdesian	278,141	32,009,399	27,326,328	30,670,402	17,910,000	28,543,050	28,799,550	29,284,020	29,095,020	31,401,000	-0.24%
Assessment per Square Foot		115.08	98.25	110.27							

Since many of these properties were recently completed, limited historical information is available. For instance the Verdesian (Site 18b) was fully assessed in 2004, while the Riverhouse (Site 16/18) and the Visionaire (Site 3) were completed in 2006. Although some of the individual properties indicated negative growth, in aggregate the overall trend was positive growth of 2.33 percent per annum. The billable assessments indicated an overall average compounded annual growth of 1.81 percent. Again this reflects the addition of the newly constructed properties.

Actual 2013/2014 assessed values are presented in the following table for Battery Park City properties and comparable residential buildings in Downtown Manhattan. We have selected comparable buildings based on their age, market position, Downtown location and market rents.

COMPARISON OF 2013/14 ACTUAL ASSESSED VALUES				
	Ownership	Building Area (SF)	2013/2014 Actual Assessment	Assessment Per SF
BATTERY PARK RESIDENTIAL				
Battery Pointe	Condominium	129,176	\$12,717,077	\$98.45
Cove Club	Condominium	189,273	\$20,288,705	\$107.19
Hudson Tower	Condominium	150,855	\$13,802,229	\$91.49
Hudson View East	Condominium	106,052	\$11,966,090	\$112.83
Hudson View West	Condominium	91,774	\$9,792,010	\$106.70
Liberty Court	Condominium	590,974	\$44,375,062	\$75.09
Liberty House	Condominium	220,821	\$20,596,965	\$93.27
Liberty Terrace	Condominium	257,092	\$25,131,899	\$97.75
Rector Square/Parc Place	Condominium	281,049	\$31,365,490	\$111.60
Liberty View	Condominium	348,953	\$30,936,953	\$88.66
Millennium Ritz Carlton Apts	Condominium	229,060	\$29,866,507	\$130.39
Millenium Towers	Condominium	416,200	\$42,815,690	\$102.87
Regatta	Condominium	237,270	\$22,363,659	\$94.25
River Rose	Condominium	237,725	\$23,834,258	\$100.26
The Soundings	Condominium	106,631	\$11,016,458	\$103.31
Riverhouse	Condominium	531,665	\$58,506,760	\$110.04
The Visionaire	Condominium	438,117	\$48,905,557	\$111.63
22 River Terrace	Rental	331,500	\$36,945,900	\$111.45
Tribeca Green	Rental	356,483	\$35,620,200	\$99.92
Gateway Plaza	Rental	1,881,621	\$134,905,500	\$71.70
Hallmark Sr Living (Brookdale)	Rental	239,508	\$36,168,750	\$151.01
The Verdesian	Rental	278,141	\$31,401,000	\$112.90
RiverWatch	Rental	230,765	\$15,525,450	\$67.28
The Solaire	Rental	356,786	\$43,510,950	\$121.95
South Cove	Rental	239,165	\$18,402,300	\$76.94
Tribeca Bridge Tower	Rental	244,617	\$21,040,650	\$86.01
Tribeca Park	Rental	484,000	\$39,495,150	\$81.60
Tribeca Pointe (Rockrose)	Rental	357,000	\$36,466,200	\$102.15
MP Freedom LLC (Liberty Green)	Rental	225,000	\$34,450,970	\$153.12
MP Liberty LLC (Liberty Luxe)	Rental	338,491	\$21,342,195	\$63.05
Minimum				\$63.05
Maximum				\$153.12
Average				\$101.16
COMPARABLE BUILDINGS				
69 Broadway	Rental	303,086	\$24,668,400	\$81.39
100 William St	Rental	377,120	\$31,054,500	\$82.35
45 Wall Street	Rental	493,187	\$46,956,150	\$95.21
21 West Street	Rental	335,746	\$21,275,100	\$63.37
127 John Street	Rental	541,000	\$39,476,718	\$72.97
25 Broad Street	Rental	521,767	\$42,237,335	\$80.95
71 Broadway	Rental	303,086	\$24,998,400	\$82.48
Minimum				\$63.37
Maximum				\$95.21
Average				\$79.82

Source: NYC Department of Finance and REBNY; Compiled by CBRE, Inc.

The actual assessments of the Battery Park City residential properties range from \$63.05 to \$153.12 per square foot, with an average of \$100.48 per square foot. The comparables indicate a range of \$63.37 to \$95.21 per square foot, with an average \$79.82 of per square foot. The comparables generally feature lower assessment compared to the Battery Park City buildings as they represent conversions of office buildings. Therefore, as the Battery Park City properties are of superior condition and quality, their assessments tend to fall at the upper end of the comparable range.

FORECASTS OF RESIDENTIAL ASSESSED VALUES - THE INCOME APPROACH TO VALUE

In using the income approach to value, the Assessor capitalizes the net operating income of a building to estimate market value. Once this market value has been determined, the assessed value is then determined by multiplying the market value by the 45 percent Equalization Ratio. As with the office component, this calculation can be summarized as follows:

	Estimate of Actual or Market Rental Income
Less:	Operating Expenses (excluding real estate tax)
Equals:	Net Operating Income
Divided by:	Adjusted Capitalization Rate (loaded for real estate taxes)
Equals:	Market Value
Multiplied by:	45 percent Equalization Ratio
Equals:	Assessed Value

Owners of income-producing properties having assessed values greater than \$40,000 are required to file an annual Real Property Income and Expense Statement (“RPIE”) with the City of New York Department of Finance. These records are directly used in the Assessor's calculation of value. For condominium properties where no statement is filed, the assessment is based on market rents and expenses assigned to the property by the Assessor based on market evidence from comparable buildings and guidelines described later in this analysis.

The guidelines issued by The City of New York Department of Finance for the 2013/2014 tax year for use by the Assessor contain information regarding market rents, expenses and capitalization rates associated with various rent and expense levels. The guidelines for Class II properties in Manhattan are segmented by location (Downtown vs. Midtown), year built (pre- or post-1974), building type (walk-up, elevator, regulated, unregulated), and building size (above or below 10 units).

The Assessor considers both reported actual operating expenses and comparable operating expenses contained in the guidelines. The expense amount does not include real estate taxes. For condominium and co-op buildings (or portions of buildings), operating expenses are estimated from comparable buildings and are adjusted based upon the amenities of the subject building, location, and classification.

The Assessor derives a building's pre-tax capitalization rate utilizing the Ellwood formula, a mortgage-equity procedure that provides basic capitalization rates for many combinations of equity yield requirements and mortgage terms. Such rates can be adjusted for anticipated changes in income over a prescribed holding period. This capitalization rate is further adjusted to compensate for the exclusion of real estate taxes from expenses by multiplying the prior year's tax rate by the 45 percent equalization rate and adding this amount to the pre-tax capitalization rate.

The assessor utilizes a 7.2% capitalization rate on all rental and condominium properties in Battery Park City, with the exception of Riverwatch, where a 7.213% rate is used. Details on the Milstein Liberty and Freedom properties was not available as the current assessment figure are based on new construction and income/expense projections will not be completed until 2014/15. A summary of the income and expense from each residential property in Battery Park City is presented below:

RESIDENTIAL INCOME, EXPENSE & CAP RATE					
	Ownership	Assessor's Revenue/SF	Assessor's Expense/SF	Assessor's NOI/SF	Assessor's Cap Rate
Battery Pointe	Condominium	\$37.61	\$7.67	\$29.95	13.132%
Cove Club	Condominium	\$31.52	\$7.94	\$23.58	13.132%
Hudson Tower	Condominium	\$34.87	\$7.05	\$27.82	13.132%
Hudson View East	Condominium	\$43.29	\$11.06	\$32.23	13.132%
Hudson View West	Condominium	\$36.76	\$7.49	\$29.26	13.132%
Liberty Court	Condominium	\$35.74	\$10.33	\$25.41	13.132%
Liberty House	Condominium	\$37.04	\$9.96	\$27.08	13.132%
Liberty Terrace	Condominium	\$37.99	\$9.57	\$28.42	13.132%
Rector Square/Parc Place	Condominium	\$41.21	\$10.88	\$30.34	13.132%
Liberty View	Condominium	\$35.55	\$10.19	\$25.37	13.132%
Millennium Ritz Carlton Apts	Condominium	\$51.76	\$13.71	\$38.05	13.132%
Millennium Pointe	Condominium	\$43.14	\$13.29	\$29.85	13.132%
Regatta	Condominium	\$31.69	\$9.14	\$22.55	13.132%
River Rose	Condominium	\$37.26	\$10.02	\$27.24	13.132%
The Soundings	Condominium	\$37.47	\$7.57	\$29.90	13.132%
Riverhouse	Condominium	\$44.54	\$12.81	\$31.73	13.132%
The Visionaire	Condominium	\$37.32	\$9.32	\$27.99	13.132%
22 River Terrace	Rental	\$42.22	\$9.70	\$32.52	13.131%
Tribeca Green	Rental	\$41.82	\$12.66	\$29.16	13.131%
Gateway Plaza	Rental	N/A	N/A	N/A	N/A
Hallmark Sr Living (Brookdale)	Rental	\$62.60	\$18.53	\$44.07	13.131%
The Verdesian	Rental	\$47.05	\$14.10	\$32.95	13.131%
RiverWatch	Rental	\$26.85	\$7.47	\$19.38	13.258%
The Solaire	Rental	\$48.92	\$13.33	\$35.60	13.131%
South Cove	Rental	\$28.89	\$6.44	\$22.45	13.131%
Tribeca Bridge Tower	Rental	\$36.23	\$11.13	\$25.10	13.131%
Tribeca Park	Rental	\$34.79	\$10.98	\$23.81	13.131%
Tribeca Pointe (Rockrose)	Rental	\$40.04	\$10.23	\$29.81	13.131%
MP Freedom LLC (Liberty Green)	Rental	N/A	N/A	N/A	N/A
MP Liberty LLC (Liberty Luxe)	Rental	N/A	N/A	N/A	N/A
	Min	\$26.85	\$6.44	\$19.38	13.131%
	Max	\$62.60	\$18.53	\$44.07	13.258%
	Average	\$39.41	\$10.47	\$28.95	13.136%

Source: NYC Department of Finance , Compiled by CBRE

RESIDENTIAL RENTAL MARKET

New York City has one of the nation's largest and most diverse residential markets. As indicated by REIS, Inc., asking rents in Manhattan have exhibited a long term upward trend in rental rates. The 1st Quarter 2013 vacancy, as measured by REIS was 1.9%, a drop of 20 bps from the prior quarter and lower than any other year-end rate since 2000. According to the baseline REIS forecast, the New York market is expected to remain extremely tight, with a vacancy rate of 2.2% at year-end 2013 and 2.2% in 2017.

According to Miller-Samuel, since the beginning of 2013 rental prices continue to increase with the median Manhattan rental rising 6.5% to \$3,195 from the same period last year. Without the need to offer concessions, only 4.7% of leases signed in 2013, as tracked by the Douglas Elliman Report, offered concessions and at an average of 1.1 months. REIS projects rents will continue to rise in 2013, by approximately 3.8%.

Absorption has been constrained by a lack of product. First quarter 2013 absorption was 1,711 units while new supply was just 245 units. The 2013 REIS forecast projects 4,677 new units completed and 5,570 absorbed. Deducting first quarter completions, 8,387 units remain under construction according to REIS, a very small percent of the overall rental market. Despite new supply the New York City housing market is projected to remain very tight; the city is forecasted to average approximately 4,200 new market rate rental units per year from 2013 to 2016, with net absorption at or above that level. As a result, market-rate rents will continue to rise making New York City even more expensive.

New York Apartment 2Q 2013 Metro Trend Futures										
Year	Qtr	Inventory (Units)	Completions	Conversions	Vacancy %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent \$	Asking Rent % Change
2003	Y	145,955	4,360	-466	4.0	5,863	140,092	3,597	2,202	1.50
2004	Y	148,316	2,515	-154	3.3	4,921	143,395	3,303	2,324	5.60
2005	Y	150,135	3,882	-2063	2.9	4,279	145,856	2,461	2,439	4.90
2006	Y	149,519	1,679	-2295	2.2	3,343	146,176	320	2,629	7.80
2007	Y	151,623	2,823	-719	2.1	3,244	148,379	2,203	2,856	8.60
2008	Y	153,945	2,097	225	2.3	3,545	150,400	2,021	2,884	1.00
2009	Y	155,806	1,861	0	2.9	4,451	151,355	955	2,737	-5.10
2010	1	156,758	1,140	-188	2.9	4,488	152,270	915	2,753	0.60
2010	2	159,410	2,652	0	3.2	5,052	154,358	2,088	2,787	1.20
2010	3	162,396	2,986	0	3.6	5,902	156,494	2,136	2,845	2.10
2010	4	163,064	668	0	3.2	5,178	157,886	1,392	2,867	0.80
2010	Y	163,064	7,446	-188	3.2	5,178	157,886	6,531	2,867	4.80
2011	1	164,470	1,406	0	2.8	4,545	159,925	2,039	2,877	0.30
2011	2	165,867	1,052	345	2.8	4,587	161,280	1,355	2,903	0.90
2011	3	166,037	170	0	2.5	4,115	161,922	642	2,934	1.00
2011	4	166,978	733	208	2.2	3,670	163,308	1,386	2,951	0.60
2011	Y	166,978	3,361	553	2.2	3,670	163,308	5,422	2,951	2.90
2012	1	167,941	963	0	2.1	3,491	164,450	1,142	2,954	0.10
2012	2	170,125	2,249	-65	2.2	3,692	166,433	1,983	3,002	1.70
2012	3	170,492	367	0	2.2	3,668	166,824	391	3,047	1.50
2012	4	170,111	890	-1271	2.1	3,609	166,502	-322	3,040	-0.20
2012	Y	170,111	4,469	-1336	2.1	3,609	166,502	3,194	3,040	3.00
2013	1	171,531	245	1175	1.9	3,318	168,213	1,711	3,043	0.10
2013	2	172,170	639	0	2.0	3,455	168,715	502	3,071	0.90
Forecast										
2013	Y	176,053	4,767	n/a	2.1	3,703	172,350	5,848	3,115	2.50
2014	Y	180,329	4,276	n/a	2.4	4,376	175,953	3,603	3,243	4.10
2015	Y	185,311	4,982	n/a	2.5	4,662	180,649	4,696	3,380	4.20
2016	Y	188,340	3,029	n/a	2.6	4,872	183,468	2,819	3,552	5.10
2017	Y	191,068	2,728	n/a	2.8	5,263	164,328	2,337	3,706	4.30

Source: REIS; compiled by CBRE

Battery Park City is situated in the West Village/Downtown Manhattan submarket as tracked by REIS, Inc. As of the second quarter of 2013 rental rates for the West Village/Downtown Manhattan, which includes all neighborhoods south of 14th Street, average \$4,027 per month, which is the second highest of the Markets tracked by REIS, with only the Upper West Side having a higher average rent. A submarket by submarket summary of the New York Apartment Market is shown below:

New York Apartment 2Q 2013 Submarket Overview						
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vacancy %	Free Rent (mos)	Expenses %
W Village/Downtown	114	23,365	\$4,027	2.6	0.1	52.20
Stuyvesant	82	22,654	\$3,935	1.6	0.3	55.20
Midtown West	106	25,271	\$3,901	3.1	0.2	52.20
Upper East Side	63	16,237	\$3,861	0.5	0.0	52.90
Upper West Side	69	16,044	\$4,402	2.0	0.4	52.50
Morningside Hts	76	8,477	\$2,324	1.9	0.4	54.50
Kings County	173	24,010	\$1,740	2.2	0.3	56.50
Queens County	105	23,855	\$1,600	2.2	0.2	55.50
Bronx County	78	12,257	\$1,138	0.8	0.0	55.80

Source: REIS

Similar to the trends indicated for the entire borough, the West Village/Downtown submarket witnessed a small decline in vacancy during second quarter of 2013 to 2.5%, down from 2.6% in the prior quarter and 3.0% at year end. REIS Reports anticipate that the vacancy rate will fall below 2.0% beginning in 2015. Average asking rental rates have increased over the past 12 months, with the current asking rent standing at \$4,027. REIS forecasts that the average asking rents will continue to increase over the next several years.

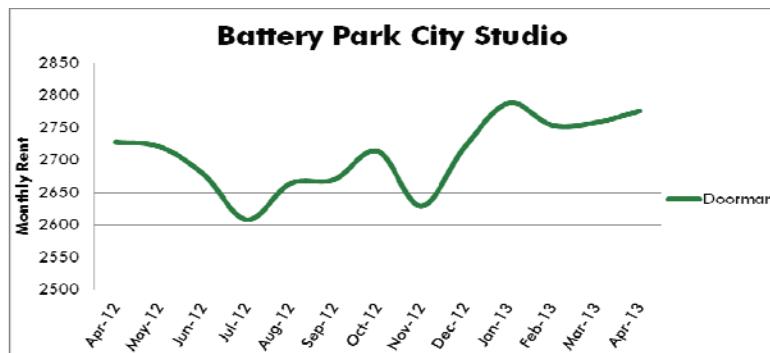
New York Apartment 2Q 2013 Submarket Trend Futures West Village/Downtown											
Year	Qtr	Inventory (Units)	Completions	Conversions	Vacancy %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent \$	% Change	Absorp/Occup Stock %
2003	Y	17,401	1,391	-48	5.0	870	16,531	1,469	2,827	0.40	8.9
2004	Y	18,231	908	-78	5.1	930	17,301	770	3,031	7.20	4.4
2005	Y	20,004	2,433	-660	4.1	820	19,184	1,883	3,210	5.90	9.8
2006	Y	19,680	706	-1030	2.7	531	19,149	-35	3,465	7.90	-0.2
2007	Y	20,304	1,343	-719	2.5	508	19,796	647	3,808	9.90	3.3
2008	Y	20,795	491	0	3.1	645	20,150	354	3,929	3.20	1.8
2009	Y	20,984	189	0	4.5	944	20,040	-110	3,730	-5.10	-0.5
2010	1	20,984	0	0	3.6	755	20,229	189	3,787	1.50	0.9
2010	2	21,334	350	0	3.2	683	20,651	422	3,712	-2.00	2.0
2010	3	21,372	38	0	3.0	641	20,731	80	3,861	4.00	0.4
2010	4	21,493	121	0	3.3	709	20,784	53	3,882	0.60	0.3
2010	Y	21,493	509	0	3.3	709	20,784	744	3,882	4.10	3.6
2011	1	21,551	58	0	2.6	560	20,991	207	3,890	0.20	1.0
2011	2	21,896	0	345	2.9	635	21,261	270	3,937	1.20	1.3
2011	3	21896	0	0	2.8	613	21283	22	3967	0.70	0.1
2011	4	22,104	0	208	2.2	493	21,611	328	3,936	-0.80	1.5
2011	Y	22,104	58	553	2.2	493	21,611	827	3,936	1.40	3.8
2012	1	22,104	0	0	2.1	464	21,640	29	3,934	-0.10	0.1
2012	2	23,043	939	0	2.5	576	22,467	827	3,986	1.30	3.7
2012	3	23,043	0	0	2.4	548	22,495	28	4,035	1.20	0.1
2012	4	22,190	418	-1271	3.0	666	21,524	-971	4,002	-0.80	-4.5
2012	Y	22,190	1,357	-1271	3.0	666	21,524	-87	4,002	1.70	-0.4
2013	1	23,365	0	1175	2.6	607	22,758	1,234	4,007	0.10	5.4
2013	2	23,365	0	0	2.5	596	22,769	11	4,027	0.50	0.0
Forecast											
2013	Y	23,548	183	n/a	2.4	563	22,985	1,461	4,079	1.90	6.4
2014	Y	23,996	448	n/a	2.4	586	23,410	425	4,224	3.60	1.8
2015	Y	24,378	382	n/a	1.8	449	23,929	519	4,378	3.60	2.2
2016	Y	24,704	326	n/a	1.9	464	24,240	311	4,579	4.60	1.3
2017	Y	25,082	378	n/a	2.1	514	24,568	328	4,771	4.20	1.3

Source: REIS; compiled by CBRE

Battery Park City Rental Trends

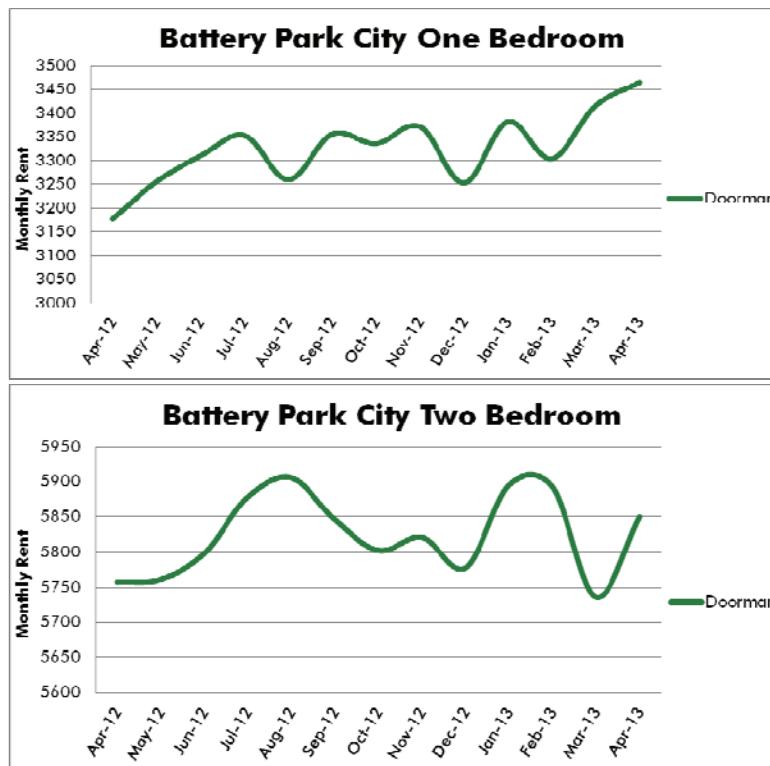
The charts to the right are based on data from MNS Management and provide a 13-month price trend for studio units, one-bedroom units and two-bedroom units from the Battery Park City neighborhood of Manhattan. MNS Management does not currently track any non-doorman units in the subjects neighborhood.

The rental rate of studio units in April 2012 was \$2,728 per unit. After fluctuations in the fall of 2012 the rental rate rallied to a high of \$2,788 in January 2013. The rental rate has dipped slightly to the most recent \$2,776 in April 2013.



One bedroom rental rates have shown an overall increasing trend over the past 13 months with the rental rate being at \$3,177 in April 2012 and increasing to the most recent high of \$3,465 in April 2013.

Two Bedroom units have shown had larger fluctuations in rental rate over the past 13 months than other units. After reaching a low of \$5,735 in March 2013 the rental rate has increased to \$5,850 the next month and is up from the same period a year ago when the rental rate was \$5,757.



CONDOMINIUM MARKET

Manhattan's residential market has been relatively strong since the third quarter of 2010. The number of sales this quarter was greater than both the prior quarter and the same quarter of the prior year. Meanwhile limited new product is leading supply constraints, pushing prices higher. A summary of the Manhattan Condo historical market statistics is presented on the following table:

MANHATTAN RESIDENTIAL CONDOMINIUM HISTORICAL STATISTICS							
Qtr/Yr	Average Sales		Average			# of Sales	% Difference
	Price	% Difference	Price Per SF	% Difference	# of Sales		
2Q13	\$1,892,924	3.86%	\$1,381	7.89%	1315	36.13%	
1Q13	\$1,822,570	-2.41%	\$1,280	-1.61%	966	-7.12%	
4Q12	\$1,867,516	5.72%	\$1,301	0.62%	1040	-15.03%	
3Q12	\$1,766,485	3.96%	\$1,293	7.66%	1224	8.13%	
2Q12	\$1,699,144	-8.55%	\$1,201	-8.81%	1132	21.20%	
1Q12	\$1,857,943	4.90%	\$1,317	1.70%	934	-7.98%	
4Q11	\$1,771,232	7.07%	\$1,295	5.03%	1,015	-43.26%	
3Q11	\$1,654,280	-2.81%	\$1,233	4.31%	1,789	39.33%	
2Q11	\$1,702,079	-3.09%	\$1,182	-2.80%	1,284	33.20%	
1Q11	\$1,756,414	-1.56%	\$1,216	1.50%	964	-13.07%	
4Q10	\$1,784,296	3.78%	\$1,198	-0.08%	1,109	-17.30%	
3Q10	\$1,719,296	2.32%	\$1,199	5.73%	1,341	-13.65%	
2Q10	\$1,680,236	-0.60%	\$1,134	-1.73%	1,553	22.00%	
1Q10	\$1,690,399	3.59%	\$1,154	-2.78%	1,273	5.29%	
4Q09	\$1,631,872	3.32%	\$1,187	7.81%	1,209	-2.11%	
3Q09	\$1,579,438	2.96%	\$1,101	-6.77%	1,235	53.61%	
2Q09	\$1,534,031	-29.02%	\$1,181	-16.42%	804	2.94%	
1Q09	\$2,161,237	27.77%	\$1,413	10.65%	781	-39.78%	
4Q08	\$1,691,459	-6.53%	\$1,277	-4.27%	1,297	-0.69%	
3Q08	\$1,809,684	-6.58%	\$1,334	-7.49%	1,306	-28.52%	
2Q08	\$1,937,090	-2.26%	\$1,442	1.84%	1,827	42.96%	
1Q08	\$1,981,802	27.65%	\$1,416	15.59%	1,278	-81.66%	
2007	\$1,552,495	4.80%	\$1,225	7.27%	6,969	66.48%	
2006	\$1,481,377	0.12%	\$1,142	5.16%	4,186	21.97%	
2005	\$1,479,608	19.23%	\$1,086	24.40%	3,432	-0.78%	
2004	\$1,240,939	17.96%	\$873	14.12%	3,459	15.07%	
2003	\$1,051,993	-1.22%	\$765	3.24%	3,006	-12.39%	
2002	\$1,065,012	4.18%	\$741	7.24%	3,431	-0.15%	
2001	\$1,022,255	10.82%	\$691	12.72%	3,436	-5.84%	
2000	\$922,484	-	\$613	-	3,649	-	

Source: Douglas Elliman-Miller Samuel

The condo market of New York City has noticed an increase in the number of sales transactions in the second quarter of 2013. The average asking sale price per square foot represents a stable trend that remains in the mid to high \$1,300 per square foot range. This range remains below the pre-recessionary rates and slightly above the past years performance with the second quarter of 2013 average being \$1,381 dollars per square foot.

The average price per square foot and average sale price increased since the last quarter and have been showing an increasing trend over the past decade taking a dip in 2009 due to the most recent recession. The number of sales has been consistent over the past 3 years remaining over 900 sales every quarter since 2009. It should be noted that these last statistics do account for the “shadow inventory”, including all those units which are not currently offered on the market but held by developers, banks or private owners, all waiting for conditions to improve before listing them. Miller Samuel Inc. estimates the New York shadow inventory at approximately 7,000 units. The two areas which appear to suffer the most are Williamsburg (Brooklyn) and the Financial District (Manhattan). Although an exact estimate is difficult to produce, market participants agree in saying that the shadow inventory is putting additional pressure on selling prices and will contribute on increasing the already significant market stock.

Overall, the discussed statistics and the sharp increase of all primary indicators of supply and demand in the market, reflect the current weakness of the residential market and the effect of the economic recession affecting New York City.

A summary of the current Manhattan Condo market is presented on the following table:

MANHATTAN CONDO OVERVIEW					
	2Q 2013	% Change (QTR)	1Q 2013	% Change (YR)	2Q 2012
Average Sale Price	\$1,892,924	3.9%	\$1,822,570	11.4%	\$1,699,144
Average Price Per SF	\$1,381	0.3%	\$1,377	15.0%	\$1,201
Median Sale Price	\$1,250,000	4.6%	\$1,195,000	13.6%	\$1,100,000
Number of Sales	1315	36.1%	966	16.2%	1132
Average Days on Market	163	25.4%	130	-5.2%	172
Average Discount from List Price	2.80%	-41.7%	4.80%	-58.8%	6.80%
Listing Inventory	2058	-6.0%	2190	-35.4%	3188

Source: Douglas Elliman / Miller Samuel Inc.

As previously mentioned, the average price per square foot indicated is showing an increase quarter-over-quarter and year-over-year. The following chart describes the current quarter's condominium sales broken down by unit type.

CONDOMINIUM SALES MIX		
Condo Mix	Sales Share	Med. Sales Price
Studio	10.1%	\$594,000
1 Bedroom	37.8%	\$880,000
2 Bedroom	33.4%	\$1,720,000
3 Bedroom	15.0%	\$2,920,000
4+ Bedroom	3.7%	\$5,800,000

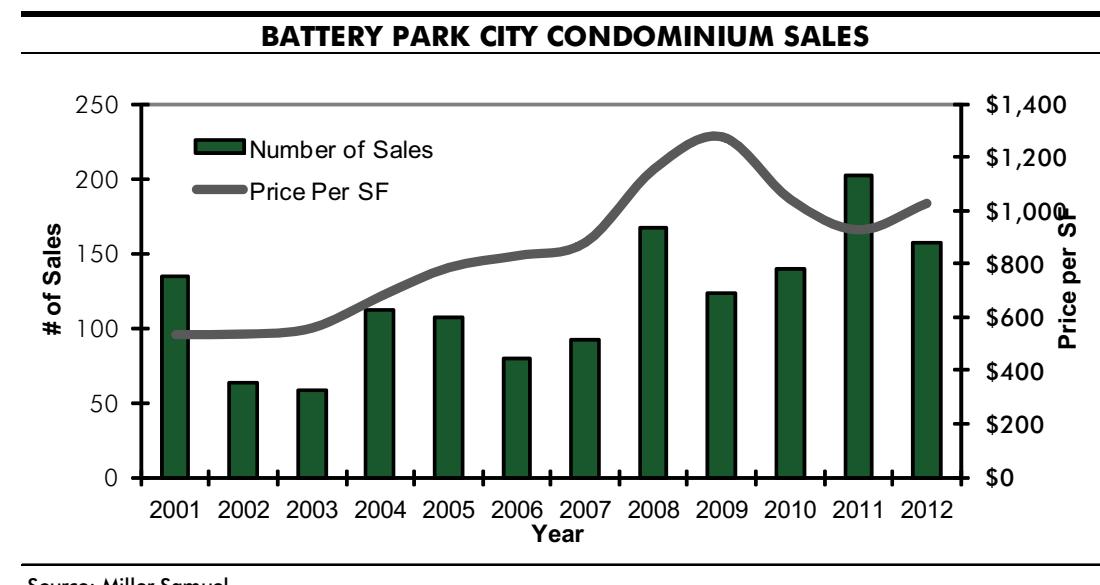
Source: Douglas Elliman

The subject property is situated within the Battery Park City submarket as defined by Miller Samuel. A summary of the historical sale price per square foot and the annual number of transactions for this submarket as of 2nd Quarter 2013 is presented on the following table.

BATTERY PARK CITY CONDOMINIUM OVERVIEW					
	2Q 2013	% Change (QTR)	1Q 2013	% Change (YR)	2Q 2012
Average Sale Price	\$1,089,129	1.87%	\$1,069,090	2.69%	\$1,060,639
Average Price Per SF	\$1,009	-0.30%	\$1,012	10.15%	\$916
Median Sale Price	\$715,000	-20.11%	\$895,000	-7.50%	\$773,000
Number of Sales	63	10.53%	57	61.54%	39

Source: Miller Samuel

The average price per square foot has decreased slightly while the average sale price has increased since the last quarter and both have increased since the same quarter last year. The average sales price per square foot is only .3 % lower than it was last quarter but is 10.15% higher than the same quarter last year and overall numbers of sales are up 61.54% from the same quarter last year. A summary of the most recent annual information is presented on the following graph:



Source: Miller Samuel

Starting in 2010 and continuing through 2012, the market showed signs of improvements, including increases in number of sales and stability in selling prices. This represents a reverse trend compared to the sharp decline in contract activity, the substantial increase in listing inventory and the decline in price level experienced from the third quarter of 2008 through the fourth quarter of 2009. The short term outlook is for continued stability with additional growth and strengthening expected over the long term.

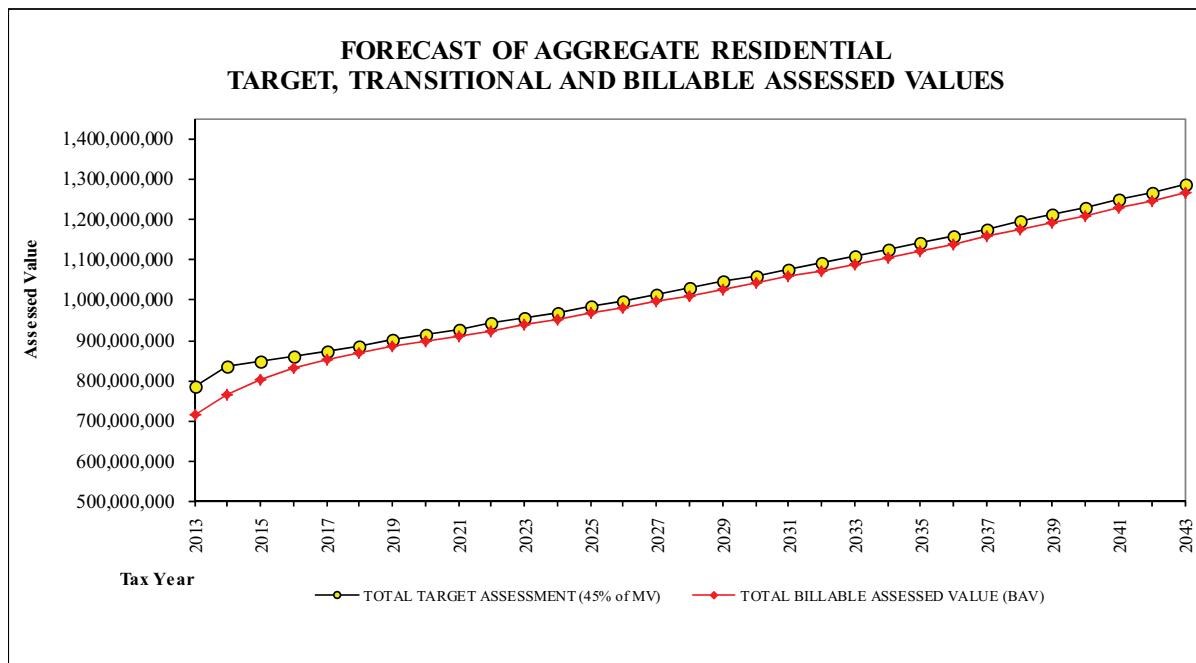
Rental rates in the apartment market recently began showing strong increases after several quarters of decline. As per REIS projections for 2013 and years following, rental rates are expected to show spikes in the near future and vacancy rates are expected to increase slightly due to the new product which is scheduled to come on line in the next several years. In the last year, the unemployment rate has decreased suggesting that demand in the market will increase as new jobs are created.

RESIDENTIAL ASSESSED VALUES CONCLUSIONS

The impact of the Downtown Revitalization Plan has driven increased activity in lower Manhattan. The significant growth in residential rental conversions over the past several years has had a positive effect on population levels. However, Battery Park City's unique location and amenities have minimized any direct competition from conversions of older properties in other parts of Downtown.

The Battery Park City residential buildings should remain in a strong competitive position due to the amenities offered, the design of the structures and the project's location. We believe, especially in the context of a robust Manhattan luxury residential market, and the substantial residential community downtown, that the Battery Park City residential buildings will continue to perform well in the future. Going forward we have modeled 1.0% annual increases in assessed value.

As the graph provided below indicates, the aggregate assessed values projected in our analysis result in the transitional assessment converging with the actual or target assessment before growing evenly from 2016 to the end of the projection period.



The total residential PILOT incorporates Gateway Plaza's PILOT payment, which is calculated differently from the others until the discharge of the HUD mortgage in 2023, when although it could follow typical assessment methodology, we have grown it at a more conservative rate in line with the Rent Guidelines Board increases previously discussed. Furthermore, we have deducted from the total PILOT revenue stream a collection loss. Our projections, when considering the most recent historical assessment data for the Battery Park City residential properties, reflect a conservative projection of assessed values.

During our 30-year projection period, the residential billable assessments are projected to grow at an average annual compound rate of 1.92%. This is well below the historical trend for these properties and also the approximate 5.0 percent annual average indicated by OMB for all New York City Class II properties since the early 80's. Again, our assumptions are conservative in comparison with actual trends for all of New York City.

TAX RATE

For the purpose of real property taxes, the apartment buildings are designated Class II properties. The applicable tax rate for this property class is currently \$13.181 per \$100 of Assessed Value, which has been relatively consistent in recent years. The second half 2008/09 rate reflects an increase of 7.53% over the first half 2008/09 rate and a 9.43% increase over the 2007/08 tax rate. This major increase was in response to the effect of the financial crisis on the City following the national economic recession's intensification in the 3rd and 4th quarters of 2008.

Over the period since the revision of tax policy for the 1982/83 tax year and assignment of separate tax rates, the Class II property tax rate has evidenced a compound average annual growth rate of 1.26%, while between 1992/93 and 2012/13, the compound average annual growth rate was 1.34%. The following chart illustrates the historical trend in Class II tax rates.

**NEW YORK CITY REAL PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE
CLASS II PROPERTY**

TAX YEAR		TAX RATE	Percentage Change
2012	2013	13.181	-1.88%
2011	2012	13.433	0.60%
2010	2011	13.353	0.85%
2009	2010	13.241	5.12%
2008	2009	Blended	12.596
2007	2008		11.928
2006	2007		12.737
2005	2006		12.396
2004	2005		12.216
2003	-	2004	12.620
2002	-	2003	Blended
			11.541
2001	-	2002	10.792
2000	-	2001	10.847
1999	-	2000	10.851
1998	-	1999	10.739
1997	-	1998	11.046
1996	-	1997	11.056
1995	-	1996	10.807
1994	-	1995	10.552
1993	-	1994	10.369
1992	-	1993	9.910
1991	-	1992	9.885
1990	-	1991	9.228
1989	-	1990	9.229
1988	-	1989	9.272
1987	-	1988	9.150
1986	-	1987	9.150
1985	-	1986	9.150
1984	-	1985	9.150
1983	-	1984	9.057
1982	-	1983	8.950
1981	-	1982	8.950
			NA
Compounded Annual Growth:			
1982	-	2013	1.26%
1993	-	2013	1.44%
2003	-	2013	1.34%

Compiled by: CBRE

Source: New York City Department of Finance

We have assumed that the Class II tax rate will increase by 0.5 percent per annum throughout the forecast period.

COLLECTION LOSS

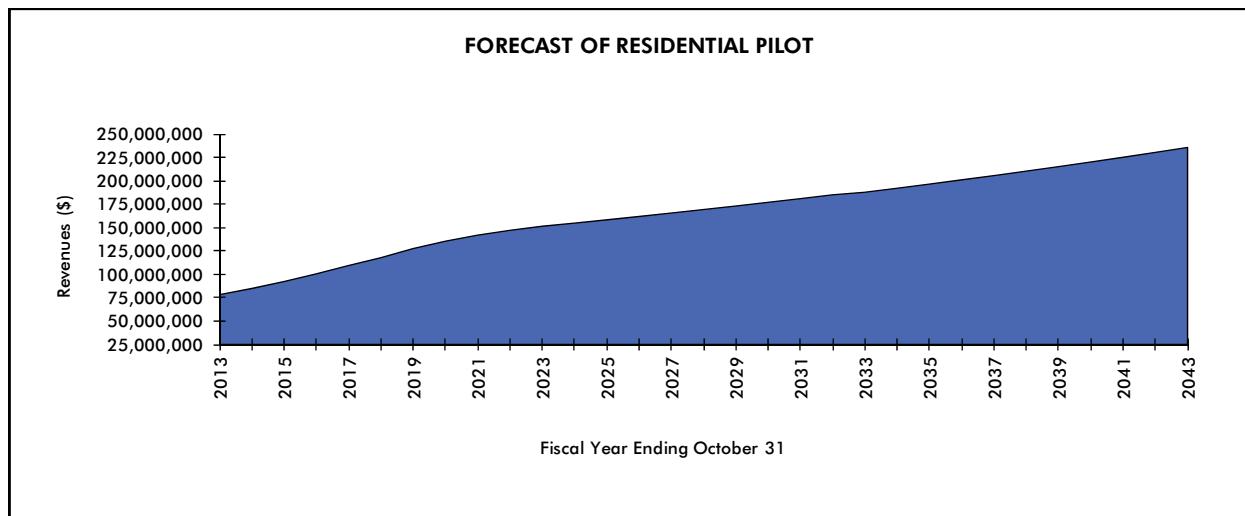
We have been advised that on an annual basis a portion of the residential condominium lease payments to the Authority are treated as delinquent, and as a result have incorporated an annual collection loss into our projections of the residential payments. We have incorporated a provision for the potential risk of default on residential condominium payments because the Authority is collecting payments from various individual occupants of these buildings, as opposed to a single large entity.

We anticipate management of the deficiency balance as the Authority maintains an aggressive collection policy and the residential neighborhood continues to perform well. Our annually accounted collection loss takes a long-term perspective and theoretically would accrue to outweigh any deficiency issue currently foreseen. We have provided for a collection loss factor equal to 0.5% of the annual PILOT payments throughout the forecast period.

RESIDENTIAL PILOT FORECAST

Due to the projected assessment growth, PILOT payments register steady increases over the forecast period. Total residential PILOT payments increase from an initial amount of \$78.19 million in 2013 to \$235.5 million in 2043. In this analysis, we have reflected the impact of the growth experienced in actual assessed values through the inclusion of the phasing utilized for transitional assessed values. It should be noted that the strong growth in the initial years is largely a function of the phasing out of PILOT benefits on the residential rental buildings.

The growth displayed below is a result of the combination of an assessment growth of one percent per annum and a tax rate growth of one percent per annum.

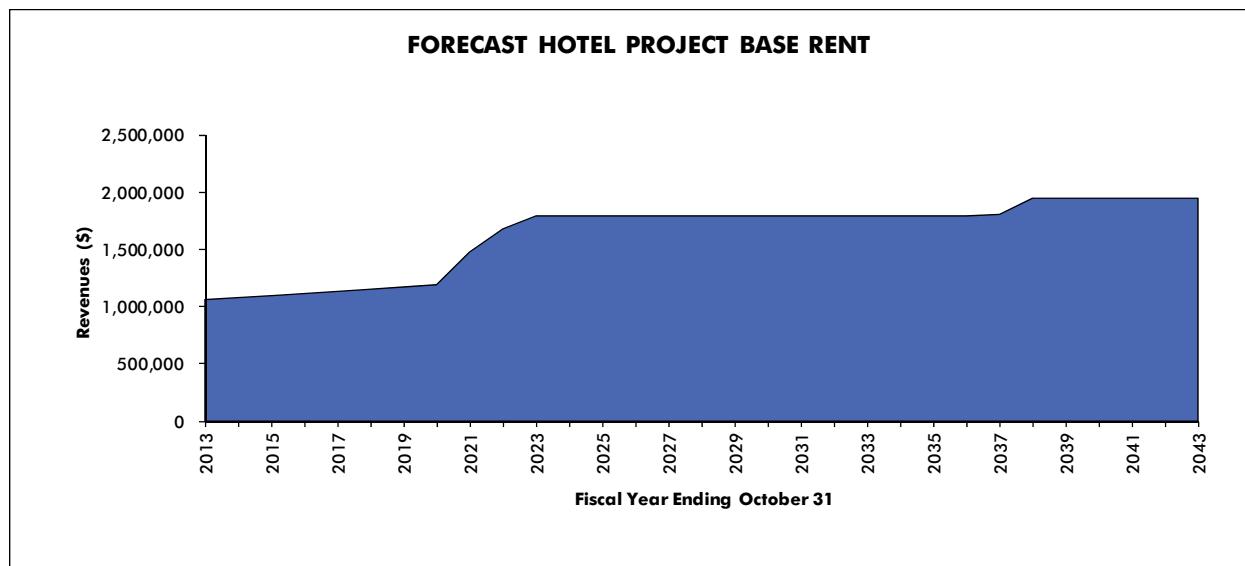


VI. HOTEL PROJECT BASE RENT

There are two hotels, the Ritz-Carlton and the Conrad Hilton. The Conrad Hilton New York site contains a multiplex movie theater and ground level retail uses as well. The Conrad Hilton New York Hotel and retail/theater component are each obligated under its lease to pay Base Rent on a monthly basis commencing on the date of execution.

Although base rent and other payments are set forth in the Ritz-Carlton lease, non-PILOT payments (hotel and residential components) are to be applied for the first ten years to hotel PILOT payments due, in declining amounts over that period. After the first ten years, no further credits are given. To the extent these payments have not all been deducted from the hotel PILOT at the end of the first ten years, the remaining balance will be reflected as base rent payments in the Authority's financial statements.

For the period beginning on the commencement date and expiring on the day prior to the twenty-fourth anniversary of the date on which a temporary certificate of occupancy was issued ("First Appraisal Date"), the Base Rent is equal to annual amounts specified in each lease. Thereafter, Base Rent is adjusted every fifteen years based upon an appraisal of the land underlying each lease. Furthermore, the leases stipulate that Base Rent payable after any reappraisal shall not be less than the Base Rent payable prior to such reappraisal. We have conservatively assumed payment of the minimum amount contractually set. The revenues from these elements remain minor in relation to the hotel revenues pledged.



As illustrated in the graph, the base rent for the hotel project component remains relatively stable until 2021, when step-ups in rent for all three tenants occur (between 2021 and 2023). Between 2020 and 2023, the base rent increases from \$1.2 million to \$1.8 million. The Hotel Base Rent remains stable through the majority of the remaining forecast period, with the next round of 15-year rent increases beginning at the end of our cash flow period.

VII. HOTEL PROJECT PILOT

Both of the hotel project leases require tenants to make payments to the Authority in lieu of taxes (PILOT) since the properties are exempt from paying New York City property taxes. The PILOT payment for the Conrad Hilton New York is based on a schedule as stipulated in the lease for the first ten years. In addition, the retail/theater component of Site 25 has fixed contractual PILOT payments for years one through twenty, with the hotel portion paying the difference between PILOT payments (plus recapture payments described below) due for the entire building and the scheduled retail amount.

As previously discussed, the Ritz-Carlton project is required to pay the full PILOT payment, but is permitted to use non-PILOT payments in declining amounts to pay a portion of the hotel PILOT over a base PILOT set forth in the lease during the first ten years, such credits being designed to simulate a declining abatement program. To the extent the credits are not sufficient to cover the target “abatement” amount over the base, the tenant must make additional payments. To the extent there are remaining unapplied credits such amount will be reflected as base rent for the first ten years.

During lease years eleven through twenty, the Conrad Hilton New York hotel and the Ritz-Carlton Hotel pay PILOT as calculated by the City using standard methodology, plus a recapture amount, which represents for each year 1/10th of the amount which (i) for Conrad Hilton New York is the difference of the total prescribed PILOT paid within the first ten years and the actual PILOT that is applicable for that property and (ii) for the Ritz-Carlton, the aggregate amount of the non-PILOT payments credited to hotel PILOT due. Thereafter, the PILOT payment for these hotel projects will follow typical assessment methodology. The retail/theater component’s PILOT payment will follow typical assessment methodology subsequent to the twentieth year of the lease.

HISTORICAL ASSESSED VALUES

HOTEL PROJECT - TARGET ASSESSMENT (45% of Market Value)													
GBA (SF)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Compound % Growth	
Site 1 Ritz-Carlton Hotel	277,725	28,694,456	26,432,100	28,125,000	29,835,001	40,000,000	44,905,689	39,000,000	31,250,000	35,400,000	35,400,000	44,509,623	2.83%
Assessment per Square Foot	103.32	95.17	101.27	107.43	144.03	161.69	140.43	112.52	127.46	127.46	160.27		
% Growth	7.75%	-7.88%	6.40%	6.08%	34.07%	12.26%	-13.15%	-19.87%	13.28%	0.00%	25.73%		
Site 25 Conrad Hilton	412,316	42,075,000	48,001,500	50,375,250	30,915,000	44,190,000	49,000,000	49,000,000	37,150,000	42,750,000	37,822,500	41,133,456	1.39%
Assessment per Square Foot	102.05	116.42	122.18	74.98	107.18	118.84	118.84	90.10	103.68	91.73	99.76		
% Growth	6.25%	14.09%	4.95%	-38.63%	42.94%	10.88%	0.00%	-24.18%	15.07%	-11.53%	8.75%		
Site 25 Hilton Ret./Thr.	215,884	14,400,000	14,400,000	14,375,000	14,985,000	15,030,000	15,585,000	16,110,000	16,875,000	10,938,150	12,667,050	13,057,200	1.03%
Assessment per Square Foot	66.70	66.70	66.59	69.41	69.62	72.19	74.62	78.17	50.67	58.68	60.48		
% Growth	-13.51%	0.00%	-0.17%	4.24%	0.30%	3.69%	3.37%	4.75%	-35.18%	15.81%	3.08%		
TOTAL	905,925	85,169,456	88,833,600	92,875,250	75,735,001	99,220,000	109,490,689	104,110,000	85,275,000	89,088,150	85,888,550	98,700,279	1.84%
Assessment per Square Foot	94.01	98.06	102.52	83.60	109.52	120.86	114.92	94.13	98.34	94.81	108.95		
% Growth	2.76%	4.30%	4.55%	-18.46%	31.01%	10.35%	-4.91%	-18.09%	4.47%	-3.59%	14.92%		

The Target Assessments for the hotel components of the subject property indicated growth of 1.39 and 2.83% during the period between the 2003/2004 and 213/2014 tax years. The retail component has fluctuated considerably, although the long term trend is positive at 1.03%. Overall, the hotel and commercial component indicated Target Assessment growth of 1.84% per annum since 2003/04.

HOTEL PROJECT - BILLABLE ASSESSED VALUE													
	GBA (SF)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Compound % Growth
Site 1 Ritz-Carlton Hotel	277,725	27,427,630	25,199,564	25,896,277	26,934,990	29,636,683	33,577,822	36,179,688	31,250,000	35,400,000	35,400,000	37,111,925	2.55%
Assessment per Square Foot	98.76	90.74	93.24	96.98	106.71	120.90	130.27	112.52	127.46	127.46	133.63	133.63	
% Growth	2.99%	-8.12%	2.76%	4.01%	10.03%	13.30%	7.75%	-13.63%	13.28%	0.00%	4.84%		
Site 25 Conrad Hilton	412,316	42,075,000	46,977,096	44,044,846	26,458,000	31,126,000	35,756,000	40,386,000	37,150,000	42,750,000	37,822,500	41,133,456	-0.37%
Assessment per Square Foot	102.05	113.93	106.82	64.17	75.49	86.72	97.95	90.10	103.68	91.73	99.76		
% Growth	6.25%	11.65%	-6.24%	-39.93%	17.64%	14.88%	12.95%	-8.01%	15.07%	-11.53%	8.75%		
Site 25 Hilton Ret./Thr.	215,884	14,400,000	14,400,000	14,375,000	14,985,000	14,306,000	14,543,000	15,092,000	15,717,000	10,938,150	12,667,050	13,057,200	0.43%
Assessment per Square Foot	66.70	66.70	66.59	69.41	66.27	67.36	69.91	72.80	50.67	58.68	60.48		
% Growth	-13.51%	0.00%	-0.17%	4.24%	-4.53%	1.66%	3.78%	4.14%	-30.41%	15.81%	3.08%		
TOTAL	905,925	83,902,630	86,576,660	84,316,123	68,377,990	75,068,683	83,876,822	91,657,688	84,117,000	89,088,150	85,889,550	91,302,581	0.81%
Assessment per Square Foot	92.62	95.57	93.07	75.48	82.86	92.59	101.18	92.85	98.34	94.81	100.78		
% Growth	1.23%	3.19%	-2.61%	-18.90%	9.78%	11.73%	9.28%	-8.23%	5.91%	-3.59%	6.30%		

The billable assessment increased at a lower compound rate of 0.91% as the major increases in Target Assessment for 2013/2014 are phased into the billable amounts.

The following table summarizes comparable hotel buildings in the downtown area.

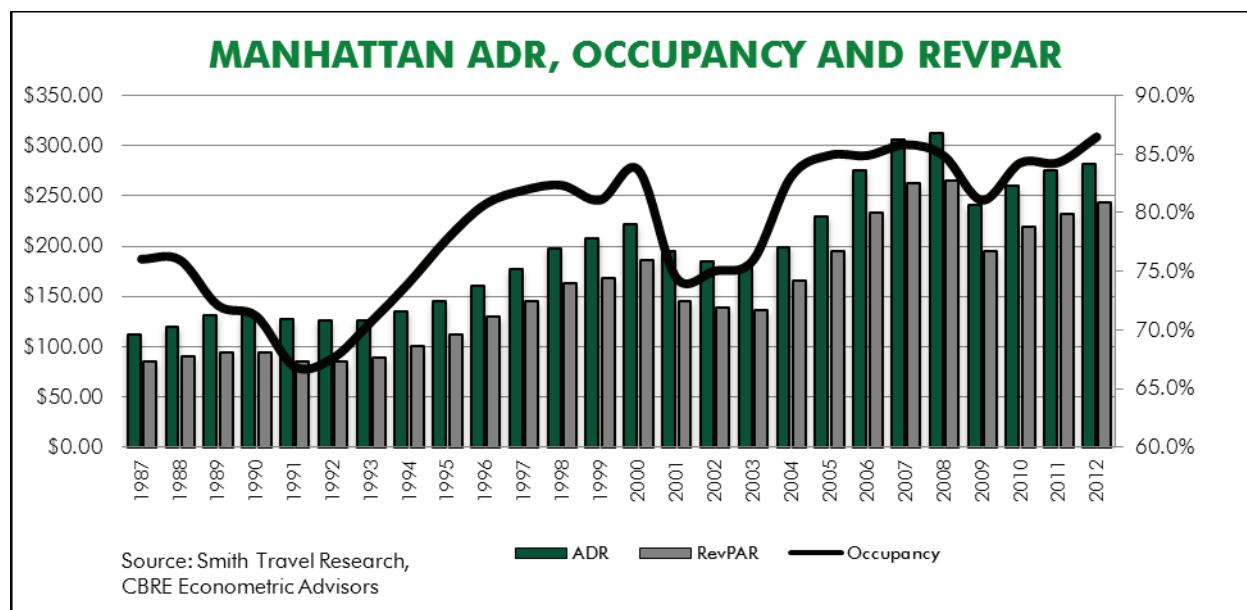
COMPARISON OF ACTUAL ASSESSED VALUES			
Property	Size (SF)	2012/13	2013/14
Conrad Hilton Hotel - Subject	412,316	37,822,500	41,133,456
102 North End Avenue		\$91.73	\$99.76
		-11.5%	8.8%
Ritz-Carlton Hotel - Subject	315,884	35,400,000	44,509,623
25 Battery Place		\$85.86	\$107.95
		0.0%	25.7%
Best Western Seaport Inn	39,747	4,590,000	3,759,750
29 Peck Slip		\$115.48	\$94.59
Block 107, Lot 38		4.1%	-18.1%
Holiday Inn Wall Street	112,900	14,500,000	20,471,400
138 Lafayette Street		\$128.43	\$181.32
Block 209, Lot 19		3.2%	41.2%
Manhattan Seaport Suites	34,613	3,793,500	2,557,355
129 Front Street		\$109.60	\$73.88
Block 37, Lot 13		3.1%	-32.6%
New York Marriott Financial	420,322	41,850,000	46,702,800
85 West Street		\$99.57	\$111.11
Block 55, Lot 16		7.2%	11.6%
Hilton Millennium	383,166	47,600,000	48,000,000
55 Church Street		\$124.23	\$125.27
Block 80, Lot 4		4.1%	0.8%

Source: REBNY; compiled by CBRE, Inc.

The subject hotel components are in the lower portion and below the range as compared to the comparables. This is due to the lack of connectivity for the neighborhood resulting from the lingering effects of September 11, 2001, and it is anticipated that as the World Trade Center site is re-built, the subject's operations would improve. However, as our report utilizes conservative assumptions, we have not modeled for any market oriented increase and have modeled our revenue to fluctuate in line with the commercial properties of the World Financial Center.

HOTEL MARKET OVERVIEW

Market-wide demand in Manhattan has continued to grow in 2013 as a result of growing neighborhoods and moderate strength in the office markets and continued growth in domestic and international tourism. The Midtown South office market has continued to exhibit strong leasing velocity that has surpassed historical highs as office buildings have been acquired, renovated and repositioned to absorb a growing technology and media industry. The downtown market has had a moderate leasing velocity, although net absorption has been negative in 2012 and YTD 2013. However there had been a significant impact to this market since the fallout from Super Storm Sandy. Corporate real estate decision making executives had paused at year end 2012 and into 2013 until the impact of the storm was clearer for the near and long term prospect of locating to or remaining in the downtown area, thus leasing velocity took pause and availability rose by near 4.0% and vacancy remains flat immediately following Sandy and remains through 2Q13. International travel has continued to grow at record paces despite economic uncertainty in Europe and slower-than-expected growth in China. The World Trade Center has had its impact on demand, as tourists as well as local residents have crowded the area since the opening of the Memorial Plaza. The historical trend in ADR, occupancy and RevPAR for New York Metropolitan Area is illustrated in the chart below.



The following charts illustrate the statistical evidence of trends and forecasts of metropolitan New York room supply demand, occupancy ADR and RevPAR for all properties followed by Full Service properties.

METROPOLITAN NEW YORK AREA OUTLOOK**- All Properties -**

Year	Room	Room	Occupancy	ADR	RevPAR	
	Supply	Demand			\$ Amount	% Change
2007	97,030	79,656	82.1%	\$255.23	\$209.53	---
2008	99,765	80,009	80.2%	\$262.14	\$210.23	0.3%
2009	105,227	79,096	75.2%	\$206.76	\$155.42	-26.1%
2010	109,997	87,532	79.6%	\$220.04	\$175.10	12.7%
2011	114,884	92,354	80.4%	\$232.20	\$186.66	6.6%
2012	117,434	96,792	82.4%	\$239.64	\$197.52	5.8%
<i>Forecast 2013</i>	118,144	98,623	83.5%	\$241.56	\$201.65	2.1%
<i>Forecast 2014</i>	120,418	100,816	83.7%	\$241.01	\$201.78	0.1%
<i>Forecast 2015</i>	128,195	101,015	78.8%	\$245.06	\$193.10	-4.3%
<i>Forecast 2016</i>	133,711	103,725	77.6%	\$251.94	\$195.44	1.2%
<i>Forecast 2017</i>	137,794	106,464	77.3%	\$263.06	\$203.25	4.0%
<i>Forecast 2018</i>	141,032	109,350	77.5%	\$270.59	\$209.80	3.2%

Source: TWR-CBRE Econometric Research

METROPOLITAN NEW YORK AREA OUTLOOK**- All Full Service Properties -**

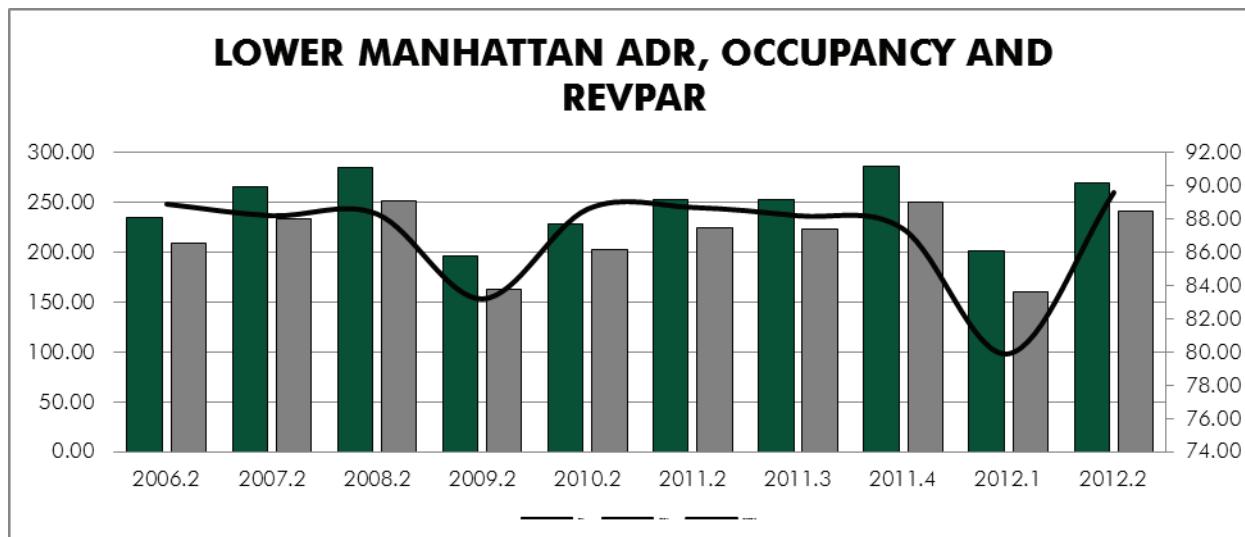
Year	Room	Room	Occupancy	ADR	RevPAR	
	Supply	Demand			\$ Amount	% Change
2007	72,820	60,281	82.8%	\$281.25	\$232.82	---
2008	74,045	59,893	80.9%	\$288.19	\$233.11	0.1%
2009	76,820	58,431	76.1%	\$226.81	\$172.52	-26.0%
2010	79,175	63,440	80.1%	\$243.37	\$195.00	13.0%
2011	82,930	66,918	80.7%	\$256.55	\$207.02	6.2%
2012	84,807	70,174	82.7%	\$263.87	\$218.34	5.5%
<i>Forecast 2013</i>	86,715	72,079	83.1%	\$265.56	\$220.74	1.1%
<i>Forecast 2014</i>	93,301	71,648	76.8%	\$263.62	\$202.44	-8.3%
<i>Forecast 2015</i>	96,153	75,334	78.3%	\$268.60	\$210.44	4.0%
<i>Forecast 2016</i>	97,938	78,576	80.2%	\$285.76	\$229.27	8.9%
<i>Forecast 2017</i>	99,426	80,326	80.8%	\$299.68	\$242.11	5.6%
<i>Forecast 2018</i>	101,313	81,489	80.4%	\$306.84	\$246.80	1.9%

Source: TWR-CBRE Econometric Research

Since 2009, the supply has increased by nearly 13,000 rooms or by 12.2%, yet fundamental strength coming out of the recession, demand outpaced supply. Average daily rate grew in tandem with demand, which has propelled RevPAR. As illustrated, occupancy percentage has surpassed previous peak thresholds, yet average daily rate remains nearly 8.0% below previous peak.

FINANCIAL DISTRICT MARKET OVERVIEW

The hotel supply within the Financial District is comprised of a wide variety of hotels ranging from small, independent hotels to large branded flagship hotels. The following chart illustrates the trends in historical market performance of the lower Manhattan hotel market.



Statistical evidence of trends of lower Manhattan room supply, demand, occupancy ADR and RevPAR is illustrated below.

HISTORICAL MARKET PERFORMANCE									
Year	Supply (Rooms)	% Change	Demand (Rooms)	% Change	Occ. Rate (%)	ADR (\$/Rm)	% Change	RevPAR (\$/Rm)	RevPAR (% Chg YOY)
LOWER MANHATTAN									
2006	16,403	--	13,967	--	85.20	239.42	--	203.86	na
2007	17,018	3.7%	14,504	3.8%	85.20	268.33	12.1%	228.68	12.2%
2008	17,822	4.7%	14,863	2.5%	83.40	277.12	3.3%	231.11	1.1%
2009	20,033	12.4%	16,004	7.7%	79.90	211.55	-23.7%	169.01	-26.9%
2010	22,365	11.6%	18,721	17.0%	83.70	232.40	9.9%	194.54	15.1%
2011	23,748	6.2%	20,032	7.0%	84.40	249.50	7.4%	210.46	8.2%
2012	25,542	7.6%	21,971	9.7%	86.00	258.11	3.5%	222.03	5.5%

Source: CBRE-EA, Smith Travel Research

As illustrated by the statistics, supply has grown approximately 5,000 rooms or 20% since 2009. Similar to the overall Manhattan market, demand has outpaced supply and occupancy since 2006, although a speed bump was experienced in 2009 recession year. The upper upscale/luxury segment consists of the Ritz Carlton Battery Park, Marriott New York Downtown, Hilton Millennium Hotel, W Hotel Downtown, Andaz Wall Street and Conrad New York. A summary of these hotels is as follows:

UPPER UPSCALE/LUXURY HOTELS: FINANCIAL DISTRICT

Property	Number of Rooms	Date Opened	Rooms	Franchise Affiliation
Ritz Carlton Battery Park	253	Jan-02	253	Marriott
Marriott New York Downtown	298	Jan-91	298	Marriott
Hilton Millenium Hotel	497	Jul-92	497	Hilton
W Hotel Downtown	569	Aug-10	569	Starwood
Andaz Wall Street	126	Jan-10	126	Hyatt
Conrad New York	463	Apr-12	463	Hilton

Compiled by CBRE

As illustrated, the W Hotel Downtown, Andaz Wall Street and Conrad New York represent the newest supply to enter the market. The W Hotel Downtown and Andaz Wall Street opened in 2010 and the Conrad New York reopened in 2012, after being converted from an Embassy Suites in a renovation that spanned 15 months. The new products to this market has taken market share from the existing properties even as demand has risen. With the World Trade Center removed from the marketplace 10 years prior, and the more recent new additions to the upscale market, the Ritz, although offering water views and a high end product, is considered at a disadvantage with inferior accessibility given it is on the outskirts of the core downtown market area at the far south end of Battery Park. The Conrad, on the other hand, is well occupied by Goldman Sachs and hasn't seen a dramatic impact as has the Ritz.

Demand Generators

Over the last several years, major demand generators have consisted of a heavy concentration of office development and large employers, City Hall, the South Street Seaport, the Statue of Liberty and Ellis Island, the World Trade Center and the National September 11 Memorial Plaza. When the World Trade Center is complete, it is expected to be one of Manhattan's most robust demand generators as it will draw tourist demand as well as add over 10 million square feet of office space to the lower Manhattan inventory. In addition, infrastructure projects underway, including the Fulton Street Hub, will add to the attractiveness and accessibility to downtown, boding well for the area community and hotel demand alike.

New Supply

Given the effects that new demand generators have on good hotel performance metrics, several new hotel developments are in the pipeline downtown. The chart below provides a list of hotels either under construction or in planning stages downtown.

NEW HOTEL FORECAST			
Name	Proposed YOC	Est. Opening	No. Rooms
Hotel Ludlow	2013	10/1/2013	165
Four Points Platt Street	2013	4/1/2013	265
Fairfield Inn South Street Seaport	2013	10/1/2013	200
Courtyard by Marriott	2013	10/1/2013	266
Hilton Garden Inn	2013	1/1/2014	208
Holiday Inn New York City Downtown	2014	1/1/2014	370
Sheraton and Aloft Hotel	2014	1/1/2014	650
Four Seasons Hotel Downtown	2014	1/1/2015	186
aloft Hotel	2014	1/1/2015	100
Cambria Suites	2014	1/1/2014	135
Chambers Street Hotel	2014	1/1/2014	100
Homewood Suites	2014	1/1/2014	270
Hotel Indigo	2014	1/1/2014	151
Residence Inn Financial District	2015	1/1/2015	245
Total			3,311

The new supply scheduled to enter the market over the next several years is comprised mainly of branded mid-scale to upscale product. As illustrated, 3,311 rooms are scheduled to become available between now and 2015. Of this new supply, the Four Seasons Downtown will have the greatest impact on the downtown upper upscale/luxury market. Upon completion, this hotel will rival the Ritz Carlton and Conrad with regard to scale and brand recognition, and will be superior with regard to location. Located at 99 Church Street, the Four Seasons will be located only two blocks north of the World Trade Center, proximate to Fulton Street transportation hub that will offer superior accessibility to the N, Q, R, 2, 3, 4, 5 and E subway lines and the NJ Path train as well provide for new retail shopping opportunities which are important components to demand.

RETAIL MARKET OVERVIEW

Major Retail Corridors' Average Asking Rent Per Sq. Ft. (North to South)*				
Neighborhood	Parameters	Average Asking Rent Q1 2013	Average Asking Rent Q4 2012	% Change
Upper West Side	Broadway 72nd to 86th Streets	\$353	\$319	10.66%
Upper East Side	Third Avenue 60th to 72nd Streets	\$246	\$243	1.23%
Upper Madison Avenue	Madison Avenue 57th to 72nd Streets	\$1,509	\$1,325	13.89%
Midtown	Fifth Avenue 49th to 59th Streets	\$2,970	\$2,970	0.00%
Midtown	Fifth Avenue 42nd to 49th Streets	\$1,116	\$1,052	6.08%
Times Square	Broadway and Seventh Avenue 42nd to 47th Streets	\$2,413	\$2,413	0.00%
Herald Square	34th Street Fifth to Seventh Avenues	\$652	\$655	-0.46%
Flatiron	Fifth Avenue 14th to 23rd Streets	\$325	\$313	3.83%
Soho	Broadway Houston to Broome Streets	\$760	\$627	21.21%
Meatpacking District	14th Street Ninth to West End Avenues	\$354	\$336	5.36%
Downtown	Broadway Battery Park to Chambers Street	\$249	\$198	25.76%

* Based on ground-floor only; not inclusive of sublease
Source: CBRE Retail Research Group, Q1 2013

According to the CBRE market break down the subject property is located outside the Downtown major retail corridor as indicated by the chart above.

Vacancy - Costar Retail Market

In this section information is compiled from the Costar data base and according to submarket boundaries provided by Costar, the subject property falls outside the submarkets as reported by CoStar, however is considered most similar to the Financial District submarket. It should be noted that Costar uses similar market boundaries for both office and retail properties. Costar tracks 4,902 retail buildings within the Manhattan Marketplace. The subject property is situated in the Downtown marketplace. A summary of the inventory and vacancy per CoStar is presented below.

TOTAL RETAIL MARKET STATISTICS								First Quarter 2013
Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF
	# Blds	Total GLA	Direct SF	Total SF	Vac %			
Downtown	551	6,205,260	160,035	164,435	2.6%	(1,877)	0	365,000
Midtown	880	18,059,680	390,314	410,655	2.3%	59,742	50,596	73,499
Midtown South	2,198	21,550,043	323,061	328,861	1.5%	(38,098)	0	111,810
Uptown	1,273	16,658,472	402,732	458,366	2.8%	(51,859)	0	100,000
Totals	4,902	62,473,455	1,276,142	1,362,317	2.2%	(32,092)	50,596	650,309

Source: CoStar Property®

The Total Retail Market reported a vacancy rate of 2.2% through the first quarter of 2013. There was a total of 1,362,317 square feet vacant at that time. There are 650,309 square feet of retail space under construction in this sector. In all, there are a total of 4,902 buildings with 62,473,455 square feet of retail space in New York City.

TOTAL RETAIL MARKET STATISTICS								First Quarter 2013		
Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory	
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA
2013 1q	4,902	62,473,455	1,276,142	1,362,317	2.2%	(32,092)	2	50,596	9	650,309
2012 4q	4,900	62,422,859	1,190,554	1,279,629	2.0%	68,174	2	13,429	10	692,405
2012 3q	4,900	62,417,398	1,256,067	1,342,342	2.2%	126,096	1	8,359	9	607,486
2012 2q	4,907	62,442,857	1,403,946	1,493,897	2.4%	(205,013)	0	0	10	615,845
2012 1q	4,908	62,493,857	1,323,958	1,339,884	2.1%	(846)	0	0	8	590,636
2011 4q	4,910	62,516,782	1,348,137	1,361,963	2.2%	116,385	2	31,000	6	217,277
2011 3q	4,910	62,490,035	1,430,475	1,451,601	2.3%	34,054	0	0	6	197,376
2011 2q	4,915	62,639,294	1,602,610	1,634,914	2.6%	(79,724)	1	10,485	3	34,280
2011 1q	4,917	62,710,694	1,598,503	1,626,590	2.6%	244,589	3	374,683	3	39,765
2010 4q	4,915	62,340,902	1,475,612	1,501,387	2.4%	114,835	3	55,298	6	414,448
2010 3q	4,912	62,285,604	1,535,649	1,560,924	2.5%	261,547	4	158,787	7	455,981
2010 2q	4,908	62,126,817	1,641,609	1,663,684	2.7%	109,959	0	0	10	598,612
2010 1q	4,909	62,129,466	1,754,017	1,776,292	2.9%	(34,497)	3	72,674	7	556,034
2009	4,907	62,064,592	1,652,104	1,676,921	2.7%	897,873	10	648,208	10	628,708
2008	4,916	61,576,564	2,047,377	2,086,766	3.4%	657,113	11	292,744	15	1,175,759
2007	4,931	61,572,564	2,694,682	2,739,879	4.4%	396,509	18	655,998	16	1,021,042

Source: CoStar Property®

A table summarizing the submarkets within New York City is presented below:

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF
	# Bids	Total GLA	Direct SF	Total SF	Vac %			
Chelsea	540	6,786,375	74,821	77,621	1.1%	(1,614)	0	73,310
City Hall	311	2,758,988	12,755	15,155	0.5%	2,230	0	0
Columbus Circle	97	3,529,704	29,296	29,296	0.8%	7,225	0	18,398
Financial District	30	422,100	114,820	114,820	27.2%	0	0	0
Gramercy Park	235	2,730,643	10,520	10,520	0.4%	1,350	0	8,500
Grand Central	46	550,009	2,850	2,850	0.5%	2,350	0	0
Greenwich Village	261	2,291,098	27,552	27,552	1.2%	1,660	0	0
Harlem/North Manhattan	648	8,066,404	309,712	362,246	4.5%	(66,045)	0	100,000
Hudson Square	258	1,496,109	47,360	47,360	3.3%	(6,735)	0	0
Insurance District	91	1,414,126	14,323	14,323	1.0%	4,176	0	0
Murray Hill	99	885,431	13,084	13,034	1.5%	(4,800)	0	21,700
Penn Plaza/Garment	194	6,037,163	125,144	142,885	2.4%	5,272	0	0
Plaza District	257	3,796,022	139,161	141,761	3.7%	46,195	33,096	33,401
Soho	904	8,305,818	162,808	165,808	2.0%	(32,759)	0	30,000
Times Square	182	3,238,809	80,829	80,829	2.5%	14,950	17,500	0
Tribeca	98	985,661	4,587	6,587	0.7%	(3,823)	0	0
U.N. Plaza	5	22,542	0	0	0.0%	3,000	0	0
Upper East Side	330	3,295,996	31,403	34,503	1.0%	4,337	0	0
Upper West Side	295	5,296,072	61,617	61,617	1.2%	9,849	0	0
World Trade Center	21	624,385	13,550	13,550	2.2%	0	0	365,000
Totals	4,902	62,473,455	1,276,142	1,362,317	2.2%	(32,092)	50,596	650,309

Source: CoStar Property®

The subject property is located in Financial District submarket. The Financial District submarket has a vacancy rate of 27.2% according to CoStar. The high vacancy is skewed by the vacant office/retail building located at 23 Wall Street, which has equates to 113,920 SF of vacant space. By removing this building the vacancy rate in the Financial District would be in-line with the overall Manhattan retail vacancy rate as reported by CoStar.

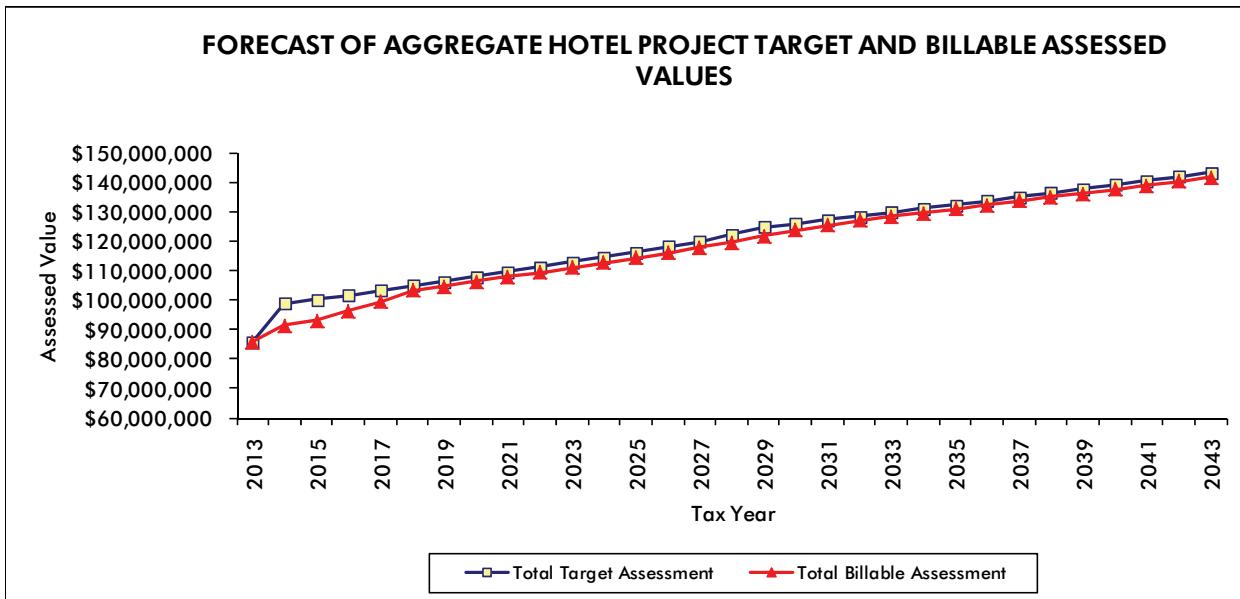
RETAIL MARKET CONCLUSION

Although there is still risk associated with the national/regional economy, current market statistics and the expectations of market participants have evolved into a positive long term outlook. The Manhattan Retail Market has benefited from revived tourist demand, increasing international travel and improving retail sales figures have helped to spur recent increases in demand. Market participants have become optimistic and the general consensus is that we are in an upward trending market cycle. Over the long term, most market participants believe that the economy will continue to grow and provide the New York City retail market with the economic drive necessary to support increasing rents and high levels of demand.

With respect to the subject in particular, we believe the subject is well located for a retail property building due to its proximity to public transportation and employment centers in Downtown Manhattan. Also benefits from the ongoing development in Lower Manhattan. Overall, relative growth is expected for the local market for the next few years.

HOTEL PROJECT ASSESSED VALUES CONCLUSIONS

These properties are assessed similar to the office properties in that the Assessor utilizes the actual income as provided by ownership to calculate value. As illustrated in the following graph, the aggregate assessed values in our analysis reflect the declines through 2011, with gradual and stable growth throughout the remainder of the analysis period.

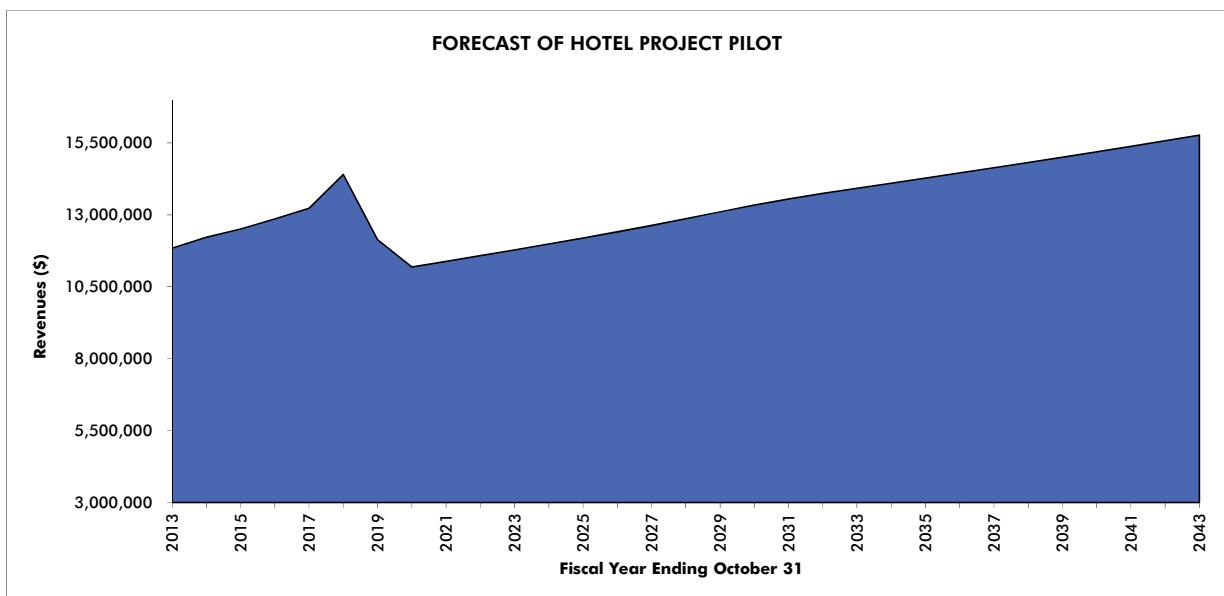


TAX RATE

As previously discussed in detail, the effective tax rate for Class IV properties for the 2012/2013 tax year was set at \$10.288 per \$100 of assessed value. We have assumed that the tax rate will remain flat for the 2013/2014 tax year and thereafter at an annual rate of 1 percent throughout the analysis.

HOTEL PROJECT PILOT FORECAST

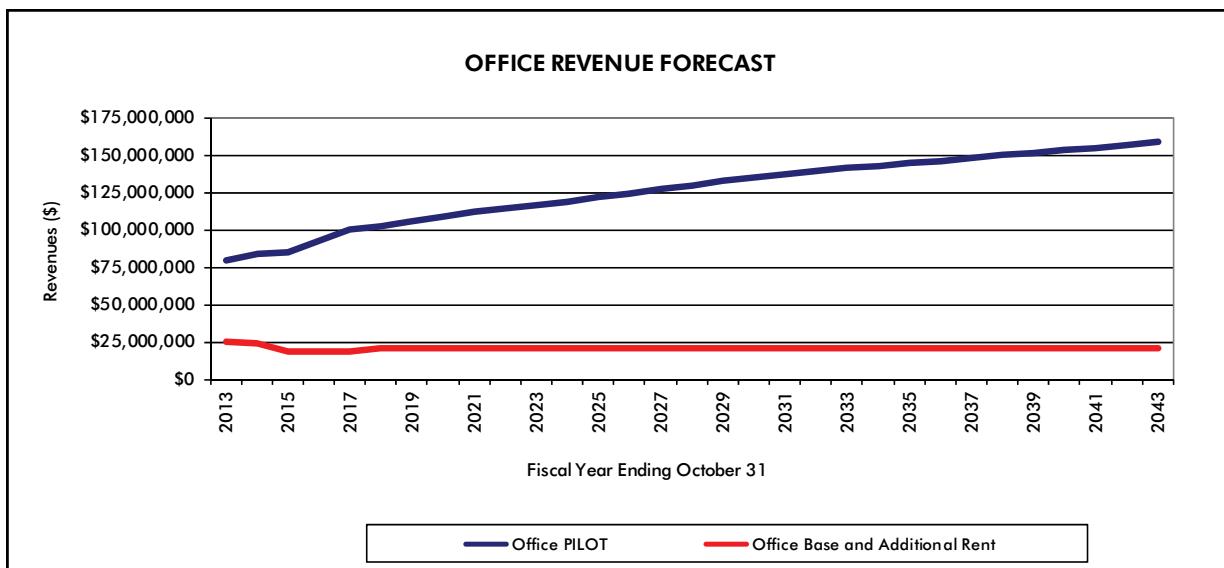
As illustrated in the following graph, the PILOT payments are projected to increase as the subject is now required to pay the previously discussed recapture amount, for a 10 year period. As the recapture payment terminates after ten years, the payment stabilizes to actual PILOT as calculated via typical assessment methodology.



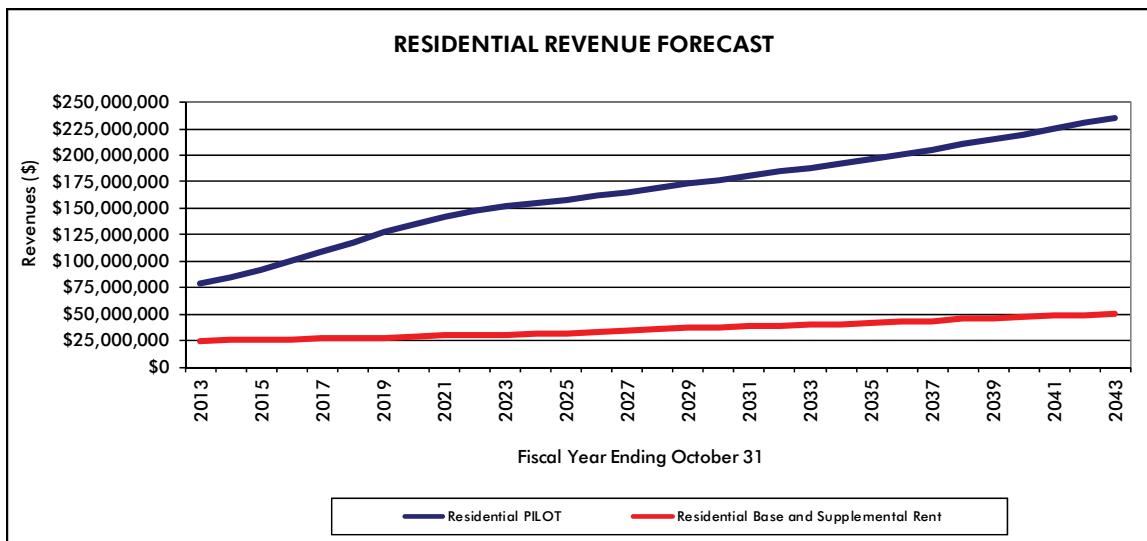
VIII. SUMMARY OF REVENUE FORECASTS

CBRE's aggregate lease revenue forecast is based on the assumptions summarized in Section IX and subject to the Assumptions and Limiting Conditions described in Exhibit A and earlier in this report. The Revenue Forecast Summary can be found in Section X.

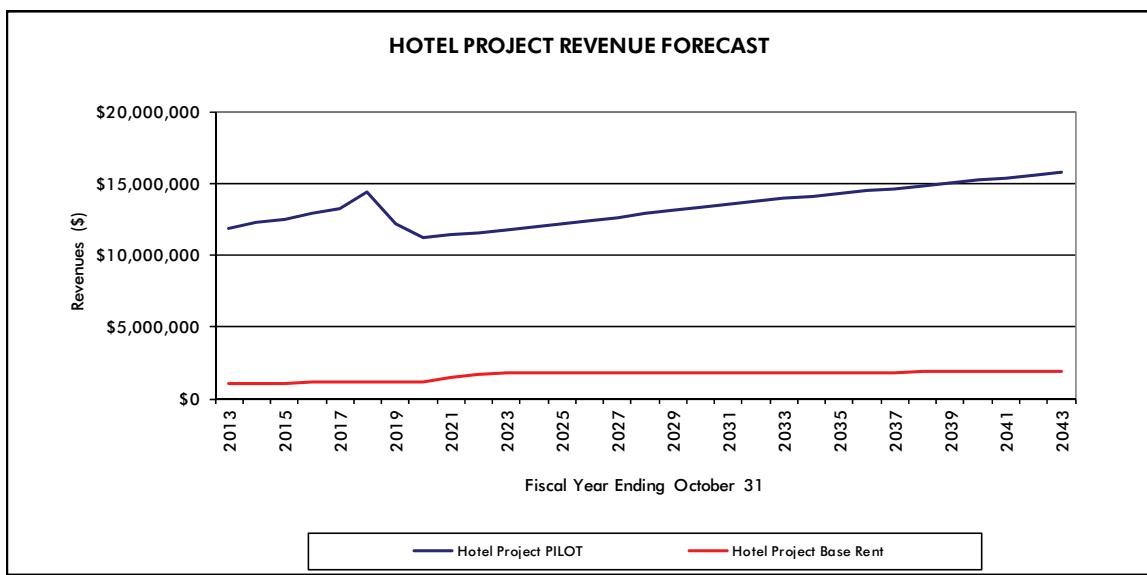
The following graphs illustrate the PILOT and the Base Rent and Additional, or Supplemental, Rent for each component (office, residential and hotel project).



Although some components of the assessment (and thus PILOT revenue) for the WFC properties are modeled to decline over the near term, increases in PILOT related to 200 West Street offsets this factor and thus there is a long term positive trend in office PILOT. While PILOT revenue will grow over the forecast period, the Base Rent income will stabilize after a slight drop following the phase-out of Additional Base Rent at 1WFC in 2014.

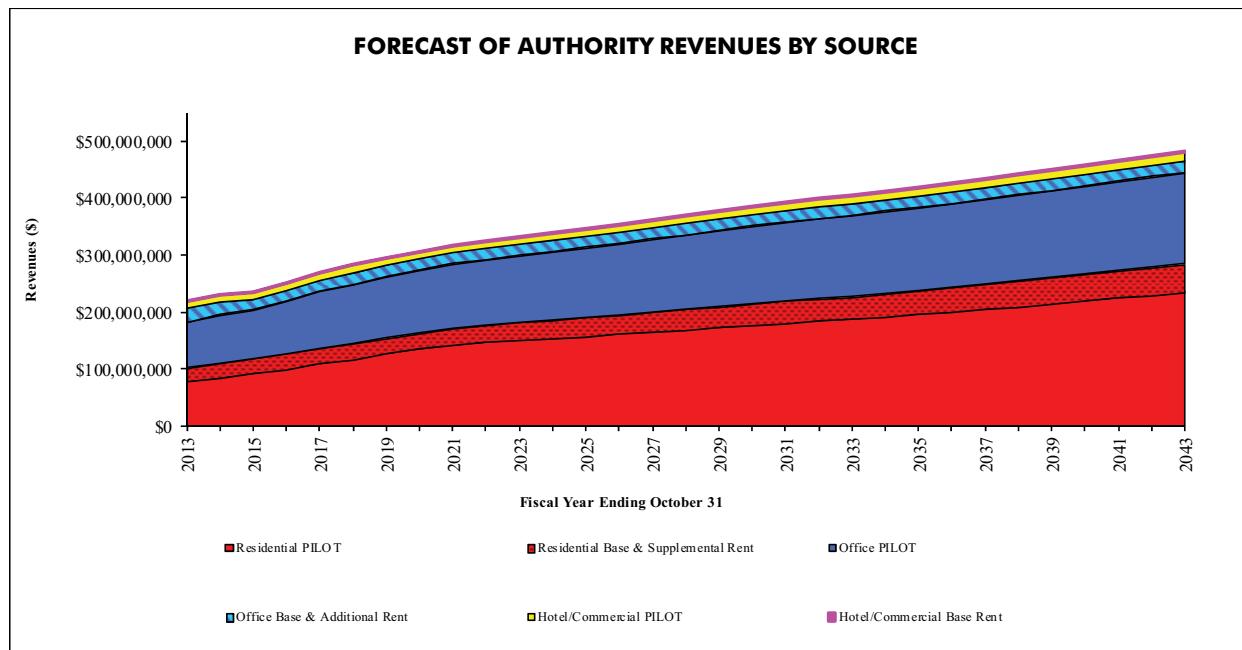


Residential Base Rent and PILOT is projected to grow at a steady rate over the forecast period. Although there is potential for incremental growth in revenue due to increases in Base Rent at scheduled re-sets under the leases , we have taken a conservative stance and assumed only the contractual minimum increases which .yields the stable growth depicted in the chart.

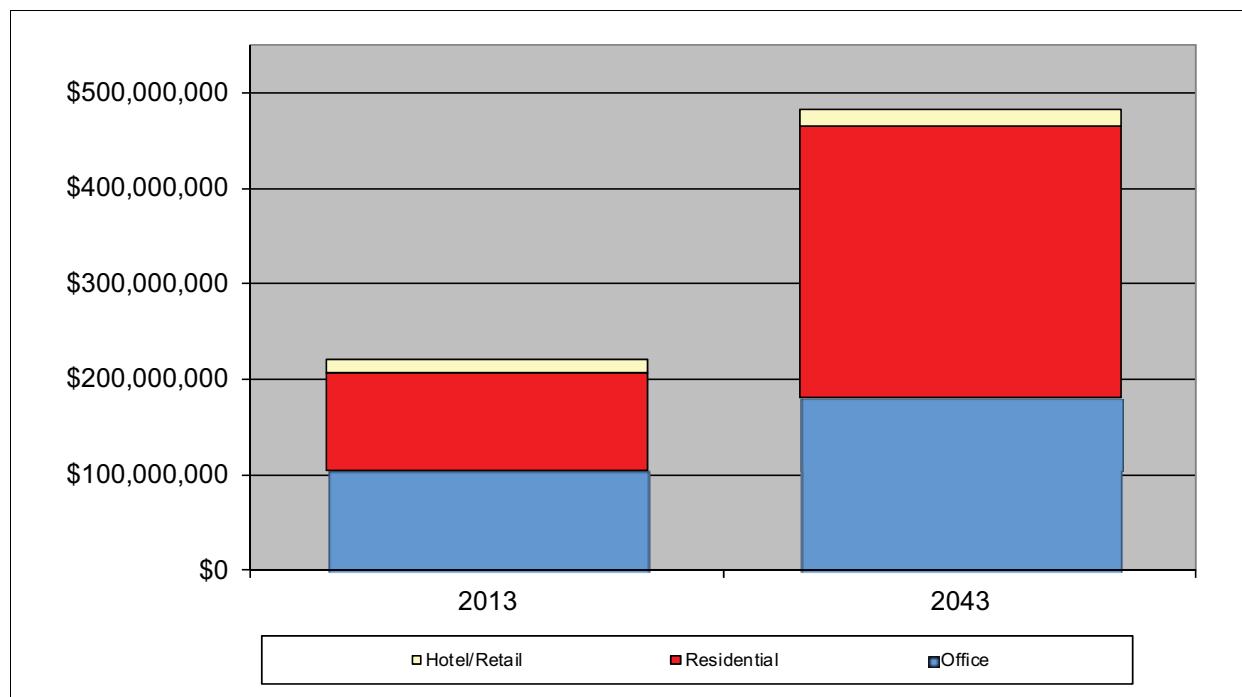


As illustrated, the hotel project PILOT payment is projected to increase rapidly as a result of the recapture payments previously discussed in the Hotel section. As the recapture payments terminate in 2018, the PILOT stabilizes at the actual PILOT determined by the Assessor's typical assessment method. Base Rent will also remain relatively stable with small increases reflecting the step-ups in Base Rent stipulated in the leases.

The revenues from all of the components are illustrated in the following graph.



Overall, revenues to the Authority increase from their current estimated 2013 level of \$218.9 million to \$481.0 million in 2043. As shown in the following chart, the majority of the growth is attributed to the residential component of the Pledged Revenue, which increased from 46.7% to 59.0% over the analysis period.



While some revenues to the Authority are contractual obligations, the majority of revenues, comprising the office, residential, and hotel PILOT payments are dependent upon economic and market variables and public policy. Predictions of these variables over the forecast period cannot be made with certainty. Each of the different property types, including office, residential, retail and hotel, may be more, or less, affected by particular market trends, government policies and other variables . In 2013, the office component accounts for approximately 47.4% of the total revenue, while the residential component comprises 46.7% of the total revenue and the hotel/retail component is the smallest at 5.9% of the total revenue. Over the 30-year forecast period, the residential component becomes increasingly important ultimately contributing 59.0% of total revenue, while the office and hotel component shares decline to 37.3% and 3.7% of total revenue, respectively. This revenue diversity reduces the risk profile of the forecast and results in less reliance on a single component.

Although the short-term outlook for Downtown office space features much uncertainty, we anticipate a long term forecast of stability and slow growth. The Assessor's use of the income approach to value is expected to result in a downward trend of assessments for 2WFC and 4WFC as higher vacancy from tenant rollovers reduce net operating income and increasing capitalization rates yield lower market value in the near term. However, despite lower actual assessed values, the overall change in the pledged office revenue is minimal because the phase-in of transitional assessed values reduces the impact on billable assessed values and projected increases in tax rate result in higher PILOTs. Residential and hotel project assessed values are projected to show steady, modest growth through the forecast. Total PILOT payments for all property types continue to increase over the long term and remain the largest source of revenues to the Authority.

CBRE believes that Battery Park City will continue as one of the nation's most successful urban mixed-used developments over the long term. We have employed reasonably conservative assumptions for the variables that determine PILOT and Base Rent to compensate for some of the risks inherent in any long-term forecast.

An outline of key assumptions used to forecast lease revenues to the Authority is presented in the following section.

IX. REVENUE FORECAST ASSUMPTIONS

Office Base Rent & Additional Base Rent

	200 Liberty (1WFC)	225 Liberty 2WFC	200 Vesey 3WFC	250 Vesey 4WFC	1 N. End Ave. NYMEX	200 West St Goldman
Office PILOT						
2013 Office Rents - CBRE Market	\$46.00	\$48.00	\$48.00	\$48.00	\$46.00	\$52.00
2013 Assessor Market Cap Rate	8.80%	9.15%	9.15%	9.15%	9.12%	8.74%
	<u>thru 2020</u>	<u>thereafter</u>				
Net Income (Market Growth)	2.0%	1.0%				
(Building Specific changes)						
1 WFC - Flat year one (multi-tenant fully leased) 5.0% decline in 2023/2024 (1 year duration - Cadwalader rollover)						
2 WFC - 5.0% decline in 2014/2015, flat in 2015/2016 (2 year duration - BofA/Merrill rollover)						
3 WFC - None						
4 WFC - 5.0% decline in 2014/2015, flat in 2015/2016 (2 year duration - BofA/Merrill rollover)						
Cap Rate (Market Growth)	Flat					
(Building Specific changes)						
1 WFC - Plus 25 basis points in 2023/2024 (1 year duration - Cadwalader rollover)						
2 WFC - Plus 25 basis points in 2014/15 (2 year duration - BofA/Merrill rollover)						
3 WFC - None						
4 WFC - Plus 50 basis points in 2014/15 (2 year duration - BofA/Merrill rollover)						
Tax Rate Growth	0.25%					
Residential PILOT						
Tax Rate Growth	0.50%					
Assessment Growth	1.50%					
Gateway Growth	Flat through 2020, phases to market thereafter					
Residential Collection Loss	0.5%					
467a Exemption	Based on 2012 figures with 3% annual increases.					
Hotel/Retail PILOT						
Tax Rate Growth	0.25%					
	<u>thru 2020</u>	<u>thereafter</u>				
Assessment Growth	2.0%	1.0%				

X. REVENUE FORECAST

Battery Park City Authority
2008-2012 Actual Revenue and 2013-2043 Forecasted Total Revenues

FYE Oct. 31	Historical Actuals (Pledged Receipts)					Forecasted Revenue (1 of 4)			
	2008	2009	2010	2011	2012	1 2013	2 2014	3 2015	4 2016
Office Leases									
Total Base and Additional Rent	27,168,000	26,650,115	24,220,000	25,435,000	24,641,000	24,561,221	23,634,351	19,000,001	19,000,001
Pilot Payments	71,641,000	79,288,000	74,807,289	73,932,882	81,088,804	79,308,334	83,865,306	84,770,019	91,941,040
Total Office Severance Leases	\$98,809,000	\$105,938,115	\$99,027,111	\$99,367,882	\$105,729,785	103,869,555	107,499,657	103,770,020	110,941,041
Residential Leases									
Base Rent and Supplemental Rent	19,367,000	20,142,000	21,633,975	22,422,684	24,947,241	24,449,497	25,104,397	25,651,710	26,055,444
Pilot Payments	58,087,925	63,168,876	67,475,036	70,545,898	74,061,267	81,257,855	88,000,277	95,484,119	103,815,788
Less: 467a Tax Exemption	(3,218,925)	(4,294,876)	(4,043,774)	(4,307,671)	(2,977,932)	(3,067,270)	(3,159,288)	(3,254,067)	(3,351,689)
Pilot Payments Receivable	54,869,000	58,874,000	63,431,261	66,238,228	71,083,335	78,190,585	84,840,989	92,230,052	100,464,099
Collection Loss	- - - - -	Pmts Shown Net of Collection Loss	- - - - -	- - - - -	- - - - -	(390,953)	(424,205)	(461,150)	(502,320)
Total Residential Leases	\$74,236,000	\$79,016,000	\$85,065,237	\$88,660,912	\$96,030,576	\$102,249,130	\$109,521,181	\$117,420,612	\$126,017,222
Sub-total Office & Residential	\$173,045,000	\$184,954,115	\$184,092,348	\$188,028,793	\$201,760,361	\$206,118,685	\$217,020,838	\$221,190,631	\$236,958,263
Hotel Projects Leases (including theater retail)									
Base Rent	985,800	1,001,036	1,016,036	1,031,969	1,047,988	1,060,911	1,077,827	1,095,327	1,113,327
Pilot Payments	5,600,000	8,276,000	10,076,282	10,316,111	11,239,631	11,841,730	12,222,954	12,509,477	12,859,074
Total Hotel Project Leases	\$6,585,800	\$9,277,036	\$11,092,318	\$11,348,081	\$12,287,619	\$12,902,640	\$13,300,781	\$13,604,804	\$13,972,401
TOTAL PLEDGED REVENUE	\$179,630,800	\$194,231,151	\$195,184,666	\$199,376,874	\$214,047,979	\$219,021,325	\$230,321,620	\$234,795,435	\$250,930,665

FYE Oct. 31 (continued)	Forecasted Revenue (2 of 4)									
	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022	11 2023	12 2024	13 2025	
Office Leases										
Total Base and Additional Rent	19,000,001	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Pilot Payments	100,238,428	102,434,541	105,885,542	109,081,385	111,832,663	113,851,959	116,181,101	118,879,198	121,447,806	
Total Office Severance Leases	119,238,429	123,434,541	126,885,542	130,081,385	132,832,663	134,851,959	137,181,101	139,879,198	142,447,806	
Residential Leases										
Base Rent and Supplemental Rent	26,579,762	27,135,601	27,782,713	28,378,094	29,646,060	30,041,412	30,421,287	31,274,076	32,169,967	
Pilot Payments	112,788,688	121,287,777	131,123,427	139,083,707	145,732,675	151,072,116	155,496,139	159,007,757	162,605,752	
Less: 467a Tax Exemption	(3,452,239)	(3,555,807)	(3,662,481)	(3,772,355)	(3,885,526)	(4,002,092)	(4,122,154)	(4,245,819)	(4,373,194)	
Pilot Payments Receivable	109,336,449	117,731,970	127,460,947	135,311,351	141,847,149	147,070,024	151,373,984	154,761,938	158,232,559	
Collection Loss	(546,682)	(588,660)	(637,305)	(676,557)	(709,236)	(735,350)	(756,870)	(773,810)	(791,163)	
Total Residential Leases	\$135,369,529	\$144,278,911	\$154,606,354	\$163,012,888	\$170,783,973	\$176,376,087	\$181,038,401	\$185,262,204	\$189,611,363	
Sub-total Office & Residential	\$254,607,958	\$267,713,452	\$281,491,896	\$293,094,273	\$303,616,636	\$311,228,045	\$318,219,502	\$325,141,402	\$332,059,168	
Hotel Projects Leases (including theater retail)										
Base Rent	1,132,244	1,151,244	1,171,161	1,190,744	1,477,577	1,678,051	1,791,430	1,791,430	1,791,430	
Pilot Payments	13,228,874	14,402,144	12,136,271	11,186,057	11,382,088	11,581,372	11,783,070	11,987,405	12,195,318	
Total Hotel Project Leases	\$14,361,118	\$15,553,388	\$13,307,432	\$12,376,801	\$12,859,666	\$13,259,423	\$13,574,500	\$13,778,835	\$13,986,748	
TOTAL PLEDGED REVENUE	\$268,969,075	\$283,266,840	\$294,799,328	\$305,471,075	\$316,476,302	\$324,487,468	\$331,794,002	\$338,920,237	\$346,045,917	

FYE Oct. 31(continued)	Forecasted Revenue (3 of 4)									
	14 2026	15 2027	16 2028	17 2029	18 2030	19 2031	20 2032	21 2033	22 2034	
Office Leases										
Total Base and Additional Rent	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Pilot Payments	124,070,147	126,887,947	129,764,552	132,462,391	134,985,065	137,294,298	139,338,078	141,115,439	142,786,630	
Total Office Severance Leases	145,070,147	147,887,947	150,764,552	153,462,391	155,985,065	158,294,298	160,338,078	162,115,439	163,786,630	
Residential Leases										
Base Rent and Supplemental Rent	33,036,805	34,456,892	35,883,083	36,972,380	37,928,510	38,643,409	39,308,199	39,879,413	40,646,440	
Pilot Payments	166,300,043	170,088,449	173,964,063	177,929,231	181,986,052	186,136,672	190,383,288	193,278,835	197,749,450	
Less: 467a Tax Exemption	(4,504,389)	(4,639,521)	(4,778,707)	(4,922,068)	(5,069,730)	(5,221,822)	(5,378,476)	(5,539,831)	(5,706,026)	
Pilot Payments Receivable	161,795,654	165,448,928	169,185,356	173,007,163	176,916,322	180,914,851	185,004,812	187,739,004	192,043,424	
Collection Loss	(808,978)	(827,245)	(845,927)	(865,036)	(884,582)	(904,574)	(925,024)	(938,695)	(960,217)	
Total Residential Leases	\$194,023,481	\$199,078,576	\$204,222,512	\$209,114,508	\$213,960,251	\$218,653,686	\$223,387,986	\$226,679,722	\$231,729,647	
Sub-total Office & Residential	\$339,093,628	\$346,966,523	\$354,987,065	\$362,576,899	\$369,945,316	\$376,947,984	\$383,726,065	\$388,795,161	\$395,516,277	
Hotel Projects Leases (including theater retail)										
Base Rent	1,791,430	1,791,430	1,791,430	1,791,430	1,791,430	1,791,430	1,791,430	1,791,430	1,791,430	
Pilot Payments	12,406,872	12,628,511	12,866,951	13,109,469	13,341,354	13,553,612	13,746,145	13,925,903	14,100,225	
Total Hotel Project Leases	\$14,198,302	\$14,419,941	\$14,658,381	\$14,900,899	\$15,132,784	\$15,345,042	\$15,537,575	\$15,717,333	\$15,891,655	
TOTAL PLEDGED REVENUE	\$353,291,930	\$361,386,463	\$369,645,446	\$377,477,798	\$385,078,100	\$392,293,026	\$399,263,639	\$404,512,494	\$411,407,932	

	Forecasted Revenue (4 of 4)								
FYE Oct. 31(continued)	23 2035	24 2036	25 2037	26 2038	27 2039	28 2040	29 2041	30 2042	31 2043
Office Leases									
Total Base and Additional Rent	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Pilot Payments	144,455,897	146,135,463	147,843,785	149,564,309	151,291,773	153,047,655	154,837,236	156,647,989	158,479,826
Total Office Severance Leases	165,455,897	167,135,463	168,843,785	170,564,309	172,291,773	174,047,655	175,837,236	177,647,989	179,479,826
Residential Leases									
Base Rent and Supplemental Rent	41,347,907	42,622,838	43,733,712	45,316,557	46,229,937	47,140,593	48,445,586	49,162,991	49,930,508
Pilot Payments	202,324,531	207,006,546	211,798,018	216,701,534	221,719,739	226,855,345	232,111,125	237,489,921	242,994,641
Less: 467a Tax Exemption	(5,877,206)	(6,053,523)	(6,235,128)	(6,422,182)	(6,614,848)	(6,813,293)	(7,017,692)	(7,228,223)	(7,445,069)
Pilot Payments Receivable	196,447,325	200,953,023	205,562,890	210,279,352	215,104,892	220,042,052	225,093,433	230,261,699	235,549,572
Collection Loss	(982,237)	(1,004,765)	(1,027,814)	(1,051,397)	(1,075,524)	(1,100,210)	(1,125,467)	(1,151,308)	(1,177,748)
Total Residential Leases	\$236,812,995	\$242,571,096	\$248,268,787	\$254,544,512	\$260,259,304	\$266,082,434	\$272,413,553	\$278,273,381	\$284,322,332
Sub-total Office & Residential	\$402,268,892	\$409,706,560	\$417,112,572	\$425,108,820	\$432,551,076	\$440,130,090	\$448,250,789	\$455,921,370	\$463,802,157
Hotel Projects Leases (including theater retail)									
Base Rent	1,791,430	1,791,430	1,804,314	1,946,038	1,946,038	1,946,038	1,946,038	1,946,038	1,946,038
Pilot Payments	14,276,730	14,455,446	14,636,400	14,819,621	15,005,135	15,192,974	15,383,164	15,575,737	15,770,721
Total Hotel Project Leases	\$16,068,160	\$16,246,876	\$16,440,714	\$16,765,658	\$16,951,173	\$17,139,011	\$17,329,202	\$17,521,774	\$17,716,758
TOTAL PLEDGED REVENUE	\$418,337,052	\$425,953,436	\$433,553,286	\$441,874,479	\$449,502,249	\$457,269,101	\$465,579,990	\$473,443,144	\$481,518,916

FORECAST TOTALS

2013-2043		
FYE Oct. 31 (Total Forecast)	Revenue Totals	% of Total

Office Leases

Total Base and Additional Rent	651,195,575	5.9%
Pilot Payments	3,910,725,800	34.8%
Total Office Severance Leases	4,561,921,375	40.6%

Residential Leases

Base Rent and Supplemental Rent	1,115,395,778	9.9%
Pilot Payments	5,283,573,562	47.0%
Less: 467a Tax Exemption	(153,371,713)	-1.4%
Pilot Payments Receivable	5,130,201,849	45.6%
Collection Loss	(25,651,009)	-0.2%
Total Residential Leases	6,219,946,618	55.3%

Sub-total Office & Residential	\$10,781,867,993	95.9%
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Hotel Projects Leases (including theater retail)

Base Rent	50,708,973	0.5%
Pilot Payments	414,110,804	3.7%
Total Hotel Project Leases	464,819,777	4.1%

TOTAL PLEDGED REVENUE	\$11,246,687,770	100.0%
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EXHIBIT A

Assumptions and Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

This consultant's report has been made with the general assumptions and limiting conditions listed below. These assumptions are in addition to the financial assumptions used in the revenue forecasts, which are presented in Section IX of this report.

- The financial analyses are based on estimates and assumptions developed in connection with this report. Some assumptions, however, inevitably will not materialize, and unanticipated events and circumstances will occur; therefore, actual results achieved during the period covered by our forecast will vary from our estimates and the variations may be material. Forecasts contained in this report represent the consultant's view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that they will occur.
- In this report, we have not been requested, nor did we undertake, to value the realty or the present worth of the cash flows to the Authority.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the consultant's report.
- It is assumed that the property is in full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, described, and considered in the consultant's report.
- It is assumed that all required licenses, Certificates of Occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the revenue forecast contained in this report is based.
- Responsible ownership and competent property management are assumed.
- CBRE has made no physical survey of the property and assumes no responsibility for such matters.
- Unless otherwise noted, estimated building sizes and rentable areas were provided by others and are assumed to be true and accurate. The reader should be aware that the estimated rentable areas are often subject to re-measurement by either the Authority or lessees on rollover of office space.
- We have read all existing leases between the Authority and tenants of the properties pledged. Our cash flow estimates are based on our reading. We are not, however, rendering a legal opinion as to the contractual obligations of the parties at interest, nor do we accept responsibility for matters pertaining to legal title considerations. All quotations, unless otherwise cited, are from the leases.
- The Authority's expenses were not deducted from our projections of gross revenues. Expenses excluded here include debt service and the Authority's administrative, operating and maintenance costs.
- Our estimates of Payments in Lieu of Taxes (PILOT) payments come from a familiarity with New York City's historic policies and practices of taxing commercial and residential properties. Our analysis assumes

continuation of these policies in the future. Our cash flow forecasts are sensitive to shifts in market conditions, which affect the assessment of each building and the applicable tax rates.

- Our projections include a collection loss for the residential PILOT.
- Many of the sites have filed tax protests for the past tax years. Our projected tax assessments reflect a reasonable estimate of tax assessments from comparable data and analysis of the previous year's assessments for the World Financial Center and NYMEX. We assume a consistency in assessment among similar "comparable" tax parcels will continue to be New York City's tax policy.

EXHIBIT B

LOWER MANHATTAN OFFICE RENT COMPARABLES



Market Data as of 08/07/2013

Building Name Address City, State Market, Submarket	Tenant Type Sublessor	SF Leased Date Closed LxD	Effective Rent Base Rent Status	Lease Term LL Work Free Rent	Floor Occ.	Rental Adjustments Tenant Rep Agency Rep
408 Broadway New York, NY Downtown, City Hall	IDEO Direct Lease	28,500 07/24/2013 2025-07-31 0	\$35.78 \$44.00 Verified	12y \$ 40.00 10.00 Months	E5, E4	\$44.00/6; \$48.00/6; Jones Lang LaSalle Newmark Grubb Knight Frank
2 World Financial Center 225 Liberty Street New York, NY Downtown, WFC	OppenheimerFunds Inc. Direct Lease	54,399 07/24/2013 2029-02-28 0	\$53.28 \$55.00 Verified	15y 5m \$ 25.00 5.00 Months	E15	\$55.00/5.42; \$60.00/5; \$65.00/5; Cushman & Wakefield Inc. Brookfield Properties
Comment: 15 year expansion onto entire 15th floor. Tenant is moving off of entire 16th floor in 2016 as part of restacking in the building. Transferred lease obligations from 16th floor to 15th floor with same financial terms as the 2011 renewal/expansion comp at 225 Liberty Street.						
140 Broadway New York, NY Downtown, Financial	Fundtech Ltd. Direct Lease	26,206 07/10/2013 2024-07-31 0	\$37.53 \$49.00 Verified	11y \$ 70.00 8.00 Months	E40	\$49.00/3; \$52.00/5; \$55.00/3; Newmark Grubb Knight Frank Cushman & Wakefield Inc.
Comment: NBI valued at \$70 psf Tenant received 8 months of free rent on 20,000 sf. Base NER is \$35.13 & Term NER is \$37.53. Tenant received 12 months of free rent on 6,206 sf. Base NER is \$33.04 & Term NER is \$35.44.						
17 State Street New York, NY Downtown, Financial	Nelson Levine de Luca & Hamilton, LLC Direct Lease	29,386 07/10/2013 2023-09-24 0	\$43.78 \$55.00 Verified	10y \$ 60.00 7.00 Months	E30, E29	\$55.00/5; \$60.00/5; Mohr Partners RFR Realty, LLC
1 New York Plaza New York, NY Downtown, Financial	National Futures Association, Inc. (NFA) Direct Lease	35,827 06/25/2013 2024-06-30 0	\$27.49 \$41.00 Verified	11y \$ 70.00 12.00 Months	P43	\$41.00/6; \$45.00/5; CBRE, Inc. CBRE, Inc.
Comment: Brad Serot & Mark Keebler from CBRE Chicago office were also on the tenant rep side.						
One Seaport Plaza 199 Water Street New York, NY Downtown, Financial	WCG Direct Lease	35,454 06/18/2013 2023-06-30 0	\$25.06 \$40.00 Verified	10y \$ 72.50 14.00 Months	E14	\$40.00/5; \$45.00/5; Cassidy Turley Cushman & Wakefield Inc.
Comment: \$70-\$75 TI.						
Wall Street Plaza 88 Pine Street New York, NY Downtown, Financial	SS +K Direct Lease	22,234 06/10/2013 2023-09-30 0	\$36.55 \$40.00 Verified	10y \$ 25.00 3.00 Months	E30	\$40.00/5; \$44.00/5; Newmark Grubb Knight Frank Cushman & Wakefield Inc.

Building Name Address City, State Market, Submarket	Tenant Type Sublessor	SF Leased Date Closed LxD	Effective Rent Base Rent Status	Lease Term LL Work Free Rent	Floor Occ.	Rental Adjustments Tenant Rep Agency Rep
222 Broadway New York, NY Downtown, Financial	WeWork Direct Lease	120,537 03/14/2013 2029-03-31 0	\$35.22 \$45.00 Verified	16y \$ 70.00 15.00 Months	E25, E24, E23, E22, E21, E20, E19, E18	\$45.00/5; \$49.00/4; \$53.00/4; \$58.00/3; No Tenant Rep Broker L&L Holding Company, LLC
Comment: Rent on floors 18-19 : \$42.50/5 years, \$46.50/4 years, \$50.50/4 years, \$55.50/3 years. Base NER: \$29.19/Term NER: \$33.05						
Rent on floors 20-23: \$45.00/5 years, \$49.00/4 years, \$53.00/4 years, \$58.00/3 years. Base NER: \$31.36/Term NER: \$35.22						
Rent on floors 24-25: \$48/5 years, \$52.00/4 years, \$56.00/4 years, \$61.00/3 years. Base NER: \$33.96/Term NER: \$37.82						
Cleaning is not included.						
1 World Financial Center 200 Liberty Street New York, NY Downtown, WFC	GfK Custom Research Direct Lease	75,020 02/28/2013 2028-02-28 0	\$33.69 \$42.00 Verified	15y \$ 65.00 12.00 Months	E4	\$42.00/5; \$47.00/5; \$52.00/5; Colliers International; CRESA Partners, LLC Jones Lang LaSalle
195 Broadway New York, NY Downtown, Financial	HarperCollins Publishers, Inc. Direct Lease	180,748 02/11/2013 2029-07-31 0	\$33.24 \$41.50 Verified	15y 10m \$ 65.00 10.00 Months	E16, E21, E22, E23, P24	\$41.50/5.83; \$45.50/5; \$49.50/5; CBRE, Inc. L&L Holding Company, LLC
Comment: \$65.00 TI (plus additional bathroom, etc. landlord work). Free rent from delivery of the space in demolished condition (begins no earlier than July 1, 2014).						
140 Broadway New York, NY Downtown, Financial	Platinum Underwriters Reinsurance, Inc. Direct Lease	26,206 01/11/2013 2023-01-31 0	\$34.48 \$48.50 Verified	10y \$ 75.00 10.00 Months	E42	\$48.50/3; \$51.50/5; \$54.50/2; Studley Cushman & Wakefield Inc.
2 World Financial Center 225 Liberty Street New York, NY Downtown, WFC	D'Amato & Lynch, LLP Direct Lease	57,314 01/07/2013 2021-09-30 0	\$42.57 \$48.00 Verified	8y \$ 12.50 5.00 Months	E30, P29	\$48.00/8; Bynam Wood, LLC Brookfield Properties
Comment: No renewal option.						
1 Liberty Plaza New York, NY Downtown, Financial	Transatlantic Reinsurance Corporation Direct Lease	133,609 12/28/2012 2028-01-31 0	\$35.47 \$44.00 Verified	15y \$ 65.00 12.00 Months	E16, E17, E18	\$44.00/5; \$49.00/5; \$54.00/5; Cushman & Wakefield Inc. Brookfield Properties

Market Data as of 08/07/2013

Building Name Address City, State Market, Submarket	Tenant Type Sublessor	SF Leased Date Closed LXD	Effective Rent Base Rent Status	Lease Term LL Work Free Rent	Floor Occ.	Rental Adjustments Tenant Rep Agency Rep
1 World Financial Center 200 Liberty Street New York, NY Downtown, WFC	XL Insurance Direct Lease	104,851 10/18/2012 2023-03-31 0	\$57.23 \$63.00 Verified	10y \$ 35.00 2.00 Months	P21, E22, E25	\$63.00/5; \$65.00/5; Weir Real Estate Jones Lang LaSalle
Comment: Renewal on Partial 21st and entire 22nd floors (64,769 sq ft). Relocating from the partial 3rd floor (22,826 sq ft) to the entire 25th floor (40,082 sq ft). The renewal portion of the deal is \$71 psf for 5 years with no free rent and \$5 TI. The Base & Term NER is: \$69.79 psf. The original LXD was 2018. This is a 5 year extension.						
The Trump Building 40 Wall Street New York, NY Downtown, Financial	DKI Capital Direct Lease	9,248 10/16/2012 2023-05-31 0	\$34.11 \$44.00 Verified	10y 4m \$ 65.00 4.00 Months	E52	\$44.00/5.33; \$48.00/5; DTZ, a UGL company Cushman & Wakefield Inc.
Comment: Turnkey space. \$65 psf estimated value.						
4 World Financial Center 250 Vesey Street New York, NY Downtown, WFC	Bank of America Corporation Direct Lease	44,384 09/07/2012 2023-09-30 0	\$45.05 \$51.00 Verified	10y \$ 55.00 0.00 Months	P3	\$51.00/5; \$56.00/5; No Tenant Rep Broker Brookfield Properties
2 World Financial Center 225 Liberty Street New York, NY Downtown, WFC	Sedgwick LLP Direct Lease	43,374 08/07/2012 2022-12-31 0	\$57.70 \$56.00 Verified	10y \$ 6.00 12.00 Months	E28	\$56.00/5; \$61.50/5; Studley Brookfield Properties
The Trump Building 40 Wall Street New York, NY Downtown, Financial	Halperin Battaglia Raicht, LLP Direct Lease	12,134 07/30/2012 2022-07-31 0	\$28.92 \$38.50 Verified	10y \$ 65.00 3.00 Months	P36, E37	\$38.50/5; \$41.50/5; Orchard Real Estate Partners, LLC Cushman & Wakefield Inc.
17 State Street New York, NY Downtown, Financial	Alphadyne Asset Management Direct Lease	14,486 07/25/2012 2023-05-31 0	\$40.61 \$53.00 Verified	10y 8m \$ 65.00 8.00 Months	E32	\$53.00/5.67; \$58.00/5; CBRE, Inc.; CBRE, Inc. RFR Realty, LLC
Comment: Relocating from P20 (9,000 sq ft) at 17 State Street. Landlord has option to move tenant from E32 to E36.						
7 World Trade Center New York, NY Downtown, WFC	Westfield Group Direct Lease	5,322 06/21/2012 2017-07-31 0	\$67.26 \$70.00 Verified	5y 2m \$ 0.00 2.00 Months	P37	\$70.00/5.17; CBRE, Inc. Silverstein Properties
Comment: New Building Installation.						



Building Name Address City, State Market, Submarket	Tenant Type Sublessor	SF Leased Date Closed LXD	Effective Rent Base Rent Status	Lease Term LL Work Free Rent	Floor Occ.	Rental Adjustments Tenant Rep Agency Rep
2 World Financial Center 225 Liberty Street New York, NY Downtown, WFC	Pacific American Corp. Direct Lease	11,046 05/09/2012 2023-09-30 0	\$59.36 \$62.50 Verified	10y \$ 15.00 4.00 Months	P36	\$62.50/5; \$67.50/5; CBRE, Inc.; CBRE, Inc. Brookfield Properties
Comment: Direct renewal. Tenant was originally subleasing space.						
1 New York Plaza New York, NY Downtown, Financial	Morgan Stanley Direct Lease	1,116,823 04/17/2012 2029-12-31 0	\$37.66 \$43.00 Verified	17y 8m \$ 60.00 15.00 Months	E4, E3, E5, E6, E7, E8, E9, E10, E11, E12, E18, E21, P32, E35, P36, E37, E38, E39, E40, E41	\$43.00/2.67; \$48.00/5; \$53.00/5; \$58.00/5; Newmark Grubb Knight Frank Brookfield Properties
Comment: Tenant expanded on floors 21, 35 and 37-41. Tenant also renewed by 17,000 sq. ft. and expanded by 19,000 sq. ft. of storage/basement space. Non-office use. The renewal portion commences 01/01/15 and the expansion portion commenced 04/16/2012. Both expire 12/31/2029. The expansion portion's financial details are listed in the comp. The renewal portion was \$42/\$47/\$52 with \$40 TI & 6 months free rent. Net NER is \$35.09 & Term NER is \$38.80. Morgan Stanley also secured fixed rate options at their then escalated rent on 500,000 sq. ft. for other floors rolling over in the building between now and 2017.						
1 Liberty Plaza New York, NY Downtown, Financial	Investment Technology Group, Inc. (ITG) Direct Lease	132,092 02/29/2012 2028-04-30 0	\$35.47 \$44.00 Verified	16y \$ 65.00 12.00 Months	E4, E5, E6	\$44.00/6; \$49.00/5; \$54.00/5; Newmark Grubb Knight Frank Brookfield Properties
17 State Street New York, NY Downtown, Financial	Simon-Kucher & Partners Direct Lease	14,486 02/29/2012 2023-02-28 0	\$41.31 \$54.50 Verified	10y 7m \$ 60.00 7.00 Months	E37	\$54.50/10.58; Jones Lang LaSalle RFR Realty, LLC
Comment: Turnkey. Estimated value: \$60 psf.						

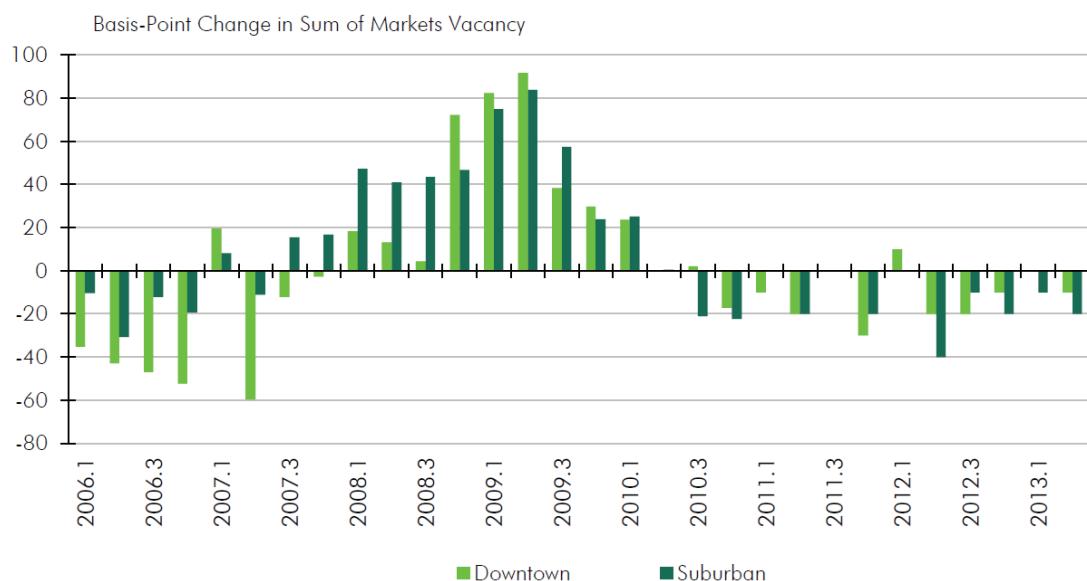
EXHIBIT C

THE DOWNTOWN MANHATTAN OFFICE MARKET AND RENT FORECAST

OFFICE MARKET ANALYSIS

NATIONAL OVERVIEW

According to CBRE's Econometric Advisors 2nd Quarter 2013 National Office Market Flash Report, the Sum of Markets National office vacancy rate declined by 20 basis points (bps) to reach 15.3%. The rate is 70 bps lower than last year's second quarter rate, showing that the national office market continues to withstand an uneven economic recovery and sequestration's spending cuts. The second quarter continues what we see as a slow and drawn-out recovery for the office market, resulting from slowly improving fundamentals and tenant adjustments to the space overhangs left in the wake of the recession. Quarterly vacancy rates fell in 39 of the 63 U.S. office markets tracked by CBRE EA, while rising in 17 and remaining unchanged in seven. The Sum of Markets suburban vacancy rate fell by 20 bps, to 16.8%, while the downtown rate fell by 10 bps, to 12.3%.



As in the Q1, smaller markets were the best performers in Q2; Riverside and Toledo led all markets with vacancy rate declines of 170 bps, followed by Richmond and Las Vegas with declines of 160 bps and 130 bps respectively. While technology and energy markets have done exceptionally well during the recovery, smaller markets that were severely affected by the housing bust have been among the best performers during the first half of 2013. This is a sign that the office market recovery is broadening, and that markets previously considered to be "distressed" are catching up to the rest of the nation. They still have a long way to go, however—in Las Vegas and Riverside, for example, current vacancy rates remain more than 1,400 bps and 1,000 bps above their respective pre-recession lows, despite rapid declines in their vacancy rates this year.

The quarter's largest vacancy rate increases occurred in Wilmington (+220 bps), due to financial services firms downsizing; and Tucson (+190 bps) and Memphis (+90 bps). Washington D.C. continues to be a major concern for office investors, but it has performed better than expected so far this year. While the metro area's vacancy rate rose by 10 bps to 15.5%, the District and its suburbs (where two-thirds of the office stock is located) performed differently. While the Suburban vacancy rate rose by 30 bps, the Downtown rate fell by 30 bps. We still view the

D.C. office market with some caution in the near term, as the potential for further downsizing will persist in coming quarters due to continuing sequestration cuts and their impact on the area's private-sector firms.

While the year-to-date improvement in the vacancy rate is on par with last year's performance, the labor market's strength has been impressive. The private-sector has remained strong and initial reports through May show that monthly payroll gains for businesses have averaged nearly 190,000 in 2013. While we expect annual absorption to be below average in 2013, beginning in 2014, demand should accelerate as office-using jobs surpass their pre-recession peak. The addition of 57,000 jobs in the office-using professional and business services sector during May supports our view that total office-using employment is on its way to surpass the pre-recession peak early next year.

Improvements in demand will draw the market vacancy rate down further, to 14.4% by the end of 2014. At that point we will see effective rent growth tracking at 4-5% as the market recovery hits its stride. By mid-decade, both the office market and the economy should be operating in lockstep, with fundamentals and capital markets both once again healthy and operating nearer to capacity.

INTRODUCTION

The Manhattan office market has been on a gradual improving trend since the end of the prior recession in 2009. Improvements in the marketplace first became evident in 2010, with significant leasing activity leading to mild reductions in concession packages, and gradual increases in average asking rents and declines in vacancy. Demand continued to accelerate in 2011, resulting in notable increases in average asking rents and occupancy levels in most markets. During 2012 the pace of office leasing in New York City slowed compared to prior years of recovery, although market sentiment remained fairly positive. Through the middle of 2013, the Manhattan Office Market has witnessed leasing demand (mainly from tenants outside the FIRE sector), with increases in asking rents across most Midtown, Midtown South and Downtown submarkets.

The investment property market followed a similar trend as the office leasing market, with post-recession demand materializing in 2010 and accelerating through 2011, 2012 and into 2013. Demand in the investment properties market is projected to remain strong throughout the near term future, with value appreciation likely though gradual improvements in property operations as opposed to the cap rate compression and spiking of market rents that drove values in 2011 and through much of 2012.

More specific details regarding market conditions at the subject's market and submarket level are contained in the following sections.

MANHATTAN OFFICE MARKET

A second quarter 2013 summary of the Manhattan office market is presented on the following table.

NEW YORK CITY OFFICE MARKET OVERVIEW - SECOND QUARTER 2013							
Submarket	# of Bldgs	Inventory (SF)	Avg Ask Rent/SF	Vacancy Rate	Availability Rate	YTD Annual Absorption	YTD Annual Lease Activity
MIDTOWN							
Park Avenue	38	30,224,896	\$74.24	9.09%	10.70%	1,976	685,393
5th/Madison Ave	28	11,787,829	\$80.63	10.03%	12.76%	268,779	384,210
East Side	43	20,810,261	\$61.90	4.65%	8.97%	(69,198)	400,444
6th/Rock Cntr.	46	45,651,944	\$78.93	7.66%	13.25%	(24,154)	1,337,816
TimesSquare/West Side	47	33,677,077	\$65.35	7.73%	9.93%	255,820	1,011,031
Times Square South	45	18,500,038	\$46.73	7.60%	11.27%	181,975	847,155
Grand Central	87	43,975,728	\$60.16	9.77%	14.87%	(793,595)	1,235,035
Plaza District	29	12,448,760	\$102.86	12.42%	16.07%	(21,062)	384,836
Penn Station	25	17,834,009	\$53.53	8.85%	15.16%	(955,309)	1,082,769
Total Midtown Market	388	234,910,542	\$69.51	8.44%	12.49%	(1,154,768)	7,368,689
MIDTOWN-SOUTH							
Chelsea	39	12,315,916	\$57.10	6.81%	8.79%	(176,066)	321,388
Flatiron	61	11,494,302	\$67.74	4.60%	11.22%	(685,545)	510,094
Park South/Madison Sq.	61	19,498,322	\$58.87	6.47%	11.27%	(368,075)	361,862
Union Square	28	4,677,224	\$60.36	2.03%	6.48%	(183,341)	161,253
Noho/Soho	51	8,179,473	\$78.55	9.44%	11.21%	(97,309)	520,254
Hudson Square/TriBeCa	35	15,894,681	\$56.45	3.52%	8.75%	506,921	224,660
Total Midtown South	275	72,059,918	\$63.44	5.63%	9.96%	(1,003,415)	2,099,511
DOWNTOWN							
Financial	82	56,671,466	\$41.77	8.16%	14.39%	(1,394,680)	2,145,131
City Hall	28	11,982,749	\$37.01	4.14%	6.43%	(68,581)	189,862
WFC	7	14,306,795	\$59.72	1.86%	29.01%	180,594	121,828
Total Downtown	117	82,961,010	\$47.13	6.49%	15.76%	(1,282,667)	2,456,821
OVERALL MANHATTAN	780	389,931,470	\$61.12	7.51%	12.72%	(3,440,850)	11,925,021



The overall office market as tracked by CBRE, Inc. contains approximately 389.93 million square feet of rentable area within 780 buildings. The current overall average asking rent in Manhattan is \$61.12 per square foot with a current availability rate of 12.72%, and a vacancy rate of 7.51%. The subject property is situated in Downtown Manhattan, which is comprised of approximately 82.96 million square feet, exhibiting an availability rate of 15.76%, a vacancy rate of 6.49%, and an average asking rent of \$47.13 per square foot.

Construction Activity

One of the strengths of the Manhattan marketplace comes from the limited new development within the past decade relative to the overall size of the market. There is minimal new construction in the pipeline for Downtown and thus less space to absorb and compete with existing product. The combination of the limited new development and the geographical constraints of Manhattan should work together to help insulate the market relative to other financial centers around the Country.

The office inventory in New York increased by 59.11 million square feet between 1985 and 2012 or approximately 2.19 million square feet annually. Put differently, over 15.6% of the market was built since 1985. The chart below shows the historical construction activity between 1985 and the present in Manhattan.

MANHATTAN CONSTRUCTION ACTIVITY	
Year	Area
1985-1989	29,744,000
1990-1994	5,878,000
1995-1999	1,626,581
2000-2004	10,995,582
2005-2009	8,932,794
2010	1,776,462
2011	87,800
2012	67,585

Source: CBRE, Inc.

A summary of the recently completed buildings in Manhattan is presented on the following table.

CLASS A BUILDING SURVEY - MANHATTAN RECENTLY COMPLETED OFFICE BUILDINGS				
Address	Size (RSF)	% Preleased at construction	Completion	Comments
51 Astor Place Completed 2Q 2013	400,000	0%	2013	The building is located on the former home of Cooper Union's engineering building.
High Line Building (430 West 14th Street) Completed 3Q 2011	87,800	23%	2011	15 story building developed by Charles Blaichman/CB Developers. Asking rents range between mid \$70's-mid \$80's per SF. Helmut Lang preleased 2 floor.
400-404 First Avenue Completed 4Q 2010	317,433	32%	2010	Anchored by ImClone Systems, subsidiary of Eli Lilly & Company
510 Madison Avenue Completed 4Q 2010	350,000	0%	2010	30 story building developed by Macklowe
11 Times Square (640 Eighth Avenue) Completed 4Q 2010	1,109,029	0%	2010	40 story building developed by SJP Properties/Prudential Insurance
Goldman Sachs Tower (200 West St) Completed 1Q 2010	2,000,000	100%	2009	Goldman Sachs occupies entire site.
One Bryant Park Completed 4Q 2008	2,376,794	50%	2008	Built as HQ for Bank of America in a partnership with the Durst Organization
The New York Times Building (620 Eighth Ave) Completed 3Q 2007	1,500,000	95%	2007	52 story office building developed by Forest City Ratner & NY Times.
528-540 W 19th St Completed 1Q 2007	200,000	100%	2007	Headquarters of InterActiveCorp
Hearst Building (959 8th Ave) Completed 2Q 2006	856,000	100%	2006	42-story office building constructed for owner-user purposes
505-507 Fifth Avenue Completed 1Q 2006	300,000	49%	2006	28-story building developed by Essex Capital.
7 World Trade Center Completed 1Q 2006	1,700,000	0%	2006	Reconstruction of 7 World Trade Center
731 Lexington Avenue Completed 3Q 2004	1,300,000	79%	2004	54 Story Office, residential, retail building. Anchored by Bloomberg LLP. Total development is 1.4 million SF
300 Madison Ave Completed 4Q 2004	1,070,212	100%	2004	Building anchored by PriceWaterhouse Coopers (PwC)
7 Times Square Completed 2Q 2004	1,238,797	35%	2004	Developed by Boston Properties. Was 56% pre-leased to Arthur Andersen at construction start (prior to Enron).
10 Columbus Circle Completed 1Q 2004	1,875,851	76%	2004	Mixed-use project by The Related Cos. & Apollo RE Advisors Time Warner occupied +/- 800,000 square feet of office
1745 Broadway Completed January 2003	674,000	100%	2003	25 story office condominium within a larger residential tower. The space was built for occupancy by Random House
222 East 41st Street Completed January 2002	372,963	100%	2002	Boutique, 25 story office building developed by Tishman-Speyer/ Travelers.
745 Seventh Avenue Completed February 2002	1,350,000	100%	2002	MSDW was to occupy the building, however the building was sold to Lehman Brothers for occupancy in October, 2001.
Five Times Square Completed January 2002	1,101,779	100%	2002	Building was preleased to Ernst & Young for 20 Years Building was developed by Boston Properties
383 Madison Avenue Completed January 2002	1,200,000	100%	2002	The building was developed and occupied by Bear Stearns.

Source: CBRE, Inc.

The following chart includes buildings that are currently under construction.



OFFICE DEVELOPMENT UNDER CONSTRUCTION							
Address	Developer	Office Rentable Square Feet	Expected Completion Date	Pre-lease Sq Ft	# of Stories	Comments	
International Gem Tower 50 West 47th Street	Extell Development	750,000	2Q 2013	n/a	34	34 stories, 600-900k rsf office building. Extell plans to offer 84 of 88 "industry units" for sale. The diamond spaces will all be in the tower's lower half, on floors three through 6, 8 through 12 and 14 through 20. Extell is keeping 4 units of 29,300 sf each for itself on floors 3 through 6. Due to air rights, there will be 34 stories. There are numerous spaces that have been pre-sold according to news articles.	
4 World Trade Center 150 Greenwich Street	Silverstein Properties	1,800,000	4Q 2013	600,000	72	Structural steel underway. Approximately 600,000 SF space will be occupied by Port Authority of New York and New Jersey and the City of New York.	
1 World Trade Center Freedom Tower	Silverstein Properties	2,600,000	Late 2013	1,190,000	104	5/11- Condé Nast signed 1,000,000 SF anchor tenant lease. Vatone RE - 190k SF (5 floors, 64-69), 1/12 Condé Nast takes additional 133,000 SF (3 more floors)	
250 West 55th Street	Boston Properties/ Madison Equities	993,400	2014	180,000	38	Project was suspended 02/2009 but has resumed. A 180,000 SF lease was signed (5/2011) by anchor tenant Morrison and Foerster (law firm). The same tenant took additional 23,700 SF in 7/2012. Further, Kaye Scholer LLP (law firm) signed a lease for 246,000 SF on 12/2012.	
7 Bryant Park 1045 Sixth Ave	Hines/Pacolet Milliken Enterprises	470,000	Late 2014	0	28	28-story office tower to be built on the west blockfront between 39th and 40th street. Broke ground in March of 2013.	
Total Under Construction		6,613,400			1,970,000		

A chart of planned developments (properties that are anticipated to begin construction in the near term) is shown below.

PROPOSED OFFICE DEVELOPMENT					
Address	Developer	Office Rentable Square Feet	Expected Completion Date	# of Stories	Comments
Hudson Yards Tenth Avenue and West 30th Street	Related Companies		2015+	51	51-story office building. Coach has purchased approximately 600,000 SF of space in this building for 2015 move-in. In Hudson Yards, over 600 million square feet of commercial space within three buildings is proposed.
One Hudson Yards	Extell Development	1,750,000	2015+	56	begin vertical construction by the end of 2013 and tenant build-outs by 2015. This timeline is dependent on the buildings ability to lease out space.
Manhattan West - South Tower 9th Avenue at 31st Street	Brookfield Properties	3,400,000	2013+	64	64 Stories, 48,500 rsf - 39,000 rsf floor plates, 87600 rsf Podium floor plates, 1,216 ft high.
Manhattan West - North Tower 9th Avenue at 33rd Street	Brookfield Properties	2,000,000	2013+	60	60 Stories, 35- 30,000 rsf floor plates, 935 ft high.
2 World Trade Center 200 Greenwich	Silverstein Properties	2,300,000	DELAYED	79	
3 World Trade Center 175 Greenwich	Silverstein Properties	2,100,000	DELAYED	71	Some foundation work, including concrete pours, excavation complete
World Product Centre SEC 34th St/ 11th Ave	Extell Development/ Greater NY Hospital Assoc	1,500,000	DELAYED	60	On hold
20 Times Square 641 Eighth Avenue	Vornado Realty Trust/ Lawrence Ruben Co.	1,300,000	DELAYED		11/08-New designs/rendering publicly revealed, which indicates plan is not dead, new plans show a garden adorns the towers base and 18 addtl bus gates to be added and the existing 40,000 sf of existing retail shops in the north side will get a full scale renovation. (NYP) *Plans were to have bldg completed by 2013.
740 Eighth Avenue 45th-46th Street	Boston Properties/ Related Companies	900,000	DELAYED		Was looking for additional A/R (120k sf) for extra stories, but Appl was withdrawn
360 Tenth Avenue	Extell Development	140,000	TBD		Demo has taken place, but just in filing stages for construction of pilings
TOTAL PROPOSED CONSTRUCTION		17,390,000			

Various sources compiled by CBRE, Inc.

In addition, various sources quote potential development throughout Manhattan; however, these include buildings that are far from the development stage, are not primarily office use and situated in secondary locations throughout the city and thus not considered competitive.

While there are not many constraints to obtain financing in this market, there are a number of building constraints in the Manhattan office market. First, assemblage of land parcels for development is very difficult and may take many years to complete. Second, the city approval process is complex and time consuming. Third, the cost of development in Manhattan is very high compared to other areas in the region. Given these building constraints as well as lenders requirements for the majority of the building to be pre-leased, it is highly unlikely that there will be over-building in the marketplace.

DOWNTOWN OFFICE MARKET

The subject property is located in the Downtown Manhattan office market. The following provides a visual representation of the submarkets comprising the Downtown Manhattan office market and their inventories.



Submarket	Total Size (Mil. Sq. Ft.)	No. of Buildings
City Hall	11.98	28
Financial	56.67	82
World Trade Center / World Financial Center	14.31	7
TOTAL INVENTORY	82.96	117

A historical summary of the Downtown market place is presented in the following table:

DOWNTOWN HISTORICAL OFFICE MARKET OVERVIEW					
Period	Average Asking Rent	Vacancy Rate	Availability Rate	Net Absorption YTD	Leasing Activity YTD
2Q2013	\$47.13	6.49%	15.76%	(1,282,667)	2,456,821
1Q2013	\$46.87	6.78%	13.88%	---	---
4Q 2012	\$46.85	6.83%	14.22%	(2,527,929)	4,482,662
3Q 2012	\$40.13	7.23%	10.61%	---	---
2Q 2012	\$39.29	7.90%	10.83%	---	---
1Q 2012	\$40.00	7.41%	10.45%	---	---
4Q 2011	\$39.30	7.49%	10.46%	2,535,650	5,860,784
3Q 2011	\$38.97	7.64%	10.96%	---	---
2Q 2011	\$39.11	8.20%	11.28%	---	---
1Q 2011	\$39.33	8.90%	13.24%	---	---
4Q 2010	\$38.00	9.29%	13.75%	(2,056,590)	3,254,435
3Q 2010	\$38.20	8.34%	14.29%	---	---
2Q 2010	\$38.26	8.34%	14.98%	---	---
1Q 2010	\$38.81	8.28%	13.45%	---	---
4Q 2009	\$38.12	7.60%	11.50%	(1,318,039)	2,892,474
3Q 2009	\$39.54	7.70%	11.81%	---	---
2Q 2009	\$41.91	8.14%	11.13%	---	---
1Q 2009	\$43.17	7.95%	10.49%	---	---
2008	\$47.68	---	9.72%	(1,586,986)	3,108,669
2007	\$47.26	---	7.58%	1,331,558	4,509,024
2006	\$39.99	---	9.04%	4,313,458	6,926,550
2005	\$35.41	---	14.25%	504,000	5,798,412
2004	\$29.94	---	15.02%	316,011	5,446,929
2003	\$32.92	---	15.28%	(719,593)	4,545,788
2002	\$35.59	---	14.41%	(1,839,691)	5,558,610

Compiled by CBRE, Inc.

Downtown logged its ninth consecutive quarter of above-average leasing activity in Q2 2013, with the quarter's 1.09 million sq. ft. of leasing outpacing the market's five-year quarterly average of 1.03 million sq. ft. by 6%. This was down 20% from Q1 2013's 1.37 million sq. ft. of leasing, but 6% ahead of Q2 2012's 1.03 million sq. ft. of activity. Year-to-date Downtown leasing activity totaled 2.46 million sq. ft., 22% ahead of the 2.02 million sq. ft. of leasing recorded through the first half of 2012.

The top three deals completed during the quarter were commitments for new space, led by Nyack College for 166,000 sq. ft. at 17 Battery Place North, followed by Condé Nast Publications, Inc. for 83,000 sq. ft. at 222 Broadway and YMCA Retirement Fund for 52,000 sq. ft. at 120 Broadway.

New availabilities brought to market during Q2 2013 included 348,000 sq. ft. of direct space at 40 Rector Street, which had previously been listed solely for sale as office condos and was made available with an option to lease; 86,000 sq. ft. of West LB sublease space at 7 World Trade Center; 68,000 sq. ft. of Lester, Schwab, Katz & Dwyer sublease space at 120 Broadway; and 68,000 sq. ft. of Sullivan & Cromwell sublease space at 55 Water Street.

In addition, 834,000 sq. ft. of direct space at 180 Maiden Lane and 197,000 sq. ft. of direct space at 1 Liberty Plaza, both already on the market, fell within 12 months of tenant possession during the quarter, impacting statistics.

The space added to the market eclipsed the quarter's leasing activity, resulting in 1.57 million sq. ft. of negative net absorption for Q2 2013. This was a significant reversal from the 280,000 sq. ft. of positive net absorption logged during Q1 2013 and brought the year-to-date net absorption level to negative 1.28 million sq. ft. By comparison, Downtown logged 430,000 sq. ft. of negative net absorption during the same January-to-June period in 2012.

As a result, Downtown's overall availability rate jumped 190 basis points during the quarter to 15.8%, its highest level since July 2005. At the same point last year, Downtown's availability rate was 500 basis points lower, at 10.8%. The sublease availability rate increased 30 basis points quarter-over-quarter to 1.9%—the only Manhattan market to log a sublease availability rate below 2%.

Downtown's overall average asking rent ended Q2 2013 at \$47.13 per square foot, up \$0.26, or 1%, from the previous quarter's average of \$46.87 per square foot, and \$7.84, or 20%, from Q2 2012's average of \$39.29 per square foot. During the quarter, the average asking rent for direct space inched up \$0.26 to \$48.18 per square foot, while the sublease average rose \$2.70, or 8%, to \$37.28 per square foot, its highest level since Q3 2009.

Figure 1: Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
166,385	Nyack College	17 Battery Place North
83,097	Condé Nast Publications, Inc.	222 Broadway
52,124	YMCA Retirement Fund	120 Broadway
42,032*	Hunter Roberts Construction Group	225 Liberty Street
36,985**	New York County Health Services Review Organization	199 Water Street

*Renewal & Expansion

**Renewal

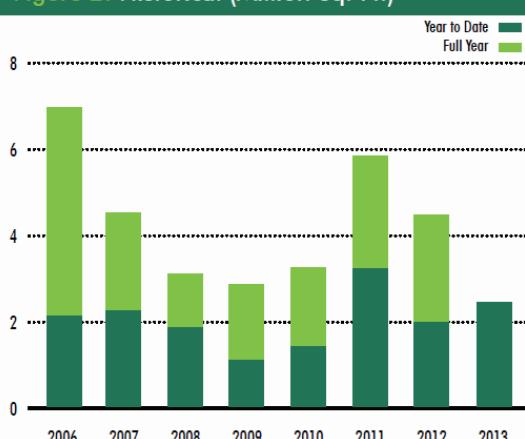
Source: CBRE Research, Q2 2013.

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Leasing Activity

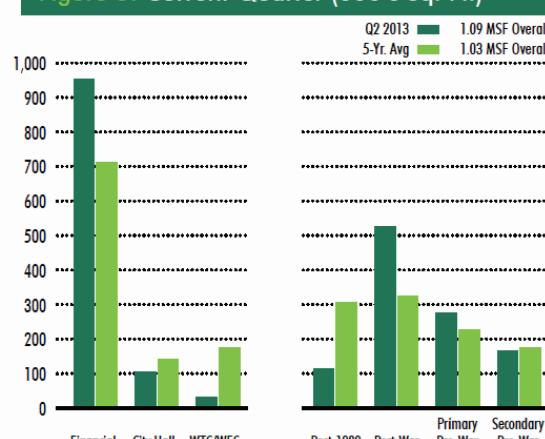
A summary of the Leasing Activity in the Downtown marketplace is presented below:

Figure 2: Historical (Million Sq. Ft.)



Source: CBRE Research, Q2 2013.

Figure 3: Current Quarter (000's Sq. Ft.)

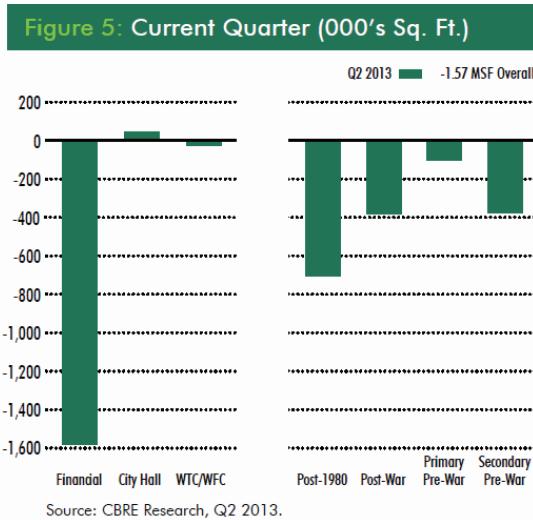
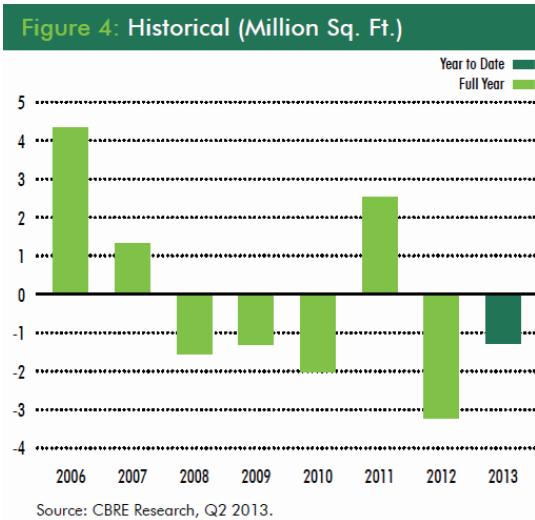


Source: CBRE Research, Q2 2013.

Downtown's above-average leasing activity was eclipsed by the addition of several large availabilities to the market, resulting in 1.57 million sq. ft. of negative net absorption for Q2 2013, a major downward swing from Q1 2013's 280,000 sq. ft. of positive net absorption. As a result, the year-to-date net absorption level dropped to negative 1.28 million sq. ft. At the same point last year, the year-to-date level stood at negative 430,000 sq. ft. The Financial segment posted 1.59 million sq. ft. of negative net absorption during the quarter. All four age categories posted negative net absorption during the quarter, led by Post-1980, at negative 700,000 sq. ft.

Net Absorption

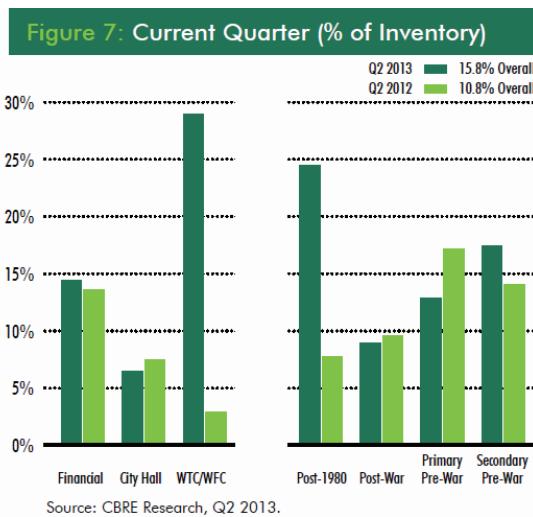
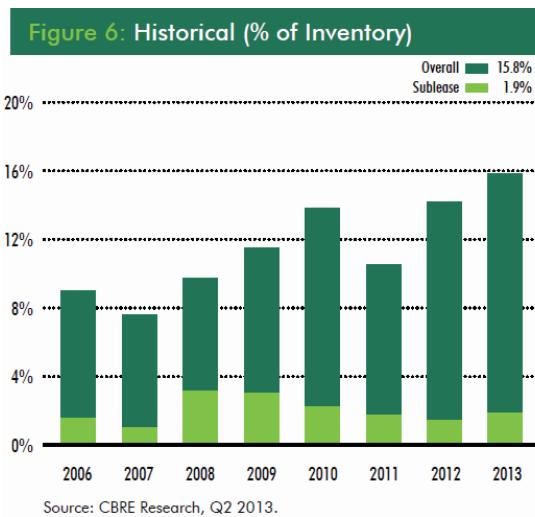
A summary of the net absorption in the Downtown marketplace is presented below:



The quarter's substantial negative absorption fueled a 190-basis-point quarterly jump in the availability rate to 15.8%, its highest level in almost eight years. At the same point last year, the availability rate stood at 10.8%. In terms of segments, WTC/WFC posted a market-high availability rate of 29.0%, while City Hall posted Manhattan's lowest availability rate, at 6.4%. In terms of age category, Post-1980 topped the market, at 24.5%, while Post-War, at 8.9%, was the only segment to post an availability rate below 10%. Of the 13.08 million sq. ft. of space available in Downtown at the end of Q2 2013, 1.56 million sq. ft., or 12%, was sublease space, yielding a sublease availability rate of 1.9%, the lowest of Manhattan's three markets.

Availability

A summary of the availability in the Downtown marketplace is presented on the following table:

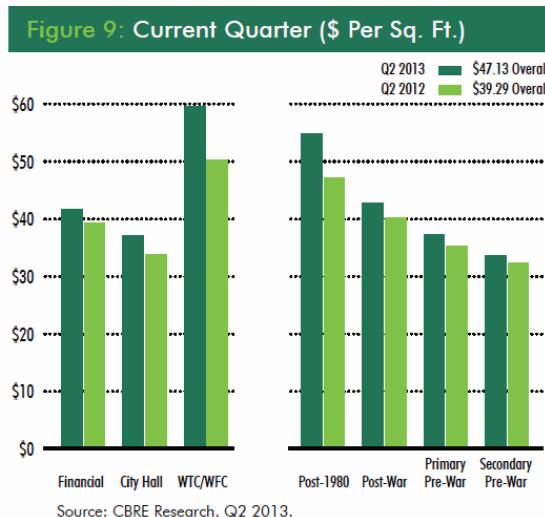
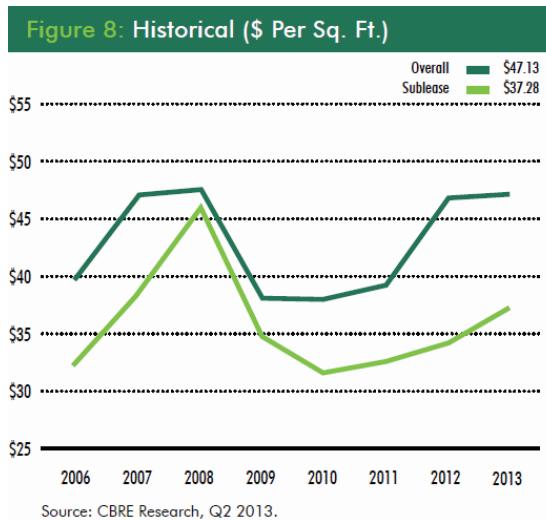


At quarter's end, Downtown's overall average asking rent stood at \$47.13 per square foot, up \$0.26, or 1%, from Q1 2013's average of \$46.87 per square foot, and \$7.84, or 20%, from Q2 2012's average of \$39.29 per square foot. The average asking rent for direct space edged up \$0.26 during the quarter to \$48.18 per square foot, while the sublease average jumped \$2.70, or 8%, to \$37.28 per square foot, its highest level since Q3 2009. WTC/WFC, at

\$59.72 per square foot, once again posted the market's highest average, while City Hall, at \$37.01 per square foot, was the lowest. In terms of age category, Post-1980, at \$54.95 per square foot, was the most expensive, reflecting the continued price premium for newer space.

Average Asking Rents

A summary of the average asking rents within the Downtown marketplace is presented on the following table:



Downtown's overall average asking rent was virtually unchanged in Q1 2013, rising by \$0.02 during the quarter to \$46.87 per square foot Year-over-year, the average asking rent was up 17%, or \$6.87, from Q1 2012's average asking rent of \$40.00 per square foot. The average asking rent for direct space rose \$0.15 during the quarter to \$47.92 per square foot, while the sublease average rose \$0.33 to \$43.58 per square foot WTC/WFC, at \$59.69 per square foot, remained Downtown's most expensive segment. In terms of age category, the pricing premium for newer properties held firm, with Post-1980's average asking rent, at \$55.68 per square foot, significantly above the other three age categories.

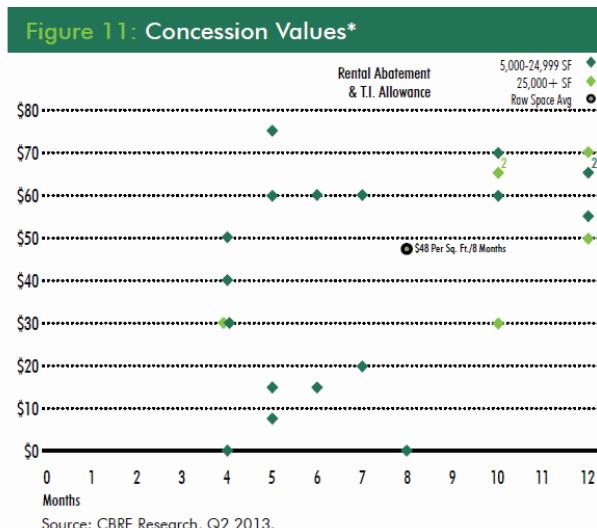
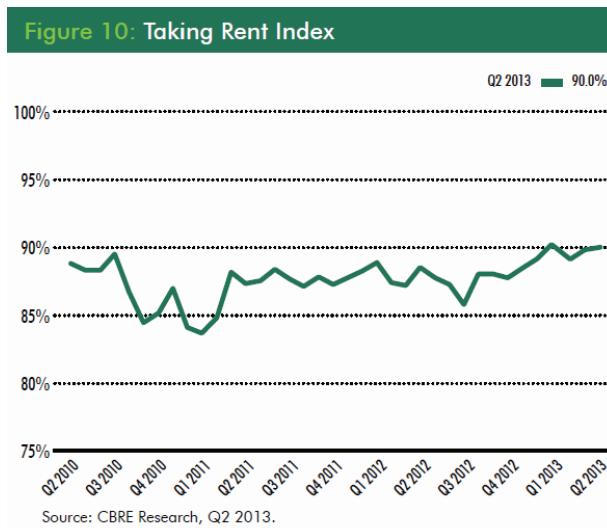
A summary of CBRE Econometric Advisors' projections for overall rent growth within the Manhattan market is presented below:

RENT GROWTH PROJECTIONS	
Year	TWR Rent Growth
2013	4.0%
2014	4.5%
2015	4.7%
2016	4.0%
2017	3.1%

CBRE Econometric Advisors

Taking Deal Information

Summaries of the Taking Rent Index as well as average concessions within the Downtown marketplace are included on the following table:



The Taking Rent Index registered a 20-basis-point net decline during Q2 2013, from 90.2% in March to 90.0% in June. Concession packages for new leases for raw space completed during Q2 2013 included an average of \$48 per square foot in tenant improvement allowance and 8 months of rent abatement.

WORLD FINANCIAL CENTER DISTRICT

The Financial submarket contains some 14.3 million rentable square feet (RSF) of office space in 7 buildings – 1, 2, 3, and 4 World Financial Center, NYMEX, 200 West Street and 7 World Trade Center. It comprises approximately 3.7% of the Manhattan marketplace and 17.2% of the Downtown marketplace. The World Financial Center District includes the majority of the Post-1980 Building segment of the Downtown office market. A historical summary of key indicators for the World Financial Center District office market is presented on the following table:

WFC HISTORICAL OFFICE MARKET OVERVIEW

Period	Average Asking Rent	Vacancy Rate	Availability Rate	Leasing Activity	Net Absorption
4Q2012	\$59.18	2.71%	30.27%	595,060	(3,940,919)
3Q 2012	\$50.15	2.02%	2.73%	---	---
2Q 2012	\$50.18	2.11%	2.94%	---	---
1Q 2012	\$51.17	0.72%	3.14%	---	---
4Q 2011	\$51.37	0.64%	3.39%	1,790,350	215,938
3Q 2011	\$51.05	0.25%	3.20%	---	---
2Q 2011	\$61.92	1.50%	2.49%	---	---
1Q 2011	\$57.88	2.98%	4.51%	---	---
4Q 2010	\$55.24	2.98%	4.89%	453,672	89,252
3Q 2010	\$56.04	4.73%	6.64%	---	---
2Q 2010	\$53.37	5.46%	7.13%	---	---
1Q 2010	\$53.75	5.88%	6.43%	---	---
4Q 2009	\$51.84	5.35%	6.79%	463,311	408,514
3Q 2009	\$52.29	8.15%	8.82%	---	---
2Q 2009	\$55.91	8.75%	9.14%	---	---
1Q 2009	\$59.02	8.20%	8.85%	---	---
2008	\$62.43	6.83%	10.83%	158,812	(630,432)
2007	\$74.48	4.59%	4.59%	347,126	367,123
2006	\$63.24	7.54%	8.22%	1,637,210	1,629,719
2005	\$52.51	20.31%	24.34%	1,971,558	270,496
2004	\$37.85	---	16.40%	0	116,295
2003	\$41.33	---	26.63%	103,376	72,602
2002	\$49.72	---	26.49%	0	171,406

Compiled by CBRE

Availability is near record high levels due to the significant space going on the market within the subject's WFC complex. As this space is all still considered leased it has yet to hit the vacancy statistics and thus the spread between these two figures.

Conclusion

Although there is still risk associated with the national/regional economy as well as with recent interest rate fluctuations, current market statistics and the expectations of market participants have evolved to a positive long term outlook. Indications that we are past the bottom of the cycle are evident from recent increases in rental rates and declining vacancy/availability rates in the overall market. These improvements in the leasing market have helped compound improvements in the investment sales market and have resulted in significant increases in property values across most commercial property types in Manhattan. Even with the recent volatility, interest rates have remained very low relative to historic levels and as such real estate markets should continue to improve throughout the remainder of 2013 and into the near term future.

EXHIBIT D

LOWER MANHATTAN RESIDENTIAL RENTAL & SALE COMPS

CONDOMINIUM SALES COMPARABLES

Closing Date	Property Address	Unit	Sqft	Bedrooms	Baths	Maintenance	Taxes	Sale Price	Price Per SF
5/17/2013	2 River Terrace	#15C	1191	2	2	\$1,536	\$1,536	\$1,761,000	\$1,478.59
6/13/2013	2 River Terrace	#22B	1439	2	2	\$1,350	\$1,826	\$1,945,000	\$1,351.63
5/6/2013	2 River Terrace	#5B	865	1	1	\$748	\$1,012	\$820,000	\$947.98
4/11/2013	2 River Terrace	#14C	1088	2	2	\$982	\$1,338	\$1,370,000	\$1,259.19
4/22/2013	2 River Terrace	#5T	1816	3.5	3	\$2,096	\$2,115	\$2,630,000	\$1,448.24
12/21/2012	2 River Terrace	#6E	1044	2	2	\$1,214	\$1,229	\$1,350,050	\$1,293.15
12/28/2012	2 River Terrace	#3D	1427	2	2	\$1,636	\$1,655	\$1,680,000	\$1,177.30
12/14/2012	2 River Terrace	#6B	865	1	1	\$1,006	\$1,018	\$880,000	\$1,017.34
11/30/2012	2 River Terrace	#51A	1842	3	3	\$2,076	\$2,068	\$2,500,000	\$1,357.22
4/11/2013	2 SOUTH END AVENUE	#9K	1345	3	3	\$3,506	\$1,972	\$950,000	\$706.32
3/13/2013	2 South End Avenue	#8H	578	1	1	\$1,179	\$651	\$370,000	\$640.14
12/20/2012	2 South End Avenue	#3C	830	1	1	\$1,300	\$988	\$536,000	\$645.78
2/14/2013	2 South End Avenue	#3N	571	1	1	\$1,053	\$582	\$362,290	\$634.48
5/22/2013	2 South End Avenue	#TH1	1265	2	2	\$2,981	\$1,926	\$650,000	\$513.83
9/18/2012	2 South End Avenue	#7F	632	1	1	\$1,225	\$705	\$380,000	\$601.27
10/3/2012	2 South End Avenue	#TH5	1429	2	3	\$3,476	\$2,212	\$635,000	\$444.37
1/4/2013	2 South End Avenue	#3L	623	1	1	\$999	\$755	\$370,000	\$593.90
11/1/2012	2 South End Avenue	#6J	592	1	1	\$1,016	\$736	\$330,000	\$557.43
7/11/2013	200 Rector Place	#23G	640	1	1	\$762	\$931	\$675,000	\$1,054.69
12/12/2012	200 rector place	#35N	633	1	1	\$572	\$729	\$525,000	\$829.38
5/29/2013	21 South End Ave	#405	810	1	2	\$1,336	\$1,138	\$750,000	\$925.93
6/27/2013	21 South End Avenue	#336	568	1	1	\$1,069	\$666	\$373,000	\$656.69
5/2/2013	21 South End Avenue	#332	701	1	1	\$1,299	\$843	\$392,500	\$559.91
11/20/2012	21 South End Avenue	#624	899	2	1	\$1,477	\$1,210	\$649,000	\$721.91
1/3/2013	21 South End Avenue	#628	552	1	1	\$1,028	\$621	\$350,000	\$634.06
7/12/2013	225 Rector Place	#12E	602	0	1	\$642	\$659	\$580,000	\$963.46
7/12/2013	225 Rector Place	#21F	682	1	1	\$727	\$747	\$635,000	\$931.09
6/25/2013	225 Rector Place	#PH2F	767	1	1	\$808	\$832	\$875,000	\$1,140.81
6/23/2013	225 Rector Place	#4T	760	1	1	\$808	\$832	\$670,000	\$881.58
6/17/2013	225 Rector Place	#11C	687	1	1	\$730	\$752	\$700,000	\$1,018.92
6/7/2013	225 Rector Place	#5J	695	1	1	\$739	\$761	\$670,000	\$964.03
6/7/2013	225 Rector Place	#2G	685	1	1	\$728	\$750	\$655,000	\$956.20
6/7/2013	225 Rector Place	#10S	621	0	1	\$660	\$680	\$560,636	\$902.80
5/30/2013	225 Rector Place	#8T	763	1	1	\$811	\$836	\$680,000	\$891.22
5/21/2013	225 Rector Place	#3T	760	1	1	\$808	\$832	\$652,500	\$858.55
5/20/2013	225 Rector Place	#6J	695	1	1	\$739	\$761	\$645,000	\$928.06
5/18/2013	225 Rector Place	#9N	1494	3	2	\$1,588	\$1,636	\$1,578,287	\$1,056.42
5/16/2013	225 Rector Place	#4A	812	1	1	\$863	\$889	\$665,000	\$818.97
5/10/2013	225 Rector Place	#11R	698	1	1	\$742	\$764	\$670,000	\$959.89
5/9/2013	225 Rector Place	#21A	7610	1	1	\$819	\$833	\$794,235	\$104.37
5/9/2013	225 Rector Place	#PH1D	1325	2	2	\$1,395	\$1,437	\$1,811,250	\$1,366.98
5/9/2013	225 Rector Place	#18A	761	1	1	\$809	\$833	\$785,000	\$1,031.54
5/4/2013	225 Rector Place	#PH2E	1737	3	2	\$1,829	\$1,884	\$2,311,995	\$1,331.03
5/1/2013	225 Rector Place	#3N	1489	3	2	\$1,583	\$1,631	\$1,551,000	\$1,041.64
4/19/2013	225 Rector Place	#3B	576	0	0	\$0	\$0	\$16,761	\$897.15
4/16/2013	225 Rector Place	#10P	0	0	0	\$0	\$0	\$640,122	#DIV/0!
4/5/2013	225 Rector Place	#4M	1522	3	2	\$1,565	\$1,540	\$1,500,000	\$985.55
4/2/2013	225 Rector Place	#PH1F	767	1	1	\$808	\$832	\$875,000	\$1,140.81
3/19/2013	225 Rector Place	#12B	576	0	1	\$612	\$631	\$587,000	\$1,019.10
3/10/2013	225 Rector Place	#6O	658	1	1	\$678	\$668	\$622,000	\$945.29
3/9/2013	225 Rector Place	#PH2C	1024	1	1	\$1,078	\$1,111	\$1,237,173	\$1,208.18
1/29/2013	225 Rector Place	#11K	1376	2	2	\$1,419	\$1,396	\$1,420,000	\$1,031.98
1/29/2013	225 Rector Place	#10M	1522	3	2	\$1,565	\$1,540	\$1,520,000	\$998.69
1/7/2013	225 Rector Place	#22E	687	1	1	\$708	\$697	\$750,000	\$1,091.70
5/30/2013	250 South End Ave	#2A	620	1	1	\$1,205	\$646	\$542,500	\$875.00
12/17/2012	250 south end ave	#8D	1066	2	2	\$1,913	\$1,107	\$715,000	\$670.73
7/1/2013	250 South End Avenue	#4G	709	1	1	\$2,049	\$461,500	\$650,92	
3/30/2013	250 South End Avenue	#10H	594	1	1	\$1,718	\$620	\$400,000	\$673.40
11/26/2012	250 South End Avenue	#9G	709	1	1	\$1,269	\$740	\$420,000	\$592.38
12/13/2012	250 SOUTH END AVENUE	#4C	602	1	1	\$1,081	\$625	\$352,118	\$584.91
11/6/2012	250 South End Avenue	#17B	1174	2	2	\$2,225	\$1,100	\$850,000	\$724.02
4/22/2013	280 RECTOR	#1G	681	1	1	\$1,842	\$0	\$339,000	\$497.80
7/5/2013	280 Rector	#1J	625	1	1	\$1,691	\$0	\$35,000	\$536.00
7/11/2013	280 Rector Place	#3K	890	2	2	\$1,112	\$1,306	\$825,000	\$926.97
7/20/2013	280 Rector Place	#3A	625	1	1	\$920	\$771	\$462,500	\$740.00
8/10/2012	280 Rector Place	#6H	625	1	1	\$940	\$710	\$390,000	\$624.00
6/6/2013	30 Little West Street	#23D	875	1	1	\$934	\$1,109	\$775,000	\$885.71
5/6/2013	30 West Street	#24C	1150	2	2	\$1,236	\$1,467	\$1,180,000	\$1,026.09
5/10/2013	30 West Street	#14F	2097	3	3	\$2,128	\$2,526	\$2,247,500	\$1,071.77
5/28/2013	30 West Street	#31A	1698	3	3	\$1,899	\$2,255	\$2,174,600	\$1,280.68
2/12/2013	30 West Street	#17E	1526	2	2	\$1,559	\$1,850	\$1,695,000	\$1,110.75
8/23/2012	30 West Street	#21A	1698	3	3	\$1,757	\$2,086	\$2,100,000	\$1,236.75
3/29/2013	30 west street	#27A	1698	3	3	\$1,573	\$2,204	\$2,120,000	\$1,248.53
11/22/2012	30 West Street	#18B	1404	2	2	\$1,250	\$1,719	\$1,410,000	\$1,004.27
2/1/2013	30 West Street	#24A	1698	3	3	\$1,545	\$2,165	\$2,045,000	\$1,204.36
10/26/2012	30 West Street	#20B	1404	2	2	\$1,250	\$1,719	\$1,485,000	\$1,057.69
4/18/2013	300 Albany Street	#5A	546	1	1	\$700	\$508	\$386,000	\$706.96
2/26/2013	300 Albany Street	#31	1118	2	2	\$1,631	\$1,863	\$997,500	\$892.22
1/25/2013	300 Albany Street	#9B	544	1	1	\$1,047	\$655	\$367,000	\$674.63
1/1/2013	300 Rector Place	#8A	614	0	1	\$790	\$721	\$356,000	\$579.80
6/4/2013	333 Rector Pl	#301	711	1	1	\$748	\$853	\$585,000	\$822.78
4/16/2013	333 Rector Place	#PH16S	1956	3	3	\$2,089	\$2,514	\$2,550,000	\$1,303.68
1/24/2013	333 Rector Place	#PH13S	713	0	1	\$772	\$929	\$895,000	\$1,255.26
4/1/2013	333 Rector Place	#PH3E	1221	2	1	\$1,393	\$1,588	\$1,538,915	\$1,260.37
6/13/2013	333 RECTOR PLACE	#303	735	1	1	\$732	\$881	\$520,000	\$707.48
11/29/2012	333 Rector Place	#PH2S	807	1	1	\$855	\$1,029	\$950,000	\$1,177.20
11/13/2012	333 Rector Place	#1510	866	1	1	\$1,214	\$926	\$827,482	\$995.52
1/18/2013	333 Rector Place	#PH3W	540	0	1	\$590	\$711	\$625,657	\$1,158.62
7/9/2013	333 Rector Place	#PH15S	1132	1	1	\$1,217	\$1,464	\$1,495,000	\$1,320.67
1/8/2013	333 Rector Place	#1503	2133	3	3	\$2,275	\$2,738	\$2,112,868	\$990.56
8/8/2012	333 Rector Place	#1505	2287	3	3	\$2,900	\$2,774	\$2,850,000	\$1,246.17
4/30/2013	350 Albany Street	#4G	734	2	2	\$2,185	\$1,599	\$860,000	\$1,171.66
3/11/2013	350 Albany Street	#10A	833	1	1	\$1,205	\$1,015	\$638,888	\$766.97
11/15/2012	377 Rector Place	#14E	814	2	1	\$968	\$1,007	\$999,000	\$1,227.27
9/19/2012	377 Rector Place	#21F	652	1	1	\$981	\$1,022	\$615,000	\$943.25
4/21/2013	70 Little West	#3C	930	1	1	\$1,159	\$1,116	\$909,774	\$978.25
1/30/2013	70 Little West St	#8A	819	1	1	\$1,024	\$982	\$834,969	\$1,019.50
9/9/2012	70 Little West St	#12D	1409	2	2	\$1,638	\$1,666	\$1,323,727	\$939.48
3/22/2013	70 Little West Street	#28C	1350	2	2	\$1,785	\$1,698	\$2,200,000	\$1,629.63
7/7/2013	70 Little West Street	#19E	1737	3	3	\$2,189	\$2,099	\$2,725,000	\$1,568.80
1/10/2013	70 Little West Street	#10N	1356	2	2	\$1,702	\$1,651	\$1,323,725	\$976.20
2/27/2013	70 Little West Street	#15E	1737	3	2	\$1,950	\$2,300	\$2,625,000	\$1,511.23
4/26/2013	99 battery place	#18J	639	0	1	\$922	\$754	\$420,000	\$657.28

COMPARABLE APARTMENT RENTAL SUMMARY - 2Q 2013								
Property Address	# of Units # of Stories Yr. Blt	Bldg. Class Avg Rent/Smo. Avg. Vacancy (%)	Studio	1 Bedroom	2 Bedroom	3 Bedroom		
			Rent per Mo Avg. SF Rent \$/SF/Yr.					
TRIBECA PARK 400 CHAMBERS ST	314	A	\$3,177	\$4,715	\$8,526	N/A		
	29	\$5,022	600	800	1,450	N/A		
	1999	1.3%	\$63.54	\$70.73	\$70.56	N/A		
TRIBECA BRIDGE TOWER 450 N END AVE	151	A	N/A	\$3,243	\$5,513	\$8,297.00		
	26	\$6,009	N/A	675	1,125	1,500		
	1998	0.0%	N/A	\$57.65	\$58.81	\$66.38		
TRIBECA GREEN 325 N END AVE	261	A	\$3,500	\$3,825	\$6,495	\$8,125.00		
	24	\$4,498	600	750	1,200	1,439		
	2005	0.4%	\$70.00	\$61.20	\$64.95	\$67.76		
THE VERDESIAN 211 NORTH END AVE	253	A	N/A	\$4,012	\$6,898	\$8,184.00		
	24	\$5,086	N/A	750	1,100	1,300		
	2005	2.0%	N/A	\$64.19	\$75.25	\$75.54		
22 RIVER TERRACE 22 RIVER TERRACE	324	A	\$2,825	\$3,750	\$5,820	\$7,675.00		
	28	\$4,260	550	680	1,100	1,400		
	2001	0.3%	\$61.64	\$66.18	\$63.49	\$65.79		
THE SOLAIRE 20 RIVER TERRACE	290	A	\$2,750	\$4,700	\$6,823	\$9,000.00		
	30	\$4,821	550	875	1,213	1,600		
	2003	0.7%	\$60.00	\$64.46	\$67.50	\$67.50		
89 MURRAY ST 89 MURRAY ST	86	A	N/A	\$4,794	\$7,196	\$7,685.00		
	35	\$5,733	N/A	850	1,250	1,350		
	2008	2.3%	N/A	\$67.68	\$69.08	\$68.31		
89 MURRAY ST 89 MURRAY ST	85	A	\$3,500	\$4,500	\$6,550	\$7,198.00		
	10	\$4,763	558	784	1,439	1,583		
	2008	0.0%	\$75.27	\$68.88	\$54.62	\$54.56		
121 REED ST APTS 121 READE ST	123	A	\$2,602	\$3,951	\$5,263	N/A		
	11	\$4,257	500	600	1,000	N/A		
	1997	0.0%	\$62.45	\$79.02	\$63.16	N/A		
50 MURRAY ST 50 MURRAY ST	390	A	\$3,395	\$5,445	\$6,695	N/A		
	22	\$5,313	500	600	800	N/A		
	2003	1.0%	\$81.48	\$108.90	\$100.43	N/A		
TRIBECA TOWERS 105 DUANE ST	440	A	\$2,863	\$4,295	\$7,795	N/A		
	53	\$5,053	550	800	1,200	N/A		
	1993	1.8%	\$62.47	\$64.43	\$77.95	N/A		
SARANAC 95 WORTH ST	147	A	N/A	\$3,417	\$4,831	N/A		
	16	\$3,898	N/A	784	1,439	N/A		
	2000	0.7%	N/A	\$52.30	\$40.29	N/A		
88 LEONARD STREET 88 LEONARD ST	334	A	\$3,150	\$4,438	\$5,888	\$12,800.00		
	21	\$4,594	426	761	1,007	1,575		
	2007	1.5%	\$88.73	\$69.98	\$70.16	\$97.52		
90 WEST 90 WEST ST	410	A	\$2,400	\$3,550	\$4,000	\$5,000.00		
	23	\$3,382	350	750	1,100	1,400		
	2005	0.5%	\$82.29	\$56.80	\$43.64	\$42.86		
WORTH STREET APTS 111 WORTH ST	262	A	\$2,821	\$3,285	\$5,116	N/A		
	20	\$3,618	558	784	1,439	N/A		
	2003	0.0%	\$60.67	\$50.28	\$42.66	N/A		
71 BROADWAY 71 BROADWAY	235	A	\$2,855	\$3,429	\$4,314	N/A		
	22	\$3,476	615	700	1,100	N/A		
	1997	4.3%	\$55.71	\$58.78	\$47.06	N/A		
SOUTH COVE PLAZA 50 BATTERY PL	208	A	N/A	\$2,695	\$4,150	N/A		
	9	\$3,199	N/A	740	1,028	N/A		
	1999	0.5%	N/A	\$43.70	\$48.44	N/A		
600 WASHINGTON ST 600 WASHINGTON ST	135	A	\$3,010	\$4,155	\$6,170	N/A		
	7	\$4,340	451	615	1,098	N/A		
	2004	8.1%	\$80.09	\$81.07	\$67.43	N/A		

EXHIBIT E

LOWER MANHATTAN RESIDENTIAL MARKET

THE MANHATTAN RESIDENTIAL MARKET

New York City is one of the nation's largest and most diverse residential markets. The New York City housing market comprises a significant number of regulated and non-regulated rental apartments as well as owner-occupied apartments. The following chart depicts the total inventory of residential units within the five boroughs. The information was compiled from the *2008 New York City Housing and Vacancy Survey*. The United States Bureau of the Census conducts the *Housing and Vacancy Survey* every three years on behalf of the City of New York. A summary of the results is presented on the following table:

New York City has one of the nation's largest and most diverse residential markets. The New York City housing market comprises a significant number of regulated and non-regulated rental apartments as well as owner occupied apartments. The following chart depicts the total inventory of residential units within the five boroughs. The information was compiled from the *2011 New York City Housing and Vacancy Survey* which had its initial results released in February 2012. The United States Bureau of the Census conducts the *Housing and Vacancy Survey* every three years on behalf of the City of New York. A summary of the results is presented on the following table:

NEW YORK CITY HOUSING SURVEY						
	Bronx	Brooklyn	Manhattan	Queens	Staten Island	NYC Total
Rental Units						
Occupied	375,491	673,166	570,853	432,085	53,221	2,104,816 62.8%
Vacant/Available	12,531	18,011	16,460	17,023	(a)	67,818 2.0%
Total Rental Units	388,022	691,177	587,313	449,108	57,013	2,172,634 64.8%
Owner Units						
Occupied	98,166	256,130	181,606	337,775	110,389	984,066 29.4%
Vacant/Available	4,468	10,433	5,992	8,946	(a)	30,875 0.9%
Total Owner Units	102,634	266,563	187,598	346,721	n/a	1,014,941 30.3%
Vacant Units not available for sale/rent						
						164,467 4.9%
Total Housing Units	510,347	997,495	840,676	828,446	175,077	3,352,042 100.0%
(a) too few units to report.						
Source: Selected Initial Findings of the 2011 New York City Housing and Vacancy Survey						

Findings of the survey indicate that:

Housing Inventory

- The number of housing units in New York City was 3,352,041 in 2011, the largest housing stock in the forty-six-year period since the first HVS was conducted in 1965
- Of the City's 3,352,000 housing units, 997,000 units or 30 percent were located in Brooklyn. Smaller numbers were located in Manhattan (841,000 or 25 percent) and Queens (828,000 or 25 percent). The remaining fifth was located in the Bronx (510,000 or 15 percent) and Staten Island (175,000 or 5 percent)
- There were 987,000 rent-stabilized units (occupied and vacant available), comprising 45 percent of the rental stock in 2011

Rental and Ownership Rates

- The median contract rent-income ratio was 30.9 percent in 2011. (Rent data are for the survey year of 2011, while income data are for 2010)
- One third of renter households in the City (33.1 percent) paid 50 percent or more of their household income for gross rent in 2011.

New York City and New York State Rent Control and Stabilization statutes create a condition where the forces of supply and demand are not solely responsible for the actions that take place in the market. The effects of rent control and stabilization on the residential market in New York City make it one of the most complex in the nation. The impact of these programs is heavily apparent in Battery Park City, where much of the development has included a rent subsidized component which

REIS REPORTS

REIS, Inc. is an econometric forecasting group, which publishes market information on various markets throughout the country. The data they compile is based on surveys conducted with building owners and property managers. It is important to note that the survey includes all classes (A, B & C) of multi-family residential buildings. In addition, the survey is only a representative sample of buildings whose management or owners were willing to participate. As such the inventory reflected in the survey is not representative of the overall size of the marketplace.

New York City Residential Market

The most recent survey for New York City is shown on the following table:

New York Apartment 2Q 2013 Metro Trend Futures										
Year	Qtr	Inventory (Units)	Completions	Conversions	Vacancy %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent \$	Asking Rent % Change
2003	Y	145,955	4,360	-466	4.0	5,863	140,092	3,597	2,202	1.50
2004	Y	148,316	2,515	-154	3.3	4,921	143,395	3,303	2,324	5.60
2005	Y	150,135	3,882	-2063	2.9	4,279	145,856	2,461	2,439	4.90
2006	Y	149,519	1,679	-2295	2.2	3,343	146,176	320	2,629	7.80
2007	Y	151,623	2,823	-719	2.1	3,244	148,379	2,203	2,856	8.60
2008	Y	153,945	2,097	225	2.3	3,545	150,400	2,021	2,884	1.00
2009	Y	155,806	1,861	0	2.9	4,451	151,355	955	2,737	-5.10
2010	1	156,758	1,140	-188	2.9	4,488	152,270	915	2,753	0.60
2010	2	159,410	2,652	0	3.2	5,052	154,358	2,088	2,787	1.20
2010	3	162,396	2,986	0	3.6	5,902	156,494	2,136	2,845	2.10
2010	4	163,064	668	0	3.2	5,178	157,886	1,392	2,867	0.80
2010	Y	163,064	7,446	-188	3.2	5,178	157,886	6,531	2,867	4.80
2011	1	164,470	1,406	0	2.8	4,545	159,925	2,039	2,877	0.30
2011	2	165,867	1,052	345	2.8	4,587	161,280	1,355	2,903	0.90
2011	3	166,037	170	0	2.5	4,115	161,922	642	2,934	1.00
2011	4	166,978	733	208	2.2	3,670	163,308	1,386	2,951	0.60
2011	Y	166,978	3,361	553	2.2	3,670	163,308	5,422	2,951	2.90
2012	1	167,941	963	0	2.1	3,491	164,450	1,142	2,954	0.10
2012	2	170,125	2,249	-65	2.2	3,692	166,433	1,983	3,002	1.70
2012	3	170,492	367	0	2.2	3,668	166,824	391	3,047	1.50
2012	4	170,111	890	-1271	2.1	3,609	166,502	-322	3,040	-0.20
2012	Y	170,111	4,469	-1336	2.1	3,609	166,502	3,194	3,040	3.00
2013	1	171,531	245	1175	1.9	3,318	168,213	1,711	3,043	0.10
2013	2	172,170	639	0	2.0	3,455	168,715	502	3,071	0.90
Forecast										
2013	Y	176,053	4,767	n/a	2.1	3,703	172,350	5,848	3,115	2.50
2014	Y	180,329	4,276	n/a	2.4	4,376	175,953	3,603	3,243	4.10
2015	Y	185,311	4,982	n/a	2.5	4,662	180,649	4,696	3,380	4.20
2016	Y	188,340	3,029	n/a	2.6	4,872	183,468	2,819	3,552	5.10
2017	Y	191,068	2,728	n/a	2.8	5,263	164,328	2,337	3,706	4.30

Source: REIS; compiled by CBRE

As previously mentioned, this survey is only a representative sample of buildings whose management or owners were willing to participate. The inventory measured is not representative of the overall size of the market, but of its trends. Also, the survey does not distinguish among the prices of studio, one-, two-, and three-bedroom apartments. As of the second quarter of 2013, the vacancy rate in the overall New York City market was approximately 2.0%. This figure is a slight increase from the previous quarter which was representative of an all-time low vacancy rate in the 10 year survey. REIS anticipates that the overall vacancy rate for the New York City residential marketplace will slightly increase but will remain low around 2.8% in year 2017. Average asking rental rates have shown steady increases throughout the past, with 2012 showing a 3% increase over 2011. REIS projects that asking rents will again show an annual increase of 2.5% when comparing year-end 2013 figures to 2012, and continue to show steady increases into the near future.

The overall New York City residential marketplace is broken down into nine different sub-markets as tracked by REIS Reports. A summary of the various sub-markets is presented on the following table:

New York Apartment 2Q 2013 Submarket Overview						
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent \$	Vacancy %	Free Rent (mos)	Expenses %
W Village/Downtown	114	23,365	\$4,027	2.6	0.1	52.20
Stuyvesant	82	22,654	\$3,935	1.6	0.3	55.20
Midtown West	106	25,271	\$3,901	3.1	0.2	52.20
Upper East Side	63	16,237	\$3,861	0.5	0.0	52.90
Upper West Side	69	16,044	\$4,402	2.0	0.4	52.50
Morningside Hts	76	8,477	\$2,324	1.9	0.4	54.50
Kings County	173	24,010	\$1,740	2.2	0.3	56.50
Queens County	105	23,855	\$1,600	2.2	0.2	55.50
Bronx County	78	12,257	\$1,138	0.8	0.0	55.80

Source: REIS

West Village/Downtown Residential Market

The subject property is located within West Village/Downtown submarket as defined by REIS. REIS Reports defines this marketplace as the area below 14th Street. The following map illustrates the boundaries of the subject's submarket.



A historical summary of the West Village/Downtown submarket is presented on the following table:

New York Apartment 2Q 2013 Submarket Trend Futures West Village/Downtown											
Year	Qtr	Inventory (Units)	Completions	Conversions	Vacancy %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent \$	Asking Rent % Change	Absorp/Occup Stock %
2003	Y	17,401	1,391	-48	5.0	870	16,531	1,469	2,827	0.40	8.9
2004	Y	18,231	908	-78	5.1	930	17,301	770	3,031	7.20	4.4
2005	Y	20,004	2,433	-660	4.1	820	19,184	1,883	3,210	5.90	9.8
2006	Y	19,680	706	-1030	2.7	531	19,149	-35	3,465	7.90	-0.2
2007	Y	20,304	1,343	-719	2.5	508	19,796	647	3,808	9.90	3.3
2008	Y	20,795	491	0	3.1	645	20,150	354	3,929	3.20	1.8
2009	Y	20,984	189	0	4.5	944	20,040	-110	3,730	-5.10	-0.5
2010	1	20,984	0	0	3.6	755	20,229	189	3,787	1.50	0.9
2010	2	21,334	350	0	3.2	683	20,651	422	3,712	-2.00	2.0
2010	3	21,372	38	0	3.0	641	20,731	80	3,861	4.00	0.4
2010	4	21,493	121	0	3.3	709	20,784	53	3,882	0.60	0.3
2010	Y	21,493	509	0	3.3	709	20,784	744	3,882	4.10	3.6
2011	1	21,551	58	0	2.6	560	20,991	207	3,890	0.20	1.0
2011	2	21,896	0	345	2.9	635	21,261	270	3,937	1.20	1.3
2011	3	21,896	0	0	2.8	613	21,283	22	3,967	0.70	0.1
2011	4	22,104	0	208	2.2	493	21,611	328	3,936	-0.80	1.5
2011	Y	22,104	58	553	2.2	493	21,611	827	3,936	1.40	3.8
2012	1	22,104	0	0	2.1	464	21,640	29	3,934	-0.10	0.1
2012	2	23,043	939	0	2.5	576	22,467	827	3,986	1.30	3.7
2012	3	23,043	0	0	2.4	548	22,495	28	4,035	1.20	0.1
2012	4	22,190	418	-1271	3.0	666	21,524	-971	4,002	-0.80	-4.5
2012	Y	22,190	1,357	-1271	3.0	666	21,524	-87	4,002	1.70	-0.4
2013	1	23,365	0	1175	2.6	607	22,758	1,234	4,007	0.10	5.4
2013	2	23,365	0	0	2.5	596	22,769	11	4,027	0.50	0.0
Forecast											
2013	Y	23,548	183	n/a	2.4	563	22,985	1,461	4,079	1.90	6.4
2014	Y	23,996	448	n/a	2.4	586	23,410	425	4,224	3.60	1.8
2015	Y	24,378	382	n/a	1.8	449	23,929	519	4,378	3.60	2.2
2016	Y	24,704	326	n/a	1.9	464	24,240	311	4,579	4.60	1.3
2017	Y	25,082	378	n/a	2.1	514	24,568	328	4,771	4.20	1.3

Source: REIS; compiled by CBRE

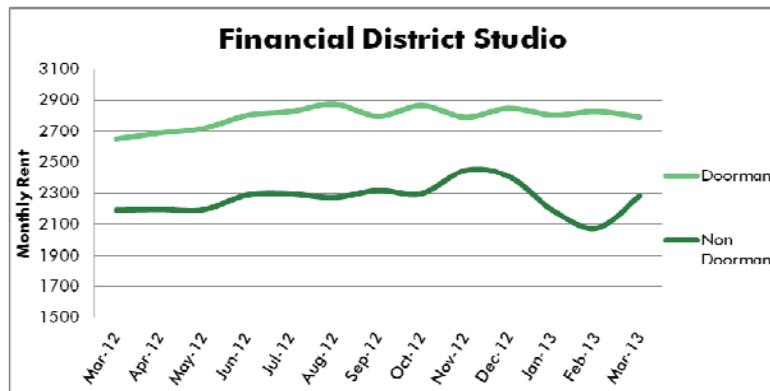
As previously mentioned, this survey is only a representative sample of buildings whose management or owners were willing to participate. The inventory measured is not representative of the overall size of the market, but of its trends. Also, the survey does not distinguish among the prices of studio, one-, two-, and three-bedroom apartments.

As of the second quarter of 2013, the vacancy rate in the West Village/Downtown submarket was approximately 2.5%, and from the previous quarter where vacancy rates increased to 2.6%. REIS Reports anticipate that the vacancy rate will fall to a low of 1.9% by the year 2016 and slightly increase in 2017. Average asking rental rates have increased over the past 12 months, with the current asking rent standing at \$4,027. REIS forecasts that the average asking rents will continue to increase over the next several years.

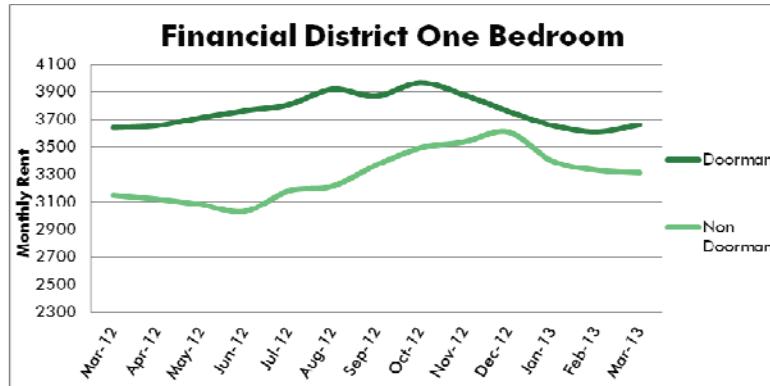
Financial District Rental Trends

The charts to the right are based on data from MNS Management and provide a 13-month price trend for studio units, one-bedroom units and two-bedroom units from the Financial District neighborhood of Manhattan. As indicated on the charts, there is a notable difference between doorman and non-doorman buildings.

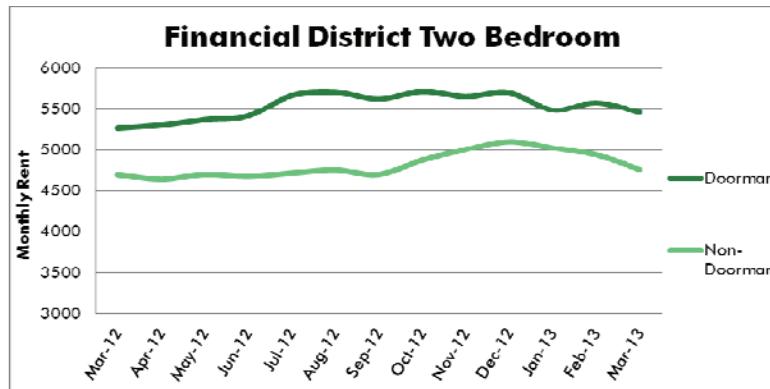
The average rental rate of studio doorman and non-doorman units in the financial district were \$2,647 and \$2,195 a month respectively in March of 2012. The current doorman rental rate of \$2,794 and non doorman rental rate of \$2,285 a month both represent increases.



The average rental rate of one bedroom doorman and non-doorman units in the financial district were \$3,640 and \$3,150 a month respectively in March of 2012. The current doorman rental rate is \$3,661 and non doorman rental rate is \$3,311 a month.



The average rental rate of two bedroom doorman and non-doorman units in the financial district were \$5,271 and \$4,700 a month respectively in March of 2012. The current rental rate for doorman units is \$5,466 and is of \$4,761 for non-doorman units.



RESIDENTIAL CONSTRUCTION

All of the following construction properties are located within 2.5 miles of the subject property and fall within the Downtown/West Village submarket as tracked by REIS. A review of the market reveals that there were 721 condominium units that were recently completed within a 2.5-mile radius of the subject. There were a total of 939 apartment units and units of completed construction in 2.5-miles of the subject within Manhattan as tracked by REIS. There are a number of planned projects but timing completion for these is generally unknown.

NEW CONSTRUCTION SUMMARY			
	Apartment	Condominium	Total
Complete	939	721	1,660
Under Construction	225	659	884
Proposed/Planned	2,095	1,071	3,166
Total	3,259	2,451	5,710

Source: REIS; compiled by CBRE

The specific projects within a 2.5-mile radius of downtown are shown below.

NEW CONSTRUCTION					
Property Name	Location	Distance From Subject	Number of Units	Status	Secondary Type
70 PINE STREET	70 PINE ST @ PEARL ST/CEDAR ST, NEW YORK, NY	0.12	895	Planned	Apartment
FULTON STREET RESIDENTIAL TOWER	112-120 FULTON ST @ DUTCH ST, NEW YORK, NY	0.17	463	Proposed	Apartment
	45 JOHN ST @ DUTCH ST, NEW YORK, NY	0.17	84	Under Constr.	Condominiums
NEW YORK BY GEHRY	8 SPRUCE ST @ WILLIAM ST, NEW YORK, NY	0.20	899	Complete	Apartment
113 NASSAU STREET	113 NASSAU ST @ ANN ST, NEW YORK, NY	0.25	131	Under Constr.	Apartment
254 FRONT STREET	254 FRONT ST @ DOVER ST, NEW YORK, NY	0.27	40	Complete	Apartment
180 BROADWAY	180-182 BROADWAY @ JOHN ST, NEW YORK, NY	0.27	150	Complete	Other
5 BEEKMAN STREET	5-9 BEEKMAN ST @ NASSAU ST/THEATRE ALLEY, NEW YORK, NY	0.27	85	Planned	Condominiums
WOOLWORTH BUILDING CONDOMINIUMS	233 BROADWAY @ PARK PL/BARCLAY ST, NEW YORK, NY	0.37	40	Planned	Condominiums
FOUR SEASONS CONDOS	30 PARK PLACE @ BARCLAY ST, NEW YORK, NY	0.43	157	Planned	Condominiums
111 WASHINGTON STREET	111 WASHINGTON ST, NEW YORK, NY	0.44	429	Planned	Apartment
50 WEST STREET	50 WEST ST @ RECTOR ST, NEW YORK, NY	0.49	280	Planned	Condominiums
READE 57	287 BROADWAY @ READE ST, NEW YORK, NY	0.50	84	Complete	Condominiums
225 RECTOR PLACE	225 RECTOR PL @ S END AVE, NEW YORK, NY	0.57	181	Complete	Condominiums
THE WORTH	335-337 BROADWAY @ WORTH ST, NEW YORK, NY	0.63	96	Under Constr.	Condominiums
THE LEONARD	101 LEONARD ST @ BROADWAY, NEW YORK, NY	0.66	66	Planned	Condominiums
56 LEONARD	56 LEONARD ST @ CHURCH ST, NEW YORK, NY	0.71	145	Under Constr.	Condominiums
FRANKLIN PLACE	5 FRANKLIN PL @ 371 BROADWAY, NEW YORK, NY	0.73	53	Under Constr.	Condominiums
LIBERTY LUXE	200 NORTH END AVE @ MURRAY ST, NEW YORK, NY	0.77	280	Complete	Condominiums
250 WEST STREET	250 WEST ST @ LAIGHT ST/HUBERT ST, NEW YORK, NY	1.05	106	Under Constr.	Condominiums
100 NORFOLK STREET	100 NORFOLK ST @ DELANCY ST, NEW YORK, NY	1.25	38	Planned	Condominiums
270 SPRING STREET	270 SPRING ST @ HUDSON ST/VARICK ST, NEW YORK, NY	1.25	230	Proposed	Apartment
250 BOWERY	250 BOWERY @ STANTON ST, NEW YORK, NY	1.26	24	Complete	Condominiums
THE MADISON JACKSON	371 MADISON ST @ JACKSON ST, NEW YORK, NY	1.34	110	Complete	Condominiums
327-329 EAST HOUSTON STREET	327-329 E HOUSTON ST @ RIDGE ST/ATTORNEY ST, NEW YORK, NY	1.52	78	Proposed	Apartment
	209-219 SULLIVAN ST @ BLEEKER ST/W 3RD ST, NEW YORK, NY	1.53	55	Planned	Condominiums
150 CHARLES STREET	150 CHARLES ST @ 12TH AVE/WASHINGTON ST, NEW YORK, NY	1.82	93	Under Constr.	Condominiums
84 3RD AVENUE	84-74 3RD AVE @ E 12TH ST, NEW YORK, NY	1.91	94	Under Constr.	Apartment
THE JEFFERSON	211 E 13TH ST @ 3RD AVE/2ND AVE, NEW YORK, NY	1.99	82	Under Constr.	Condominiums
ONE THIRTY WEST 12	130 W 12TH ST @ 6TH AVE, NEW YORK, NY	2.03	42	Complete	Condominiums
WEST VILLAGE RESIDENCES	170 W 12TH ST @ 7TH AVE, NEW YORK, NY	2.04	350	Proposed	Condominiums

Source: REIS; compiled by CBRE

Overall, these projects are not likely to have a negative effect on the subject marketability.

CONDOMINIUM MARKET

Manhattan's residential market has been relatively strong since the third quarter of 2010. The number of sales this quarter was greater than both the prior quarter and the same quarter of the prior year. Meanwhile limited new product is leading supply constraints, pushing prices higher. A summary of the Manhattan Condo historical market statistics is presented on the following table:

MANHATTAN RESIDENTIAL CONDOMINIUM HISTORICAL STATISTICS						
Qtr/Yr	Average Sales		Average			% Difference
	Price	% Difference	Price Per SF	% Difference	# of Sales	
2Q13	\$1,892,924	3.86%	\$1,381	7.89%	1315	36.13%
1Q13	\$1,822,570	-2.41%	\$1,280	-1.61%	966	-7.12%
4Q12	\$1,867,516	5.72%	\$1,301	0.62%	1040	-15.03%
3Q12	\$1,766,485	3.96%	\$1,293	7.66%	1224	8.13%
2Q12	\$1,699,144	-8.55%	\$1,201	-8.81%	1132	21.20%
1Q12	\$1,857,943	4.90%	\$1,317	1.70%	934	-7.98%
4Q11	\$1,771,232	7.07%	\$1,295	5.03%	1,015	-43.26%
3Q11	\$1,654,280	-2.81%	\$1,233	4.31%	1,789	39.33%
2Q11	\$1,702,079	-3.09%	\$1,182	-2.80%	1,284	33.20%
1Q11	\$1,756,414	-1.56%	\$1,216	1.50%	964	-13.07%
4Q10	\$1,784,296	3.78%	\$1,198	-0.08%	1,109	-17.30%
3Q10	\$1,719,296	2.32%	\$1,199	5.73%	1,341	-13.65%
2Q10	\$1,680,236	-0.60%	\$1,134	-1.73%	1,553	22.00%
1Q10	\$1,690,399	3.59%	\$1,154	-2.78%	1,273	5.29%
4Q09	\$1,631,872	3.32%	\$1,187	7.81%	1,209	-2.11%
3Q09	\$1,579,438	2.96%	\$1,101	-6.77%	1,235	53.61%
2Q09	\$1,534,031	-29.02%	\$1,181	-16.42%	804	2.94%
1Q09	\$2,161,237	27.77%	\$1,413	10.65%	781	-39.78%
4Q08	\$1,691,459	-6.53%	\$1,277	-4.27%	1,297	-0.69%
3Q08	\$1,809,684	-6.58%	\$1,334	-7.49%	1,306	-28.52%
2Q08	\$1,937,090	-2.26%	\$1,442	1.84%	1,827	42.96%
1Q08	\$1,981,802	27.65%	\$1,416	15.59%	1,278	-81.66%
2007	\$1,552,495	4.80%	\$1,225	7.27%	6,969	66.48%
2006	\$1,481,377	0.12%	\$1,142	5.16%	4,186	21.97%
2005	\$1,479,608	19.23%	\$1,086	24.40%	3,432	-0.78%
2004	\$1,240,939	17.96%	\$873	14.12%	3,459	15.07%
2003	\$1,051,993	-1.22%	\$765	3.24%	3,006	-12.39%
2002	\$1,065,012	4.18%	\$741	7.24%	3,431	-0.15%
2001	\$1,022,255	10.82%	\$691	12.72%	3,436	-5.84%
2000	\$922,484	-	\$613	-	3,649	-

Source: Douglas Elliman-Miller Samuel

The condo market of New York City has noticed an increase in the number of sales transactions in the second quarter of 2013. The average asking sale price per square foot represents a stable trend that remains in the mid to high \$1,300 per square foot range. This range remains below the pre-recessionary rates and slightly above the past years performance with the second quarter of 2013 average being \$1,381 dollars per square foot.

The average price per square foot and average sale price increased since the last quarter and have been showing an increasing trend over the past decade taking a dip in 2009 due to the most recent recession. The number of sales has been consistent over the past 3 years remaining over 900 sales every quarter since 2009. It should be noted that these last statistics do account for the “shadow inventory”, including all those units which are not currently offered on the market but held by developers, banks or private owners, all waiting for conditions to improve before listing them. Miller Samuel Inc. estimates the New York shadow inventory at approximately 7,000 units. The two areas which appear to suffer the most are Williamsburg (Brooklyn) and the Financial District (Manhattan). Although an exact estimate is difficult to produce, market participants agree in saying that the shadow inventory is putting additional pressure on selling prices and will contribute on increasing the already significant market stock.

Overall, the discussed statistics and the sharp increase of all primary indicators of supply and demand in the market, reflect the current weakness of the residential market and the effect of the economic recession affecting New York City.

A summary of the current Manhattan Condo market is presented on the following table:

MANHATTAN CONDO OVERVIEW					
	2Q 2013	% Change (QTR)	1Q 2013	% Change (YR)	2Q 2012
Average Sale Price	\$1,892,924	3.9%	\$1,822,570	11.4%	\$1,699,144
Average Price Per SF	\$1,381	0.3%	\$1,377	15.0%	\$1,201
Median Sale Price	\$1,250,000	4.6%	\$1,195,000	13.6%	\$1,100,000
Number of Sales	1315	36.1%	966	16.2%	1132
Average Days on Market	163	25.4%	130	-5.2%	172
Average Discount from List Price	2.80%	-41.7%	4.80%	-58.8%	6.80%
Listing Inventory	2058	-6.0%	2190	-35.4%	3188

Source: Douglas Elliman / Miller Samuel Inc.

As previously mentioned, the average price per square foot indicated is showing an increase quarter-over-quarter and year-over-year. The following chart describes the current quarter’s condominium sales broken down by unit type.

CONDOMINIUM SALES MIX		
Condo Mix	Sales Share	Med. Sales Price
Studio	10.1%	\$594,000
1 Bedroom	37.8%	\$880,000
2 Bedroom	33.4%	\$1,720,000
3 Bedroom	15.0%	\$2,920,000
4+ Bedroom	3.7%	\$5,800,000

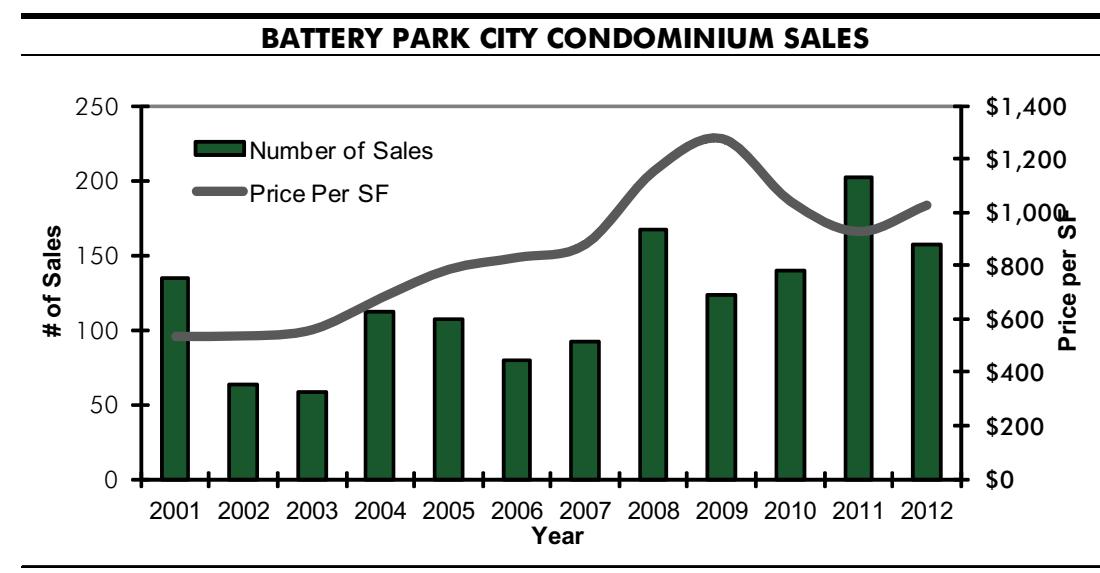
Source: Douglas Elliman

The subject property is situated within the Battery Park City submarket as defined by Miller Samuel. A summary of the historical sale price per square foot and the annual number of transactions for this submarket as of 2nd Quarter 2013 is presented on the following table.

BATTERY PARK CITY CONDOMINIUM OVERVIEW					
	2Q 2013	% Change (QTR)	1Q 2013	% Change (YR)	2Q 2012
Average Sale Price	\$1,089,129	1.87%	\$1,069,090	2.69%	\$1,060,639
Average Price Per SF	\$1,009	-0.30%	\$1,012	10.15%	\$916
Median Sale Price	\$715,000	-20.11%	\$895,000	-7.50%	\$773,000
Number of Sales	63	10.53%	57	61.54%	39

Source: Miller Samuel

The average price per square foot has decreased slightly while the average sale price has increased since the last quarter and both have increased since the same quarter last year. The average sales price per square foot is only .3 % lower than it was last quarter but is 10.15% higher than the same quarter last year and overall numbers of sales are up 61.54% from the same quarter last year. A summary of the most recent annual information is presented on the following graph:



Source: Miller Samuel

Starting in 2010 and continuing through 2012, the market showed signs of improvements, including increases in number of sales and stability in selling prices. This represents a reverse trend compared to the sharp decline in contract activity, the substantial increase in listing inventory and the decline in price level experienced from the third quarter of 2008 through the fourth quarter of 2009. The short term outlook is for continued stability with additional growth and strengthening expected over the long term.

CONCLUSION

Rental rates in the apartment market recently began showing strong increases after several quarters of decline. As per REIS projections for 2013 and years following, rental rates are expected to show spikes in the near future and vacancy rates are expected to increase slightly due to the new product which is scheduled to come on line in the next several years. In the last year, the unemployment rate has decreased suggesting that demand in the market will increase as new jobs are created.

APPENDIX B

Authority Financial Statements and Supplementary Schedules

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HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Financial Statements
(Together with Independent Auditors' Report)

Years Ended October 31, 2012 and 2011



HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

October 31, 2012 and 2011

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Independent Auditors' Report

The Members

Hugh L. Carey Battery Park City Authority:

We have audited the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended October 31, 2012 and 2011, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of October 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3k, the Authority has restated its financial statements as of and for the year ended October 31, 2011 during the current year to retroactively implement Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audits were made for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information (shown on pages 59 to 68) is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mark Faust-Stern, LLP

New York, NY
January 29, 2013

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

October 31, 2012 and 2011

Overview

The following is an overview of the financial activities of Hugh L. Carey Battery Park City Authority (the “Authority”) and the Battery Park City Parks Conservancy (the “Conservancy”), a blended component unit of the Authority, collectively referred to as the “Organization” for the fiscal years ended October 31, 2012, 2011 and 2010. The basic financial statements, which include the statements of net position, the statements of revenues, expenses, and changes in net position (deficit), the statements of cash flows, and the notes to the financial statements, provide information about the Organization in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Comparison of 2012 to 2011 and 2011 to 2010

Financial Highlights – 2012

- The fiscal year ended October 31, 2012 yielded a total of \$248.9 million in operating revenues, representing an increase of approximately \$18.7 million or 8.1% over the prior fiscal year. Payments in lieu of real estate taxes (“PILOT”) revenue totaling approximately \$164 million (approximately 66% of the Authority’s operating revenues for the fiscal year ended October 31, 2012) increased \$10 million or 6.5% compared to the fiscal year ended October 31, 2011. Base rent increased approximately \$2.2 million or 3.8% to \$61.4 million for the fiscal year ended October 31, 2012. Civic facilities and other operating revenues increased \$6.6 million or 43.1% to \$21.8 million for the fiscal year ended October 31, 2012. Total operating expenses increased a net \$1.6 million or 3.8% to \$43.7 million for the fiscal year ended October 31, 2012.
- An amount of \$87.6 million provided for the transfer to the City of New York (“the City”) during the fiscal year ended October 31, 2011 was paid in June 2012. A \$103.3 million provision was recorded for the fiscal year ended October 31, 2012 representing the PILOT related portion of fiscal 2012 excess revenues to be transferred to the City (see note 12). Generally, the Authority’s net assets decrease with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority’s net asset position.
- Pursuant to the 2010 Agreement (see note 12), the Authority recorded a provision for the transfer of \$46.1 million for the fiscal year ended October 31, 2012, as an expected payment to the City (HDC) 421-A fund. An amount of \$37 million provided for the transfer to the City during fiscal year ended October 31, 2011 was paid in June 2012. The cumulative amount relating to the 421-A fund, including the provision for the fiscal year ended October 31, 2012, is \$121.3 million.
- On December 22, 2009, the Authority issued the Senior Revenue Bonds (see note 11) in the total amount of \$89 million (inclusive of a \$1.8 million premium) to finance certain infrastructure and other capital improvements. As of October 31, 2012, approximately \$30.6 million remained in the Project Cost funds to be used for certain park, street and other infrastructure improvements, the community center and other capital expenditures (see note 8).
- The Authority’s 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt) continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate (“LIBOR”) based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or

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225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2011 through October 31, 2012 ranged from a low of 0.422% to a high of 0.592% on the 2003 Series B Bonds and from a low of 0.422% to a high of 0.592% on the 2003 Series C Bonds (see note 10).

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* (“GASB No. 53”). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, the Authority evaluated the effectiveness of six interest-rate exchange agreements (“Swaps”), determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million, \$92.9 million, and \$72.6 million at October 31, 2012, 2011, and 2010, respectively, as both an asset (deferred outflows of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).
- In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB No. 63’). GASB No. 63 addresses the financial reporting for deferred outflows of resources, deferred inflows of resources, and net position. In accordance with GASB No. 63, beginning in the year ended October 31, 2012, the Authority changed the format of the financial statements to comply with the new requirements and changed the balance sheets to statements of net position, and the statements of revenues, expenses, and changes in net assets (deficit) to the statement of revenues, expenses, and changes in net position (deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of resources in the statement of net position. The format of the financial statements for October 31, 2011 has been changed accordingly for comparative purposes (see note 3k).
- The super storm Sandy caused damage to the Authority’s infrastructure assets of approximately \$10 million. The Authority holds corporate self insurance reserve funds to cover any unreimbursed damages, and the Authority’s management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover a substantial portion of these costs.

Financial Highlights – 2011

- The fiscal year ended October 31, 2011 yielded a total of \$230.2 million in operating revenues, representing an increase of approximately \$669 thousand or 0.3% over the prior fiscal year. PILOT revenue totaling approximately \$154 million (approximately 67% of the Authority’s operating revenues for the fiscal year ended October 31, 2011) increased \$4 million or 2.7% compared to the fiscal year ended October 31, 2010. Base rent decreased approximately \$4.6 million or 7.2% to \$59.2 million for the fiscal year ended October 31, 2011. Supplemental rent increased \$838 thousand. Civic facilities and other operating revenues increased \$425 thousand or 2.9% to \$15.2 million for the fiscal year ended October 31, 2011. Total operating expenses decreased a net \$9.4 million or 18.2% to \$42.1 million for the fiscal year ended October 31, 2011.
- An amount of \$110.2 million provided for the transfer to the City during the fiscal year ended October 31, 2010 was paid in June 2011. A \$87.6 million provision was recorded for the fiscal year ended October 31, 2011 representing the PILOT related portion of fiscal 2011 excess revenues to be transferred to the City (see

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Management's Discussion and Analysis

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note 12). Generally, the Authority's net assets decrease with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net asset position.

- Amounts of \$104.4 million and \$66.2 million were paid by the Authority to the City and the State respectively during the fiscal year ended October 31, 2011, pursuant to the 2010 Agreement (see note 12). An additional amount of \$37 million was charged to operations as an expected payment to the HDC 421-A fund under the 2010 Agreement.
- On December 22, 2009, the Authority issued the Senior Revenue Bonds (see note 11) in the total amount of \$89 million (inclusive of a \$1.8 million premium) to finance certain infrastructure and other capital improvements. As of October 31, 2011, approximately \$47.1 million remained in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures (see note 8).
- The Authority's 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt) continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2010 through October 31, 2011 ranged from a low of 0.370% to a high of 0.528% on the 2003 Series B Bonds and from a low of 0.370% to a high of 0.530% on the 2003 Series C Bonds (see note 10).
- In accordance with GASB No. 53, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$92.9 million, \$72.6 million, and \$50.8 million at October 31, 2011, 2010, and 2009, respectively, as both an asset (deferred outflows of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).

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Summary Statement of Net Position

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflow of resources, liabilities, and net position (deficit) at October 31, 2012, 2011 and 2010 follows:

	October 31			2012 vs 2011	2011 vs 2010
	2012	2011 (Restated)	2010 (Restated)		
Assets:					
Bank deposits, investments and rents and other receivables	\$ 30,598,979	9,248,838	6,544,951	21,350,141	2,703,887
Bond resolution restricted assets (current and noncurrent)	328,669,994	337,916,522	513,504,899	(9,246,528)	(175,588,377)
Battery Park City project assets, net	488,320,929	485,004,886	470,207,028	3,316,043	14,797,858
Other current and noncurrent assets	<u>145,668,250</u>	<u>165,944,217</u>	<u>163,409,140</u>	<u>(20,275,967)</u>	<u>2,535,077</u>
Total assets	<u>\$ 993,258,152</u>	<u>998,114,463</u>	<u>1,153,666,018</u>	<u>(4,856,311)</u>	<u>(155,551,555)</u>
Deferred Outflow of Resources:					
Accumulated decrease in fair value of interest rate swaps	\$ 106,703,964	92,948,044	72,595,808	13,755,920	20,352,236
Total deferred outflow of Resources	<u>106,703,964</u>	<u>92,948,044</u>	<u>72,595,808</u>	<u>13,755,920</u>	<u>20,352,236</u>
Total assets and deferred outflow of resources	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>	<u>1,226,261,826</u>	<u>8,899,609</u>	<u>(135,199,319)</u>
Liabilities:					
Current liabilities	\$ 239,088,552	232,275,470	369,026,727	6,813,082	(136,751,257)
Long-term liabilities	<u>1,488,893,180</u>	<u>1,503,941,663</u>	<u>1,512,253,501</u>	<u>(15,048,483)</u>	<u>(8,311,838)</u>
Total liabilities	<u>\$ 1,727,981,732</u>	<u>1,736,217,133</u>	<u>1,881,280,228</u>	<u>(8,235,401)</u>	<u>(145,063,095)</u>
Net Position (Deficit):					
Invested in capital assets, net of related debt	5,464,376	9,371,055	7,208,862	(3,906,679)	2,162,193
Restricted	88,095,527	90,083,490	103,592,326	(1,987,963)	(13,508,836)
Unrestricted	<u>(721,579,519)</u>	<u>(744,609,171)</u>	<u>(765,819,590)</u>	<u>23,029,652</u>	<u>21,210,419</u>
Total net deficit	<u>(628,019,616)</u>	<u>(645,154,626)</u>	<u>(655,018,402)</u>	<u>17,135,010</u>	<u>9,863,776</u>
Total liabilities and net deficit	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>	<u>1,226,261,826</u>	<u>8,899,609</u>	<u>(135,199,319)</u>

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Assets and Deferred Outflows of Resources

2012 vs. 2011

At October 31, 2012, the Organization maintained total assets and deferred outflows of resources of approximately \$1.1 billion, approximately \$9 million higher than \$1.09 billion at October 31, 2011.

2011 vs. 2010

At October 31, 2011, the Organization maintained total assets and deferred outflows of resources of approximately \$1.09 billion, approximately \$135.2 million lower than \$1.23 billion at October 31, 2010.

Bank Deposits, Investments, Rents and Other Receivables

2012 vs. 2011

Bank deposits, investments, and rents and other receivables held at October 31, 2012 increased approximately \$21.4 million. Bank deposits and investments increased a net \$8.7 million and rents and other receivables increased by approximately \$12.6 million (see note 13). The increase in bank deposits and investments primarily relates to an increase in the collection of transaction and administrative payments in 2012 held in the Unpledged Revenue Fund offset by a decrease in bank deposits held by the Conservancy. Increases in rents and other receivables due the Authority of \$12.6 million primarily relates to amounts due from the City on Pier A restoration (\$11.9 million), Goldman Sachs Site 26 PILOT (\$627 thousand), and Site 2A PILOT (\$201 thousand). These increases were offset by reductions in receivables from the north cove licensee (\$236 thousand) and an increase in the allowance for doubtful accounts (\$288 thousand).

2011 vs. 2010

Bank deposits, investments, and rents and other receivables held at October 31, 2011 increased approximately \$2.7 million. Bank deposits and investments increased a net \$475 thousand and rents and other receivables increased by approximately \$2.2 million. The increase in bank deposits and investments primarily relates to an increase in the collection of transaction and administrative payments in 2011 held in the Unpledged Fund offset by a decrease in bank deposits held by the Conservancy. Increases in rents and other receivables due the Authority of \$2.2 million primarily relates to amounts due from the City on Pier A restoration (\$1.2 million), Goldman Sachs Site 26 PILOT (\$1.2 million), and reimbursements due from the Lower Manhattan Development Corporation for payments to pedestrian managers (\$347 thousand). These increases were offset by reductions in receivables from the north cove licensee (\$83 thousand) and a prepayment of bond debt service subsidy from the federal government (\$631 thousand).

Bond Resolution Restricted Assets

2012 vs. 2011

Bond resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of approximately \$328.7 million at October 31, 2012 were \$9.2 million lower than the fair value of assets held at October 31, 2011 of \$337.9 million (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at October 31, 2012 were approximately \$3.7 million more than funds held at October 31, 2011.

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Management's Discussion and Analysis

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Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2012 were approximately \$1.2 million higher due to expected advance funding for certain projects to be reimbursed.

Funds held in the Residual Fund for the benefit of the City were also \$9 thousand lower at October 31, 2012.

Funds held under the resolution for project infrastructure and certain other asset costs were \$30.6 million as of October 31, 2012, approximately \$16.5 million less than funds held at October 31, 2011. In addition, funds held in the debt service funds were approximately \$2.4 million higher at October 31, 2012 compared to 2011.

2011 vs. 2010

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions and were approximately \$337.9 million at October 31, 2011, \$175.6 million lower than the fair value of assets held at October 31, 2010 of \$513.5 million. Funds held in the PRF at October 31, 2011 were approximately \$159.2 million less than funds held at October 31, 2010 attributable primarily to a lump sum payment of ground rent in the amount of \$169.3 million received from Goldman in the prior fiscal year ended October 31, 2010.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2011 were approximately \$565 thousand higher due to expected advance funding for certain projects to be reimbursed. Funds held in the Residual Fund for the benefit of the City were also \$26 thousand lower at October 31, 2011. Funds held under the resolution for project infrastructure and certain other asset costs were \$47.1 million as of October 31, 2011, approximately \$21 million less than funds held at October 31, 2010. In addition, funds held in the debt service funds were approximately \$3.8 million higher at October 31, 2011 compared to 2010.

Project Assets

At October 31, 2012, the Authority's investment in project assets, net of accumulated depreciation, was approximately \$488.3 million, an increase of \$3.3 million over October 31, 2011.

The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's plan of development included approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units (see notes 2, 5, and 6).

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The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condo units owned by the Authority on Sites 1, 16/17, 3, and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at October 31, 2012, 2011 and 2010 were as follows:

	October 31			2012 vs 2011	2011 vs 2010
	2012	2011	2010		
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	374,131,317	371,669,435	365,965,372	2,461,882	5,704,063
Residential building and condominium units	<u>132,109,599</u>	<u>123,041,419</u>	<u>106,086,327</u>	<u>9,068,180</u>	<u>16,955,092</u>
	589,256,569	577,726,507	555,067,352	11,530,062	22,659,155
Less accumulated depreciation	<u>(100,935,640)</u>	<u>(92,721,621)</u>	<u>(84,860,324)</u>	<u>(8,214,019)</u>	<u>(7,861,297)</u>
Total Battery Park City project assets	<u>\$ 488,320,929</u>	<u>485,004,886</u>	<u>470,207,028</u>	<u>3,316,043</u>	<u>14,797,858</u>

2012 vs. 2011

For the year ended October 31, 2012, the increase to site improvements of approximately \$2.5 million relates to improvements to infrastructure surrounding the Goldman Sachs building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$9.1 million increase in residential building and condominium units over October 31, 2011, primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

2011 vs. 2010

For the year ended October 31, 2011, the increase to site improvements of approximately \$5.7 million relates to the resurfacing of the ball fields and minor improvements in the north and south neighborhood parks and the esplanade.

The \$17 million increase in residential building and condominium units over October 31, 2010, principally relates to \$16.7 million for the build out of a community center.

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Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2012, 2011 and 2010 were as follows:

	October 31			2012 vs 2011	2011 vs 2010
	2012	Restated 2011	Restated 2010		
Residential lease required funds	\$ 21,994,938	20,588,758	19,691,803	1,406,180	896,955
Corporate-designated, escrowed and OPEB funds	80,046,105	101,022,346	97,134,530	(20,976,241)	3,887,816
Deferred costs:					
Bond issuance costs, net	34,529,971	36,067,978	37,605,986	(1,538,007)	(1,538,008)
Costs of leases, net	3,605,651	3,669,793	3,733,935	(64,142)	(64,142)
Total deferred costs, net	38,135,622	39,737,771	41,339,921	(1,602,149)	(1,602,150)
Other assets	<u>5,491,585</u>	<u>4,595,342</u>	<u>5,242,886</u>	<u>896,243</u>	<u>(647,544)</u>
Total other current and noncurrent assets	<u>\$ 145,668,250</u>	<u>165,944,217</u>	<u>163,409,140</u>	<u>(20,275,967)</u>	<u>2,535,077</u>

2012 vs. 2011

Total other current and noncurrent assets decreased approximately \$20.3 million from \$165.9 million at October 31, 2011 to \$145.7 million at October 31, 2012.

Residential lease required funds increased \$1.4 million from \$20.6 million at October 31, 2011 to \$22 million at October 31, 2012 primarily due to security deposits received from Site 3 and One Rector Park, coupled with interest earned and gains on investments on all residential funds held.

Overall, corporate-designated, escrowed and OPEB funds decreased approximately \$21 million from October 31, 2011. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately a \$1.6 million increase. A payment of \$20.6 million was made in February 2012 to the Port Authority of New York & New Jersey (“PANYNJ”) from the Special Fund (see note 19f). In addition, interest earnings on other funds were offset by approximately \$1.8 million in payments for the community center.

Bond issuance costs were amortized \$1.5 million for the fiscal year ended October 31, 2012. Costs of leases decreased \$64 thousand and reflect the amortization expense for the year. Other assets increased by \$896 thousand primarily due to depreciation and amortization offset by purchases of equipment, software, and other assets.

2011 vs. 2010

Total other current and noncurrent assets increased approximately \$2.5 million from \$163.4 million at October 31, 2010 to \$165.9 million at October 31, 2011.

Residential lease required funds increased \$897 thousand from \$19.7 million at October 31, 2010 to \$20.6 million at October 31, 2011 and primarily relate to security deposits received from ground lease tenants,

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\$651 thousand from Site 3 and \$206 thousand from Pier A, coupled with interest earned and gains on investments on all residential funds held.

Overall, corporate-designated, escrowed and OPEB funds increased approximately \$3.9 million from October 31, 2010. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately \$3.1 million of the increase. Interest earnings on all funds held were offset by \$166 thousand withdrawn for the public library, which accounted for the overall increase of funds held.

Bond issuance costs were amortized \$1.5 million for the fiscal year ended October 31, 2011. Costs of leases decreased \$64 thousand and reflect the amortization expense for the year. Other assets decreased by \$648 thousand primarily due to depreciation and amortization offset by purchases of equipment, software, and other assets.

Deferred Outflow of Resources

2012 vs. 2011

In accordance with GASB No. 63, beginning in the year ended October 31, 2012, the Authority changed the format of the financial statements to comply with the new requirements and changed the balance sheets to statements of net position, and the statements of revenues, expenses, and changes in net assets (deficit) to the statement of revenues, expenses, and changes in net position (deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of resources in the statement of net position. The format of the financial statements for October 31, 2011 has been changed accordingly for comparative purposes (see note 3k).

In accordance with GASB No. 53, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million, \$92.9 million and \$72.6 million as of October 31, 2012, 2011 and 2010, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). The increase in the negative fair value from October 31, 2011 to October 31, 2012 was \$13.8 million.

2011 vs. 2010

In accordance with GASB No. 53, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$92.9 million, \$72.6 million and \$50.7 million as of October 31, 2011, 2010 and 2009, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). The increase in the negative fair value from October 31, 2010 to October 31, 2011 was \$20.4 million.

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Liabilities

Total liabilities at October 31, 2012, 2011 and 2010 were as follows:

	October 31			2012 vs 2011	2011 vs 2010
	2012	2011	2010		
Current liabilities:					
Accrued interest on bonds	\$ 18,169,507	18,579,617	18,950,389	(410,110)	(370,772)
Accounts payable and other liabilities	5,200,281	6,384,999	9,307,850	(1,184,718)	(2,922,851)
Due to the City of New York	103,283,763	87,623,785	110,215,449	15,659,978	(22,591,664)
Due to the City of New York - 2010 Agreement	46,142,978	37,014,687	104,413,243	9,128,291	(67,398,556)
Due to the NYC School Construction Authority	1,898,808	—	—	1,898,808	—
Due to the State of New York - 2010 Agreement	—	—	66,175,000	—	(66,175,000)
Due to the Port Authority of NY & NJ	3,820,328	20,656,496	—	(16,836,168)	20,656,496
Deferred revenue	41,089,545	41,801,825	40,325,453	(712,280)	1,476,372
Security and other deposits	88,342	134,061	299,343	(45,719)	(165,282)
2003 Revenue Bonds	19,280,000	19,825,000	19,095,000	(545,000)	730,000
2009 Revenue Bonds	115,000	255,000	245,000	(140,000)	10,000
 Total current liabilities	 239,088,552	 232,275,470	 369,026,727	 6,813,082	 (136,751,257)
 Noncurrent liabilities:					
Deferred revenue	304,341,304	316,208,835	328,076,513	(11,867,531)	(11,867,678)
Security and other deposits	22,367,627	21,099,455	20,248,187	1,268,172	851,268
OPEB - Battery Park City Authority	18,463,988	17,633,427	16,869,575	830,561	763,852
OPEB - Battery Park City Parks Conservancy	9,974,257	8,769,643	7,630,939	1,204,614	1,138,704
Fair value of interest rate swaps	106,703,964	92,948,044	72,595,808	13,755,920	20,352,236
Bonds outstanding:					
2003 Revenue Bonds	961,784,095	983,612,833	1,004,611,571	(21,828,738)	(20,998,738)
2009 Revenue Bonds	88,222,941	88,410,789	88,738,637	(187,848)	(327,848)
Unamortized loss on extinguishment	(22,964,996)	(24,741,363)	(26,517,729)	1,776,367	1,776,366
 Total noncurrent liabilities	 1,488,893,180	 1,503,941,663	 1,512,253,501	 (15,048,483)	 (8,311,838)
 Total liabilities	 \$ 1,727,981,732	 1,736,217,133	 1,881,280,228	 (8,235,401)	 (145,063,095)

2012 vs. 2011

The Organization's total liabilities decreased approximately \$8.2 million from \$1.74 billion at October 31, 2011 to \$1.73 billion at October 31, 2012.

Total liabilities comprise amounts due to the City, accrued interest on bonds, deferred revenue, security and other deposits, OPEB, outstanding bonds, and accounts payable and accrued expenses.

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The \$8.2 million decrease in total liabilities is due to:

- a \$410 thousand decrease in accrued interest payable on bonds from \$18.6 million at October 31, 2011 to \$18.2 million at October 31, 2012, resulting primarily from accrued interest on less bonds outstanding offset by marginally higher interest rates on the Authority's variable rate debt (see note 10).
- a \$1.2 million decrease in accounts payable and other liabilities from \$6.4 million at October 31, 2011 to \$5.2 million at October 31, 2012, primarily due to a decrease in amounts due to vendors of \$1.4 million.
- a \$103.3 million provision was recorded for the fiscal year ended October 31, 2012, representing fiscal 2012 PILOT related excess revenues to be transferred to the City (see note 12), an increase of \$15.7 million from the prior fiscal year provision of \$87.6 million, which was paid in June 2012.
- a provision in the amount of \$46.1 million was recorded as a liability for the fiscal year ended October 31, 2012 for payment under the 2010 Agreement for the City 421-A fund, an increase of \$9.1 million over the \$37 million which was charged to operations for the fiscal year ended October 31, 2011 and paid in June 2012.
- a \$1.9 million amount was recorded as a liability for the fiscal year ended October 31, 2012 for amounts due to the New York City School Construction Authority for the completion of three green building components.
- a \$16.8 million decrease in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the construction of a planned pedestrian concourse (see note 19(f)). The Authority paid \$20.6 million to the PANYNJ in February 2012 and recorded a liability for \$3.8 million at October 31, 2012.
- a \$12.6 million decrease to \$345.4 million in total deferred revenue from \$358 million at October 31, 2011 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), sites 23 and 24 (\$2.3 million), site 22 (\$2.3 million) and to Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$1.2 million increase in total security and other deposits to \$22.5 million at October 31, 2012, relating to security deposits received from Site 3 and One Rector Park, as well as interest earnings on funds held.
- a net \$831 thousand increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had a \$18.5 million OPEB liability at October 31, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year (see note 17).
- a \$1.2 million increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had a \$10 million OPEB liability at October 31, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).
- a \$22.4 million decrease in 2003 Revenue Bonds outstanding relating to retirement of principal of \$21.2 million and a \$1.2 million decrease due to the amortization of the net bond premium (see note 15).

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- a \$328 thousand decrease in 2009 Revenue Bonds outstanding relating to retirement of principal of \$255 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 15).
- a \$1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt (see note 15).
- In accordance with GASB No. 53, the Authority evaluated the effectiveness of its Swaps, determined its Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million and \$92.9 million, respectively, at October 31, 2012 and October 31, 2011 as a liability. The change from October 31, 2011 to October 31, 2012 increased the negative fair value of the Swaps by \$13.8 million.

2011 vs. 2010

The Organization's total liabilities decreased approximately \$145.1 million from \$1.88 billion at October 31, 2010 to \$1.74 billion at October 31, 2011.

Total liabilities comprise amounts due to the City, accrued interest on bonds, deferred revenue, and security and other deposits, OPEB, outstanding bonds, and accounts payable and accrued expenses.

The \$145.1 million decrease in total liabilities is due to:

- a \$371 thousand decrease in accrued interest payable on bonds from \$18.9 million at October 31, 2010 to \$18.6 million at October 31, 2011, resulting from accrued interest on less bonds outstanding and lower interest rates on the Authority's variable rate debt (see note 10).
- a \$2.9 million decrease in accounts payable and other liabilities from \$9.3 million at October 31, 2010 to \$6.4 million at October 31, 2011, primarily due to a PILOT credit due on the Goldman lease. The terms of the lease require the Authority to provide Goldman with up to \$6 million in credits against future PILOT. A \$6 million liability was recorded in fiscal year 2009 and was offset by PILOT revenue earned during each period resulting in a \$3.1 million decrease in the period ended October 31, 2011. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority, under which a \$272 thousand increase in interest payable was recorded for the fiscal year ended October 31, 2011. In addition, amounts due to developers and accrued expenses decreased by approximately \$140 thousand and \$600 thousand, respectively, which were offset by increases in amounts held for retention of \$700 thousand.
- a \$87.6 million provision was recorded for the fiscal year ended October 31, 2011, representing fiscal 2011 PILOT related excess revenues to be transferred to the City (see note 12), a decrease of \$22.6 million from the prior fiscal year provision of \$110.2 million, which was paid in June 2010. Amounts due the City and the State under the 2010 Agreement decreased \$67.4 million and \$66.2 million, respectively. The balance of the \$200 million due to both the City and the State, \$66.2 million each, was charged to operations as a provision for the fiscal year ended October 31, 2010 and paid in May 2011. In addition, a provision in the amount of \$38.2 million was charged to operations for the fiscal year ended October 31, 2010 and was paid in June 2011 under the 2010 Agreement to the City 421-A fund. A provision in the amount of \$37 million was charged to operations and recorded as a liability for the year ended October 31, 2011 for payment under the 2010 Agreement for the City 421-A fund.
- a \$20.7 million increase in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the construction of a planned pedestrian concourse (see note 19(f)).

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- a \$10.4 million decrease to \$358 million in total deferred revenue from \$368.4 million at October 31, 2010 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 and 24 (\$2.3 million) and to Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$686 thousand increase in total security and other deposits to \$21.2 million at October 31, 2011, relating to the use of funds from prior deposits received for the public library of \$165 thousand. The above decrease was offset by security deposits received from Site 3 of \$624 thousand and Pier A of \$208 thousand, as well as interest earnings on funds held.
- a net \$764 thousand increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had a \$17.6 million OPEB liability at October 31, 2011. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year (see note 17).
- a \$1.1 million increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had a \$8.8 million OPEB liability at October 31, 2011. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).
- a \$20.2 million decrease in 2003 Revenue Bonds outstanding relating to a payment of principal of \$19 million and a \$1.2 million decrease due to the amortization of the net bond premium (see note 15).
- a \$318 thousand decrease in 2009 Revenue Bonds outstanding relating to a payment of principal of \$245 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 15).
- a \$1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt (see note 15).
- In accordance with GASB No. 53, the Authority evaluated the effectiveness of its Swaps, determined its Swaps to be effective hedges and recorded the negative fair value of approximately \$92.9 million and \$72.6 million, respectively, at October 31, 2011 and October 31, 2010 as a liability. The change from October 31, 2010 to October 31, 2011 increased the negative fair value of the Swaps by \$20.4 million.

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Net Position (Deficit)

2012 vs. 2011

The net deficits at October 31, 2012 and 2011 were \$628 million and \$645.2 million, respectively. Net position invested in capital assets, net of related debt, was \$5.5 million and \$9.4 million at October 31, 2012 and 2011, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's \$88.1 million and \$90.1 million of restricted net position at October 31, 2012 and 2011, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately \$721.6 million at October 31, 2012, resulting primarily from debt issued for noncapital purposes, approximately \$532.5 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The change in total net position from October 31, 2011 represents a positive change in the deficit position of approximately \$17.1 million from \$645.2 million at October 31, 2011 to \$628 million at October 31, 2012.

2011 vs. 2010

The net deficits at October 31, 2011 and 2010 were \$645.2 million and \$655 million, respectively. Net assets invested in capital assets, net of related debt, was \$9.4 million and \$7.2 million at October 31, 2011 and 2010, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's \$90.1 million and \$103.6 million of restricted net assets at October 31, 2011 and 2010, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately \$744.6 million at October 31, 2011, resulting primarily from debt issued for noncapital purposes, approximately \$544.7 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The change in total net assets from October 31, 2010 represents a positive change in the deficit position of approximately \$9.8 million from \$655 million at October 31, 2010 to \$645.2 million at October 31, 2011.

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Summary Schedule of Revenues, Expenses, and Changes in Net Position (Deficit)

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2012, 2011 and 2010:

	October 31			2012 vs 2011	2011 vs 2010
	2012	2011	2010		
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 61,394,256	59,153,949	63,738,711	2,240,307	(4,584,762)
Supplemental rent	1,738,401	1,764,977	926,609	(26,576)	838,368
Payments in lieu of real estate taxes	163,987,502	154,024,537	150,034,795	9,962,965	3,989,742
Civic facilities payments and other	21,806,157	15,241,246	14,815,792	6,564,911	425,454
Total operating revenues	<u>248,926,316</u>	<u>230,184,709</u>	<u>229,515,907</u>	<u>18,741,607</u>	<u>668,802</u>
Operating expenses:					
Wages and related benefits					
OPEB - Battery Park City Authority	12,491,397	13,374,134	13,863,618	(882,737)	(489,484)
OPEB - Battery Park City Parks Conservancy	1,220,823	1,146,167	1,074,653	74,656	71,514
Other operating and administrative expenses	1,224,990	1,138,704	7,630,939	86,286	(6,492,235)
Community Center	16,199,420	15,814,624	18,490,510	384,796	(2,675,886)
Depreciation and amortization	1,958,577	167,389	119,064	1,791,188	48,325
Total operating expenses	<u>10,612,669</u>	<u>10,460,042</u>	<u>10,303,892</u>	<u>152,627</u>	<u>156,150</u>
Operating income	<u>43,707,876</u>	<u>42,101,060</u>	<u>51,482,676</u>	<u>1,606,816</u>	<u>(9,381,616)</u>
Nonoperating revenues (expenses):					
Interest and other income					
Other revenue	5,213,030	5,562,709	10,159,892	(349,679)	(4,597,183)
Interest expense, net	2,471	367,427	233,446	(364,956)	133,981
Provision for transfer to NYC School Construction Authority	(38,171,405)	(38,855,284)	(39,465,012)	683,879	609,728
Provision for transfer to the Port Authority of NY & NJ	(1,898,808)	—	—	(1,898,808)	—
Provision for transfer to the City of New York	(3,801,977)	(20,656,496)	—	16,854,519	(20,656,496)
Provision for transfer to the City of New York - 2010 Agreement	(103,283,763)	(87,623,785)	(110,215,449)	(15,659,978)	22,591,664
Provision for transfer to the State of New York - 2010 Agreement	(46,142,978)	(37,014,444)	(238,238,243)	(9,128,534)	201,223,799
Total nonoperating expenses, net	<u>(46,142,978)</u>	<u>(37,014,444)</u>	<u>(238,238,243)</u>	<u>(9,128,534)</u>	<u>201,223,799</u>
Change in net assets	<u>17,135,010</u>	<u>9,863,776</u>	<u>(399,492,135)</u>	<u>7,271,234</u>	<u>409,355,911</u>
Net deficit, beginning of year	<u>(645,154,626)</u>	<u>(655,018,402)</u>	<u>(255,526,267)</u>	<u>9,863,776</u>	<u>(399,492,135)</u>
Net deficit, end of year	<u>\$ (628,019,616)</u>	<u>(645,154,626)</u>	<u>(655,018,402)</u>	<u>17,135,010</u>	<u>9,863,776</u>

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Operating Revenues

2012 vs. 2011

Overall operating revenues for the year ended October 31, 2012 totaled \$248.9 million, approximately \$18.7 million higher than the year ended October 31, 2011. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$2.2 million from \$59.2 million for the year ended October 31, 2011. PILOT revenue totaling approximately \$164 million (approximately 66% of the total operating revenues for the fiscal year ended October 31, 2012), increased by \$10 million over the fiscal year ended October 31, 2011, and relates to increased PILOT revenue recognized in the current period due to reduced PILOT credits on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites effective July 2011. The change in civic facility payments and other revenues is a \$6.6 million increase from \$15.2 million for the year ended October 31, 2011 to \$21.8 million in October 31, 2012 primarily due to a one-time payment from residential Site 16/17.

2011 vs. 2010

Overall operating revenues for the year ended October 31, 2011 totaled \$230.2 million, approximately \$669 thousand higher than the year ended October 31, 2010. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent decreased a net \$4.6 million primarily due to scheduled rent increases in the leases totaling approximately \$2 million being offset by a one-time revenue recognition from Site 1 in the amount of \$6.6 million in the previous fiscal year ended October 31, 2010. Supplemental rent increased \$838 thousand. PILOT revenue totaling approximately \$154 million (approximately 67% of the total operating revenues for the fiscal year ended October 31, 2011), increased by \$4 million over the fiscal year ended October 31, 2010, and relates to assessed value increases and tax rate increases for commercial and residential sites. Additionally, civic facility payments and other revenues increased \$425 thousand from \$14.8 million in fiscal year 2010. The increase is primarily due to transaction payments, which increased \$328 thousand, and an increase in civic facility payments.

Operating Expenses

2012 vs. 2011

Operating expenses totaled approximately \$43.7 million for the fiscal year ended October 31, 2012, representing a \$1.6 million increase compared to the fiscal year ended October 31, 2011. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$12.5 million decreased approximately \$883 thousand from the fiscal year ended October 31, 2011.

OPEB expenses for the Authority increased for the fiscal year ended October 31, 2012 by \$75 thousand. This was due to the higher normal and interest costs offset by an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

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The Conservancy recognized the normal and interest costs of approximately \$1.2 million for the plan for the fiscal year ended October 31, 2012 (see note 18) which was approximately \$86 thousand higher than the OPEB expenses for the year ended October 31, 2011.

Other operating and administrative expenses increased approximately \$385 thousand.

Expenses relating to the community center at Site 23/24 increased by \$1.8 million from \$167 thousand for the fiscal year ended October 31, 2011.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2012 of \$10.6 million was \$153 thousand higher than the year ended October 31, 2011.

2011 vs. 2010

Operating expenses totaled approximately \$42.1 million for the fiscal year ended October 31, 2011, representing a \$9.4 million decrease compared to the fiscal year ended October 31, 2010. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$13.4 million decreased approximately \$489 thousand due to decreases in staffing.

OPEB expenses for the Authority increased for the fiscal year ended October 31, 2011 by \$72 thousand. The net increase was due to higher valuations for the normal and interest costs offset by the triennial valuation report, which determined that the Authority is entitled to an amortization credit to its annual required contribution. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

OPEB expenses for the Conservancy decreased for the fiscal year ended October 31, 2011 by a net \$6.5 million. The Conservancy adopted an OPEB plan effective February 1, 2010. In order to recognize the initial cost of the plan, the Conservancy recognized an expense of \$7.6 million for the fiscal year ended October 31, 2010. The total normal and interest costs for the plan for the fiscal year ended October 31, 2011, amounted to \$1.1 million. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 18).

Other operating and administrative expenses decreased approximately \$2.6 million. The decreased expenses primarily relate to the Conservancy moving into a newly constructed headquarters, reducing rent expense of \$518 thousand for a portion of the year. The Conservancy's operating expenses also decreased by approximately \$500 thousand. Additionally, decreases in legal expenses (\$1.1 million), savings from the discontinuance of a skating rink facility (\$190 thousand), and other cost cutting measures resulted in cost savings in several areas of operations.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2011 of approximately \$10.5 million increased approximately \$156 thousand due to the added depreciation of the community center.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

October 31, 2012 and 2011

Nonoperating Revenues (Expenses)

2012 vs. 2011

Total nonoperating expenses, net, were approximately \$9.9 million lower for the year ended October 31, 2012 than the year ended October 31, 2011. A provision for a transfer to the City of \$103.3 million in excess revenues was charged to expense for the year ended October 31, 2012, an increase of approximately \$15.7 million from the year ended October 31, 2011. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$46.1 million was charged to expense for the year ended October 31, 2012, an increase of approximately \$9.1 million from the year ended October 31, 2011. A provision for transfer to the PANYNJ for \$3.8 million was charged to expense for the fiscal year ended October 31, 2012, a decrease of approximately \$16.9 million from fiscal year ended October 31, 2011.

Investment and other income decreased by \$350 thousand primarily due to the reduction in balances held and the composition of assets held during the year ended October 31, 2012 compared to 2011. Other revenue decreased \$365 thousand. Net interest expense related to outstanding bonds decreased \$684 thousand compared to the year ended October 31, 2011 (see note 12).

2011 vs. 2010

Total net non-operating revenues (expenses), of approximately \$178.2 million for the fiscal year ended October 31, 2011 were approximately \$399.3 million lower than the fiscal year ended October 31, 2010. Interest and other income decreased by \$4.6 million primarily due to lower interest rates and the reduction in balances held during the fiscal year ended October 31, 2011 compared to 2010. A provision for transfer to the PANYNJ for \$20.7 million was charged to expense for the fiscal year ended October 31, 2011. A provision for a transfer to the City for \$87.6 million in excess revenues was charged for the fiscal year ended October 31, 2011, a decrease of approximately \$22.6 million from the fiscal year ended October 31, 2010. In addition, a provision for the transfer to the City for the 2010 agreement of \$37 million was charged in the fiscal year ended October 31, 2011, a decrease of \$201.2 million from the fiscal year ended October 31, 2010. A \$200 million decrease in the provision to transfer to the State for the 2010 Agreement was a one-time charge for \$200 million in the fiscal year ended October 30, 2010 (see note 12).

Change in Net Position (Deficit)

The total net deficits at October 31, 2012 and 2011 were \$628 million and \$645.2 million, respectively.

The total net deficits at October 31, 2011 and 2010 were \$645.2 million and \$655 million, respectively.

Other Information

Debt Administration – The 2003 Revenue Bonds, issued in October 2003, totaling \$1.07 billion, included \$433 million (including a net premium) of senior lien and \$635 million of junior lien debt obligations. At October 31, 2012, the Authority was responsible for debt service on the 2003 Revenue Bonds of \$981 million (see note 10).

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2003 Series Senior A Bonds	\$ 367,164,095	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AA+
2003 Series Junior C Bonds *	378,900,000	AA	Aa3	AA+

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

October 31, 2012 and 2011

* The junior lien debt obligations are insured and also carry underlying Fitch, S&P and Moody's ratings of AA, AA+ and Aa3, respectively.

The 2009 Revenue Bonds, issued in December 2009, totaling \$89 million, included \$56.6 million of federally taxable build America bonds and \$32.5 million (including a net premium) of tax-exempt bonds. At October 31, 2012, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$88.3 million (see note 11).

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	31,737,941	AAA	Aaa	Not rated

Requests for Information – This financial report is designed to provide a general overview of the Organization's finances for all persons with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Senior Vice President, Public Information, One World Financial Center, 24th Floor, New York, NY 10281. The Authority's Web site is: www.batteryparkcity.org.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Net Position

October 31, 2012 and 2011

Assets	2012	2011 (Restated)
Current assets:		
Bank deposits	\$ 22,927	111,416
Investments (note 3(e))	11,632,484	2,831,780
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$642,165 in 2012 and \$354,463 in 2011) (note 13)	18,943,568	6,305,642
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	218,279,009	196,294,433
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	2,632,603	2,775,153
Corporate-designated, escrowed, and OPEB funds (note 3(e))	<u>6,009,542</u>	<u>26,847,837</u>
Total current assets	<u>257,520,133</u>	<u>235,166,261</u>
Noncurrent assets:		
Restricted assets:		
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	79,786,248	94,558,687
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	27,972,134	44,288,249
Residential lease required funds (note 3(e))	21,994,938	20,588,758
Corporate-designated, escrowed, and OPEB funds (notes 3(e), 17 and 18)	74,036,563	74,174,509
Deferred costs (note 3(g)):		
Bond issuance costs, less accumulated amortization of \$18,892,324 in 2012 and \$17,354,316 in 2011	34,529,971	36,067,978
Costs of leases, less accumulated amortization of \$1,073,875 in 2012 and \$1,009,733 in 2011	3,605,651	3,669,793
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	488,320,929	485,004,886
Other assets	<u>5,491,585</u>	<u>4,595,342</u>
Total noncurrent assets	<u>735,738,019</u>	<u>762,948,202</u>
Total assets	<u>\$ 993,258,152</u>	<u>998,114,463</u>
Deferred Outflows of Resources		
Accumulated decrease in fair value of interest rate swaps (notes 3(j) and 10)	106,703,964	92,948,044
Total deferred outflows of resources	<u>106,703,964</u>	<u>92,948,044</u>
Total assets and deferred outflows of resources	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Net Position

October 31, 2012 and 2011

Liabilities and Net Position	2012	2011 (Restated)
Current liabilities:		
Accrued interest on bonds	\$ 18,169,507	18,579,617
Accounts payable and other liabilities (note 14)	5,200,281	6,384,999
Due to the City of New York (note 12)	103,283,763	87,623,785
Due to the City of New York - 2010 Agreement (note 12)	46,142,978	37,014,687
Due to the NYC School Construction Authority	1,898,808	—
Due to the Port Authority of New York & New Jersey (note 19(f))	3,820,328	20,656,496
Deferred revenue (note 3(d)):		
PILOT revenue	27,636,001	27,113,141
Base rent and other revenue	13,453,544	14,688,684
Security and other deposits	88,342	134,061
2003 Revenue Bonds (notes 8, 9, and 10)	19,280,000	19,825,000
2009 Revenue Bonds (notes 8, 9, and 11)	115,000	255,000
Total current liabilities	<u>239,088,552</u>	<u>232,275,470</u>
Noncurrent liabilities:		
Deferred revenue (note 3(d)):		
Base rent and other revenue	304,341,304	316,208,835
Security and other deposits	22,367,627	21,099,455
OPEB - Battery Park City Authority (note 17)	18,463,988	17,633,427
OPEB - Battery Park City Parks Conservancy (note 18)	9,974,257	8,769,643
Fair value of interest rate swaps (notes 3(j) and 10)	106,703,964	92,948,044
Bonds outstanding (notes 8, 9, 10 and 11):		
2003 Revenue Bonds, less accumulated amortization of \$10,611,877 in 2012 and \$9,438,139 in 2011	961,784,095	983,612,833
2009 Revenue Bonds, less accumulated amortization of \$208,066 in 2012 and \$135,218 in 2011	88,222,941	88,410,789
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	<u>(22,964,996)</u>	<u>(24,741,363)</u>
Total noncurrent liabilities	<u>1,488,893,180</u>	<u>1,503,941,663</u>
Total liabilities	<u>1,727,981,732</u>	<u>1,736,217,133</u>
Net position (deficit) (note 3(f)):		
Invested in capital assets, net of related debt	5,464,376	9,371,055
Restricted:		
Debt service	65,880,060	64,535,873
Under bond resolutions and other agreements	22,215,467	25,547,617
Unrestricted (deficit)	<u>(721,579,519)</u>	<u>(744,609,171)</u>
Total net position (deficit)	<u>(628,019,616)</u>	<u>(645,154,626)</u>
Total liabilities and net position (deficit)	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>

See accompanying notes to basic financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position (Deficit)
 Years Ended October 31, 2012 and 2011

	2012	2011
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 61,394,256	59,153,949
Supplemental rent	1,738,401	1,764,977
Payments in lieu of real estate taxes	163,987,502	154,024,537
Civic facilities payments and other	21,806,157	15,241,246
Total operating revenues	<u>248,926,316</u>	<u>230,184,709</u>
Operating expenses:		
Wages and related benefits	12,491,397	13,374,134
OPEB - Battery Park City Authority (note 17)	1,220,823	1,146,167
OPEB - Battery Park City Parks Conservancy (note 18)	1,224,990	1,138,704
Other operating and administrative expenses	18,157,997	15,982,013
Depreciation of project assets	8,214,019	7,861,298
Other depreciation and amortization	2,398,650	2,598,744
Total operating expenses	<u>43,707,876</u>	<u>42,101,060</u>
Operating income	<u>205,218,440</u>	<u>188,083,649</u>
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	2,406,951	2,591,493
2009 Revenue Bonds (note 11)	338,557	827,708
Corporate-designated, escrowed, and OPEB funds	2,136,727	2,365,669
Realized and unrealized gains and (losses)	330,795	(222,161)
Other revenue	2,471	367,427
Interest expense relating to:		
2003 Swap agreements – net expense	(12,504,439)	(12,725,691)
2003 Revenue Bonds (note 10)	(20,191,129)	(20,648,656)
2009 Revenue Bonds (note 11)	(3,699,471)	(3,704,571)
Loss from extinguishment	(1,776,366)	(1,776,366)
Provision for transfer to the Port Authority of New York & New Jersey (note 19(f))	(3,801,977)	(20,656,496)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 12)	(103,283,763)	(87,623,785)
Provision for transfer to the City of New York per 2010 agreement (note 12)	(46,142,978)	(37,014,444)
Provision for transfer to the NYC School Construction Authority	<u>(1,898,808)</u>	<u>—</u>
Total nonoperating expenses	<u>(188,083,430)</u>	<u>(178,219,873)</u>
Change in net position	17,135,010	9,863,776
Net (deficit), beginning of year	<u>(645,154,626)</u>	<u>(655,018,402)</u>
Net (deficit), end of year	<u>\$ (628,019,616)</u>	<u>(645,154,626)</u>

See accompanying notes to basic financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Cash Flows

Years Ended October 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 235,341,798	214,658,845
Miscellaneous receipts	1,159,922	1,104,767
Total cash receipts from operating activities	<u>236,501,720</u>	<u>215,763,612</u>
Cash payments for:		
Salaries and benefits	(12,844,670)	(13,737,418)
Services and supplies	(18,916,639)	(16,812,044)
Total cash payments for operating activities	<u>(31,761,309)</u>	<u>(30,549,462)</u>
Net cash provided by operating activities	<u>204,740,411</u>	<u>185,214,150</u>
Cash flows from noncapital financing activities:		
Payments for Battery Park City Library	(45,807)	(165,720)
Receipts from the City of New York - Pier A	—	5,155,508
Payments to Pier A Contractors on behalf of the City of New York	(12,776,191)	(5,894,203)
Receipts from insurance settlement - Pier A	1,700,000	—
Receipt from the New York City Educational Construction Fund	—	1,158,938
Contract closeout payment	—	(1,158,938)
Payments from lessees – site security deposits	948,408	815,882
Payments to lessees - site security deposits	(82,965)	—
Payments to the Port Authority of New York & New Jersey	(20,638,145)	—
Payments to the City of New York	(87,623,785)	(110,215,449)
Payments to the City of New York - 2010 Agreement	(37,014,687)	(104,413,000)
Payments to the State of New York - 2010 Agreement	—	(66,175,000)
Net cash used in noncapital financing activities	<u>(155,533,172)</u>	<u>(280,891,982)</u>
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(13,630,154)	(22,659,647)
Capital asset expenditures	(1,648,204)	(315,163)
Receipts from the sale of capital assets	2,471	872
Auction fees for variable debt	(350,392)	(354,816)
Swap payment made on the 2003 Swap agreement	(13,221,160)	(13,409,294)
Swap interest payments received on the 2003 Swap agreement	628,905	594,084
Principal paydown on 2003 Revenue Bonds	(21,083,376)	(19,095,000)
Interest paid on 2003 Senior Revenue Bonds	(18,236,211)	(18,821,184)
Interest paid on 2003 Junior Revenue Bonds	(3,091,757)	(2,920,648)
Interest paid on 2009 Senior Revenue Bonds	(5,037,756)	(5,042,756)
Principal paydown on 2009 Senior Revenue Bonds	(255,000)	(245,000)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,262,888	1,894,331
Net cash used in capital and related financing activities	<u>(74,659,746)</u>	<u>(80,374,221)</u>
Cash flows from investing activities:		
Interest and realized gains received on investment securities	5,683,281	6,590,951
Maturities and redemptions of investment securities	361,705,393	625,194,567
Purchases of investment securities	(429,589,905)	(623,360,456)
Net cash (used in) provided by investing activities	<u>(62,201,231)</u>	<u>8,425,062</u>
Decrease in cash and cash equivalents	(87,653,738)	(167,626,991)
Cash and cash equivalents, beginning of year	208,793,930	376,420,921
Cash and cash equivalents, end of year	<u>\$ 121,140,192</u>	<u>208,793,930</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Cash Flows

Years Ended October 31, 2012 and 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 205,218,440	188,083,649
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debt expense	287,702	244,189
Depreciation and amortization	10,612,669	10,460,042
Other	370,327	(88,265)
Changes in operating assets and liabilities:		
Increase in rents and other receivables	(1,054,565)	(1,995,212)
(Increase) decrease in other assets	(296,583)	17,686
Increase (decrease) in accounts payable and other liabilities	147,057	(3,019,189)
Decrease in deferred revenue	(12,579,811)	(10,391,306)
Increase in OPEB	2,035,175	1,902,556
Net cash provided by operating activities	\$ 204,740,411	185,214,150
Reconciliation to cash and cash equivalents, end of year:		
Bank deposits	\$ 22,927	111,416
Cash and equivalents in restricted asset accounts (note 3(e))	121,117,265	208,682,514
Cash and cash equivalents, end of year	\$ 121,140,192	208,793,930

See accompanying notes to basic financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2012 and 2011

(1) General

Hugh L. Carey Battery Park City Authority (the “Authority”) is a public benefit corporation created in 1968 under the laws of the State of New York (the “State”) pursuant to the Battery Park City Authority Act (the “Act”) and is a legally separate entity from the State. The Authority has been doing business as the Hugh L. Carey Battery Park City Authority since 1999. For financial reporting purposes, the Authority is a component unit of the State and is included in the State’s comprehensive annual financial report.

The Authority’s reporting entity comprises itself and the Battery Park City Parks Conservancy (the “Conservancy”). The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation and is a blended component unit of the Authority under the guidance included in Governmental Accounting Standards Board (“GASB”) Statement Nos. 14 and 39, and the Conservancy’s assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

The Authority and its blended component unit, the Conservancy, are referred to collectively as “the Organization” in the financial statements. All significant transactions between the Authority and the Conservancy have been eliminated.

The Act sets forth the purposes of the Authority, including: the improvement of the Battery Park City project (the “Project”) area; the creation in such area, in cooperation with the City of New York (the “City”) and the private sector, of a mixed commercial and residential community; and the making of loans secured by first mortgages to any housing company organized to provide housing within the project area pursuant to the New York State Private Housing Finance Law. The Act also authorizes the Authority to pledge and assign revenues to secure financing for low- and moderate-income housing developments outside the project area, as well as issue bonds for the purposes of furthering the development of a commodities and futures exchange facility in Battery Park City, repaying certain State appropriations, and making a payment to the City and the State (see note 9).

The Act provides that the Authority and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Authority shall have bonds, notes, and other obligations outstanding, unless adequate provision has been made for the payment of those obligations.

(2) Description of Project

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project’s plan of development included approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a community center, a public library, four not-for profit condos owned by the Authority and approximately 8,600 residential units (see notes 5, 6, and 7).

The Authority also owns and controls significant air rights throughout the Project. Ground rents, payments in lieu of real estate taxes (“PILOT”), and other lease payments are received under the ground leases, all expiring in 2069. All sites on the Project have been designated for development.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2012 and 2011

(3) Summary of Significant Accounting Policies

(a) Financial Reporting

The Organization follows accounting principles generally accepted in the United States of America as promulgated by GASB.

The Organization's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, provides proprietary activities with the option of implementing the provisions of Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Organization has elected to follow GASB pronouncements exclusively subsequent to November 30, 1989.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, and other post employment benefits. Actual results could differ from those estimates.

(c) Project Assets

Costs incurred by the Authority in developing the Project as of October 31, 2012 and 2011 are capitalized as project assets and are classified as follows:

	Balance at October 31, 2011	Additions	Deletions	Balance at October 31, 2012
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	371,669,435	2,517,380	55,498	374,131,317
Residential building and condominiums	123,041,419	9,068,180	—	132,109,599
Total project assets	<u>577,726,507</u>	<u>11,585,560</u>	<u>55,498</u>	<u>589,256,569</u>
Less accumulated depreciation:				
Site improvements	77,264,531	5,142,346	—	82,406,877
Residential building and condominiums	15,457,090	3,071,673	—	18,528,763
Total accumulated depreciation	<u>92,721,621</u>	<u>8,214,019</u>	<u>—</u>	<u>100,935,640</u>
Net project assets	<u>\$ 485,004,886</u>	<u>3,371,541</u>	<u>55,498</u>	<u>488,320,929</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2012 and 2011

	<u>Balance at October 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at October 31, 2011</u>
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	365,965,372	5,704,063	—	371,669,435
Residential building and condominiums	<u>106,086,327</u>	<u>16,955,092</u>	—	<u>123,041,419</u>
Total project assets	<u>555,067,352</u>	<u>22,659,155</u>	—	<u>577,726,507</u>
Less accumulated depreciation:				
Site improvements	72,214,805	5,049,726	—	77,264,531
Residential building and condominiums	<u>12,645,519</u>	<u>2,811,571</u>	—	<u>15,457,090</u>
Total accumulated depreciation	<u>84,860,324</u>	<u>7,861,297</u>	—	<u>92,721,621</u>
Net project assets	<u>\$ 470,207,028</u>	<u>14,797,858</u>	—	<u>485,004,886</u>

The Authority records project assets at historical cost. The costs of normal maintenance of the Project that do not add to the value of the Project or extend its useful life are not capitalized. Upon completion, site improvement costs, which consist principally of infrastructure, streets, and civic and public facilities, are being depreciated by the straight-line method over the remaining lease years (to 2069). Interest costs incurred during construction related to the cost of infrastructure and facilities for the phases being developed were capitalized until such phases were substantially completed and ready for the construction of buildings. The residential building is being depreciated over a useful life of 50 years and the condominium units through the first appraisal date of each lease.

(d) Revenue from Ground Leases

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are deferred and recognized as income during future periods. Given the nature of the Organization's operations, revenue from ground leases and related fees and agreements is considered operating revenue. All other revenues are considered non-operating. In accordance with the lease terms, the Authority received upfront lease payments in fiscal years prior to 2012 of \$40.7 million, \$60 million, \$42.5 million, \$22.5 million, and \$33.9 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, and Site 24, respectively. The Authority is recognizing revenue for these payments on a straight line basis over the first 25 year lease period. Amounts not recognized are reported as deferred revenue in current and noncurrent liabilities.

In August 2005, the Site 26 commercial ground lease was signed providing for a one-time lump sum base rent payment of approximately \$161 million to be deposited with an escrow agent, which was paid in June 2007. In fiscal year ended October 31, 2010, the Authority received \$169.3 million from the escrow account as the project was completed and various conditions were performed by the City. Base rent revenue relating to the one-time payment is being recognized on a pro rata basis over the lease term, which ends in 2069.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2012 and 2011

(e) Investments and Deposits

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Organization's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority's investments in securities are held by the Authority's financial institutions in the Authority's name. The Authority's investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than 'A-1' grade; investments in federal agency and mortgage backed securities have the highest credit rating of 'AAA' and are supported by the U.S. government or its agencies; investments in municipal bonds are supported by Fannie Mae and rated 'AAA.' All other deposits or investments are fully collateralized or backed by the Federal Deposit Insurance Corporation ("FDIC") or letters of credit. All investments held in funds and accounts established in accordance with bond resolutions are held as trust assets by the trustee banks in the Authority's name.

Total investments and deposits held by the Organization at October 31, 2012 and 2011 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8) and residential lease required funds are as follows:

	October 31, 2012			October 31, 2011		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 224,971,358	225,061,425	0.04	\$ 81,423,660	81,425,813	0.26
Treasury Bonds	65,717,070	69,641,656	3.93	61,994,188	65,643,181	3.50
Treasury Strips	<u>337,562</u>	<u>848,898</u>	<u>5.31</u>	<u>337,562</u>	<u>813,127</u>	<u>6.03</u>
Total U.S. Treasury securities	<u>291,025,990</u>	<u>295,551,979</u>		<u>143,755,410</u>	<u>147,882,121</u>	
Commercial paper	48,583,817	48,603,400	0.04	149,706,411	149,715,500	0.03
Federal agency securities	44,442,067	46,299,346	2.18	114,249,213	116,802,041	1.58
Federal agency mortgage backed securities	15,936,242	16,928,410	3.16	17,906,006	19,115,943	2.91
Municipal bonds	<u>30,189,630</u>	<u>31,650,366</u>	<u>4.43</u>	<u>26,702,843</u>	<u>27,912,487</u>	<u>3.75</u>
Total investments	<u>430,177,746</u>	<u>439,033,501</u>	<u>1.33</u>	<u>452,319,883</u>	<u>461,428,092</u>	<u>1.31</u>
Cash and cash equivalents	<u>3,310,020</u>	<u>3,310,020</u>		<u>931,314</u>	<u>931,314</u>	
Total investments and deposits	<u>\$ 433,487,766</u>	<u>442,343,521</u>		<u>\$ 453,251,197</u>	<u>462,359,406</u>	

(a) Portfolio weighted average effective duration

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As of October 31, 2012 and 2011, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to \$121,117,265 and \$208,682,514, respectively.

The Organization's investment objectives for the portfolio are to generate a rate of return in excess of selected benchmarks, provide diversification to the total portfolio, and provide an appropriate level of liquidity for the Authority's operations.

The Organization's permitted investments include: (i) 100% U.S. government guaranteed securities (U.S. Treasury notes, bonds, strips, T-bills, Ginnie Mae securities); (ii) notes, bonds, debentures, and mortgages of U.S. government-sponsored agencies provided that its obligations receive the highest credit rating; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper), which as of October 31, 2012 were A1/P1; and (iv) municipal bonds issued by New York authorities, provided that they currently receive the highest rating by at least one rating agency (AAA/AAA long-term or VMIG1/A1+ short-term).

Interest rate risk is the probability of loss on investments from future changes in interest rates, which can adversely affect their fair value. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration takes into account the change in cash flow expectations of securities with embedded options such as callable bonds and mortgage-backed securities. The interest rate risk of the Organization's portfolio is measured according to effective duration.

Investments of amounts in funds and accounts established under the various 2003 and 2009 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Corporate-designated, escrowed and OPEB funds represent funds designated by the Authority's board of directors for specific purposes such as budget reserves, the Special Fund (see note 10), Project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserves and funds designated for the payment of medical benefits to the Authority's retirees.

Residential lease required funds represent funds held by the Authority in accordance with its residential leases. These funds are largely comprised of security and escrow deposits held by the Authority for the residential buildings.

The Conservancy maintains its cash in bank deposits, which are guaranteed by the FDIC up to \$250,000. Additionally, collateral has been set aside by the custodian bank for balances in excess of \$250,000. All cash balances are placed into overnight interest bearing accounts.

(f) Net Position (Deficit)

The Organization's net position (deficit) is classified in the following categories: invested in capital assets, net of related debt, consisting of project assets, net of accumulated depreciation and deferred costs reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets; restricted assets, consisting of assets restricted for specific purposes by law or parties external to the Organization; and unrestricted assets, consisting of assets that are not

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classified as invested in capital assets, net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

(g) *Deferred Costs*

Bond issuance costs are amortized using the straight-line method over the remaining period to maturity of the bonds. Unamortized bond issuance costs relating to refunded debt are accounted for as part of the carrying amount of such debt. Unreimbursed costs, primarily legal, incurred by the Authority in entering into leases, have been deferred and are being amortized by the straight-line method over the term of the leases.

(h) *Statements of Cash Flows*

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

(i) *Defined Postemployment Benefits*

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("OPEB"). This Statement establishes standards for the measurement, recognition and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures and, if applicable, the required supplementary information in the financial reports of state and local governmental employers. In accordance with GASB Statement No. 45, the Authority (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 17).

In accordance with GASB Statement No. 45, the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employees' years of service and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 18).

(j) *Accounting and Financial Reporting for Derivative Instruments*

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest rate exchange agreements ("Swaps"), determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million as of October 31, 2012 and retroactively recorded the negative fair value of approximately \$92.9 million and \$72.6 million at October 31, 2011, and 2010, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see note 10). The increase in the negative fair value from October 31, 2011 to October 31, 2012 is \$13.8 million.

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(k) New Accounting Pronouncements

In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"). GASB No. 63 addresses the financial reporting for deferred outflows of resources, deferred inflows of resources, and net position. In accordance with GASB No. 63, beginning in the year ended October 31, 2012, the Authority changed the format of the financial statements to comply with the new requirements and changed the balance sheets to statements of net position, and the statements of revenues, expenses, and changes in net assets (deficit) to the statement of revenues, expenses, and changes in net position (deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of resources in the statement of net position. The format of the financial statements for October 31, 2011 has been changed accordingly for comparative purposes.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, is effective for periods beginning after June 15, 2011, with earlier application encouraged. GASB 64 clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied. It is not anticipated that GASB 64 will have an impact on the Authority's financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") is effective for financial statement for periods beginning after December 15, 2012. GASB 65 establishes accounting and reporting standards that reclassify certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. The Authority has not completed the process of evaluating GASB 65, but it is expected to change only the formatting and naming of the Authority's statement of net assets and components thereof, with no overall financial impact.

GASB Statement No. 66, *Technical Corrections - 2012 an Amendment of GASB Statements No. 10 and No. 62* ("GASB 66") is effective for financial statements period beginning after December 15, 2012. GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority has not completed the process of evaluating GASB 66, but does not expect it to have an impact on its financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67") is effective for financial statements for fiscal years beginning after June 15, 2013. GASB 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit

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pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules. The Authority has not completed the process of evaluating the effect of GASB 67 on its financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") is effective for fiscal years beginning after June 15, 2014. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The Authority has not completed the process of evaluating the effect of GASB 68 on its financial statements.

(4) Rights of City To Reacquire Project Site

The fee interest in the Project site formerly owned by the City was conveyed to the Authority in the early 1980s for a nominal consideration. The City has the right to reacquire the Project site at any time, subject to the then existing leases, for a nominal consideration after: (a) all notes, bonds, and other indebtedness incurred by the Authority, or for which the Authority's revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. The City may provide for repayment or defeasance of indebtedness incurred by the Authority under its various bond resolutions. As of October 31, 2012, the City had not expressed its intent regarding its right to reacquire the Project site.

(5) Commercial Development

In 1981, the Authority and Olympia & York Battery Park Company ("O&Y"), an affiliate of Olympia & York Development Limited, entered into a lease, pursuant to which O&Y constructed four buildings, consisting of approximately 8,000,000 square feet of office space and a maximum of 280,000 square feet of commercial and retail space. These buildings are collectively known as the World Financial Center ("WFC"). In 1983, the lease was replaced with four separate severance leases, one of which was assigned by O&Y to the American Express Company and certain of its affiliates ("American Express"). O&Y has been reorganized as a result of bankruptcy proceedings and has changed its name to Brookfield Financial Properties ("BFP"). In September 2002, BFP acquired an interest in approximately 50% of Three World Financial Center from American Express.

As of October 31, 2012, the WFC leases, which expire in 2069, provide for future base rent payments aggregating approximately \$973 million over the lease terms in the following annual amounts: base rent of \$17 million per annum from 2013 through 2069 and additional base rent of \$5,561,220 payable by the BFP-affiliated lessees (2000 to 2014) (see note 7). In addition, the leases provide for rent relating to retail and other space and, with respect to each building, percentage rent based on cash flow, as defined, which commenced in 1997 and continues to 2016. Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City

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determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the New York City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent rental payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

In 1995, the Authority signed a lease with the New York Mercantile Exchange and its wholly owned subsidiary, Commodity Exchange Inc. (collectively, "NYMEX"), and other agreements along with the New York City Economic Development Corporation ("EDC"), the City, and the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) for the development of a 500,000 square feet trading facility and office building complex to be located on Site 15. The Authority has constructed and paid for certain utility connections to the Project. The lease provides that, commencing on the occupancy date and continuing for a period of 20 years, the rent per annum shall be \$1 for the trading portion of the building and \$1 million for the office portion for the first seven years of occupancy, \$1.5 million for years 8 through 13, and \$2 million for the remainder of the 20-year period. The building was completed and occupied in July 1997. The NYMEX lease provided for an abatement program for PILOT payments for portions of the exchange project.

In 1998, a lease was signed for the development of a 463-room luxury hotel and cinema complex (approximately 600,000 square feet) north of the WFC (the north neighborhood). In addition, in January 2001, a lease was signed for the development of a luxury hotel (approximately 278,000 square feet) and residential complex on Site 1 south of the WFC (the south neighborhood).

In August 2005, a lease was signed by Goldman Sachs Headquarters LLC ("Goldman") for the development of approximately 2.2 million square feet of trading and office headquarter space on Site 26 in the north neighborhood. The Site 26 ground lease required that a \$161 million lump sum rent payment be deposited with an escrow agent, which was paid in June 2007. During the fiscal year ended October 31, 2010, the Authority received \$169.3 million, which included interest accrued on the escrowed amount, from the escrow agent as the building was completed and the City fulfilled all of its obligations in relation to the site. PILOT payments under the lease are made subject to certain caps and exemptions to Goldman. In addition, in December 2005, Goldman made a \$3.5 million lease payment to the Authority which is held in escrow with interest earnings for the benefit of the local community to help fund a library in the base of Site 16/17, a residential building in the north neighborhood. Approximately \$4 million was disbursed to the NYC Public Library by the Authority through October 31, 2012.

(6) Residential and Other Development

In 1980, the Authority entered into a lease with a limited profit housing company (the "Housing Company"), which constructed an apartment complex consisting of 1,712 rental apartment units (the "Gateway Project"). In addition to the Gateway Project, the Authority entered into leases in the south neighborhood, pursuant to which developers constructed 18 buildings consisting of approximately 3,785 condominium and rental units, including 113 units in a mixed-use building containing a museum and the Ritz-Carlton Hotel. The final site on the Project in the south neighborhood was designated as a public school. In the north neighborhood, 11 buildings consisting of 3,106 units have been constructed. All the leases expire in 2069.

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Future base rent payments are fixed through the first lease appraisal date, which varies among the projects, but is generally the first day of the calendar month next succeeding the twentieth or twenty-fifth anniversary of the date on which a temporary certificate of occupancy is issued. For lease years subsequent to the first appraisal date, the leases provide for base rent payments, subject to limitations, based upon a percentage of the fair market value of the land, but generally not less than an amount in excess of the highest base rent payable for any lease year ending prior to the first appraisal date. Reappraisal dates occur every 15 years, commencing on the fifteenth anniversary of the first appraisal date. Twelve leases for buildings in the south neighborhood with condominium units were modified to provide for increased fixed ground rents spread over the first two reappraisal periods. This modification reduced the ground rent increases from the original terms at 6% of fair market value.

Annual PILOT is also required to be paid to the Authority during the term of these leases. Many leases provide for an abatement equivalent to the real estate tax abatements provided for in the New York State's Real Property Tax Law, and are either 10 or 20 years in duration. Abatements for two recent developments in the south neighborhood will end before 2020 and abatements for the north neighborhood will end in 2020 or thereafter.

Certain residential leases also provide for supplemental rental payments, generally through the first appraisal date, which are to be paid if, and only to the extent, the PILOT payments are less than the minimum specified in each lease (see note 7).

The residential leases also provide for payments to the Authority for the operation and maintenance of civic facilities installed by the Authority and, in some cases, of percentage rent based on rentals from commercial facilities.

Certain leases also provide, among other matters, for the lessees to make payments to the Authority in the event of a conversion to a cooperative or condominium form of ownership.

Under the terms of the Gateway project lease, as amended, the tenant has agreed to pay: (i) a net annual land rent of \$305,440 in 1998 and thereafter, subject to renegotiation or reappraisal as provided in the lease upon the earlier of June 1, 2023 or repayment of the new FHA insured loan; (ii) an annual amount in lieu of real estate taxes which, as of February 16, 2016, increases by 20% per year from the pre-refinancing payments in lieu of real estate taxes to an equivalency payment equal to full PILOT starting on February 16, 2020; and (iii) amounts for the operation and maintenance of the civic facilities. The lease, as amended, expires in 2040 and may be extended at the option of the tenant through 2069. In July 2009, the Gateway lease was amended to set the amount of land rent, beginning in June 2023, at 8.125% of the aggregate amount of rent collected by the lessee less certain allowances, pass-throughs, and other municipal charges in excess of land rent.

On November 15, 2007, ground leases for Site 23 and Site 24, the last residential sites available for development in Battery Park City, between the Authority and MP Freedom LLC and MP Liberty LLC, respectively, became effective (both MP entities are controlled by The Milstein Organization). Under the leases, the tenants made pre-lease and lease payments totaling approximately \$60 million, including an upfront lease payment of \$56.5 million. Regular payments of base rent, PILOT, and other elements of rent, including a share of the proceeds of the sale of each condominium unit will be received by the Authority over the lease term. The ground lease tenants are also required to construct the core and shell of a community center and ball field maintenance facilities, to which there is legal ownership rights, but title as a condominium unit has not been tendered to the Authority. Construction of the buildings began in the spring of 2008 and was completed as of October 31, 2012.

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(7) Future Minimum Lease Revenue

The future minimum base rent and other minimum lease payments (including supplemental rent, as applicable, through the first appraisal date (see note 6)) to be received under the ground leases during each of the Authority's five fiscal years ending from October 31, 2013 through 2017 and through the end of the lease term (thereafter), are as follows (in 000s):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
Commercial development:							
Base rent	\$ 25,131	24,218	19,604	19,622	20,282	1,161,539	1,270,396
Residential developments:							
Gateway project base rent	305	305	305	305	305	6,923	8,448 (a)
S. Res. Neighborhood:							
Base rent	17,770	18,048	18,236	18,440	18,752	1,789,784	1,881,030
Subtotal S. Res.	<u>17,770</u>	<u>18,048</u>	<u>18,236</u>	<u>18,440</u>	<u>18,752</u>	<u>1,789,784</u>	<u>1,881,030</u>
N. Res. Neighborhood:							
Base rent	7,002	7,185	7,423	7,686	7,881	787,541	824,718
Other minimum payments	10,969	12,402	13,705	15,255	16,674	560,719	629,724
Subtotal N. Res.	<u>17,971</u>	<u>19,587</u>	<u>21,128</u>	<u>22,941</u>	<u>24,555</u>	<u>1,348,260</u>	<u>1,454,442</u>
Total	\$ 61,177	62,158	59,273	61,308	63,894	4,306,506	4,614,316

(a) Does not include extension period (see note 6).

Amounts in the above tabulation do not include PILOT (other than minimum supplemental, incremental or minimum PILOT rent payments under the residential leases) and other payments to be received under the ground leases. These minimum payments will be recorded as revenues (supplemental rents) only to the extent that minimum amounts exceed PILOT revenues due. Revenues to be paid on a percentage basis and other like contingent payments are also excluded from the above tabulation.

(8) 2003 and 2009 Revenue Bond Resolution Funds

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 Revenue Bond resolutions and held by trustees are as follows at October 31, 2012 and 2011:

October 31, 2012	2003 Revenue Bonds			Total 2003 Bonds
	General Bond Resolution	Senior Bonds	Junior Bonds	
Reserve Fund	\$ 72,514,166			72,514,166
Project Operating Fund	9,608,120			9,608,120
Debt Service Funds		28,898,370	58,498,420	87,396,790
Residual Fund	83,202			83,202
Pledged Revenue Fund	128,462,979			128,462,979
	<u>\$ 210,668,467</u>	<u>28,898,370</u>	<u>58,498,420</u>	<u>298,065,257</u>

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October 31, 2011	2003 Revenue Bonds			Total 2003 Bonds
	General Bond Resolution	Senior Bonds	Junior Bonds	
Reserve Fund	\$ 72,584,358	—	—	72,584,358
Project Operating Fund	8,439,234	—	—	8,439,234
Debt Service Funds	—	28,528,298	56,492,535	85,020,833
Residual Fund	91,958	—	—	91,958
Pledged Revenue Fund	124,716,737	—	—	124,716,737
	\$ 205,832,287	28,528,298	56,492,535	290,853,120

In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 Revenue Bonds resolutions and were held by trustees as follows at October 31, 2012 and 2011:

October 31, 2012	2009 Revenue Bonds			Total 2009 Bonds	
	2009A	2009B	Senior Revenue Bonds		
	Senior Revenue Bonds	Senior Revenue Bonds			
Project Costs Fund	\$ 27,293,832	3,310,905	—	30,604,737	

October 31, 2011	2009 Revenue Bonds			Total 2009 Bonds	
	2009A	2009B	Senior Revenue Bonds		
	Senior Revenue Bonds	Senior Revenue Bonds			
Project Costs Fund	\$ 34,049,522	13,013,880	—	47,063,402	

Investments of amounts in funds and accounts established under the various 2003 and 2009 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government, and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Amounts in the Project Costs Fund may be used to pay for costs of certain park, street, community center and other infrastructure improvements, and other capital expenditures.

Amounts in the Debt Service Funds and dedicated funds established under the 2003 Revenue Bond Resolutions are used to pay debt service on the respective bonds. To the extent not utilized to fund any future debt service deficiencies, the funds will be available to retire bonds issued there under in the last year of bond maturity.

A Reserve Fund is held for the payments of debt service, which holds an approximate amount of the maximum annual debt service of the 2003 and 2009 Revenue Bonds. In December 2009, upon the issuance of the 2009 Revenue Bonds, an amount of \$1.5 million was added to the 2003 Reserve fund.

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Amounts in the Project Operating Fund established under the 2003 General Bond Resolution are not pledged to pay debt service and may be used by the Authority for and on certain additional indebtedness, which may be issued by the Authority for the funding of maintenance, repair, and restoration of the public open areas and civic facilities, and administrative and other expenditures, as defined.

Amounts held in the Pledged Revenue Fund (“PRF”) are pledged and assigned for the payment of the debt service on the 2003 and 2009 Revenue Bonds and on certain additional indebtedness, which may be issued by the Authority and secured by the Authority’s revenue.

Each November, after meeting funding requirements, the entire balance of funds remaining on deposit in the PRF is transferred to the Residual Fund. These balances become general assets for lawful corporate purposes. From time to time, revenues not pledged to the bondholders are deposited to the PRF.

(9) Authority Bonds Authorized and Assignment of Revenue for Housing New York Corporation Bonds

The Act, as amended, authorizes the Authority to issue bonds and notes in amounts not to exceed: (a) \$300 million outstanding at any one time for the development of the Project; (b) another \$150 million for the purpose of financing capital costs in connection with development of the Project area, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (c) \$400 million outstanding at any one time for the making of loans to housing companies organized to provide housing within the Project area pursuant to the New York State Private Housing Finance Law; (d) \$100 million for the purpose of repaying State appropriations including accrued interest thereon and funding the infrastructure of the Project, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (e) \$150 million for the purpose of making a payment to the City, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; and (f) \$250 million for the purpose of making a payment to the State of New York. Such authorized amounts exclude bonds and notes issued to refund outstanding bonds and notes.

The Act, as amended, also authorizes the Authority to pledge and assign excess revenues, as defined, to the Housing New York Corporation (“HNYC”), a State public benefit corporation and subsidiary of the New York City Housing Development Corporation, in such amounts as are necessary to secure the issuance of bonds or notes by HNYC, in amounts not to exceed \$400 million to finance low- and moderate-income housing developments outside the Authority’s Project area, plus a principal amount of bonds or notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. Pursuant to the Housing New York Act, only those bond or note proceeds of HNYC that were available on or before June 30, 1995 are permitted to be used to finance the housing program. Consequently, unless the Housing New York Act is amended, the Authority cannot pledge or assign any additional revenues in the future for the HNYC housing program.

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed \$110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of October 31, 2012, no bonds were issued for this purpose.

The Act, as amended, authorized the Authority to enter into interest rate exchange agreements through December 31, 2003 in connection with the issuance of Authority debt or in connection with Authority debt

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already outstanding, to provide for an exchange of payments based upon fixed and/or variable interest rates. In October 2003, the Authority entered into \$400 million of Swaps (see note 10).

Issuance of additional bonds by the Authority is subject to meeting certain conditions, including projected debt service coverage tests, and approval by the City and the New York State Public Authorities Control Board.

(10) 2003 Revenue Bonds

On October 16, 2003, the Authority issued \$406,350,000 (\$433,345,972 inclusive of net premium) of fixed-rate Senior Revenue Bonds, Series A (the “2003 Series A Bonds”) and \$635,000,000 variable-rate Junior Revenue Bonds, comprising \$235,000,000 of Series B (the “2003 Series B Bonds”) and \$400,000,000 of Series C (the “2003 Series C Bonds”), for a total of \$1,068,345,972. The bonds were issued for the following purposes:

- A total of \$564,891,733 of bonds (including \$343,017,495 of the 2003 Series A Bonds, \$50,871,502 of the 2003 Series B Bonds, and \$171,002,776 of the 2003 Series C Bonds) were issued to currently refund all the outstanding 1993 Revenue Refunding Bonds, including \$324,045,000 of the 1993 Series A Senior Bonds, \$115,420,000 of the 1993 Series A Junior Bonds, and \$53,075,000 of the Junior Revenue Bonds, Series 2000.
- \$95,755,874 of the 2003 Series C Bonds were issued to advance refund \$74,385,000 of outstanding Junior Revenue Bonds, Series 1996 A.
- \$115,160,363 of the 2003 Series B Bonds was issued to finance certain infrastructure and other capital improvements.

In conjunction with the refunding of all of the outstanding revenue bonds, the Authority issued \$292,537,963 of bonds (including \$90,328,477 of the 2003 Series A Bonds, \$68,968,136 of the 2003 Series B Bonds, and \$133,241,350 of the 2003 Series C Bonds) to current refund \$250,390,000 of outstanding 1993 HNYC Senior Bonds (see note 9).

Funds aggregating \$860,037,332, representing the net proceeds of the bond issues after payment of underwriting fees and other issuance cost and deposits to debt service reserve and other funds and accounts held under the various resolutions for the refunded bonds, were used to purchase U.S. government securities. In addition, approximately \$90.4 million of the bond proceeds was made available to the Authority to facilitate development and maintenance of the Project. All of the Project development bond proceeds were utilized as of October 31, 2012 (see note 8).

The refundings resulted in the reacquisition price exceeding the net carrying amount of the refunded debt by \$39 million. The difference between the reacquisition price and the net carrying amount of the refunded debt is reflected on the Authority’s balance sheet as an unamortized loss on extinguishment of debt and is being deferred over the life of the old debt with a pro rata charge to interest expense for the years ended October 31, 2012 and 2011.

The payment of principal commenced in November 2008 on the 2003 Series A and 2003 Series C Bonds, while payment on the 2003 Series B Bonds commences in 2033.

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At October 31, 2012, the 2003 Series A Bonds consisted of the following serial bonds:

	Coupon rates	Principal amounts	Interest
Year ended October 31:			
2013	3.40% – 5.50%	\$ 15,205,000	17,531,970
2014	3.50% – 5.50%	16,140,000	16,735,257
2015	3.625% – 5.25%	17,165,000	15,880,183
2016	3.75% – 5.25%	18,255,000	14,964,501
2017	3.80% – 5.25%	19,400,000	13,985,208
2018 – 2022	3.90% – 5.25%	115,550,000	53,147,839
2023 – 2027	4.40% – 5.25%	<u>149,065,000</u>	<u>19,345,576</u>
Totals		\$ 350,780,000	151,590,534

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million, which is being amortized on a straight-line basis, over the lives of the 2003 Series A Bonds. At October 31, 2012 and 2011, the unamortized net bond premium was approximately \$16.4 million and \$17.6 million, respectively.

The 2003 Series A Bonds maturing after November 1, 2013 are subject to redemption, in whole or in part, at any time on or after November 1, 2013 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of October 31, 2012, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds were as follows:

	Junior B		Junior C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ended October 31:						
2013	\$ —	1,008,515	4,075,000	1,638,647	4,075,000	2,647,162
2014	—	1,008,515	5,450,000	1,615,190	5,450,000	2,623,705
2015	—	1,008,515	5,450,000	1,591,734	5,450,000	2,600,249
2016	—	1,008,515	5,450,000	1,568,277	5,450,000	2,576,792
2017	—	1,008,515	5,450,000	1,544,821	5,450,000	2,553,336
2018 – 2022	—	5,042,576	28,075,000	7,368,865	28,075,000	12,411,441
2023 – 2027	—	5,042,576	33,150,000	6,715,040	33,150,000	11,757,616
2028 – 2032	—	5,042,576	225,300,000	3,992,000	225,300,000	9,034,576
2033 – 2037	110,900,000	4,335,971	66,500,000	296,981	177,400,000	4,632,952
2038 – 2040	<u>124,100,000</u>	<u>812,821</u>	<u>—</u>	<u>—</u>	<u>124,100,000</u>	<u>812,821</u>
Total	\$ 235,000,000	25,319,095	378,900,000	26,331,555	613,900,000	51,650,650

The 2003 variable-rate Junior Revenue Bonds were issued as Auction Rate Securities (“ARS”) and the principal and interest are insured by municipal bond insurance policies. Interest rates on these bonds are reset periodically through an auction process in the secondary market. The 2003 Series B Bonds reset on a seven-day auction cycle and the 2003 Series C Bonds reset on a 35-day auction cycle.

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Interest in the above table is based on actual auction rates in effect closest to October 31, 2012, which were 0.424%, 0.424%, and 0.422% for Series B1, B2 and B3 of the 2003 Series B Bonds, respectively; and 0.438%, 0.428%, 0.424%, 0.422%, and 0.424% for Series C1, C2, C3, C4 and C5 of the 2003 Series C Bonds, respectively.

The 2003 Series B Bonds in entirety and \$100 million of the 2003 Series C Bonds are insured by Assured Guaranty Municipal Corporation (“AGMC”). The remaining \$300 million of the 2003 Series C Bonds are insured by AMBAC Assurance Corporation (“AMBAC”).

In February 2008, the auctions for the Authority’s ARS in the secondary market began to fail intermittently due to insufficient investor orders to support the product resulting in higher interest rates paid on the 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt). On any failed auction date, the reset rate is set at a percentage of the 30-day London Interbank Offered Rate (“LIBOR”) based on the prevailing rating of the series bonds. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2011 through October 31, 2012 ranged from a low of 0.422% to a high of 0.592% on the 2003 Series B Bonds and from a low of 0.422% to a high of 0.592% on the 2003 Series C Bonds.

On October 2, 2003, the Authority executed Swaps with three counterparties. The Swaps were executed in conjunction with the Authority’s issuance of \$400 million of its 2003 Series C Bonds (the “Bonds”). The total notional amount of the Swaps was \$400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The amortization schedules of the total amount of the Swaps and the Bonds are identical, with each having a final amortization of November 1, 2033.

	2003 Series C		Interest-rate swaps		
	Bonds	Principal	Payment	Receipts	Net payment
Year ended October 31:					
2013	\$ 4,075,000	(13,033,026)	520,163	(12,512,863)	
2014	5,450,000	(12,844,892)	512,600	(12,332,292)	
2015	5,450,000	(12,656,758)	505,037	(12,151,721)	
2016	5,450,000	(12,468,624)	497,474	(11,971,150)	
2017	5,450,000	(12,250,490)	489,910	(11,760,580)	
2018-2022	28,075,000	(58,553,256)	2,334,438	(56,218,818)	
2023 – 2027	33,150,000	(53,309,236)	2,120,100	(51,189,136)	
2028 – 2032	225,300,000	(31,487,418)	1,109,506	(30,377,912)	
2033 – 2034	66,500,000	(2,308,525)	46,663	(2,261,862)	
Totals	\$ 378,900,000	(208,912,225)	8,135,891	(200,776,334)	

The above table includes payments based on the Authority’s pay-fixed-rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2012 (65% of 0.2135% or 0.1388%), which the counterparties are

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obligated to pay the Authority on a monthly basis. Receipts are projected based on the latest interest rate at October 31, 2012, but will vary monthly.

In accordance with the General Resolution, the Authority directed the Trustee to purchase \$1,375,000 aggregate principal amount of the 2003C-4 Bonds on October 5, 2012 for a purchase less than said aggregate principal amount plus accrued interest resulting in a \$116,875 gain for the Authority. The \$1,375,000 aggregate par amount purchased was due to be credited to the Sinking Fund installment due for the 2003C-4 Bonds on November 29, 2012.

In accordance with GASB No. 53, the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million and \$92.9 million, respectively, at October 31, 2012 and October 31, 2011 as a liability and recorded a corresponding asset for the accumulated decrease in the fair value of the interest rate swap agreements (deferred outflows of resources per GASB No. 53). The fair value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

The Authority is exposed to a limited degree of counterparty credit risk associated with the Swaps. However, each of the counterparties carries a rating in the "Baa1" or higher category from at least one of the nationally recognized credit rating agencies. The counterparties are required to post collateral to the extent that they experience an appreciable decline in credit rating and the Swaps have positive fair value for the Authority.

The Swaps would expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the 65% of LIBOR receipts.

Debt service on the Senior 2003 and 2009 Bonds (see note 11 and 12) and the Junior 2003 Bonds is secured by and is payable, after satisfaction of certain administrative, operating, and maintenance obligations of the Authority, solely from certain pledged lease revenues and Swap receipts which are required to be deposited and maintained in the PRF established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2003 and 2009 Senior Bonds and the 2003 Junior Bonds and certain other beneficiaries, as their respective interest may appear. In addition, the Bonds, and certain swap payments and reimbursement obligations, are secured by the Reserve Fund established under the 2003 General Bond Resolution. The rights to payment of the 2003 and 2009 Senior Bonds, senior swap payments, and senior reimbursement obligations from amounts in the PRF and the Reserve Fund are senior to the rights to payment of the 2003 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and certain other amounts will be transferred into an unpledged Residual Fund and may be used by the Authority for other purposes (see notes 8 and 9).

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In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund to the credit of which shall be deposited approximately \$46 million. The Special Fund was funded from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues (see note 19(f)).

(11) 2009 Revenue Bonds

On December 22, 2009, the Authority issued \$56,600,000 of fixed-rate Senior Revenue Bonds (federally taxable – Build America Bonds), Series A (the “2009 Series A Bonds”) and \$30,635,000 (\$32,446,008 inclusive of net premium) of various fixed-rate Senior Revenue Bonds, Series B (the “2009 Series B Bonds”), for a total of \$89,046,008. The bonds were issued for the following purposes:

- A total of \$85,000,000 of bonds (including \$55,000,000 of the 2009 Series A Bonds, \$30,000,000 of the 2009 Series B Bonds) were issued to finance certain infrastructure and other capital improvements.
- Funds aggregating \$1,544,849, representing the net proceeds of the bond issues after payment of underwriting fees, other issuance costs and allocation of funds to infrastructure and other capital improvements accounts, were deposited into a reserve fund (see note 8).

The payment of principal commences in November 2032 on the 2009 Series A Bonds, while payment on the 2009 Series B Bonds commenced in November 2010.

The 2009 Series A Bonds were issued as “Build America Bonds” (“BABs”) under section 54AA of the U.S. Tax Code for which the Authority expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the fiscal years ended October 31, 2012 and 2011, the Authority received payments from the U.S. Treasury in the amount of \$1,262,888 and \$1,894,331, respectively, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount, or receipt of such subsidy payments.

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At October 31, 2012, the 2009 Series A Bonds consisted of the following term bonds:

	Coupon rates	Principal amounts	Interest	BABs subsidy	Interest (net of BABs subsidy)
Year ended October 31:					
2013	6.375%	\$ —	3,608,250	(1,262,888)	2,345,362
2014	6.375%	—	3,608,250	(1,262,888)	2,345,362
2015	6.375%	—	3,608,250	(1,262,888)	2,345,362
2016	6.375%	—	3,608,250	(1,262,888)	2,345,362
2017	6.375%	—	3,608,250	(1,262,888)	2,345,362
2018 – 2022	6.375%	—	18,041,250	(6,314,438)	11,726,812
2023 – 2027	6.375%	—	18,041,250	(6,314,438)	11,726,812
2028 – 2032	6.375%	65,000	18,041,250	(6,314,438)	11,726,812
2033 – 2037	6.375%	33,480,000	16,186,284	(5,665,200)	10,521,084
2038 – 2040	6.375%	23,055,000	3,296,672	(1,153,835)	2,142,837
Totals		<u>\$ 56,600,000</u>	<u>91,647,956</u>	<u>(32,076,789)</u>	<u>59,571,167</u>

The 2009 Series A Bonds maturing after November 1, 2019 are subject to redemption, in whole or in part, at any time on or after November 1, 2019 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of October 31, 2012, principal and interest payments due on the 2009 Series B Bonds were as follows:

	Coupon rates	Principal amounts	Interest
Year ended October 31:			
2013	2.00%	\$ 115,000	1,425,806
2014	2.00%	310,000	1,421,556
2015	2.50%	310,000	1,414,581
2016	2.50%	315,000	1,406,769
2017	3.00%	335,000	1,397,806
2018 – 2022	3.00% - 5.00%	1,775,000	6,808,906
2023 – 2027	3.50% - 5.00%	2,005,000	6,368,144
2028 – 2032	4.00% - 4.125%	2,300,000	5,911,097
2033 – 2035	5.00%	<u>22,670,000</u>	<u>1,538,750</u>
Totals		<u>\$ 30,135,000</u>	<u>27,693,415</u>

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately \$1.81 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At October 31, 2012 and 2011, the unamortized net bond premium was approximately \$1.6 million and \$1.7 million, respectively.

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(12) Agreements with the City of New York Relating to Disposition of Revenue

The Authority entered into the Settlement Agreement with the City which provides, in effect, that: (i) all PILOT received by the Authority from its tenants remaining after operating and administrative expenses, payment of a proportionate part of principal and interest on the 2003 and 2009 Revenue Bonds and on any bonds issued to finance the HNYC housing program (see notes 9, 10 and 11), certain site development costs and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority and the City shall jointly determine.

The \$87.6 million provided for the transfer to the City during the fiscal year ended October 31, 2011 was paid in June 2012. A provision in the amount of \$103.3 million has been charged to nonoperating expenses for the fiscal year ended October 31, 2012. A portion of these funds, approximately \$13.4 million and \$1.5 million, respectively, were used for redevelopment costs for Pier A and recorded as a receivable at October 31, 2012 and 2011 (see notes 13 and 19e).

The Authority retains a portion of the estimated excess revenues at year-end as corporate funds to be spent in a manner and for such purposes as the Authority and the City shall jointly decide. In January 2010, the City and the Authority signed an agreement (the “2010 Agreement”) to distribute \$861 million of excess revenues from the Joint Purpose Fund. The City and State were each allocated \$200 million to be distributed in a pari passu basis. After meeting that \$400 million obligation, an additional amount of up to \$200 million is to be distributed by the Authority to a City 421-A affordable housing fund followed by \$261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the Joint Purpose Fund and there is no time limit or a minimum for the amount that needs to be paid or accrued over time.

A provision in the amount of \$46.1 million was charged to operations and recorded as a liability for the year ended October 31, 2012 for payment under the 2010 Agreement for the City 421-A fund. A provision in the amount of \$37 million was charged to nonoperating expenses for the fiscal year ended October 31, 2011 and was paid in June 2012 under the 2010 Agreement to the City 421-A fund.

(13) Rents and Other Receivables

Rents and other receivables consisted of the following at October 31, 2012 and 2011:

	2012	2011
Swap interest receivable	\$ 45,444	51,695
Miscellaneous receivables	1,091,015	884,685
Interest receivable	912,733	1,094,914
Due from NYC Pier A - Restoration	13,363,042	1,475,893
Rents receivable	<u>4,173,499</u>	<u>3,152,918</u>
 Total receivables	 19,585,733	 6,660,105
Less allowance for doubtful accounts	<u>(642,165)</u>	<u>(354,463)</u>
 Net receivables	 <u>\$ 18,943,568</u>	 <u>6,305,642</u>

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(14) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at October 31, 2012 and 2011:

	2012	2011
Amounts due to vendors	\$ 910,220	1,400,271
Contract retention costs	2,661,554	3,350,762
Due to developers	27,416	37,425
Accrued payroll and benefits	711,222	706,672
Accrued lease costs – Goldman	889,869	889,869
Total	<u>\$ 5,200,281</u>	<u>6,384,999</u>

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(15) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of October 31, 2012 and 2011 were comprised of the following obligations:

	October 31, 2011	Additions	Deletions	October 31, 2012	Due within one year
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 365,155,000	—	14,375,000	350,780,000	15,205,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	385,725,000	—	6,825,000	378,900,000	4,075,000
Subtotal	985,880,000	—	21,200,000	964,680,000	19,280,000
Unamortized net premiums	17,557,833	—	1,173,738	16,384,095	—
Subtotal 2003 Bonds	1,003,437,833	—	22,373,738	981,064,095	19,280,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	30,390,000	—	255,000	30,135,000	115,000
Subtotal	86,990,000	—	255,000	86,735,000	115,000
Unamortized net premiums	1,675,789	—	72,848	1,602,941	—
Subtotal 2009 Bonds	88,665,789	—	327,848	88,337,941	115,000
Total bonds outstanding	1,092,103,622	—	22,701,586	1,069,402,036	19,395,000
Other long-term liabilities:					
Unamortized loss on extinguishment	(24,741,363)	—	(1,776,367)	(22,964,996)	—
OPEB - Authority	17,633,427	1,584,639	754,078	18,463,988	—
OPEB - Conservancy	8,769,643	1,224,992	20,376	9,974,259	—
Fair value of interest rate swap	92,948,044	13,755,920	—	106,703,964	—
Deferred revenue	358,010,660	—	12,579,811	345,430,849	41,089,545
Security and other deposits	21,233,516	1,351,134	128,681	22,455,969	88,342
Total other long-term liabilities	473,853,927	17,916,685	11,706,579	480,064,033	41,177,887
Total long-term liabilities	<u>\$ 1,565,957,549</u>	<u>17,916,685</u>	<u>34,408,165</u>	<u>1,549,466,069</u>	<u>60,572,887</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

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The Organization's bonds and other long-term liabilities as of October 31, 2011 and 2010 are comprised of the following obligations:

	<u>October 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2011</u>	<u>Due within one year</u>
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 378,800,000	—	13,645,000	365,155,000	14,375,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	<u>391,175,000</u>	<u>—</u>	<u>5,450,000</u>	<u>385,725,000</u>	<u>5,450,000</u>
Subtotal	1,004,975,000	—	19,095,000	985,880,000	19,825,000
Unamortized net premiums	<u>18,731,571</u>	<u>—</u>	<u>1,173,738</u>	<u>17,557,833</u>	<u>—</u>
Subtotal 2003 Bonds	<u>1,023,706,571</u>	<u>—</u>	<u>20,268,738</u>	<u>1,003,437,833</u>	<u>19,825,000</u>
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	<u>30,635,000</u>	<u>—</u>	<u>245,000</u>	<u>30,390,000</u>	<u>255,000</u>
Subtotal	87,235,000	—	245,000	86,990,000	255,000
Unamortized net premiums	<u>1,748,637</u>	<u>—</u>	<u>72,848</u>	<u>1,675,789</u>	<u>—</u>
Subtotal 2009 Bonds	<u>88,983,637</u>	<u>—</u>	<u>317,848</u>	<u>88,665,789</u>	<u>255,000</u>
Total bonds outstanding	<u>1,112,690,208</u>	<u>—</u>	<u>20,586,586</u>	<u>1,092,103,622</u>	<u>20,080,000</u>
Other long-term liabilities:					
Unamortized loss on extinguishment	(26,517,729)	—	(1,776,366)	(24,741,363)	—
OPEB - Authority	16,869,575	1,503,596	739,744	17,633,427	—
OPEB - Conservancy	7,630,939	1,138,704	—	8,769,643	—
Fair value of interest rate swap	72,595,808	20,352,236	—	92,948,044	—
Deferred revenue	368,401,966	—	10,391,306	358,010,660	41,801,825
Security and other deposits	<u>20,547,530</u>	<u>949,804</u>	<u>263,818</u>	<u>21,233,516</u>	<u>134,061</u>
Total other long-term liabilities	<u>459,528,089</u>	<u>23,944,340</u>	<u>9,618,502</u>	<u>473,853,927</u>	<u>41,935,886</u>
Total long-term liabilities	<u>\$ 1,572,218,297</u>	<u>23,944,340</u>	<u>30,205,088</u>	<u>1,565,957,549</u>	<u>62,015,886</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

(16) Retirement Costs

The Authority – The Authority participates in the New York State and Local Employees' Retirement System ("ERS"), and the Public Employees' Group Life Insurance Plan (the "Plan"). These are cost-sharing multiple-employer, defined benefit retirement systems. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set

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forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the ERS and the Plan. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and the Plan, and for the custody and control of their funds. The ERS and the Plan issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees’ Retirement Systems, 110 State Street, Albany, NY 12236.

The ERS is noncontributory for employees in Tiers 1 or 2, who joined the ERS prior July 27, 1976. Employees who joined the ERS after July 27, 1976 entered into Tiers 3 or 4, which require a 3% contribution of their salary for their first 10 years of service. Employees who joined the ERS after December 31, 2009 entered into Tier 5, which requires a 3% contribution of their salary for all years of service. Employees who joined ERS after March 31, 2012 entered into Tier 6, which requires a contribution ranging between 3 to 6% of their salary, based on their wages, for all years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the current fiscal year and two preceding fiscal years were:

Year	Amount
2012	\$ 526,582
2011	624,001
2010	357,492
	<hr/>
	\$ 1,508,075

The Authority’s contributions made to the systems were equal to 100% of the contributions required for each year.

The Conservancy – In March 2007, the Conservancy entered into a retirement benefit plan administered by Cultural Institutions Retirement System (“CIRS”) for all eligible employees. CIRS’ retirement benefit plan is a cost-sharing multiple-employer sponsored plan consisting of a defined benefit plan (“CIRS Pension Plan”) and a Section 401(k) defined contribution plan (“CIRS Savings Plan”). CIRS is responsible for administering all aspects of the CIRS Pension Plan, including the investment of CIRS Plan assets that are held in trust for beneficiaries of the CIRS Pension Plan. The CIRS Savings Plan allows participants to select their own investments from a range of options. CIRS issues an annual financial summary report for the Plans. The report can be obtained by contacting Cultural Institutions Retirement System or on their website at www.cirsplans.org.

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a multi-employer plan by the U.S. Department of Labor. In the event of CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to \$336 thousand and \$328 thousand for the years ended October 31, 2012 and 2011, respectively. The Conservancy began participation in the CIRS Savings Plan during fiscal 2007. Under the CIRS Savings Plan, participants are required to contribute at least 2% of their base salary and direct the investment of their funds based on the

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investment options offered by the Savings Plan. To be eligible under this plan, employees must be over the age of 21 and be employed for a minimum of 3 months. Total contributions made by participants for the fiscal years ended October 31, 2012 and 2011 were approximately \$241 thousand and \$263 thousand respectively.

(17) Postemployment Healthcare Plan – Battery Park City Authority

(a) Plan Description

The Authority is a participating employer in the New York State Health Insurance Program (“NYSHIP”), which is administered by the State as an agent multi-employer defined benefit plan. Under the plan, the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority’s Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority’s plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee’s service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority’s minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2012, 65 participants, including 35 employees, 1 vestee and 29 retired and/or spouses of retired employees were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP’s agent activities are included within the financial statements of the State.

Effective November 1, 2006, the Authority implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. Through the fiscal year ended October 31, 2006, OPEB provisions were recorded and financed on a pay-as-you-go basis. The first actuarial valuation date was November 1, 2006. As an employer with less than 200 members, the Authority is required to perform an actuarial valuation at least triennially, unless there are significant changes in benefit provisions, the size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2009 an updated actuarial valuation was completed for the valuation date of November 1, 2009. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority’s annual OPEB cost for the plan is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost

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each year and any interest on the unfunded actuarial accrued liability. The Authority's current year ARC is approximately \$1.2 million as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2009 triennial valuation includes an actuarial accrual liability ("AAL") adjustment calculation of \$1.8 million credit due primarily to overestimated increases in premiums. The credit is being amortized over a six-year period beginning with the fiscal year ended October 31, 2010. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008. The amounts amortized were \$363 thousand and \$350 thousand in the fiscal years ended October 31, 2012 and 2011, respectively.

(b) Funding

The contribution requirements (funding) of the Authority's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Authority's net OPEB obligation continues to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

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(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of October 31, 2012 and 2011 are as follows:

	2012	2011
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 17,633,427	16,869,575
Annual Required Contribution (ARC):		
Normal cost	835,517	795,730
Interest to year-end	749,122	700,260
Payments for retirees during year	(390,262)	(382,315)
ARC amortization	<u>(363,816)</u>	<u>(349,823)</u>
Net OPEB obligation end of year	<u>\$ 18,463,988</u>	<u>17,633,427</u>
Actuarial Accrued Liability (AAL) November 1, 2011 and 2010	\$ 17,633,427	\$ 16,869,576
Funded OPEB plan assets	<u>—</u>	<u>—</u>
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2011 and 2010	<u>\$ 17,633,427</u>	<u>16,869,576</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,805,507	4,745,453
UAAL as percentage of covered payroll	463%	355%

Corporate assets held at October 31, 2012 and 2011 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$20.1 million and \$19.2 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Authority's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(18) Postemployment Healthcare Plan – Battery Park City Parks Conservancy

(a) Plan Description

The Conservancy decided, effective February 1, 2010, to provide its retirees with health benefits as a participating employer in the NYSHIP, which is administered by the State as an agent multiple employer defined benefit plan. Under the plan, the Conservancy provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. The Conservancy's Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Conservancy's Plan states that employees and/or their dependents become eligible for these benefits when the employee reach 55 years of age and has 10 years of service. In calculating the 10-year

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service requirement, all of the employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS, has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2012, 76 participants, comprising 74 current employees and 2 retirees, were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective February 1, 2010, the Conservancy implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. The first actuarial valuation date is February 1, 2009 with results rolled into fiscal years 2010, 2011 and 2012. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment mortality and the healthcare cost trend.

The Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately \$1.22 million as detailed in the chart in the OPEB Status and Funding Progress section of this note.

(b) Funding

The contribution requirements (funding) of the Conservancy's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Conservancy's net OPEB obligation is expected to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the February 1, 2009 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

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(d) OPEB Status and Funding Progress

The Conservancy's OPEB obligation and the funded status of the plan as of October 31, 2012 and 2011 are as follows:

	2012	2011
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 8,769,643	7,630,939
Annual Required Contribution (ARC):		
Normal cost	842,061	801,963
Interest to year-end	382,929	336,741
Payments for retirees during year	<u>(20,376)</u>	<u>—</u>
Net OPEB obligation end of year	<u>\$ 9,974,257</u>	<u>8,769,643</u>
Actuarial Accrued Liability (AAL) November 1, 2011 and November 1, 2010	\$ 8,769,643	7,630,939
Funded OPEB plan assets	<u>—</u>	<u>—</u>
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2011 & November 1, 2010	<u>\$ 8,769,643</u>	<u>7,630,939</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,919,669	4,065,190
UAAL as percentage of covered payroll	224%	188%

Corporate assets held at October 31, 2012 and 2011 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$10.3 million and \$9.6 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed and postemployment benefit funds financial statement classification. The Conservancy's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(19) Commitments and Other Matters

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$21.4 million as of October 31, 2012.
- (b) The Authority rents office space in One World Financial Center, as well as community meeting space, field offices and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to \$1.5 million and \$1.4 million for the fiscal years ended October 31, 2012 and 2011, respectively. The future minimum lease payments are as follows:

Year ended October 31:		
2013	\$ 1,482,561	
2014	1,168,626	
2015	<u>87,010</u>	
Total minimum payments required	<u>\$ 2,738,197</u>	

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- (c) The terrorist attack on the World Trade Center on September 11, 2001 destroyed the North Bridge and severely damaged the South Bridge owned by the Authority. After commencing suit against the insurers of the bridges to obtain funds for physical loss and damage to the bridges, a settlement was reached in the sum of \$38 million. Pursuant to a written agreement made in December 2005, the insurance monies were deposited, in May 2006, into an interest-bearing account (“Insurance Fund”), jointly controlled by the Authority and the Management Committee of the World Financial Center, (comprised of Brookfield Financial Properties, American Express Company, and Merrill Lynch & Co.), for the purposes of: (i) improving pedestrian access to the World Financial Center in the area where the North Bridge had been destroyed, (ii) restoring the South Bridge, and (iii) the construction of the World Financial Center Pavilion. These funds are not recorded as assets of the Authority in the accompanying statements of net position.

In March 2009, the Authority and the Management Committee entered into an agreement permitting the following withdrawals from the Insurance Fund: (i) up to \$1,747,000 to fund the cost of the foundation of a structure, proposed by Brookfield, which would shelter the escalator bank in front of, and provide access to, the Winter Garden, from a pedestrian concourse which The Port Authority of New York & New Jersey (“PANYNJ”), and now Brookfield, is constructing under West Street, connecting the World Trade Center site and the World Financial Center, (ii) up to \$4,405,000 to fund the Authority’s construction of an eastern extension of the South Bridge, as part of a project to renovate the Bridge. The Authority’s only withdrawal was in March 2010 of \$483,288 to fund certain soft costs of the Authority for the South Bridge extension.

The remaining funds are to be used by Brookfield for the construction of the World Financial Center Pavilion, of which withdrawals have been made totaling \$16,290,296 at fiscal year end October 31, 2012.

- (d) In November 2007, the Authority designated the New York City School Construction Authority (“SCA”) as the ground lessee and developer of Site 2B for the purpose of constructing a public school for elementary and intermediate school students. The project commenced in September 2008 and was completed September 2010. The Authority receives nominal rent for the Site.
- (e) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the “Pier”), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the “Lease”), based on the major terms described in the Term Sheet. The lease was executed in October 2008. In accordance with the Lease, the Authority is redeveloping the Pier with both funding provided by the City and Authority-generated funds. Upon completion, the Pier will be used for commercial, recreational, maritime, and ancillary uses under the terms of an operating lease. In October 2008, the Authority signed a “Funding Agreement” with EDC for the reimbursement of eligible expenditures up to \$30 million as well as the prefunding of quarterly projected redevelopment costs of Pier A. As of October 31, 2012, the Authority has received approximately \$13.1 million from the City for Pier A related costs and approximately \$13.4 million of eligible reimbursable expenditures are due to the Authority from EDC under the Funding Agreement and has been recorded as a receivable.
- (f) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to \$40 million of Special Fund monies (see note 10) to the PANYNJ for the construction of a planned pedestrian concourse running under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. A provision in the

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amount of \$3.8 million for payment to the PANYNJ has been charged to nonoperating expenses with a corresponding accrued liability for the fiscal year ended October 31, 2012. As of October 31, 2012, the Authority disbursed a total sum of \$34,076,152 to the PANYNJ.

- (g) Pursuant to its ground lease with Goldman providing for construction by Goldman of a new world headquarters building in Battery Park City, the Authority entered into an arrangement as of July 18, 2007, under which Goldman may make purchases related to construction, furnishing, and equipping the building without liability for New York State and City sales tax, for an aggregate sales tax exemption of up \$60 million. To qualify for the exemption, the Authority is liable for payment of Goldman's purchases in connection with the building, in an amount not to exceed \$100 million (in addition to the value of goods delivered to the building), which purchases Goldman is to make as agent of the Authority, but which Goldman is obligated to pay pursuant to its ground lease. The Goldman Sachs Group, Inc (the corporate parent of Goldman) executed a guaranty to assure reimbursement of any amounts paid by the Authority as a consequence of this arrangement. The likelihood of any payments made directly by the Authority resulting from this arrangement is considered remote.
- (h) The super storm Sandy caused damage to the Authority's infrastructure assets of approximately \$10 million. The Authority has corporate self insurance reserve funds to cover any unreimbursed damages, and the Authority's management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover a substantial portion of these costs.

(20) Battery Park City Parks Conservancy

The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation. The Authority, as sole member of the Conservancy, designated the Authority's members to serve as the Conservancy's Board of Directors. By approval of the Board of Directors, the Conservancy added the Authority's President as an additional director. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the fiscal years ended October 31, 2012 and 2011, the Authority paid the Conservancy approximately \$7.6 million and \$7.2 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$100 thousand and \$10 thousand at October 31, 2012 and 2011, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Statement of Net Position).

(21) Litigation

Approximately 800 claims have been asserted against the Authority in Federal court by plaintiffs who worked in and around the World Trade Center site after the September 11th attack (collectively, the "9/11 Claims"). Some of the Plaintiffs had performed clean-up activities for ground lessees of the Authority and for the tenants of commercial and residential buildings in Battery Park City. The plaintiffs seek damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. The Authority's ground leases provide for ground lessees to indemnify the Authority

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against certain claims. To date, Brookfield, Merrill Lynch and the lessee under the Gateway Plaza Sublease have agreed to assume the defense of the 9/11 Claims related to the premises that they control. The Authority is pursuing the tender of the remaining claims to its other ground lessees. Certain of the Authority's insurers have taken the position that their insurance policies for the applicable period do not provide coverage to the Authority for these claims.

In November 2010, the plaintiffs reached the 95% opt-in requirement to effectuate the settlement with the City and the City's contractors, and Judge Hellerstein of the U.S. District Court, Southern District lifted the stay that had been in effect, which meant that the off-site cases (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) could proceed. However, once the James Zadroga 9/11 Health and Compensation Act of 2010 (the "Zadroga Act") became effective on January 2, 2011, Judge Hellerstein again stayed all of the cases. This stay remained in effect until September 2011 when Judge Hellerstein lifted the stay and directed that a database be created for the off-site cases. This database required the plaintiffs to answer certain court ordered questions under oath. The database was to be used by the parties and the court to select 45 cases that proceeded through discovery in 2012.

The court directed that the Special Masters (who were appointed by Judge Hellerstein) select 150 cases from the docket to create a "pool" of eligible plaintiffs from which the 45 cases were to be chosen. Subsequent to Judge Hellerstein's Order to select 45 cases to proceed with discovery, the court unilaterally altered its approach to the docket and decided that fewer cases, involving more defendants, should proceed forward with discovery. In this regard, the court issued an order selecting 10 cases to proceed with discovery and eventual trial. One of the court's selections chose to opt into the Victim's Compensation Fund ("VCF") and 9 cases are proceeding with discovery.

Any plaintiff currently suing for damages related to 9/11 debris removal was permitted to elect to participate in the VCF, which was amended and reopened under the Zadroga Act, provided that: (1) they began their work in these covered locations prior to May 30, 2002; (2) they file their claim within two years of July 1, 2011; and (3) they dismiss their lawsuits against all parties on or before January 3, 2011. Plaintiffs were not obligated to file a claim with the amended VCF and could elect to proceed with this litigation (and also still participate in the Title I healthcare portion). A majority of the plaintiffs did not opt into the VCF and chose to pursue this litigation. The plaintiffs who participated in the amended VCF are barred from suing the Authority and were required to drop their lawsuits, thereby reducing the Authority's potential exposure.

Of the 9 cases proceeding through discovery, 7 involve plaintiffs that allege to have worked at locations within Battery Park City. Pursuant to an agreement with one of the firms representing the plaintiffs, 5 of the 7 plaintiffs appeared for examinations under General Municipal Law 50-h. These examinations were completed in May 2012. As of December 2012, the depositions of all 9 plaintiffs have been completed. The plaintiffs are proceeding with discovery against the defendants and have begun taking discovery from non-parties. The Authority has produced a witness for deposition and has satisfied all of its discovery obligations to date.

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Other Supplementary Information – Combining Statement of Net Position

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Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 10,689	12,238	—	22,927
Investments	11,632,484	—	—	11,632,484
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$642,165)	18,822,373	220,950	(99,755)	18,943,568
2003 Revenue Bond Resolution Funds	218,279,009	—	—	218,279,009
2009 Revenue Bond Resolution Funds	2,632,603	—	—	2,632,603
Corporate-designated, escrowed, and OPEB funds	<u>6,009,542</u>	<u>—</u>	<u>—</u>	<u>6,009,542</u>
Total current assets	<u>257,386,700</u>	<u>233,188</u>	<u>(99,755)</u>	<u>257,520,133</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	79,786,248	—	—	79,786,248
2009 Revenue Bond Resolution Funds	27,972,134	—	—	27,972,134
Residential lease required funds	21,994,938	—	—	21,994,938
Corporate-designated, escrowed, and OPEB funds	<u>74,036,563</u>	<u>—</u>	<u>—</u>	<u>74,036,563</u>
Deferred costs:				
Bond issuance costs, less accumulated amortization of \$18,892,324	34,529,971	—	—	34,529,971
Costs of leases, less accumulated amortization of \$1,073,875	3,605,651	—	—	3,605,651
Battery Park City project assets – at cost, less accumulated depreciation	488,320,929	—	—	488,320,929
Other assets	<u>5,289,880</u>	<u>201,705</u>	<u>—</u>	<u>5,491,585</u>
Total noncurrent assets	<u>735,536,314</u>	<u>201,705</u>	<u>—</u>	<u>735,738,019</u>
Total assets	<u>\$ 992,923,014</u>	<u>434,893</u>	<u>(99,755)</u>	<u>993,258,152</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of interest rate swaps	106,703,964	—	—	106,703,964
Total deferred outflows of resources	<u>106,703,964</u>	<u>—</u>	<u>—</u>	<u>106,703,964</u>
Total assets and deferred outflows of resources	<u>1,099,626,978</u>	<u>434,893</u>	<u>(99,755)</u>	<u>1,099,962,116</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position
October 31, 2012

Liabilities and Net Position (Deficit)	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 18,169,507	—	—	18,169,507
Accounts payable and other liabilities	4,698,351	601,685	(99,755)	5,200,281
Due to the City of New York	103,283,763	—	—	103,283,763
Due to the City of New York - 2010 Agreement	46,142,978	—	—	46,142,978
Due to the NYC School Construction Authority	1,898,808	—	—	1,898,808
Due to the Port Authority of New York & New Jersey (note 19(f))	3,820,328	—	—	3,820,328
Deferred revenue:				
PILOT revenue	27,636,001	—	—	27,636,001
Base rent and other revenue	13,453,544	—	—	13,453,544
Security and other deposits	88,342	—	—	88,342
2003 Revenue Bonds	19,280,000	—	—	19,280,000
2009 Revenue Bonds	115,000	—	—	115,000
Total current liabilities	<u>238,586,622</u>	<u>601,685</u>	<u>(99,755)</u>	<u>239,088,552</u>
Noncurrent liabilities:				
Deferred revenue:				
Base rent and other revenue	304,341,304	—	—	304,341,304
Security and other deposits	22,367,627	—	—	22,367,627
OPEB - Battery Park City Authority	18,463,988	—	—	18,463,988
OPEB - Battery Park City Parks Conservancy	—	9,974,257	—	9,974,257
Fair value of interest rate swaps	106,703,964	—	—	106,703,964
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$10,611,877	961,784,095	—	—	961,784,095
2009 Revenue Bonds, less accumulated amortization of \$208,066	88,222,941	—	—	88,222,941
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	<u>(22,964,996)</u>	<u>—</u>	<u>—</u>	<u>(22,964,996)</u>
Total noncurrent liabilities	<u>1,478,918,923</u>	<u>9,974,257</u>	<u>—</u>	<u>1,488,893,180</u>
Total liabilities	<u>1,717,505,545</u>	<u>10,575,942</u>	<u>(99,755)</u>	<u>1,727,981,732</u>
Net position (deficit):				
Invested in capital assets, net of related debt	5,464,376	—	—	5,464,376
Restricted:				
Debt service	65,880,060	—	—	65,880,060
Under bond resolutions and other agreements	22,215,467	—	—	22,215,467
Unrestricted (deficit)	<u>(711,438,470)</u>	<u>(10,141,049)</u>	<u>—</u>	<u>(721,579,519)</u>
Total net position (deficit)	<u>(617,878,567)</u>	<u>(10,141,049)</u>	<u>—</u>	<u>(628,019,616)</u>
Total liabilities and net position (deficit)	<u>\$ 1,099,626,978</u>	<u>434,893</u>	<u>(99,755)</u>	<u>1,099,962,116</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position
 October 31, 2011 (Restated)

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 6,006	105,410	—	111,416
Investments	2,831,780	—	—	2,831,780
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$354,463)	6,263,047	52,448	(9,853)	6,305,642
2003 Revenue Bond Resolution Funds	196,294,433	—	—	196,294,433
2009 Revenue Bond Resolution Funds	2,775,153	—	—	2,775,153
Corporate-designated, escrowed, and OPEB funds	<u>26,847,837</u>	<u>—</u>	<u>—</u>	<u>26,847,837</u>
Total current assets	<u>235,018,256</u>	<u>157,858</u>	<u>(9,853)</u>	<u>235,166,261</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	94,558,687	—	—	94,558,687
2009 Revenue Bond Resolution Funds	44,288,249	—	—	44,288,249
Residential lease required funds	20,588,758	—	—	20,588,758
Corporate-designated, escrowed, and OPEB funds	<u>74,174,509</u>	<u>—</u>	<u>—</u>	<u>74,174,509</u>
Deferred costs:				
Bond issuance costs, less accumulated amortization of \$17,354,316	36,067,978	—	—	36,067,978
Costs of leases, less accumulated amortization of \$1,009,733	3,669,793	—	—	3,669,793
Battery Park City project assets – at cost, less accumulated depreciation	485,004,886	—	—	485,004,886
Other assets	<u>4,445,695</u>	<u>149,647</u>	<u>—</u>	<u>4,595,342</u>
Total noncurrent assets	<u>762,798,555</u>	<u>149,647</u>	<u>—</u>	<u>762,948,202</u>
Total assets	<u>\$ 997,816,811</u>	<u>307,505</u>	<u>(9,853)</u>	<u>998,114,463</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of interest rate swaps	92,948,044	—	—	92,948,044
Total deferred outflows of resources	<u>92,948,044</u>	<u>—</u>	<u>—</u>	<u>92,948,044</u>
Total assets and deferred outflows of resources	<u>1,090,764,855</u>	<u>307,505</u>	<u>(9,853)</u>	<u>1,091,062,507</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position
 October 31, 2011 (Restated)

Liabilities and Net Position (Deficit)	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 18,579,617	—	—	18,579,617
Accounts payable and other liabilities	5,837,349	557,503	(9,853)	6,384,999
Due to the City of New York	87,623,785	—	—	87,623,785
Due to the City of New York - 2010 Agreement	37,014,687	—	—	37,014,687
Due to the NYC School Construction Authority	—	—	—	—
Due to the Port Authority of New York & New Jersey (note 19(f))	20,656,496	—	—	20,656,496
Deferred revenue:				
PILOT revenue	27,113,141	—	—	27,113,141
Base rent and other revenue	14,688,684	—	—	14,688,684
Security and other deposits	134,061	—	—	134,061
2003 Revenue Bonds	19,825,000	—	—	19,825,000
2009 Revenue Bonds	255,000	—	—	255,000
Total current liabilities	<u>231,727,820</u>	<u>557,503</u>	<u>(9,853)</u>	<u>232,275,470</u>
Noncurrent liabilities:				
Deferred revenue:				
Base rent and other revenue	316,208,835	—	—	316,208,835
Security and other deposits	21,099,455	—	—	21,099,455
OPEB - Battery Park City Authority	17,633,427	—	—	17,633,427
OPEB - Battery Park City Parks Conservancy	—	8,769,643	—	8,769,643
Fair value of interest rate swaps	92,948,044	—	—	92,948,044
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$9,438,139	983,612,833	—	—	983,612,833
2009 Revenue Bonds, less accumulated amortization of \$135,218	88,410,789	—	—	88,410,789
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	<u>(24,741,363)</u>	<u>—</u>	<u>—</u>	<u>(24,741,363)</u>
Total noncurrent liabilities	<u>1,495,172,020</u>	<u>8,769,643</u>	<u>—</u>	<u>1,503,941,663</u>
Total liabilities	<u>1,726,899,840</u>	<u>9,327,146</u>	<u>(9,853)</u>	<u>1,736,217,133</u>
Net position (deficit):				
Invested in capital assets, net of related debt	9,371,055	—	—	9,371,055
Restricted:				
Debt service	64,535,873	—	—	64,535,873
Under bond resolutions and other agreements	25,547,617	—	—	25,547,617
Unrestricted (deficit)	<u>(735,589,530)</u>	<u>(9,019,641)</u>	<u>—</u>	<u>(744,609,171)</u>
Total net position (deficit)	<u>(636,134,985)</u>	<u>(9,019,641)</u>	<u>—</u>	<u>(645,154,626)</u>
Total liabilities and net position (deficit)	<u>\$ 1,090,764,855</u>	<u>307,505</u>	<u>(9,853)</u>	<u>1,091,062,507</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Year Ended October 31, 2012

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 61,394,256	—	—	61,394,256
Supplemental rent	1,738,401	—	—	1,738,401
Payments in lieu of real estate taxes	163,987,502	—	—	163,987,502
Civic facilities payments and other	21,461,171	8,262,055	(7,917,069)	21,806,157
Total operating revenues	<u>248,581,330</u>	<u>8,262,055</u>	<u>(7,917,069)</u>	<u>248,926,316</u>
Operating expenses:				
Wages and related benefits	5,927,023	6,564,374	—	12,491,397
OPEB - Battery Park City Authority	1,220,823	—	—	1,220,823
OPEB - Battery Park City Parks Conservancy	—	1,224,990	—	1,224,990
Other operating and administrative expenses	24,556,099	1,646,156	(8,044,258)	18,157,997
Depreciation of project assets	8,214,019	—	—	8,214,019
Other depreciation and amortization	2,321,047	77,603	—	2,398,650
Total operating expenses	<u>42,239,011</u>	<u>9,513,123</u>	<u>(8,044,258)</u>	<u>43,707,876</u>
Operating income	<u>206,342,319</u>	<u>(1,251,068)</u>	<u>127,189</u>	<u>205,218,440</u>
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	2,406,951	—	—	2,406,951
2009 Revenue Bonds	338,557	—	—	338,557
Corporate-designated, escrowed, and OPEB funds	2,136,727	—	—	2,136,727
Realized and unrealized gains and (losses)	330,795	—	—	330,795
Other revenue	—	129,660	(127,189)	2,471
Interest expense relating to:				
2003 Swap agreements – net expense	(12,504,439)	—	—	(12,504,439)
2003 Revenue Bonds	(20,191,129)	—	—	(20,191,129)
2009 Revenue Bonds	(3,699,471)	—	—	(3,699,471)
Loss from extinguishment	(1,776,366)	—	—	(1,776,366)
Provision for transfer to the Port Authority of New York and New Jersey	—	(3,801,977)	—	(3,801,977)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	—	(103,283,763)	—	(103,283,763)
Provision for transfer to the City of New York per 2010 agreement	—	(46,142,978)	—	(46,142,978)
Provision for transfer to the NYC School Construction Authority	—	(1,898,808)	—	(1,898,808)
Total nonoperating expenses	<u>(188,085,901)</u>	<u>129,660</u>	<u>(127,189)</u>	<u>(188,083,430)</u>
Change in net position	18,256,418	(1,121,408)	—	17,135,010
Net (deficit), beginning of year	<u>(636,134,985)</u>	<u>(9,019,641)</u>	—	<u>(645,154,626)</u>
Net (deficit), end of year	<u>\$ (617,878,567)</u>	<u>(10,141,049)</u>	—	<u>(628,019,616)</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Year Ended October 31, 2011

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 59,153,949	—	—	59,153,949
Supplemental rent	1,764,977	—	—	1,764,977
Payments in lieu of real estate taxes	154,024,537	—	—	154,024,537
Civic facilities payments and other	14,797,254	8,047,932	(7,603,940)	15,241,246
Total operating revenues	<u>229,740,717</u>	<u>8,047,932</u>	<u>(7,603,940)</u>	<u>230,184,709</u>
Operating expenses:				
Wages and related benefits	6,566,126	6,808,008	—	13,374,134
OPEB - Battery Park City Authority	1,146,167	—	—	1,146,167
OPEB - Battery Park City Parks Conservancy	—	1,138,704	—	1,138,704
Other operating and administrative expenses	22,004,362	1,671,380	(7,693,729)	15,982,013
Depreciation of project assets	7,861,298	—	—	7,861,298
Other depreciation and amortization	2,521,282	77,462	—	2,598,744
Total operating expenses	<u>40,099,235</u>	<u>9,695,554</u>	<u>(7,693,729)</u>	<u>42,101,060</u>
Operating income	<u>189,641,482</u>	<u>(1,647,622)</u>	<u>89,789</u>	<u>188,083,649</u>
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	2,591,493	—	—	2,591,493
2009 Revenue Bonds	827,708	—	—	827,708
Corporate-designated, escrowed, and OPEB funds	2,365,669	—	—	2,365,669
Realized and unrealized gains and (losses)	(222,161)	—	—	(222,161)
Other revenue	366,555	90,661	(89,789)	367,427
Interest expense relating to:				
2003 Swap agreements – net expense	(12,725,691)	—	—	(12,725,691)
2003 Revenue Bonds	(20,648,656)	—	—	(20,648,656)
2009 Revenue Bonds	(3,704,571)	—	—	(3,704,571)
Loss from extinguishment	(1,776,366)	—	—	(1,776,366)
Provision for transfer to the Port Authority of				
New York and New Jersey	(20,656,496)			(20,656,496)
Provision for transfer to the City of New York of payments in				
lieu of real estate taxes and other amounts	(87,623,785)	—	—	(87,623,785)
Provision for transfer to the City of New York per 2010 agreement	(37,014,444)	—	—	(37,014,444)
Provision for transfer to the NYC School Construction Authority	—	—	—	—
Total nonoperating expenses	<u>(178,220,745)</u>	<u>90,661</u>	<u>(89,789)</u>	<u>(178,219,873)</u>
Change in net position	11,420,737	(1,556,961)	—	9,863,776
Net (deficit), beginning of year	(647,555,722)	(7,462,680)	—	(655,018,402)
Net (deficit), end of year	<u>\$ (636,134,985)</u>	<u>(9,019,641)</u>	<u>—</u>	<u>(645,154,626)</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Year Ended October 31, 2012

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 235,341,798	—	—	235,341,798
Receipts from the Authority	—	7,621,510	(7,621,510)	—
Miscellaneous receipts	844,675	315,247	—	1,159,922
Total cash receipts from operating activities	<u>236,186,473</u>	<u>7,936,757</u>	<u>(7,621,510)</u>	<u>236,501,720</u>
Cash payments for:				
Salaries and benefits	(6,247,315)	(6,597,355)	—	(12,844,670)
Services and supplies	(25,230,293)	(1,435,045)	7,748,699	(18,916,639)
Total cash payments for operating activities	<u>(31,477,608)</u>	<u>(8,032,400)</u>	<u>7,748,699</u>	<u>(31,761,309)</u>
Net cash provided by (used in) operating activities	<u>204,708,865</u>	<u>(95,643)</u>	<u>127,189</u>	<u>204,740,411</u>
Cash flows from noncapital financing activities:				
Payments to Battery Park City Library	(45,807)	—	—	(45,807)
Payments to Pier A Contractors on behalf of the City of New York	(12,776,191)	—	—	(12,776,191)
Receipts from insurance settlement - Pier A	1,700,000	—	—	1,700,000
Payments from lessees – site security deposits	948,408	—	—	948,408
Payments to lessees - site security deposits	(82,965)	—	—	(82,965)
Payments to the Port Authority of New York & New Jersey	(20,638,145)	—	—	(20,638,145)
Payments to the City of New York	(87,623,785)	—	—	(87,623,785)
Payments to the City of New York - 2010 Agreement	(37,014,687)	—	—	(37,014,687)
Net cash used in noncapital financing activities	<u>(155,533,172)</u>	<u>—</u>	<u>—</u>	<u>(155,533,172)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(13,630,154)	—	—	(13,630,154)
Capital asset expenditures	(1,521,015)	(127,189)	—	(1,648,204)
Receipt for capital asset expenditures	—	129,660	(127,189)	2,471
Auction fees for variable debt	(350,392)	—	—	(350,392)
Swap payment made on the 2003 Swap agreement	(13,221,160)	—	—	(13,221,160)
Swap interest payments received on the 2003 Swap agreement	628,905	—	—	628,905
Principal paydown on 2003 Revenue Bonds	(21,083,376)	—	—	(21,083,376)
Interest paid on 2003 Senior Revenue Bonds	(18,236,211)	—	—	(18,236,211)
Interest paid on 2003 Junior Revenue Bonds	(3,091,757)	—	—	(3,091,757)
Interest paid on 2009 Senior Revenue Bonds	(5,037,756)	—	—	(5,037,756)
Principal paydown on 2009 Senior Revenue Bonds	(255,000)	—	—	(255,000)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,262,888	—	—	1,262,888
Net cash (used in) provided by capital and related financing activities	<u>(74,535,028)</u>	<u>2,471</u>	<u>(127,189)</u>	<u>(74,659,746)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	5,683,281	—	—	5,683,281
Maturities and redemptions of investment securities	361,705,393	—	—	361,705,393
Purchases of investment securities	(429,589,905)	—	—	(429,589,905)
Net cash used in investing activities	<u>(62,201,231)</u>	<u>—</u>	<u>—</u>	<u>(62,201,231)</u>
Decrease in cash and cash equivalents	(87,560,566)	(93,172)	—	(87,653,738)
Cash and cash equivalents, beginning of year	208,688,520	105,410	—	208,793,930
Cash and cash equivalents, end of year	<u>\$ 121,127,954</u>	<u>12,238</u>	<u>—</u>	<u>121,140,192</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Year Ended October 31, 2012

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 206,342,319	(1,251,068)	127,189	205,218,440
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	287,702	—	—	287,702
Depreciation and amortization	10,535,066	77,603	—	10,612,669
Other	372,798	(2,471)	—	370,327
Changes in operating assets and liabilities:				
(Increase) decrease in rents and other receivables	(1,148,312)	3,844	89,903	(1,054,565)
(Increase) decrease in other assets	(124,237)	(172,346)	—	(296,583)
Increase (decrease) in accounts payable and other liabilities	192,779	44,181	(89,903)	147,057
Decrease in deferred revenue	(12,579,811)	—	—	(12,579,811)
Increase in OPEB	830,561	1,204,614	—	2,035,175
Net cash provided by (used in) operating activities	\$ 204,708,865	(95,643)	127,189	204,740,411
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	\$ 10,689	12,238	—	22,927
Cash and equivalents in restricted asset accounts	121,117,265	—	—	121,117,265
Cash and cash equivalents, end of year	\$ 121,127,954	12,238	—	121,140,192

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Year Ended October 31, 2011

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 214,658,845	—	—	214,658,845
Receipts from the Authority	—	7,249,620	(7,249,620)	—
Miscellaneous receipts	663,860	440,907	—	1,104,767
Total cash receipts from operating activities	<u>215,322,705</u>	<u>7,690,527</u>	<u>(7,249,620)</u>	<u>215,763,612</u>
Cash payments for:				
Salaries and benefits	(6,909,586)	(6,827,832)	—	(13,737,418)
Services and supplies	(22,785,042)	(1,366,411)	7,339,409	(16,812,044)
Total cash payments for operating activities	<u>(29,694,628)</u>	<u>(8,194,243)</u>	<u>7,339,409</u>	<u>(30,549,462)</u>
Net cash provided by (used in) operating activities	<u>185,628,077</u>	<u>(503,716)</u>	<u>89,789</u>	<u>185,214,150</u>
Cash flows from noncapital financing activities:				
Payments to Battery Park City Library	(165,720)	—	—	(165,720)
Receipts from the City of New York – Pier A	5,155,508	—	—	5,155,508
Payments to Pier A Contractors on behalf of the City of New York	(5,894,203)	—	—	(5,894,203)
Receipt from the New York City Educational Construction Fund	1,158,938	—	—	1,158,938
Contract closeout payment	(1,158,938)	—	—	(1,158,938)
Payments from lessees – site security deposits	815,882	—	—	815,882
Payments to the City of New York	(110,215,449)	—	—	(110,215,449)
Payments to the City of New York - 2010 Agreement	(104,413,000)	—	—	(104,413,000)
Payments to the State of New York - 2010 Agreement	(66,175,000)	—	—	(66,175,000)
Net cash used in noncapital financing activities	<u>(280,891,982)</u>	<u>—</u>	<u>—</u>	<u>(280,891,982)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(22,659,647)	—	—	(22,659,647)
Capital asset expenditures	(225,374)	(89,789)	—	(315,163)
Receipt for capital asset expenditures	—	90,661	(89,789)	872
Auction fees for variable debt	(354,816)	—	—	(354,816)
Swap payment made on the 2003 Swap agreement	(13,409,294)	—	—	(13,409,294)
Swap interest payments received on the 2003 Swap agreement	594,084	—	—	594,084
Principal paydown on 2003 Revenue Bonds	(19,095,000)	—	—	(19,095,000)
Interest paid on 2003 Senior Revenue Bonds	(18,821,184)	—	—	(18,821,184)
Interest paid on 2003 Junior Revenue Bonds	(2,920,648)	—	—	(2,920,648)
Interest paid on 2009 Senior Revenue Bonds	(5,042,756)	—	—	(5,042,756)
Principal paydown on 2009 Senior Revenue Bonds	(245,000)	—	—	(245,000)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,894,331	—	—	1,894,331
Net cash (used in) provided by capital and related financing activities	<u>(80,285,304)</u>	<u>872</u>	<u>(89,789)</u>	<u>(80,374,221)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	6,590,951	—	—	6,590,951
Maturities and redemptions of investment securities	625,194,567	—	—	625,194,567
Purchases of investment securities	(623,360,456)	—	—	(623,360,456)
Net cash provided by investing activities	<u>8,425,062</u>	<u>—</u>	<u>—</u>	<u>8,425,062</u>
Decrease in cash and cash equivalents	(167,124,147)	(502,844)	—	(167,626,991)
Cash and cash equivalents, beginning of year	375,812,667	608,254	—	376,420,921
Cash and cash equivalents, end of year	<u>\$ 208,688,520</u>	<u>105,410</u>	<u>—</u>	<u>208,793,930</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Year Ended October 31, 2011

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 189,641,482	(1,647,622)	89,789	188,083,649
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	244,189	—	—	244,189
Depreciation and amortization	10,382,580	77,462	—	10,460,042
Other	(87,453)	(812)	—	(88,265)
Changes in operating assets and liabilities:				
Increase in rents and other receivables	(1,965,231)	(2,529)	(27,452)	(1,995,212)
Decrease in other assets	2,411	15,275	—	17,686
Increase (decrease) in accounts payable and other liabilities	(2,962,447)	(84,194)	27,452	(3,019,189)
Decrease in deferred revenue	(10,391,306)	—	—	(10,391,306)
Increase in OPEB	763,852	1,138,704	—	1,902,556
Net cash provided by (used in) operating activities	\$ 185,628,077	(503,716)	89,789	185,214,150
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	\$ 6,006	105,410	—	111,416
Cash and equivalents in restricted asset accounts	208,682,514	—	—	208,682,514
Cash and cash equivalents, end of year	\$ 208,688,520	105,410	—	208,793,930

See accompanying independent auditors' report.

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Financial Statements

April 30, 2013 and 2012 (Unaudited)

(With Independent Auditors' Review Report Thereon)



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Independent Auditors' Review Report

The Members
Hugh L. Carey Battery Park City Authority

We have reviewed the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Authority"), a component unit of the State of New York, which comprise the statements of net position as of April 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position (deficit) and cash flows for the six-month periods then ended, and the related notes to the financial statements.

Management's Responsibility

The Authority's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3j, the Authority has restated its financial statements as of and for the six-month period ended April 30, 2012 during the current period to retroactively implement Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but is has been compiled from financial information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, we do not express an opinion or provide any assurance on such supplementary information.

Report on Supplementary Information

The supplementary information included on pages 57 through 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Miles Pritchard, CPA

New York, NY
August 14, 2013

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(A Component Unit of the State of New York)

Management's Discussion and Analysis

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Overview

The following is an overview of the financial activities of Hugh L. Carey Battery Park City Authority (the “Authority”) and the Battery Park City Parks Conservancy (the “Conservancy”), a blended component unit of the Authority, collectively referred to as the “Organization”, for the six-month periods ended April 30, 2013, 2012 and 2011. The basic financial statements, which include the statements of net position, the statements of revenues, expenses, and changes in net assets (deficit), the statements of cash flows, and the notes to the financial statements, provide information about the Organization in accordance with accounting principles generally accepted in the United States of America. All transactions between the Authority and the Conservancy have been eliminated. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Comparison of 2013 to 2012 and 2012 to 2011

Financial Highlights – 2013

- The six-month period ended April 30, 2013 yielded total operating revenues of \$117.8 million, an increase of 0.7% or \$870 thousand compared to the six-month period ended April 30, 2012. Payments in Lieu of Taxes (“PILOT”) revenue totaling \$78.2 million (66.4% of the Authority’s operating revenues for the six-month period ended April 30, 2013), decreased \$1.7 million or 2.1% compared to the six-month period ended April 30, 2012. Base rent increased \$1.5 million or 4.9% to \$31.2 million for the six-month period ended April 30, 2013. Civic facilities and other operating revenues increased \$906 thousand or 14% to \$7.4 million for the six-month period ended April 30, 2013. Total operating expenses increased \$299 thousand or 1.5% to \$20.7 million for the six-month period ended April 30, 2013.
- A provision for the transfer to The City of New York (the “City”) of \$47.1 million in PILOT related to excess revenues was charged to expense for the six-month period ended April 30, 2013 (see note 12). Generally, the Authority’s net position decreases with increases in the amount of excess revenues to be provided to the City, which has an adverse effect on the Authority’s net position.
- Pursuant to the 2010 Agreement (see note 12), the Authority recorded a provision for the transfer of \$19.8 million for the six-month period ended April 30, 2013, as an expected payment to the City (HDC) 421-A fund.
- \$28.6 million remains in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures as of April 30, 2013 (see note 8).
- The Authority’s 2003 Series B and C Junior Revenue Bonds (variable rate subordinate debt) auctions continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate (“LIBOR”) based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2012 through April 30, 2013 ranged from a low of 0.396% to a high of 0.428% on the 2003 Series B Bonds and from a low of 0.396% to a high of 0.426% on the 2003 Series C Bonds (see note 10).
- For the six-month period ended April 30, 2013, the Authority received \$4.3 million in insurance and Federal assistance advances and has paid out \$3.7 million for remediation work for damage caused by super storm Sandy. The Authority’s management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Damages are being assessed and costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which

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management believes will cover the majority of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund.

- In March 2012, GASB issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows and deferred inflows of resources. In addition, GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid bond insurance costs be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid bond insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt. The format of the financial statements for the six-month periods ended April 30, 2012 and 2011 has been changed accordingly for comparative purposes. (see note 3(j))

Financial Highlights – 2012

- The six-month period ended April 30, 2012 yielded total operating revenues of \$116.9 million, an increase of 2.5% or \$2.8 million compared to the six-month period ended April 30, 2011. Payment in Lieu of Taxes (“PILOT”) revenue totaling \$79.9 million (68.3% of the Authority’s operating revenues for the six-month period ended April 30, 2012), increased \$3.4 million or 4.4% compared to the six-month period ended April 30, 2011. Base rent increased \$314 thousand or 1.1% to \$29.8 million for the six-month period ended April 30, 2012. Civic facilities and other operating revenues decreased \$746 thousand or 10.3% to \$6.5 million for the six-month period ended April 30, 2012. Total operating expenses increased \$807 thousand or 4% to \$20.4 million for the six-month period ended April 30, 2012.
- A provision for the transfer to The City of New York (the “City”) of \$41.9 million in PILOT related to excess revenues was charged to expense for the six-month period ended April 30, 2012 (see note 12). Generally, the Authority’s net position decreases with increases in the amount of excess revenues to be provided to the City, which has an adverse effect on the Authority’s net position.
- Pursuant to the 2010 Agreement (see note 12), the Authority recorded a provision for the transfer of \$24.6 million for the six-month period ended April 30, 2012, as an expected payment to the City (HDC) 421-A fund.
- \$35.3 million remains in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures as of April 30, 2012 (see note 8).
- The Authority’s 2003 Series B and C Junior Revenue Bonds (variable rate subordinate debt) auctions continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate (“LIBOR”) based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2011 through April 30, 2012 ranged from a low of 0.478% to a high of 0.592% on the 2003 Series B Bonds and from a low of 0.478% to a high of 0.592% on the 2003 Series C Bonds (see note 10).
- In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (“GASB No. 53”). GASB No. 53 addresses the recognition, measurement, and disclosure of

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information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest rate exchange agreements (“Swaps”), determined the Swaps to be effective hedges and recorded the negative fair value of \$98.3 million and \$50.6 million as of April 30, 2012 and 2011, respectively, as both an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).

- In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources, deferred inflows of resources, and net position. In accordance with GASB No. 63, beginning in the six-month period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements and changed the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a *deferred outflow of Resources* on the Statement of Net Position. The format of the financial statements for April 30, 2011 have been changed accordingly for comparative purposes (see note 3j).

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Summary Statement of Net Position

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflow of resources, liabilities, and net position (deficit) at April 30, 2013, 2012 and 2011 is as follows:

	April 30			2013 vs	2012 vs
	2013	2012 (Restated)	2011 (Restated)	2012	2011
Assets:					
Bank deposits, investments and rents and other receivables	\$ 10,178,431	14,174,315	9,039,800	(3,995,884)	5,134,515
Bond resolution restricted assets (current and noncurrent)	366,067,060	386,074,364	386,617,285	(20,007,304)	(542,921)
Battery Park City project assets, net	485,746,682	489,138,376	477,128,491	(3,391,694)	12,009,885
Other current and noncurrent assets	173,835,966	127,673,572	250,461,177	46,162,394	(122,787,605)
Total assets	1,035,828,139	1,017,060,627	1,123,246,753	18,767,512	(106,186,126)
Deferred Outflows of Resources:					
Accumulated decrease in fair value of interest rate swaps	98,413,896	98,275,601	50,575,013	138,295	47,700,588
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	17,702,853	19,102,757	20,502,686	(1,399,904)	(1,399,929)
Total deferred outflows of Resources	116,116,749	117,378,358	71,077,699	(1,261,609)	46,300,659
Total assets and deferred outflows of resources	\$ 1,151,944,888	1,134,438,985	1,194,324,452	17,505,903	(59,885,467)
Liabilities:					
Current liabilities	\$ 313,641,756	279,359,534	361,150,256	34,282,222	(81,790,722)
Long-term liabilities	1,476,431,540	1,508,417,285	1,491,542,412	(31,985,745)	16,874,873
Total liabilities	1,790,073,296	1,787,776,819	1,852,692,668	2,296,477	(64,915,849)
Net Position (deficit):					
Invested in capital assets, net of related debt	(5,251,269)	(4,756,998)	(4,393,861)	(494,271)	(363,137)
Restricted	87,371,445	85,246,755	101,692,544	2,124,690	(16,445,789)
Unrestricted	(720,248,584)	(733,827,591)	(755,666,899)	13,579,007	21,839,308
Total net deficit	(638,128,408)	(653,337,834)	(658,368,216)	15,209,426	5,030,382
Total liabilities and net deficit	\$ 1,151,944,888	1,134,438,985	1,194,324,452	17,505,903	(59,885,467)

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Assets

2013 vs. 2012

At April 30, 2013, the Organization maintained total assets of \$1.04 billion; \$18.8 million higher than total assets of \$1.02 billion at April 30, 2012.

2012 vs. 2011

At April 30, 2012, the Organization maintained total assets of \$1.02 billion; \$106.2 million lower than total assets of \$1.12 billion at April 30, 2011.

Bank Deposits, Investments, rents and other Receivables

2013 vs. 2012

Bank deposits, investments, and rents and other receivables held at April 30, 2013 decreased by \$4 million over the same period last year. Investments and bank deposits increased by \$704 thousand. Rents and other receivables decreased by \$4.7 million, primarily due to the decrease in amounts receivable from the City for Pier A restoration expenses of \$5.6 million, the decrease in amounts due from Community Center operations and Goldman Sachs of \$1.4 million and \$1.5 million, respectively, and the increase in Superstorm Sandy insurance receivables of \$3.9 million.

2012 vs. 2011

Bank deposits, investments, and rents and other receivables held at April 30, 2012 increased by \$5.1 million over the same period the prior year. Investments and bank deposits decreased by \$792 thousand, rents and other receivables increased by \$5.9 million, primarily due to the increase in amounts receivable from the City for Pier A restoration expenses of \$2.9 million and the increase in amounts due from Community Center operations and Goldman Sachs of \$1.4 million and \$1.5 million, respectively.

Bond Resolution Restricted Assets

2013 vs. 2012

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of \$366.1 million at April 30, 2013 were \$20 million lower than the \$386.1 million of assets held at April 30, 2012 (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at April 30, 2013 were \$7 million more than funds held at April 30, 2012. In addition, at April 30, 2013, funds for the designated purposes of paying debt service and operating expenses were funded \$2.3 million more and \$500 thousand less, respectively, more than at April 30, 2012 due to timing differences and funding of debt service.

Funds held in the Residual Fund for payment to the City at April 30, 2013 were \$21.2 million lower due to less excess revenues generated from the fiscal period ended October 31, 2012 compared to 2011(see note 8).

Funds held under the resolution for project infrastructure and certain other asset costs were \$28.6 million as of April 30, 2013, \$6.7 million less than April 30, 2012.

2012 vs. 2011

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of \$386.1 million at April 30, 2012 were \$543 thousand lower than the \$386.6 million of assets held at April 30, 2011 (see note 8). Funds held in the PRF at April 30, 2012 were

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\$6.4 million more than funds held at April 30, 2011. In addition, at April 30, 2012, funds for the designated purposes of paying debt service and operating expenses were funded \$1.2 million more and \$800 thousand less respectively, more than at April 30, 2011 due to timing differences and funding of debt service.

Funds held in the Residual Fund for payment to the City at April 30, 2012 were \$14.3 million higher due to additional excess revenues generated for the fiscal period ended October 31, 2011 compared to 2010, coupled with interest earned on funds held (see note 8).

Funds held under the resolution for project infrastructure and certain other asset costs were \$35.3 million as of April 30, 2012, \$21.8 million less than April 30, 2011.

Project Assets

At April 30, 2013, the Authority's investment in project assets, net of accumulated depreciation was \$485.7 million, a decrease of \$3.4 million over April 30, 2012. The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units (see notes 2, 5, and 6).

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condominium units owned by the Authority in Sites 1, 3, 16/17 and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at April 30, 2013, 2012, and 2011 are as follows:

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012	2011		
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	375,251,472	372,948,314	368,995,437	2,303,158	3,952,877
Residential building and condominium units	<u>132,577,067</u>	<u>129,970,660</u>	<u>113,826,811</u>	<u>2,606,407</u>	<u>16,143,849</u>
	590,844,192	585,934,627	565,837,901	4,909,565	20,096,726
Less accumulated depreciation	<u>105,097,510</u>	<u>96,796,251</u>	<u>88,709,410</u>	<u>(8,301,259)</u>	<u>(8,086,841)</u>
Total Battery Park City project assets	<u>\$ 485,746,682</u>	<u>489,138,376</u>	<u>477,128,491</u>	<u>(3,391,694)</u>	<u>12,009,885</u>

2013 vs. 2012

At April 30, 2013, the increase to site improvements over April 30, 2012 of \$2.3 million relates to improvements to infrastructure surrounding the Goldman building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$2.6 million increase in residential building and condominium units over April 30, 2012 primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

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2012 vs. 2011

At April 30, 2012, the increase to site improvements over April 30, 2011 of \$4 million relates to improvements to infrastructure surrounding the Goldman building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$16.1 million increase in residential building and condominium units over April 30, 2011 primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

Other Current and Noncurrent Assets

Other current and noncurrent assets at April 30, 2013, 2012, and 2011 are as follows:

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012 (Restated)	2011 (Restated)		
Residential lease required funds	\$ 22,142,151	21,340,720	20,218,112	801,431	1,122,608
Corporate-designated, escrowed, and OPEB funds	125,391,984	79,169,011	202,293,487	46,222,973	(123,124,476)
Bond insurance costs, net	21,050,542	21,987,285	22,926,714	(936,743)	(939,429)
Other assets	5,251,289	5,176,556	5,022,864	74,733	153,692
Total other current and noncurrent assets	\$ 173,835,966	127,673,572	250,461,177	46,162,394	(122,787,605)

2013 vs. 2012

Total other current and noncurrent assets increased \$46.2 million from \$127.7 million at April 30, 2012 to \$173.8 million at April 30, 2013.

Residential lease required funds increased \$801 thousand from \$21.3 million at April 30, 2012 to \$22.1 million at April 30, 2013 and relate to security deposits received from ground lease tenants, primarily deposits from Site 3 and Site H/I of \$432 thousand and \$321 thousand, respectively.

Overall, corporate-designated, escrowed, and OPEB funds increased \$46.2 million from April 30, 2012. For the six-month period ended April 30, 2013, \$46.1 million of fiscal year 2012 excess revenues was transferred to the Joint Purpose Fund to be transferred to the City in accordance with the 2010 Agreement.

Amortization of bond insurance costs decreased bond insurance costs by \$937 thousand.

2012 vs. 2011

Total other current and noncurrent assets decreased \$122.8 million from \$250.5 million at April 30, 2011 to \$127.7 million at April 30, 2012.

Residential lease required funds increased \$1.1 million from \$20.2 million at April 30, 2011 to \$21.3 million at April 30, 2012 and relate to security deposits received from ground lease tenants, primarily deposits from Site 3, Site D, and Site H/I of \$557 thousand, \$214 thousand and \$459 thousand, respectively, and returns of security deposits for Pier A of \$125 thousand.

Overall, corporate-designated, escrowed, and OPEB funds decreased \$123.1 million from April 30, 2011 primarily due to excess revenues transferred from the Joint Purpose Fund. \$104.4 million of fiscal year 2011

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excess revenues held in the Joint Purpose Fund was transferred to the City in accordance with the 2010 Agreement prior to the period ended April 30, 2012. A payment of \$20.6 million was made in February 2012 to the Port Authority of New York & New Jersey (“PANYNJ”) from the Special Fund (see note 19c). In addition, deposits to OPEB funds of \$2.2 million and interest earnings on funds were offset by \$1.7 million in payments from corporate-designated funds for the reconstruction and repair of infrastructure.

Amortization of bond insurance costs decreased bond insurance costs by \$939 thousand.

Deferred Outflows of Resources

Deferred Outflows of Resources at April 30, 2013, 2012, and 2011 are as follows:

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012 (Restated)	2011 (Restated)		
Deferred Outflows of Resources:					
Accumulated decrease in fair value of interest rate swaps	98,413,896	98,275,601	50,575,013	138,295	47,700,588
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	17,702,853	19,102,757	20,502,686	(1,399,904)	(1,399,929)
Total deferred outflows of Resources	116,116,749	117,378,358	71,077,699	(1,261,609)	46,300,659

2013 vs. 2012

Accumulated decrease in fair value of interest rate swaps increased by \$138 thousand from April 30, 2012 to April 30, 2013.

Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds decreased by \$1.4 million, from April 30, 2012 to April 30, 2013, due to the current period amortization.

In March 2012, GASB issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows and deferred inflows of resources. In addition, GASB No. 65 requires that all debt issuance costs, except any portion related to prepaid bond insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all debt issuance costs except prepaid bond insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt. The format of the financial statements for April 30, 2012, and 2011 has been changed accordingly for comparative purposes.

2012 vs. 2011

Accumulated decrease in fair value of interest rate swaps increased by \$47.7 million from April 30, 2011 to April 30, 2012.

Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds decreased by \$1.4 million, from April 30, 2011 to April 30, 2012, due to the current period amortization.

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In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources and deferred inflows of resources. In accordance with GASB No. 63, beginning with the period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements which change the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of resources on the Statement of Net Position. The Authority changed the format of the financial statements for April 30, 2011 (see note 3j).

In June 2008, GASB issued GASB No. 53. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of \$98.3 million, \$50.6 million, and \$45.9 million at April 30, 2012, 2011, and 2010, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). The increase in the negative fair value from the six-month period ended April 30, 2011 to April 30, 2012 is \$47.7 million.

Liabilities

Total liabilities at April 30, 2013, 2012 and 2011 are as follows:

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012 (Restated)	2011 (Restated)		
Current liabilities:					
Accrued interest on bonds	\$ 17,676,011	18,162,829	18,552,684	(486,818)	(389,855)
Accounts payable and other liabilities	13,098,364	9,025,210	12,589,940	4,073,154	(3,564,730)
Due to the City of New York	150,356,587	129,483,298	150,265,459	20,873,289	(20,782,161)
Due to the City of New York -2010 Agreement	65,951,155	61,657,016	119,988,247	4,294,139	(58,331,231)
Due to Port Authority of NY & NJ	—	18,351	—	(18,351)	18,351
Due to NYC School Construction Authority	1,898,808	—	—	1,898,808	—
Unearned revenue	42,672,382	40,154,555	39,539,884	2,517,827	614,671
Security and other deposits	88,449	88,275	134,042	174	(45,767)
2003 Revenue Bonds	21,590,000	20,655,000	19,825,000	935,000	830,000
2009 Revenue Bonds	310,000	115,000	255,000	195,000	(140,000)
Total current liabilities	313,641,756	279,359,534	361,150,256	34,282,222	(81,790,722)
Noncurrent liabilities:					
Unearned revenue	298,407,583	310,275,128	322,142,674	(11,867,545)	(11,867,546)
Security and other deposits	22,788,783	21,846,456	20,729,434	942,327	1,117,022
Other post employment benefits - Authority	18,428,692	18,019,312	17,248,085	409,380	771,227
Other post employment benefits - Conservancy	10,908,843	9,370,459	8,200,291	1,538,384	1,170,168
Fair value of interest rate swaps	98,413,896	98,275,601	50,575,013	138,295	47,700,588
Bonds outstanding:					
2003 Revenue Bonds	939,607,226	962,370,964	984,199,702	(22,763,738)	(21,828,738)
2009 Revenue Bonds	87,876,517	88,259,365	88,447,213	(382,848)	(187,848)
Total noncurrent liabilities	1,476,431,540	1,508,417,285	1,491,542,412	(31,985,745)	16,874,873
Total liabilities	\$ 1,790,073,296	1,787,776,819	1,852,692,668	2,296,477	(64,915,849)

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The Organization's total liabilities increased \$2.3 million from \$1.788 billion at April 30, 2012 to \$1.79 billion at April 30, 2013.

Total liabilities comprise amounts due to the City and State, accrued interest on bonds, unearned revenue, security and other deposits, post employment benefits, outstanding debt, and accounts payable and accrued expenses.

The \$2.3 million increase in total liabilities is due to:

- a \$487 thousand decrease in accrued interest payable on bonds from \$18.2 million at April 30, 2012 to \$17.7 million at April 30, 2013 resulting from the paydown of principal on the 2003 Revenue Bonds. This decrease was also due to lower interest rates paid on the Authority's variable debt (see note 10). The reset rate for failed auction rate securities is based on a percentage of 30-day LIBOR which averaged .26% during the six-month period ended April 30, 2012, but averaged .20% during the six-month period ended April 30, 2013.
- a \$4.1 million increase in accounts payable and other liabilities from \$9 million at April 30, 2012 to \$13.1 million at April 30, 2013, primarily due to Super Storm Sandy insurance advances received of \$4.3 million (see note 19(h)).
- the liability due to the City totaling \$150.4 million includes a \$47.1 million provision recorded for the period ended April 30, 2013 representing approximately half of the estimated fiscal 2013 PILOT related excess revenues to be transferred to the City and \$103.3 million generated from the previous fiscal year ended October 31, 2012 which was not paid as of April 30, 2013. The \$150.4 million due to the City was \$20.9 million higher compared to the amount due at April 30, 2012 (see note 12).
- the liability due to the City under the 2010 Agreement includes a \$19.8 million provision recorded for the period ended April 30, 2013 representing approximately half of the estimated fiscal 2013 amount expected payable under the 2010 Agreement and \$46.1 million from the previous fiscal year ended October 31, 2012 which was not paid as of April 30, 2013. The \$66 million due to the City under the 2010 Agreement was \$4.3 million higher compared to the amount due at April 30, 2012.
- the negative fair value of the Swaps were \$98.4 million and \$98.3 million as of April 30, 2013 and April 30, 2012, respectively. The liability for the accumulated decrease in the fair value of the interest rate swap agreements from year over year increased by \$138 thousand.
- a \$9.3 million decrease in unearned revenue from upfront lease payments from \$350.4 million at April 30, 2012 primarily due to revenue recognized on leases such as site 26 (\$2.7 million), sites 23 & 24 (\$2.3 million) and site 16/17 (\$2.4 million) as well as other upfront lease payments received during prior years. (see note 3(d)).
- a \$943 thousand increase in security and other deposits to \$22.8 million at April 30, 2013 relating to the security deposits received from Site 3, Site H/I, and North Cove Marina of \$438 thousand, \$322 thousand, and \$142 thousand, respectively.
- a net \$409 thousand increase in other post employment benefits for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45 (see note 3(i)), a \$18.4 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2013. The annual required OPEB obligation is increased by normal costs for current employees and

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interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the period (see note 17).

- a \$1.5 million increase in other post employment benefits for the Conservancy relating to the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement No. 45 (see note 3(i)), a \$10.9 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2013. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).
- a \$21.9 million decrease in 2003 Revenue Bonds outstanding relating to a payment of principal of \$20.7 million and a \$1.2 million decrease due to the amortization of the net bond premium (see note 15).
- a \$188 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of \$115 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 15).

2012 vs. 2011

The Organization's total liabilities decreased \$64.9 million from \$1.85 billion at April 30, 2011 to \$1.79 billion at April 30, 2012.

Total liabilities comprise amounts due to the City and State, accrued interest on bonds, unearned revenue, security and other deposits, post employment benefits, outstanding debt, and accounts payable and accrued expenses.

The \$64.9 million decrease in total liabilities is due to:

- a \$390 thousand decrease in accrued interest payable on bonds from \$18.6 million at April 30, 2011 to \$18.2 million at April 30, 2012 resulting from the accrued interest on the 2009 Revenue Bonds for a full six-month period. This decrease was offset by slightly higher interest rates paid on the Authority's variable debt (see note 10). The reset rate for failed auction rate securities is based on a percentage of 30-day LIBOR which averaged .25% during the six-month period ended April 30, 2011, but averaged .26% during the six-month period ended April 30, 2012.
- a \$3.6 million decrease in accounts payable and other liabilities from \$12.6 million at April 30, 2011 to \$9 million at April 30, 2012, primarily due to a decrease in amounts due to vendors of \$1.6 million and the decrease in the Goldman PILOT credit of \$2.3 million (see note 14).
- the liability due to the City totaling \$129.5 million includes a \$41.9 million provision recorded for the period ended April 30, 2012 representing approximately half of the estimated fiscal 2012 PILOT related excess revenues to be transferred to the City and \$87.6 million generated from the previous fiscal year ended October 31, 2011 which was not paid as of April 30, 2012. The \$129.5 million due to the City was \$20.8 million lower compared to the amount due at April 30, 2011 (see note 12).
- the liability due to the City under the 2010 Agreement includes a \$24.6 million provision recorded for the period ended April 30, 2012 representing approximately half of the estimated fiscal 2012 amount expected payable under the 2010 Agreement and \$37.1 million from the previous fiscal year ended October 31, 2011 which was not paid as of April 30, 2012. The \$61.7 million due to the City under the 2010 Agreement was \$58.3 million lower compared to the amount due at April 30, 2011.
- the negative fair value of the Swaps were \$98.3 million and \$50.6 million as of April 30, 2012 and April 30, 2011, respectively. The liability for the accumulated decrease in the fair value of the interest rate swap agreements from year over year increased by \$ 47.7 million.

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- a \$11.3 million decrease in unearned revenue from \$361.7 million at April 30, 2011 primarily due to revenue recognized on leases such as site 26 (\$2.7 million), sites 23 & 24 (\$2.3 million) and site 16/17 (\$2.4 million) as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$1.1 million increase in security and other deposits to \$21.9 million at April 30, 2012 relating to the security deposits received from Site 3, Site D, and Site H/I of \$536 thousand, \$215 thousand, and \$459 thousand, respectively, offset by the use of funds from prior deposits for the public library of \$46 thousand and the return of Pier A Security deposits of \$75 thousand.
- a net \$771 thousand increase in other post employment benefits for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45 (see note 3(i)), a \$18 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the period (see note 17).
- a \$1.2 million increase in other post employment benefits for the Conservancy relating to the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement No. 45 (see note 3(i)), a \$9.4 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).
- a \$21 million decrease in 2003 Revenue Bonds outstanding relating to a payment of principal of \$19.8 million and a \$1.2 million decrease due to the amortization of the net bond premium (see note 15).
- a \$328 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of \$255 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 15).

Net Position (Deficit)

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012 (Restated)	2011 (Restated)		
Net Position (deficit):					
Invested in capital assets, net of related debt	(5,251,269)	(4,756,998)	(4,393,861)	(494,271)	(363,137)
Restricted	87,371,445	85,246,755	101,692,544	2,124,690	(16,445,789)
Unrestricted	(720,248,584)	(733,827,591)	(755,666,899)	13,579,007	21,839,308
Total net deficit	(638,128,408)	(653,337,834)	(658,368,216)	15,209,426	5,030,382

2013 vs. 2012

The change in total net position from April 30, 2012 represents a positive change in the deficit position of \$15.2 million from \$653.3 million at April 30, 2012 to \$638.1 million at April 30, 2013.

The net position of assets invested in capital assets, net of related debt, was a deficit of \$5.3 million and \$4.8 million at April 30, 2013 and 2012, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be

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used to liquidate these liabilities. The Organization's \$87.4 million and \$85.2 million of restricted net assets at April 30, 2013 and 2012, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling \$720.2 million at April 30, 2013 resulting primarily from debt issued for noncapital purposes of \$521.7 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt. The format of the financial statements for April 30, 2012, and 2011 has been changed accordingly for comparative purposes. The effect of the adoption of GASB 65 resulted in an increase in the beginning net deficit of \$21.2 million, \$22.2 million, and \$23.3 million for the six-month periods ending April 2013, 2012, and 2011, respectively.

2012 vs. 2011

The change in total net position from April 30, 2011 represents a positive change in the deficit position of \$5 million from \$658.4 million at April 30, 2011 to \$653.3 million at April 30, 2012.

The net position of assets invested in capital assets, net of related debt, was a deficit of \$4.8 million and \$4.4 million at April 30, 2012 and 2011, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's \$85.2 million and \$101.7 million of restricted net assets at April 30, 2012 and 2011, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling \$733.8 million at April 30, 2012 resulting primarily from debt issued for noncapital purposes of \$533.6 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

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Summary Schedule of Revenues, Expenses, and Changes in Net Deficit

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the six-month periods ended April 30, 2013, 2012, and 2011:

	April 30			2013 vs 2012	2012 vs 2011
	2013	2012(Restated)	2011(Restated)		
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 31,223,849	29,766,254	29,452,557	1,457,595	313,697
Supplemental rent	999,850	801,879	917,312	197,971	(115,433)
Payments in lieu of real estate taxes (PILOT)	78,167,873	79,859,277	76,498,464	(1,691,404)	3,360,813
Civic facilities payments and other	7,381,883	6,475,754	7,222,026	906,129	(746,272)
Total operating revenues	<u>117,773,455</u>	<u>116,903,164</u>	<u>114,090,359</u>	<u>870,291</u>	<u>2,812,805</u>
Operating expenses:					
Wages and related benefits	6,285,324	7,041,659	6,930,453	(756,335)	111,206
OPEB - The Authority	219,519	610,412	573,084	(390,893)	37,328
OPEB - The Conservancy	950,873	612,495	569,352	338,378	43,143
Other operating and administrative expenses	8,221,517	7,255,488	6,620,708	966,029	634,780
Depreciation and amortization	5,064,600	4,922,299	4,941,761	142,301	(19,462)
Total operating expenses	<u>20,741,833</u>	<u>20,442,353</u>	<u>19,635,358</u>	<u>299,480</u>	<u>806,995</u>
Operating income	<u>97,031,622</u>	<u>96,460,811</u>	<u>94,455,001</u>	<u>570,811</u>	<u>2,005,810</u>
Nonoperating revenues (expenses):					
Investment and other income	1,434,142	3,037,541	(76,228)	(1,603,399)	3,113,769
Other revenue	226,130	—	514,015	226,130	(514,015)
Interest expense, net	(18,254,045)	(18,956,928)	(19,355,789)	702,883	398,861
Provision for transfer to the City of New York	(47,072,824)	(41,859,513)	(40,050,010)	(5,213,311)	(1,809,503)
Provision for transfer to the City of New York - 2010 Agreement	(19,808,177)	(24,642,329)	(15,575,004)	4,834,152	(9,067,325)
Pier A construction pass through NYC	(2,484,545)	—	—	(2,484,545)	—
Total nonoperating expenses, net	<u>(85,959,319)</u>	<u>(82,421,229)</u>	<u>(74,543,016)</u>	<u>(3,538,090)</u>	<u>(7,878,213)</u>
Change in net position	11,072,303	14,039,582	19,911,985	(2,967,279)	(5,872,403)
Net deficit, beginning of period	(628,019,616)	(645,154,626)	(655,018,402)	17,135,010	9,863,776
Effect of adoption of GASB 65	(21,181,095)	(22,222,790)	(23,261,799)	1,041,695	1,039,009
Net deficit, beginning of period (restated)	<u>(649,200,711)</u>	<u>(667,377,416)</u>	<u>(678,280,201)</u>	<u>18,176,705</u>	<u>10,902,785</u>
Net deficit, end of period	<u>\$ (638,128,408)</u>	<u>(653,337,834)</u>	<u>(658,368,216)</u>	<u>15,209,426</u>	<u>5,030,382</u>

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Operating Revenue

2013 vs. 2012

Overall operating revenues for the six-month period ended April 30, 2013 totaled \$117.8 million, \$870 thousand higher than the six-month period ended April 30, 2012, \$116.9 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$1.5 million from \$29.8 million for the six-month period ended April 30, 2012. PILOT revenue totaling \$78.2 million (66.4% of the total operating revenues for the six-month period ended April 30, 2013), decreased by \$1.7 million over the six-month period ended April 30, 2012 and relates to 467a real estate tax abatements given in the current period. The change in civic facility payments and other is a \$906 thousand increase from \$6.5 million for the six-month period ended April 30, 2012 to \$7.4 million in April 30, 2013.

2012 vs. 2011

Overall operating revenues for the six-month period ended April 30, 2012 totaled \$116.9 million, \$2.8 million higher than the six-month period ended April 30, 2011, \$114.1 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$314 thousand from \$29.5 million for the six-month period ended April 30, 2011. PILOT revenue totaling \$79.9 million (68.3% of the total operating revenues for the six-month period ended April 30, 2012), increased by \$3.4 million over the six-month period ended April 30, 2011 and relates to increased PILOT revenue recognized in the current period due to reduced PILOT credits on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites effective July 2011. The change in civic facility payments and other is a \$746 thousand decrease from \$7.2 million for the six-month period ended April 30, 2011 to \$6.5 million in April 30, 2012.

Operating Expenses

2013 vs. 2012

Operating expenses totaled \$20.7 million for the six-month period ended April 30, 2013, representing a \$299 thousand increase compared to the six-month period ended April 30, 2012. The expenses include: wages and related benefits; other postemployment benefits; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$6.3 million were \$756 thousand lower than the prior six-month period ended April 30, 2012.

OPEB expenses for the Authority decreased for the six-month period ended April 30, 2013 by \$391 thousand as compared to the six-month period ended April 30, 2012. This was due to lower normal and interest costs based on the recent triennial valuation that was performed. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

OPEB expenses for the Conservancy increased for the six-month period ended April 30, 2013 by \$338 thousand as compared to the six-month period ended April 30, 2012. This was due to higher normal and interest costs based on the recent triennial valuation that was performed. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 18).

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Other operating and administrative expenses increased by \$966 thousand for the six-month period ended April 30, 2013, primarily due to increases in the NYS Cost Recovery of \$308 thousand, Asphalt Green Community Center of \$197 thousand, and PEPS Security of \$239 thousand, as compared to the six-month period ended April 30, 2012.

Depreciation and amortization expenses recorded for the six-month period ended April 30, 2013 of \$5.1 million were \$142 thousand higher than the six-month period ended April 30, 2012.

2012 vs. 2011

Operating expenses totaled \$20.4 million for the six-month period ended April 30, 2012, representing a \$807 thousand increase compared to the six-month period ended April 30, 2011. The expenses include: wages and related benefits; other postemployment benefits; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$7 million were \$111 thousand higher than the prior six-month period ended April 30, 2011.

OPEB expenses for the Authority increased for the six-month period ended April 30, 2012 by \$37 thousand. This was due to the higher normal and interest costs offset by an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

OPEB expenses for the Conservancy increased for the six-month period ended April 30, 2012 by \$43 thousand as compared to the six-month period ended April 30, 2011. This was due to higher normal and interest costs. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 18).

Other operating and administrative expenses increased by \$635 thousand.

Depreciation and amortization expenses recorded for the six-month period ended April 30, 2012 of \$4.9 million were \$19 thousand lower than the six-month period ended April 30, 2011.

Nonoperating Revenues (Expenses)

2013 vs. 2012

Total nonoperating expenses, net, were \$3.5 million higher for the six-month period ended April 30, 2013 than the six-month period ended April 30, 2012. A provision for a transfer to the City of \$47.1 million in excess revenues was charged to expense for the six-month period ended April 30, 2013, an increase of \$5.2 million from the six-month period ended April 30, 2012. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$19.8 million was charged to expense for the six-month period ended April 30, 2013, a decrease of \$4.8 million from the six-month period ended April 30, 2012.

Investment and other income decreased by \$1.6 million primarily due to lower interest rates, the reduction in balances held and the composition of assets held during the six-month period ended April 30, 2013 compared to 2012. Other revenue increased \$226 thousand, primarily from a Muni Bond class action settlement. Net interest expense related to outstanding bonds decreased \$703 thousand compared to the six-month period ended April 30, 2012.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2013 and 2012 (Unaudited)

2012 vs. 2011

Total nonoperating expenses, net, were \$7.9 million higher for the six-month period ended April 30, 2012 than the six-month period ended April 30, 2011. A provision for a transfer to the City of \$41.9 million in excess revenues was charged to expense for the six-month period ended April 30, 2012, an increase of \$1.8 million from the six-month period ended April 30, 2011. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$24.6 million was charged to expense for the six-month period ended April 30, 2012, an increase of \$9.1 million from the six-month period ended April 30, 2011.

Investment and other income increased by \$3.1 million primarily due to higher interest rates, the reduction in balances held and the composition of assets held during the six-month period ended April 30, 2012 compared to 2011. Other revenue decreased \$514 thousand. Net interest expense related to outstanding bonds decreased \$399 thousand compared to the six-month period ended April 30, 2011.

Change in Net Position

The total net deficit at April 30, 2013 and 2012 was \$638.1 million and \$653.3 million, respectively.

The total net deficit at April 30, 2012 and 2011 was \$653.3 million and \$658.4 million, respectively.

Other Information

Debt Administration – The 2003 Revenue Bonds, issued in October 2003, \$1.07 billion, included \$433 million (including a net premium) of senior lien and \$635 million of junior lien debt obligations. At April 30, 2013, the Authority was responsible for debt service on the 2003 Revenue Bonds of \$961 million (including the net premium):

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2003 Series Senior A Bonds	\$ 351,372,226	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AAA
2003 Series Junior C Bonds *	374,825,000	AA	Aa3	AA+

* The junior lien debt obligations are insured and also carry underlying Fitch, S&P and Moody's ratings of AA, AA+ and Aa3, respectively.

The 2009 Revenue Bonds issued in December 2009, \$89 million, included \$56.6 million of federally taxable Build America Bonds and \$32.5 million (including a net premium) of tax-exempt bonds. At April 30, 2013, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$88.2 million:

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	31,586,517	AAA	Aaa	Not rated

Requests for Information – This financial report is designed to provide a general overview of the Organization's finances for all persons with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President, Community Relations/Press, One World Financial Center, 24th Floor, New York, NY 10281. The Authority's Web site is: www.bpca.ny.gov.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Net Position
 April 30, 2013 and 2012 (Unaudited)

Assets	2013	2012 (Restated)
Current assets:		
Bank deposits	\$ 490,064	398,007
Investments (note 3(e))	1,166,434	554,046
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$750,616 in 2013 and \$444,185 in 2012) (note 13)	8,521,933	13,222,262
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	250,625,030	264,350,356
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	2,826,453	2,635,153
Corporate-designated and escrowed funds (note 3(e))	<u>49,098,455</u>	<u>6,009,107</u>
Total current assets	<u>312,728,369</u>	<u>287,168,931</u>
Noncurrent assets:		
Restricted assets:		
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	86,859,379	86,408,682
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	25,756,198	32,680,173
Residential lease required funds (note 3(e))	22,142,151	21,340,720
Corporate-designated, escrowed, and OPEB funds (note 3(e), 17 and 18)	76,293,529	73,159,904
Bond insurance costs, less accumulated amortization of \$8,899,070 in 2013 and \$7,962,326 in 2012 (note 3c)	21,050,542	21,987,285
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	<u>485,746,682</u>	<u>489,138,376</u>
Other assets	<u>5,251,289</u>	<u>5,176,556</u>
Total noncurrent assets	<u>723,099,770</u>	<u>729,891,696</u>
Total assets	<u>1,035,828,139</u>	<u>1,017,060,627</u>
Deferred Outflows of Resources		
Accumulated decrease in fair value of interest rate swaps (note 3(j))	98,413,896	98,275,601
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds (note 3(j))	<u>17,702,853</u>	<u>19,102,757</u>
Total deferred outflows of resources	<u>116,116,749</u>	<u>117,378,358</u>
Total assets and deferred outflows of resources	<u>\$ 1,151,944,888</u>	<u>1,134,438,985</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Net Position
 April 30, 2013 and 2012 (Unaudited)

Liabilities and Net Position	2013	2012 (Restated)
Current liabilities:		
Accrued interest on bonds	\$ 17,676,011	18,162,829
Accounts payable and other liabilities (note 14)	13,098,364	9,025,210
Due to the City of New York (note 12)	150,356,587	129,483,298
Due to the City of New York - 2010 Agreement (note 12)	65,951,155	61,657,016
Due to the Port Authority of New York & New Jersey (Note 19(f))	—	18,351
Due to NYC School Construction Authority	1,898,808	—
Unearned revenue (note 3(d)):		
PILOT revenue	27,596,258	26,742,675
Base rent and other revenue	15,076,124	13,411,880
Security and other deposits	88,449	88,275
2003 Revenue Bonds (notes 8, 9, 10, and 15)	21,590,000	20,655,000
2009 Revenue Bonds (notes 8, 9, 11, and 15)	<u>310,000</u>	<u>115,000</u>
Total current liabilities	<u>313,641,756</u>	<u>279,359,534</u>
Noncurrent liabilities:		
Unearned revenue (note 3(d)):		
Base rent and other revenue	298,407,583	310,275,128
Security and other deposits	22,788,783	21,846,456
OPEB - Battery Park City Authority (note 17)	18,428,692	18,019,312
OPEB - Battery Park City Parks Conservancy (note 18)	10,908,843	9,370,459
Fair value of interest rate swaps	98,413,896	98,275,601
Bonds outstanding (notes 8, 9, 10 and 11):		
2003 Revenue Bonds, less accumulated amortization of \$11,198,746 in 2013 and \$10,025,008 in 2012	939,607,226	962,370,964
2009 Revenue Bonds, less accumulated amortization of \$244,491 in 2013 and \$171,642 in 2012	<u>87,876,517</u>	<u>88,259,365</u>
Total noncurrent liabilities	<u>1,476,431,540</u>	<u>1,508,417,285</u>
Total liabilities	<u>1,790,073,296</u>	<u>1,787,776,819</u>
Net position (deficit) (note 3(f)):		
Invested in capital assets, net of related debt	(5,251,269)	(4,756,998)
Restricted:		
Debt service	85,548,237	84,731,183
Under bond resolutions and other agreements	1,823,208	515,572
Unrestricted (deficit)	<u>(720,248,584)</u>	<u>(733,827,591)</u>
Total net position (deficit)	<u>(638,128,408)</u>	<u>(653,337,834)</u>
Total liabilities and net position (deficit)	<u>\$ 1,151,944,888</u>	<u>1,134,438,985</u>

See accompanying notes to financial statements and independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position (Deficit)

Six-month periods ended April 30, 2013 and 2012 (Unaudited)

	2013	2012 (Restated)
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 31,223,849	29,766,254
Supplemental rent	999,850	801,879
Payments in lieu of real estate taxes (note 12)	78,167,873	79,859,277
Civic facilities payments and other	<u>7,381,883</u>	<u>6,475,754</u>
Total operating revenues	<u>117,773,455</u>	<u>116,903,164</u>
Operating expenses:		
Wages and related benefits	6,285,324	7,041,659
OPEB - The Authority (note 17)	219,519	610,412
OPEB - The Conservancy (note 18)	950,873	612,495
Other operating and administrative expenses	8,221,517	7,255,488
Depreciation of project assets	4,161,870	4,074,630
Other depreciation and amortization	<u>902,730</u>	<u>847,669</u>
Total operating expenses	<u>20,741,833</u>	<u>20,442,353</u>
Operating income	<u>97,031,622</u>	<u>96,460,811</u>
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	1,082,954	1,244,688
2009 Revenue Bonds (note 11)	61,580	218,233
Corporate-designated, escrowed, and OPEB funds	1,035,011	1,077,638
Realized and unrealized gains and losses	(745,403)	496,982
Other revenue	225,980	—
Gain (loss) on project assets	150	—
Interest expense relating to:		
2003 Swap agreements – net interest expense	(6,216,214)	(6,238,411)
2003 Revenue Bonds (note 10)	(9,436,553)	(10,170,852)
2009 Revenue Bonds (note 11)	(1,903,521)	(1,849,734)
Loss from extinguishment	(697,757)	(697,931)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 12)	(47,072,824)	(41,859,513)
Provision for transfer to the City of New York per 2010 Agreement (note 12)	(19,808,177)	(24,642,329)
Pier A Construction Pass Through NYC	<u>(2,484,545)</u>	<u>—</u>
Total nonoperating expenses	<u>(85,959,319)</u>	<u>(82,421,229)</u>
Change in net position (deficit)	11,072,303	14,039,582
Net (deficit), beginning of period	(628,019,616)	(645,154,626)
Effect of adoption of GASB 65 (note 3(j))	(21,181,095)	(22,222,790)
Net (deficit), beginning of period (Restated)	<u>(649,200,711)</u>	<u>(667,377,416)</u>
Net (deficit), end of period	<u>\$ (638,128,408)</u>	<u>(653,337,834)</u>

See accompanying notes to financial statements and independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Cash Flows

Six-month periods ended April 30, 2013 and 2012 (Unaudited)

	2013	2012 (Restated)
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 114,313,355	108,870,310
Miscellaneous receipts	<u>723,473</u>	<u>814,600</u>
Total cash receipts from operating activities	<u>115,036,828</u>	<u>109,684,910</u>
Cash payments for:		
Salaries and benefits	(6,818,975)	(7,364,324)
Services and supplies	<u>(4,086,364)</u>	<u>(5,489,814)</u>
Total cash payments for operating activities	<u>(10,905,339)</u>	<u>(12,854,138)</u>
Net cash provided by operating activities	<u>104,131,489</u>	<u>96,830,772</u>
Cash flows from noncapital financing activities:		
Payments to Battery Park City Library	—	(45,807)
Receipts from the City of New York - Pier A	15,599,693	—
Payments to Pier A Contractors on behalf of the City of New York	(5,952,827)	(5,020,415)
Payments from lessees – site security deposits	250,340	447,307
Payments to lessees - site security deposits	—	(82,965)
Payments to The Port Authority New York & New Jersey	<u>(3,820,328)</u>	<u>(20,638,145)</u>
Net cash provided by (used in) noncapital financing activities	<u>6,076,878</u>	<u>(25,340,025)</u>
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(1,422,634)	(9,401,096)
Capital asset expenditures	(56,909)	(845,052)
Receipts from the sale of capital assets	150	—
Payments for Super Storm Sandy	(3,690,852)	—
Proceeds from Super Storm Sandy	4,256,000	—
JPMC Muni Bond derivative settlement	225,980	—
Auction fees for variable debt	(187,614)	(189,314)
Swap payment made on the 2003 Swap agreement	(6,563,547)	(6,657,614)
Swap interest payments received on the 2003 Swap agreement	257,352	327,138
Principal paydown on 2003 Revenue Bonds	(19,280,000)	(19,825,000)
Interest paid on 2003 Senior Revenue Bonds	(8,957,991)	(9,278,219)
Interest paid on 2003 Junior Revenue Bonds	(1,276,095)	(1,616,237)
Principal paydown on 2009 Senior Revenue Bonds	(115,000)	(255,000)
Interest paid on 2009 Senior Revenue Bonds	(2,517,603)	(2,520,153)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	<u>576,508</u>	<u>631,444</u>
Net cash used in capital and related financing activities	<u>(38,752,255)</u>	<u>(49,629,103)</u>
Cash flows from investing activities:		
Interest and realized gains received on investment securities	2,292,248	2,767,079
Maturities and redemptions of investment securities	310,855,003	170,617,247
Purchases of investment securities	<u>(352,131,507)</u>	<u>(242,751,565)</u>
Net cash used in investing activities	<u>(38,984,256)</u>	<u>(69,367,239)</u>
Increase (decrease) in cash and cash equivalents	<u>32,471,856</u>	<u>(47,505,595)</u>
Cash and cash equivalents, beginning of period	<u>121,140,192</u>	<u>208,793,931</u>
Cash and cash equivalents, end of period	<u>\$ 153,612,048</u>	<u>161,288,336</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Statements of Cash Flows

Six-month periods ended April 30, 2013 and 2012 (Unaudited)

	2013	2012 (Restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 97,031,622	96,460,811
Adjustments to reconcile operating income to net cash provided by operating activities:		
Bad debt expense	108,451	89,723
Depreciation and amortization	5,064,600	5,723,373
Other	100,162	(162,925)
Changes in operating assets and liabilities:		
Decrease (increase) in rents and other receivables	2,031,001	(1,725,858)
Decrease (increase) in other assets	71,420	74,604
Increase in accounts payable and other liabilities	3,175,827	2,965,320
Decrease in unearned revenue	(4,350,884)	(7,580,977)
Increase in OPEB	899,290	986,701
Net cash provided by operating activities	\$ 104,131,489	96,830,772
Reconciliation to cash and cash equivalents, end of period:		
Bank deposits	\$ 490,064	398,007
Cash and cash equivalents (note 3(e))	926,609	1,958,147
Investments with less than 91-day maturities (note 3(e))	152,195,375	158,932,182
Cash and cash equivalents, end of period	\$ 153,612,048	161,288,336

See accompanying notes to financial statements and independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2013 and 2012 (Unaudited)

(1) General

Hugh L. Carey Battery Park City Authority (the “Authority”) is a public benefit corporation created in 1968 under the laws of the State of New York (the “State”) pursuant to the Battery Park City Authority Act (the “Act”) and is a legally separate entity from the State. The Authority has been doing business as the Hugh L. Carey Battery Park City Authority since 1999. For financial reporting purposes, the Authority is a component unit of the State and is included in the State’s comprehensive annual financial report.

The Authority’s reporting entity comprises itself and the Battery Park City Parks Conservancy (the “Conservancy”). The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation and is a blended component unit of the Authority under the guidance included in Governmental Accounting Standards Board (“GASB”) Statement Nos. 14 and 39, and the Conservancy’s assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

The Authority and its blended component unit, the Conservancy, are referred to collectively as the “Organization” in the financial statements. All significant transactions between the Authority and the Conservancy have been eliminated.

The Act sets forth the purposes of the Authority, including: the improvement of the Battery Park City project (the “Project”) area; the creation in such area, in cooperation with the City of New York (the “City”) and the private sector, of a mixed commercial and residential community; and the making of loans secured by first mortgages to any housing company organized to provide housing within the project area pursuant to the New York State Private Housing Finance Law. The Act also authorizes the Authority to pledge and assign revenues to secure financing for low and moderate-income housing developments outside the project area, as well as issue bonds for the purposes of furthering the development of a commodities and futures exchange facility in Battery Park City, repaying certain State appropriations, and making payments to the City and State (see note 9).

The Act provides that the Authority and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Authority shall have bonds, notes, and other obligations outstanding, unless adequate provision has been made for the payment of those obligations.

(2) Status of Project

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project’s current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, four not-for-profit condos owned by the Authority, and approximately 8,600 residential units (see notes 5, 6, and 7).

The Authority also owns and controls significant air rights throughout the Project. Ground rents, payments in lieu of real estate taxes (“PILOT”), and other lease payments are received under the ground leases, all expiring in 2069. All sites on the Project have been designated for development.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2013 and 2012 (Unaudited)

(3) Summary of Significant Accounting Policies

(a) Financial Reporting

The Organization follows accounting principles generally accepted in the United States of America as promulgated by GASB.

The Organization's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, provides proprietary activities with the option of implementing the provisions of Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Organization has elected to follow GASB pronouncements exclusively subsequent to November 30, 1989.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, and other postemployment benefits. Actual results could differ from those estimates.

(c) Project Assets

Costs incurred by the Authority in developing the Project as of April 30, 2013 and 2012 are capitalized as project assets and classified as follows:

	Balance at October 31, 2012	Additions	Retirements	Balance at April 30, 2013
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	374,131,317	1,120,155	—	375,251,472
Residential building and condominiums	<u>132,109,599</u>	<u>467,468</u>	<u>—</u>	<u>132,577,067</u>
Total project assets	<u>589,256,569</u>	<u>1,587,623</u>	<u>—</u>	<u>590,844,192</u>
Less accumulated depreciation:				
Site improvements	82,406,877	2,579,651	—	84,986,528
Residential building and condominiums	<u>18,528,763</u>	<u>1,582,219</u>	<u>—</u>	<u>20,110,982</u>
Total accumulated depreciation	<u>100,935,640</u>	<u>4,161,870</u>	<u>—</u>	<u>105,097,510</u>
Net project assets	<u>\$ 488,320,929</u>	<u>(2,574,247)</u>	<u>—</u>	<u>485,746,682</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2013 and 2012 (Unaudited)

	<u>Balance at October 31, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at April 30, 2012</u>
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	371,669,435	1,278,879	—	372,948,314
Residential building and condominiums	<u>123,041,419</u>	<u>6,929,241</u>	<u>—</u>	<u>129,970,660</u>
Total project assets	<u>577,726,507</u>	<u>8,208,120</u>	<u>—</u>	<u>585,934,627</u>
Less accumulated depreciation:				
Site improvements	77,264,531	2,563,559	—	79,828,090
Residential building and condominiums	<u>15,457,090</u>	<u>1,511,071</u>	<u>—</u>	<u>16,968,161</u>
Total accumulated depreciation	<u>92,721,621</u>	<u>4,074,630</u>	<u>—</u>	<u>96,796,251</u>
Net project assets	<u>\$ 485,004,886</u>	<u>4,133,490</u>	<u>—</u>	<u>489,138,376</u>

The Authority records project assets at historical cost. The costs of normal maintenance of the Project that do not add to the value of the Project or extend its useful life are not capitalized. Upon completion, site improvement costs, which consist principally of infrastructure, streets, and civic and public facilities, are being depreciated by the straight-line method over the remaining lease years (to 2069). Interest costs incurred during construction related to cost of infrastructure and facilities for phases being developed were capitalized until such phases were substantially completed and ready for construction of buildings. The residential building is being depreciated over a useful life of 50 years and the condominium units through the first appraisal date of each lease.

(d) Revenue from Ground Leases

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are deferred and recognized as income during future periods. Given the nature of the Organization's operations, revenue from ground leases and related fees and agreements is considered operating revenue. All other revenues are considered nonoperating. In accordance with the lease terms, the Authority received upfront lease payments in fiscal periods prior to 2013 of \$40.7 million, \$60 million, \$42.5 million, \$22.5 million, \$33.9 million, and \$4.75 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, Site 24, and Site 2A, respectively.

In August 2005, the Site 26 commercial ground lease was signed providing for a one-time lump sum base rent payment of approximately \$161 million to be deposited with an escrow agent, which was paid in June 2007. In the fiscal year ended October 31, 2010, the Authority received \$169.3 million from the escrow account as the project was completed and various conditions were performed by the City. Base rent revenue relating to the one-time payment is being recognized on a pro rata basis over the lease term, which ends in 2069.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2013 and 2012 (Unaudited)

(e) Investments and Deposits

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Organization's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority's investments in securities are held by the Authority's financial institutions in the Authority's name. The Authority's investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than 'A-1' grade; investments in federal agency and mortgage backed securities have the highest credit rating of 'AAA' and are supported by the U.S. government or its agencies; investments in municipal bonds are supported by Fannie Mae and rated 'AAA.' All other deposits or investments are fully collateralized or backed by the Federal Deposit Insurance Corporation ("FDIC") or letters of credit. All investments held in funds and accounts established in accordance with bond resolutions are held as trust assets by the trustee banks in the Authority's name.

Total investments and deposits held by the Organization at April 30, 2013 and 2012 included within the statements of net position (investments, corporate-designated, escrowed and postemployment benefit funds, bond resolution funds (see note 8), and residential lease required funds) were as follows:

	April 30, 2013			April 30, 2012		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 279,747,905	279,813,167	0.18	\$ 254,591,349	254,618,083	0.14
Treasury Bonds	85,534,317	89,236,718	3.21	57,507,344	61,418,446	4.31
Treasury Strips	<u>337,562</u>	<u>856,853</u>	4.86	<u>337,562</u>	<u>830,337</u>	5.66
Total U.S. Treasury securities	365,619,784	369,906,738		312,436,255	316,866,866	
Commercial paper	64,502,741	64,520,814	0.03	53,753,567	53,759,013	0.06
Federal agency securities	30,121,430	31,641,129	2.54	66,194,280	68,409,755	1.97
Federal agency mortgage backed securities	15,625,669	16,355,487	3.02	14,990,192	16,149,288	2.87
Municipal bonds	<u>29,923,757</u>	<u>31,416,852</u>	4.07	<u>28,230,012</u>	<u>29,995,072</u>	3.70
Total investments	505,793,381	513,841,020	1.17	475,604,306	485,179,994	1.24
Cash and cash equivalents	<u>926,609</u>	<u>926,609</u>		<u>1,958,147</u>	<u>1,958,147</u>	
Total investments and deposits	\$ <u>506,719,990</u>	<u>514,767,629</u>		<u>477,562,453</u>	<u>487,138,141</u>	

(a) Portfolio weighted average effective duration

As of April 30, 2013, restricted assets included cash and cash equivalents of \$926,609 and investments with less than 91-day maturities of \$152,195,375.

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As of April 30, 2012, restricted assets included cash and cash equivalents of \$1,958,147 and investments with less than 91-day maturities of \$158,932,182.

The Organization's investment objectives for the portfolio are to generate a rate of return in excess of selected benchmarks, provide diversification to the total portfolio, and provide an appropriate level of liquidity for the Authority's operations.

The Organization's permitted investments include: (i) 100% U.S. government guaranteed securities (U.S. Treasury notes, bonds, strips, T-bills, Ginnie Mae securities); (ii) notes, bonds, debentures, and mortgages of U.S. government-sponsored agencies provided that its obligations receive the highest credit rating; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper) which as of April 30, 2013 were A1/P1; (iv) municipal bonds issued by New York authorities and currently receive the highest rating by at least one rating agency (AAA/AAA long-term or VMIG1/A1+ short-term).

Interest rate risk is the probability of loss on investments from future changes in interest rates, which can adversely affect their fair value. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration takes into account the change in cash flow expectations of securities with embedded options such as callable bonds and mortgage-backed securities. The interest rate risk of the Organization's portfolio is measured according to effective duration.

Investments of amounts in funds and accounts established under the various 2003 and 2009 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Corporate-designated, escrowed, and OPEB funds represent funds designated by the Authority's board of directors for specific purposes such as budget reserves, the Special Fund (see note 10), project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserve and funds designated for the payment of medical benefits to the Authority and Conservancy retirees.

Residential lease required funds represent funds held by the Authority in accordance with its residential leases. These funds are largely comprised of security and escrow deposits held by the Authority for the residential buildings.

The Conservancy maintains its cash in bank deposits which are guaranteed by the FDIC up to \$250,000. Additionally, collateral has been set aside by the custodian bank for balances in excess of \$250,000.

(f) Net Position

The Organization's net position is classified in the following categories: invested in capital assets, net of related debt, consisting of project assets, net of accumulated depreciation and deferred costs reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets; restricted assets, consisting of assets restricted for specific purposes by

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law or parties external to the Organization; and unrestricted assets, consisting of assets that are not classified as invested in capital assets, net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

(g) *Deferred Costs*

Bond insurance costs are amortized using the straight-line method over the remaining period to maturity of the bonds (see note 3(j)).

(h) *Statements of Cash Flows*

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with maturities of less than 91 days when purchased to be cash equivalents.

(i) *Defined Postemployment Benefits*

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("OPEB"). This Statement establishes standards for the measurement, recognition, and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. In accordance with GASB Statement No. 45, effective for the fiscal year beginning November 1, 2006, the Authority (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service, and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 17).

In accordance with GASB Statement No. 45, effective for the fiscal year beginning November 1, 2009, the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service, and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 18).

(j) *Accounting and Financial Reporting for Derivative Instruments*

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the swaps to be effective hedges and recorded the negative fair value of approximately \$98.4 million and \$98.3 million as of April 30, 2013 and 2012, respectively, as both an asset labeled as accumulated decrease in the fair value of the interest rate swap agreements (deferred outflow of resources per GASB No. 53) and a liability labeled as fair value of interest rate swaps, for comparative purposes.

In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources and deferred inflows of resources. In accordance with GASB No. 63,

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for the period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements which change the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps in the deferred outflow of resources section on the statement of net position.

In March 2012, GASB issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows of resources. In addition, GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the six-month period ended April 30, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt. The format of the financial statements for the six-month period ended April 30, 2012 has been changed accordingly for comparative purposes.

(4) Rights of City to Reacquire Project Site

The fee interest in the Project site formerly owned by the City was conveyed to the Authority in the early 1980s for a nominal consideration. The City has the right to reacquire the Project site at any time, subject to the then existing leases, for a nominal consideration after: (a) all notes, bonds, and other indebtedness incurred by the Authority, or for which the Authority's revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. The City may provide for repayment or defeasance of indebtedness incurred by the Authority under its various bond resolutions. As of April 30, 2013, the City had not expressed its intent regarding its right to reacquire the Project site.

(5) Commercial Development

In 1981, the Authority and Olympia & York Battery Park Company ("O&Y"), an affiliate of Olympia & York Development Limited, entered into a lease pursuant to which O&Y constructed four buildings, consisting of approximately 8,000,000 square feet of office space and a maximum of 280,000 square feet of commercial and retail space. These buildings are collectively known as the World Financial Center ("WFC"). In 1983, the lease was replaced with four separate severance leases, one of which was assigned by O&Y to the American Express Company and certain of its affiliates ("American Express"). O&Y has been reorganized as a result of bankruptcy proceedings and has changed its name to Brookfield Financial Properties (BFP). In September 2002, BFP acquired an interest in approximately 50% of Three World Financial Center from American Express.

As of April 30, 2013, the WFC leases, which expire in 2069, provide for future base rent payments aggregating approximately \$950 million over the lease terms in the following annual amounts: (i) base rent of \$17 million per annum from 2013 through 2069 and (ii) additional base rent of \$5,561,220 payable by the BFP-affiliated lessees (2000 to 2014) (see note 7). In addition, the leases provide for rent relating to

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retail and other space and, with respect to each building, percentage rent based on cash flow, as defined, which commenced in 1997 and continues to 2016. Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent PILOT payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

In 1995, the Authority signed a lease with the New York Mercantile Exchange and its wholly owned subsidiary, Commodity Exchange Inc. (collectively, "NYMEX"), and other agreements along with the New York City Economic Development Corporation, the City, and the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) for the development of a 500,000 square feet trading facility and office building complex to be located on Site 15. The Authority has constructed and paid for certain utility connections to the Project. The lease provides that, commencing on the occupancy date and continuing for a period of 20 years, the rent per annum shall be \$1 for the trading portion of the building and \$1 million for the office portion for the first 7 years of occupancy, \$1,500,000 for years 8 through 13, and \$2 million for the remainder of the 20-year period. The building was completed and occupied in July 1997. The NYMEX lease provides for an abatement program for PILOT payments for portions of the exchange project.

In 1998, a lease was signed for the development of a 463-room luxury hotel and cinema complex (approximately 600,000 square feet) north of the WFC (the north neighborhood). In addition, in January 2001, a lease was signed for the development of a luxury hotel (approximately 278,000 square feet) in the south neighborhood.

In August 2005, a lease was signed by Goldman Sachs Headquarters LLC ("Goldman") for the development of approximately 2.2 million square feet of trading and office headquarter space on Site 26 in the north neighborhood. The Site 26 ground lease requires that a \$161 million lump-sum rent payment be deposited with an escrow agent, which was paid in June 2007. During the fiscal year ended October 31, 2010 the Authority received \$169.3 million, which included interest accrued on the escrowed amount, from the escrow agent as the building was completed and the City fulfilled all of its obligations in relation to the site. PILOT payments under the lease are made subject to certain caps and exemptions to Goldman. In addition, in December 2005, Goldman made a \$3.5 million lease payment to the Authority which is held in escrow along with accrued interest earnings for the benefit of the local community to help fund a library in the base of Site 16/17, a residential building in the north neighborhood. Approximately \$4 million was disbursed to the New York Public Library by the Authority through April 30, 2013.

(6) Residential and Other Development

In 1980, the Authority entered into a lease with a limited-profit housing company (the "Housing Company"), which constructed an apartment complex consisting of 1,712 rental apartment units (the "Gateway Project"). In addition to the Gateway Project, the Authority entered into leases in the south

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neighborhood, pursuant to which developers constructed 18 buildings consisting of approximately 3,800 condominium and rental units, including 113 units in a mixed-use building containing a museum and the Ritz-Carlton Hotel. The final site on the Project in the south neighborhood was designated as a public school. In the north neighborhood, 11 buildings consisting of 3,106 units have been constructed. All the leases expire in 2069.

Future base rent payments are fixed through the first lease appraisal date, which varies among the projects, but is generally the first day of the calendar month next succeeding the twentieth or twenty-fifth anniversary of the date on which a temporary certificate of occupancy is issued. For lease years subsequent to the first appraisal date, the leases provide for base rent payments, subject to limitations, based upon a percentage of the fair market value of the land, but generally not less than an amount in excess of the highest base rent payable for any lease year ending prior to the first appraisal date. Two leases were modified to provide for a 25% increase in ground rent spread over 25 years. This modification reduced the ground rent from the original terms at 6% of fair market value. With respect to lease years subsequent to any other reappraisal dates, base rent may not be less than an amount in excess of base rent payable for the lease year immediately prior thereto. Reappraisal dates occur every 15 years, commencing on the fifteenth anniversary of the first appraisal date. Twelve leases for buildings in the south neighborhood with condominium units were modified to provide for increased fixed ground rents spread over the first two reappraisal periods. This modification reduced the ground rent increases from the original terms at 6% of fair market value.

Annual PILOT is also required to be paid to the Authority during the term of these leases. PILOT is a lease payment by the tenants of each lease to the Authority in lieu of paying real property taxes to the City. PILOT is based on the assessed value of the premises as established by the City and the tax rate then applicable to similar classes of real property located in the borough of Manhattan. Many leases provide for an abatement equivalent to the real estate tax abatements provided for in the State's Real Property Tax Law, and are either 10 or 20 years in duration. Abatements for two developments in the south neighborhood will end in 2020 and abatements for the north neighborhood will end in 2020 or thereafter.

Certain residential leases also provide for supplemental rental payments, generally through the first appraisal date, which are to be paid if, and only to the extent, the PILOT payments are less than the minimum specified in each lease (see note 7).

The residential leases also provide for payments to the Authority for the operation and maintenance of civic facilities installed by the Authority and, in some cases, of percentage rent based on rentals from commercial facilities.

Certain leases also provide, among other matters, for the lessees to make payments to the Authority in the event of a conversion to a cooperative or condominium form of ownership.

Under the terms of the Gateway project lease, as amended, the tenant has agreed to pay: (i) a net annual land rent of \$305,440 in 1998 and thereafter, subject to renegotiation or reappraisal as provided in the lease upon the earlier of June 1, 2023 or repayment of the new FHA insured loan; (ii) an annual amount in lieu of real estate taxes which as of February 16, 2016, increases by 20% per year from the pre-refinancing payments in lieu of real estate taxes to an equivalency payment equal to full PILOT starting on February 16, 2020; and (iii) amounts for the operation and maintenance of the civic facilities. The lease, as amended, expires in 2040 and may be extended at the option of the tenant through 2069. In July 2009, the

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Gateway lease was amended to set the amount of land rent, beginning in June 2023, at 8.125% of the aggregate amount of rent collected by the lessee less certain allowances, pass-throughs, and other municipal charges in excess of land rent.

On November 15, 2007, ground leases for Site 23 and Site 24, the last residential sites available for development in Battery Park City, between the Authority and MP Freedom LLC and MP Liberty LLC, respectively, became effective (both MP entities are controlled by The Milstein Organization). Under the leases, the tenants made pre-lease and lease payments totaling approximately \$60 million, including an upfront lease payment of \$56.5 million. Regular payments of base rent, PILOT, and other elements of rent, including a share of the proceeds of the sale of each condominium unit will be received by the Authority over the lease term. The ground lease tenants are also required to construct the core and shell of a community center and ball field maintenance facilities, which is owned by the Authority as condominium units. Construction of the buildings and the Community Center began in the spring of 2008 and was completed as of April 30, 2013.

(7) Future Minimum Lease Revenue

The future minimum base rent and other minimum lease payments (including supplemental rent, as applicable, through the first appraisal date (see note 6)) to be received under the ground leases during each of the Authority's five fiscal years ending from October 31, 2014 through 2018 and through the end of the lease term (thereafter), are as follows (in 000s):

	2014	2015	2016	2017	2018	Thereafter	Total
Commercial development:							
Base rent	\$ 24,218	19,604	19,622	20,282	21,660	1,139,879	1,245,265
Residential developments:							
Gateway project base rent	305	305	305	305	305	6,618	8,143 (a)
S. Res. Neighborhood:							
Base rent	18,048	18,236	18,441	18,752	19,081	1,770,704	1,863,262
Subtotal S. Res.	18,048	18,236	18,441	18,752	19,081	1,770,704	1,863,262
N. Res. Neighborhood:							
Base rent	7,185	7,423	7,686	7,881	8,078	779,463	817,716
Other minimum payments	12,402	13,705	15,254	16,674	17,675	543,044	618,754
Subtotal N. Res.	19,587	21,128	22,940	24,555	25,753	1,322,507	1,436,470
Total	\$ 62,158	59,273	61,308	63,894	66,799	4,239,708	4,553,140

(a) Does not include extension period (see note 6).

Amounts in the above tabulation do not include PILOT (other than minimum supplemental rent payments under the second phase residential leases) and other payments to be received under the ground leases. The minimum payments will be recorded as revenues (supplemental rents) only to the extent that minimum amounts exceed PILOT revenues due. All buildings are fully occupied and minimum lease revenues are included. Revenues to be paid on a percentage basis and other like contingent payments are also excluded from the above tabulation.

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(8) 2003 and 2009 Revenue Bond Resolution Funds

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 Revenue Bond resolutions and held by the trustee is as follows at April 30, 2013 and 2012:

	2003 Revenue Bonds			Total 2003 Bonds
	General Bond Resolution	Senior Bonds	Junior Bonds	
April 30, 2013				
Reserve Fund	\$ 73,136,376	—	—	73,136,376
Project Operating Fund	7,650,342	—	—	7,650,342
Debt Service Funds	—	40,744,710	65,615,690	106,360,400
Residual Fund	103,353,532	—	—	103,353,532
Pledged Revenue Fund	46,983,759	—	—	46,983,759
	\$ 231,124,009	40,744,710	65,615,690	337,484,409

	2003 Revenue Bonds			Total 2003 Bonds
	General Bond Resolution	Senior Bonds	Junior Bonds	
April 30, 2012				
Reserve Fund	\$ 74,012,949	—	—	74,012,949
Project Operating Fund	8,153,167	—	—	8,153,167
Debt Service Funds	—	40,340,901	63,686,311	104,027,212
Residual Fund	124,555,290	—	—	124,555,290
Pledged Revenue Fund	40,010,420	—	—	40,010,420
	\$ 246,731,826	40,340,901	63,686,311	350,759,038

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In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 Revenue Bonds resolutions and were held by the trustee as follows at April 30, 2013 and 2012:

	2009 Revenue Bonds		
	2009A	2009B	Total
	Senior Revenue	Senior Revenue	2009
April 30, 2013	Bonds	Bonds	Bonds
Project Costs Fund	\$ 26,197,298	2,385,353	28,582,651
	\$ 26,197,298	2,385,353	28,582,651

	2009 Revenue Bonds		
	2009A	2009B	Total
	Senior Revenue	Senior Revenue	2009
April 30, 2012	Bonds	Bonds	Bonds
Project Costs Fund	\$ 29,583,395	5,731,931	35,315,326
	\$ 29,583,395	5,731,931	35,315,326

Investments of amounts in funds and accounts established under the various 2003 and 2009 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government, and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Amounts in the Project Costs Fund may be used to pay for costs of certain park, street, and other infrastructure improvements, and other capital expenditures.

Amounts in the Debt Service Funds and dedicated funds established under the 2003 Revenue Bond Resolutions are used to pay debt service on the respective bonds. To the extent not utilized to fund any future debt service deficiencies, the funds will be available to retire bonds issued there-under in the last year of bond maturity.

A Reserve Fund is held for the payments of debt service, which holds an approximate amount of the maximum annual debt service of the 2003 and 2009 Revenue Bonds. In December 2009, upon the issuance of the 2009 Revenue Bonds, an amount of \$1.5 million was added to the 2003 Reserve fund.

Amounts in the Project Operating Fund established under the 2003 General Bond Resolution are not pledged to pay debt service and may be used by the Authority for and on certain additional indebtedness, which may be issued by the Authority for the funding of maintenance, repair, and restoration of the public open areas and civic facilities, and administrative and other expenditures, as defined.

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Amounts held in the Pledged Revenue Fund (“PRF”) are pledged and assigned for the payment of the debt service on the 2003 and 2009 Revenue Bonds and on certain additional indebtedness, which may be issued by the Authority and secured by the Authority’s revenue.

Each November, after meeting funding requirements, the entire balance of funds remaining on deposit in the PRF is transferred to the Residual Fund. These balances become general assets for lawful corporate purposes. From time to time, revenues not pledged to the bondholders are deposited to the PRF.

(9) Authority Bonds Authorized and Assignment of Revenue for Housing New York Corporation Bonds

The Act, as amended, authorizes the Authority to issue bonds and notes in amounts not to exceed: (a) \$300 million outstanding at any one time for the development of the Project; (b) another \$150 million for the purpose of financing capital costs in connection with development of the Project area, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (c) \$400 million outstanding at any one time for the making of loans to housing companies organized to provide housing within the Project area pursuant to the New York State Private Housing Finance Law; (d) \$100 million for the purpose of repaying State appropriations including accrued interest thereon and funding the infrastructure of the Project, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (e) \$150 million for the purpose of making a payment to the City, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; and (f) \$250 million for the purpose of making a payment to the State of New York. Such authorized amounts exclude bonds and notes issued to refund outstanding bonds and notes.

The Act, as amended, also authorizes the Authority to pledge and assign excess revenues, as defined, to the Housing New York Corporation (“HNYC”), a State public benefit corporation and subsidiary of the New York City Housing Development Corporation, in such amounts as are necessary to secure the issuance of bonds or notes by HNYC, in amounts not to exceed \$400 million, to finance low- and moderate-income housing developments outside the Authority’s Project area, plus a principal amount of bonds or notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. Pursuant to the Housing New York Act, only those bond or note proceeds of HNYC that are available on or before June 30, 1995 are permitted to be used to finance the housing program. Consequently, unless the Housing New York Act is amended, the Authority cannot pledge or assign any additional revenues in the future for the HNYC housing program.

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed \$110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of April 30, 2013, no bonds were issued for this purpose.

The Act, as amended, authorized the Authority to enter into interest rate exchange agreements through December 31, 2003 in connection with the issuance of Authority debt or in connection with Authority debt already outstanding, to provide for an exchange of payments based upon fixed and/or variable interest rates. In October 2003, the Authority entered into \$400 million of interest rate exchange agreements (see note 10).

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Issuance of additional bonds by the Authority is subject to meeting certain conditions, including projected debt service coverage tests, and approval by the City and the State Public Authorities Control Board.

(10) 2003 Revenue Bonds

On October 16, 2003, the Authority issued \$406,350,000 (\$433,345,972 inclusive of net premium) of fixed-rate Senior Revenue Bonds, Series A (the “2003 Series A Bonds”) and \$635,000,000 variable-rate Junior Revenue Bonds, comprising \$235,000,000 of Series B (the “2003 Series B Bonds”) and \$400,000,000 of Series C (the “2003 Series C Bonds”), for a total of \$1,068,345,972. The bonds were issued for the following purposes:

- A total of \$564,891,733 of bonds (including \$343,017,495 of the 2003 Series A Bonds, \$50,871,502 of the 2003 Series B Bonds, and \$171,002,776 of the 2003 Series C Bonds) were issued to currently refund all the outstanding 1993 Revenue Refunding Bonds, including \$324,045,000 of the 1993 Series A Senior Bonds, \$115,420,000 of the 1993 Series A Junior Bonds, and \$53,075,000 of the Junior Revenue Bonds, Series 2000.
- \$95,755,874 of the 2003 Series C Bonds were issued to advance refund \$74,385,000 of outstanding Junior Revenue Bonds, Series 1996 A.
- \$115,160,363 of the 2003 Series B Bonds was issued to finance certain infrastructure and other capital improvements.

In conjunction with the refunding of all of the outstanding revenue bonds, the Authority issued \$292,537,963 of bonds (including \$90,328,477 of the 2003 Series A Bonds, \$68,968,136 of the 2003 Series B Bonds, and \$133,241,350 of the 2003 Series C Bonds) to current refund \$250,390,000 of outstanding 1993 HNYC Senior Bonds (see note 9).

Funds aggregating \$860,037,332, representing the net proceeds of the bond issues after payment of underwriting fees and other issuance cost and deposits to debt service reserve and other funds and accounts held under the various resolutions for the refunded bonds, were used to purchase U.S. government securities. In addition, approximately \$90.4 million of the bond proceeds was made available to the Authority to facilitate development and maintenance of the Project. All of the project development proceeds were utilized in prior years.

The refunding resulted in the reacquisition price exceeding the net carrying amount of the refunded debt by \$39 million. Of that amount, approximately \$8 million related to issuance costs other than insurance. In accordance with GASB 65, the remaining \$31 million is to be amortized over the remaining life of the debt. The difference between the reacquisition price and the net carrying amount of the refunded debt is reflected on the Authority’s statement of net position as an unamortized loss on extinguishment of debt and is being deferred over the life of the old debt with a pro rata charge to interest expense for the six-month periods ended April 30, 2013 and 2012.

The payment of principal commenced in November 2008 on the 2003 Series A and 2003 Series C Bonds, while payment on the 2003 Series B Bonds commences in 2033.

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At April 30, 2013, the 2003 Series A Bonds consist of the following serial bonds:

	Coupon rates	Principal amounts	Interest
Fiscal year ended:			
2013 (1/2 year)	3.40% – 5.50%	—	8,573,979
2014	3.50% – 5.50%	16,140,000	16,735,258
2015	3.625% – 5.25%	17,165,000	15,880,183
2016 – 2020	3.75% – 5.25%	103,310,000	64,458,022
2021 – 2025	4.25% – 5.25%	134,935,000	33,753,233
2026 – 2027	4.625% – 5.00%	64,025,000	3,231,869
Totals		<u>\$ 335,575,000</u>	<u>142,632,544</u>

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million, which is being amortized on a straight-line basis, over the lives of the 2003 Series A Bonds. At April 30, 2013 and 2012, the unamortized net bond premium was approximately \$15.8 million and \$17 million, respectively. The 2003 Series A Bonds maturing after November 1, 2013 are subject to redemption, in whole or in part, at any time on or after November 1, 2013 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of April 30, 2013, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds are as follows:

	Junior B		Junior C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year ended:						
2013 (1/2 year)	—	471,763	—	762,724	—	1,234,487
2014	—	943,525	5,450,000	1,514,425	5,450,000	2,457,950
2015	—	943,525	5,450,000	1,492,377	5,450,000	2,435,902
2016	—	943,525	5,450,000	1,470,330	5,450,000	2,413,855
2017	—	943,525	5,450,000	1,448,282	5,450,000	2,391,807
2018 – 2022	—	4,717,625	28,075,000	6,907,509	28,075,000	11,625,134
2023 – 2027	—	4,717,625	33,150,000	6,292,960	33,150,000	11,010,585
2028 – 2032	—	4,717,625	225,300,000	3,734,123	225,300,000	8,451,748
2033 – 2037	110,900,000	4,056,555	66,500,000	276,640	177,400,000	4,333,195
2038 – 2040	124,100,000	760,441	—	—	124,100,000	760,441
Total	<u>\$ 235,000,000</u>	<u>23,215,734</u>	<u>374,825,000</u>	<u>23,899,370</u>	<u>609,825,000</u>	<u>47,115,104</u>

The 2003 variable-rate Junior Revenue Bonds were issued as Auction Rate Securities (“ARS”) and the principal and interest are insured by municipal bond insurance policies. Interest rates on these bonds are reset periodically through an auction process in the secondary market. The 2003 Series B Bonds reset on a 7-day auction cycle and the 2003 Series C Bonds reset on a 35-day auction cycle.

Interest in the above table is based on actual auction rates in effect closest to April 30, 2013, which were .396%, .396%, and .396% for Series B1, B2, and B3 of the 2003 Series B Bonds, respectively; and .408%, .404%, .398%, .398%.and .396% for Series C1, C2, C3, C4, and C5 of the 2003 Series C Bonds, respectively.

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The 2003 Series B Bonds in entirety and \$100 million of the 2003 Series C Bonds are insured by Assured Guaranty Municipal Corporation (“AGMC”). The remaining \$300 million of the 2003 Series C Bonds are insured by AMBAC Assurance Corporation (“AMBAC”).

In February 2008, the auctions for the Authority’s ARS in the secondary market began to fail intermittently due to insufficient investor orders to support the product resulting in higher interest rates paid on the 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt). On any failed auction date, the reset rate is set at a percentage of the 30-day London Interbank Offered Rate (LIBOR) based on the prevailing rating of the series bonds. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2012 through April 30, 2013 ranged from a low of .396% to a high of .428% on the 2003 Series B Bonds and from a low of .396% to a high of .426% on the 2003 Series C Bonds.

On October 2, 2003, the Authority executed six Swaps with three counterparties. The Swaps were executed in conjunction with the Authority’s issuance of \$400 million of its 2003 Series C Bonds (the “Bonds”). The total notional amount of the Swaps was \$400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The amortization schedules of the total amount of the Swaps and the Bonds are identical, with each having a final amortization of November 1, 2033.

	2003 Series C Bonds		Interest-rate swaps		
	Principal		Payment	Receipts	Net payment
Fiscal Year ended:					
2013 (1/2 year)	\$ —		(6,469,480)	243,271	(6,226,209)
2014	5,450,000		(12,844,892)	479,467	(12,365,425)
2015	5,450,000		(12,656,758)	472,393	(12,184,365)
2016	5,450,000		(12,468,624)	465,318	(12,003,306)
2017	5,450,000		(12,280,490)	458,244	(11,822,246)
2018 – 2022	28,075,000		(58,553,256)	2,183,547	(56,369,709)
2023 – 2027	33,150,000		(53,309,236)	1,983,063	(51,326,173)
2028 – 2032	225,300,000		(31,487,418)	1,037,791	(30,449,627)
2033 – 2034	66,500,000		(2,308,525)	43,647	(2,264,878)
Totals	\$ 374,825,000		(202,378,679)	7,366,741	(195,011,938)

The above table includes payments based on the Authority’s fixed-rate Swap payment obligation at an interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30-day LIBOR on April 30, 2013 (65% of 0.1997% or 0.1298%), which the counterparties are obligated to pay the Authority on a monthly basis. Receipts are projected based on the latest interest rate at April 30, 2013, but will vary monthly.

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In June 2008, GASB issued GASB No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$98.4 million at April 30, 2013 and \$98.3 million at April 30, 2012 as a liability and recorded a corresponding asset for the accumulated decrease in the fair value of the interest rate swap agreements (deferred outflows of resources per GASB No. 53). The fair market value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

The Authority is exposed to a limited degree of counterparty credit risk associated with the Swaps. However, each of the counterparties carries a rating in the "Baa1" or higher category from at least one of the nationally recognized credit rating agencies. The counterparties are required to post collateral to the extent that they experience an appreciable decline in credit rating and the Swaps have positive fair value for the Authority.

The Swaps expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the 65% of LIBOR receipts.

Debt service on the Senior 2003 and 2009 Bonds (see notes 11 and 12) and the Junior 2003 Bonds is secured by and payable, after satisfaction of certain administrative, operating, and maintenance obligations of the Authority, solely from certain pledged lease revenues and Swap receipts which are required to be deposited and maintained in the PRF established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2003 and 2009 Senior Bonds or the 2003 Junior Bonds and certain other beneficiaries, as their respective interest may appear. In addition, the Bonds, and certain swap payments and reimbursement obligations, are secured by the Reserve Fund established under the 2003 General Bond Resolution. The rights to payment of the 2003 and 2009 Senior Bonds, senior swap payments, and senior reimbursement obligations from amounts in the PRF and the Reserve Fund are senior to the rights to payment of the 2003 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and certain other amounts will be transferred into an unpledged Residual Fund and may be used by the Authority for other purposes (see note 8).

In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund to the credit of which was deposited approximately \$46 million. The Special Fund was funded from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special

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Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues (see note 19(f)).

(11) 2009 Revenue Bonds

On December 22, 2009, the Authority issued \$56,600,000 of fixed-rate Senior Revenue Bonds (federally taxable – Build America Bonds), Series A (the “2009 Series A Bonds”) and \$30,635,000 (\$32,446,008 inclusive of net premium) of variable fixed-rate Senior Revenue Bonds, Series B (the 2009 Series B Bonds), for a total of \$89,046,008. The bonds were issued for the following purposes:

- A total of \$85,000,000 of bonds (including \$55,000,000 of the 2009 Series A Bonds, \$30,000,000 of the 2009 Series B Bonds) were issued to finance certain infrastructure and other capital improvements.
- Funds aggregating \$1,544,849, representing the net proceeds of the bond issues after payment of underwriting fees, other issuance costs and allocation of funds to infrastructure and other capital improvements accounts, were deposited into a reserve fund (see note 8).

The payment of principal commences in November 2032 on the 2009 Series A Bonds, while payment on the 2009 Series B Bonds commenced in November 2010.

The 2009 Series A Bonds were issued as “Build America Bonds” (“BABs”) under section 54AA of the U.S. Tax Code for which it expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the six-month period ended April 30, 2013, the Authority received the March 2013 payment from the U.S. Treasury in the amount of \$576,508 pursuant to the subsidy. The Authority can give no assurances about future legislation or changes that may affect the availability, amount or receipt of such subsidy payments. The BABs subsidy was reduced to approximately 32% of the interest payable by the Authority on the bonds for Fiscal Year 2013. This is pursuant to the Balanced Budget and Emergency Deficit Control Act issued on March 1, 2013 and implemented on March 27, 2013.

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At April 30, 2013, the 2009 Series A Bonds consist of the following serial bonds:

	Coupon rates	Principal amounts	Interest	BABs subsidy	Interest (net of BABs subsidy)
Fiscal Year ended:					
2013 (1/2 year)	6.375%	\$ —	1,804,125	(576,508)	1,227,617
2014	6.375%	—	3,608,250	(1,262,888)	2,345,362
2015	6.375%	—	3,608,250	(1,262,888)	2,345,362
2016	6.375%	—	3,608,250	(1,262,888)	2,345,362
2017	6.375%	—	3,608,250	(1,262,888)	2,345,362
2018 – 2022	6.375%	—	18,041,250	(6,314,438)	11,726,812
2023 – 2027	6.375%	—	18,041,250	(6,314,438)	11,726,812
2028 – 2032	6.375%	65,000	18,041,250	(6,314,438)	11,726,812
2033 – 2037	6.375%	33,480,000	16,186,284	(5,665,200)	10,521,084
2038 – 2040	6.375%	23,055,000	3,296,672	(1,153,835)	2,142,837
Totals		\$ 56,600,000	89,843,831	(31,390,409)	58,453,422

The 2009 Series A Bonds maturing after November 1, 2019 are subject to redemption, in whole or in part, at any time on or after November 1, 2019 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of April 30, 2013, principal and interest payments due on the 2009 Series B Bonds are as follows:

	Coupon rates	Principal amounts	Interest
Fiscal Year ended:			
2013 (1/2 year)	2.00%	\$ —	712,328
2014	2.00%	310,000	1,421,556
2015	2.50%	310,000	1,414,581
2016	2.50%	315,000	1,406,769
2017	3.00%	335,000	1,397,806
2018 – 2022	3.00% - 5.00%	1,775,000	6,808,906
2023 – 2027	3.50% - 5.00%	2,005,000	6,368,144
2028 – 2032	4.00% - 4.125%	2,300,000	5,911,097
2033 – 2035	5.00%	22,670,000	1,538,750
Totals		\$ 30,020,000	26,979,937

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately \$1.8 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At April 30, 2013 and 2012, the unamortized net bond premium was approximately \$1.6 million and \$1.6 million, respectively.

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(12) Agreements with the City of New York Relating to Disposition of Revenue

The Authority entered into the Settlement Agreement with the City which provides, in effect, that: (i) all PILOT received by the Authority from its tenants remaining after operating and administrative expenses, payment of a proportionate part of principal and interest on the 2003 and 2009 Revenue Bonds (see notes 9, 10 and 11), certain site development costs, and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority in the Joint Purpose Fund and the City shall jointly determine.

The \$103.3 million of PILOT related receipts provided for the transfer to the City during the fiscal year ended October 31, 2012 was paid in June 2013. A provision in the amount of \$47.1 million has been charged as a nonoperating expense for the six-month period ended April 30, 2013.

In January 2010, the City and the Authority signed an agreement (the "2010 Agreement") to distribute \$861 million of excess revenues held by the Authority in the Joint Purpose Fund. The City and State were each allocated \$200 million to be distributed in a pari passu basis. After meeting that \$400 million obligation, an additional amount of up to \$200 million is to be distributed by the Authority to a City 421-A affordable housing fund followed by a \$261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the Joint Purpose Fund and there is no time limit or a minimum for the amount that needs to be paid or accrued over time.

By May 2011, the Authority fulfilled the \$400 million obligation. Of the \$200 million due to the City 421-A fund, payments totaling \$121.4 million have been made through May 2013. An accrual in the amount of \$19.8 million was charged to operations for the six-month period ended April 30, 2013 as an estimated expected payment under the 2010 Agreement for the City 421-A fund.

(13) Rents and Other Receivables

Rents and other receivables comprise the following at April 30, 2013 and 2012:

	2013	2012
Swap interest receivable	\$ 41,358	49,693
Miscellaneous receivables	968,876	609,901
Due from NYC Pier A - restoration	1,276,875	6,916,861
Interest receivable	950,843	968,382
Due from Community Center Operations	—	1,442,245
Superstorm Sandy receivable	3,888,554	—
Rents receivable	<u>2,146,043</u>	<u>3,679,365</u>
 Total receivables	 9,272,549	 13,666,447
 Less allowance for doubtful accounts	 <u>(750,616)</u>	 <u>(444,185)</u>
 Net receivables	 \$ 8,521,933	 13,222,262

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(14) Accounts Payable and Other Liabilities

Accounts payable and other liabilities at April 30, 2013 and 2012 comprise the following:

	2013	2012
Amounts due to vendors	\$ 2,457,859	1,892,556
Contract retention	2,585,731	2,873,515
Due to developers	27,416	27,416
Superstorm Sandy advances	4,291,426	—
State recovery costs	2,926,398	2,618,182
Accrued payroll and benefits	809,534	718,107
Accrued lease costs – Goldman	—	895,434
Total	<hr/> \$ 13,098,364	<hr/> 9,025,210

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(15) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of April 30, 2013 and 2012 are comprised of the following obligations:

	<u>October 31, 2012 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2013</u>	<u>Due within one year</u>
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 350,780,000	—	15,205,000	335,575,000	16,140,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	<u>378,900,000</u>	<u>—</u>	<u>4,075,000</u>	<u>374,825,000</u>	<u>5,450,000</u>
Subtotal	964,680,000	—	19,280,000	945,400,000	21,590,000
Unamortized net premiums	<u>16,384,095</u>	<u>—</u>	<u>586,869</u>	<u>15,797,226</u>	<u>—</u>
Subtotal 2003 Bonds	981,064,095	—	19,866,869	961,197,226	21,590,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	<u>30,135,000</u>	<u>—</u>	<u>115,000</u>	<u>30,020,000</u>	<u>310,000</u>
Subtotal	86,735,000		115,000	86,620,000	310,000
Unamortized net premiums	<u>1,602,941</u>	<u>—</u>	<u>36,424</u>	<u>1,566,517</u>	<u>—</u>
Subtotal 2009 Bonds	<u>88,337,941</u>	<u>—</u>	<u>151,424</u>	<u>88,186,517</u>	<u>310,000</u>
Total bonds outstanding	<u>1,069,402,036</u>	<u>—</u>	<u>20,018,293</u>	<u>1,049,383,743</u>	<u>21,900,000</u>
Other long-term liabilities:					
OPEB - Authority	18,463,988	601,537	636,833	18,428,692	—
OPEB - Conservancy	9,974,259	934,584	—	10,908,843	—
Fair value of interest rate swaps	106,703,964	—	8,290,068	98,413,896	—
Unearned revenue	345,430,849	—	4,350,884	341,079,965	42,672,382
Security and other deposits	<u>22,455,969</u>	<u>421,263</u>	<u>—</u>	<u>22,877,232</u>	<u>88,449</u>
Total other long-term liabilities	<u>503,029,029</u>	<u>1,957,384</u>	<u>13,277,785</u>	<u>491,708,628</u>	<u>42,760,831</u>
Total long-term liabilities	<u>\$ 1,572,431,065</u>	<u>1,957,384</u>	<u>33,296,078</u>	<u>1,541,092,371</u>	<u>64,660,831</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

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	<u>October 31, 2011(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2012(Restated)</u>	<u>Due within one year</u>
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 365,155,000	—	14,375,000	350,780,000	15,205,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	385,725,000	—	5,450,000	380,275,000	5,450,000
Subtotal	985,880,000	—	19,825,000	966,055,000	20,655,000
Unamortized net premiums	<u>17,557,833</u>	<u>—</u>	<u>586,869</u>	<u>16,970,964</u>	<u>—</u>
Subtotal 2003 Bonds	1,003,437,833	—	20,411,869	983,025,964	20,655,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	<u>30,390,000</u>	<u>—</u>	<u>255,000</u>	<u>30,135,000</u>	<u>115,000</u>
Subtotal	86,990,000		255,000	86,735,000	115,000
Unamortized net premiums	<u>1,675,789</u>	<u>—</u>	<u>36,424</u>	<u>1,639,365</u>	<u>—</u>
Subtotal 2009 Bonds	<u>88,665,789</u>	<u>—</u>	<u>291,424</u>	<u>88,374,365</u>	<u>115,000</u>
Total bonds outstanding	<u>1,092,103,622</u>	<u>—</u>	<u>20,703,293</u>	<u>1,071,400,329</u>	<u>20,770,000</u>
Other long-term liabilities:					
OPEB - Authority	17,633,427	797,056	411,171	18,019,312	
OPEB - Conservancy	8,769,643	600,816		9,370,459	
Fair value of interest rate swaps	92,948,044	5,327,557		98,275,601	
Unearned revenue	358,010,660		7,580,977	350,429,683	40,154,555
Security and other deposits	<u>21,233,516</u>	<u>849,907</u>	<u>148,692</u>	<u>21,934,731</u>	<u>88,275</u>
Total other long-term liabilities	<u>498,595,290</u>	<u>7,575,336</u>	<u>8,140,840</u>	<u>498,029,786</u>	<u>40,242,830</u>
Total long-term liabilities	<u>\$ 1,590,698,912</u>	<u>7,575,336</u>	<u>28,844,133</u>	<u>1,569,430,115</u>	<u>61,012,830</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

(16) Retirement Costs

The Authority – The Authority participates in the New York State and Local Employees' Retirement System ("ERS"), and the Public Employees' Group Life Insurance Plan (the "Plan"). These are cost-sharing multiple-employer, defined benefit retirement systems. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the ERS and the Plan. The Comptroller

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adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and the Plan, and for the custody and control of their funds. The ERS and the Plan issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, NY 12236.

The ERS is noncontributory for employees in Tiers 1 or 2, who joined the ERS prior to July 27, 1976. Employees who joined the ERS after July 27, 1976 entered into Tiers 3 or 4, which require a 3% contribution of their salary for their first 10 years of service. Employees who joined the ERS after December 31, 2009 entered into Tier 5, which requires a 3% contribution of their salary for all years of service. Employees who joined ERS after March 31, 2012 entered into Tier 6, which requires a contribution ranging between 3 to 6% of their salary, based on their wages, for all years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the current fiscal year and two preceding fiscal years were:

Year	Amount
2013	\$ 540,874
2012	526,582
2011	<u>624,001</u>
	<u>\$ 1,691,457</u>

The Authority's contributions made to the systems were equal to 100% of the contributions required for each year.

The Conservancy – In March 2007, the Conservancy entered into a retirement benefit plan administered by Cultural Institutions Retirement System (“CIRS”) for all eligible employees. CIRS’ retirement benefit plan is a cost-sharing multiple-employer sponsored plan consisting of a defined benefit plan (“CIRS Pension Plan”) and a Section 401(k) defined contribution plan (“CIRS Savings Plan”). CIRS is responsible for administering all aspects of the CIRS Pension Plan, including the investment of CIRS Plan assets that are held in trust for beneficiaries of the CIRS Pension Plan. The CIRS Savings Plan allows participants to select their own investments from a range of options. CIRS issues an annual financial summary report for the Plans. The report can be obtained by contacting Cultural Institutions Retirement System or on their website at www.cirsplans.org.

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a multiemployer plan by the U.S. Department of Labor. In the event of CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to \$160.1 thousand and \$168.4 thousand for the periods ended April 30, 2013 and April 30, 2012, respectively. The Conservancy began participation in the CIRS Savings Plan during fiscal 2007. Under the CIRS Savings Plan, participants are required to contribute at least 2% of their base salary and direct the investment of their

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funds based on the investment options offered by the Savings Plan. To be eligible under this plan, employees must be over the age of 21 and be employed for a minimum of 3 months. Total contributions made by participants for the six-month periods ended April 30, 2013 and 2012 were \$111,654 and \$120,059, respectively.

(17) Postemployment Healthcare Plan – Battery Park City Authority

(a) Plan Description

The Authority is a participating employer in the New York State Health Insurance Program (“NYSHIP”), which is administered by the State as an agent multiple employer defined benefit plan. Under the plan the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority’s Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority’s plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee’s service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority’s minimum service requirement, but has not met the age requirement for continuing health insurance. As of April 30, 2013, 76 participants, including 45 employees, 1 vestee and 30 retired and/or spouses of retired employees were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP’s agent activities are included within the financial statements of the State.

Effective November 1, 2006, the Authority implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. Through the fiscal year ended October 31, 2006, OPEB provisions were financed on a pay-as-you-go basis. The first actuarial valuation date was November 1, 2006. As an employer with less than 200 members, the Authority is required to perform an actuarial valuation at least triennially, unless there are significant changes in benefit provisions, the size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2012 an updated actuarial valuation was completed for the valuation date of November 1, 2012. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority’s annual OPEB cost for the plan is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future

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years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Authority's current period ARC is approximately \$382 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2012 triennial valuation includes an actuarial accrual liability ("AAL") adjustment calculation of \$2.1 million credit due primarily to overestimated increases in premiums. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008.

(b) *Funding*

The contribution requirements (funding) of the Authority's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Authority's net OPEB obligation continues to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of April 30, 2013 and 2012 are as follows:

	2013	2012
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 18,463,989	17,633,427
Annual Required Contribution (ARC):		
Normal cost	264,746	417,759
Interest to period end	336,791	374,561
Payments for retirees during period	(254,815)	(224,527)
ARC amortization	<u>(382,019)</u>	<u>(181,908)</u>
Net OPEB obligation end of period	<u>\$ 18,428,692</u>	<u>18,019,312</u>
Actuarial Accrued Liability (AAL) November 1, 2012 and 2011	\$ 18,463,989	17,633,427
Funded OPEB plan assets	<u>—</u>	<u>—</u>
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2012 and 2011	<u>\$ 18,463,989</u>	<u>17,633,427</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 4,220,205	3,061,380
UAAL as percentage of covered payroll	438%	576%

Corporate assets held at April 30, 2013 and 2012 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$20.3 million and \$19.6 million, respectively. The OPEB assets are included in the statement of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Authority's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(18) Postemployment Healthcare Plan – Battery Park City Parks Conservancy

(a) Plan Description

The Conservancy decided effective February 1, 2010 to provide its retirees with health benefits as a participating employer in NYSHIP, which is administered by the State as an agent multiple employer defined benefit plan. Under the plan, the Conservancy provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. The Conservancy's Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Conservancy's Plan states that employees and/or their dependents become eligible for these benefits

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when the employee reaches 55 years of age and has 10 years of service. In calculating the 10-year service requirement, all of the employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS (see note 16), has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. As of April 30, 2013, 78 participants, including 74 employees, 1 vestee, 3 retired and spouses of retired employees were eligible for these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective February 1, 2010, the Conservancy implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. A new triennial actuarial valuation was performed April 26, 2013 with results rolled into fiscal years 2013, 2014 and 2015. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment mortality and the healthcare cost trend.

The Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately \$951 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note.

(b) *Funding*

The contribution requirements (funding) of the Conservancy's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Conservancy's net OPEB obligation is expected to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Conservancy's OPEB obligation and the funded status of the plan as of April 30, 2013 and 2012 are as follows:

	2013	2012
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 9,974,257	8,769,643
Annual Required Contribution (ARC):		
Normal cost	560,550	421,031
Interest to period end	199,989	191,465
Payments for retirees during period	(16,287)	(11,679)
ARC amortization	190,334	—
Net OPEB obligation end of period	<u>\$ 10,908,843</u>	<u>9,370,460</u>
Actuarial Accrued Liability (AAL) November 1, 2012 and November 1, 2011	\$ 9,974,257	8,769,643
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2012 & November 1, 2011	<u>\$ 9,974,257</u>	<u>8,769,643</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,904,416	4,065,192
UAAL as percentage of covered payroll	255%	216%

Corporate assets held at April 30, 2013 and 2012 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$10.4 million and \$9.8 million, respectively. The OPEB assets are included in the statement of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Conservancy's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(19) Commitments and Other Matters

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$22.3 million as of April 30, 2013.
- (b) The Authority rents office space in One World Financial Center, as well as community meeting space, field offices, and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to \$743 thousand and \$749 thousand for the six-month periods ended April 30, 2013 and 2012, respectively. The future minimum lease payments are as follows:

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2013 (1/2 year)	\$ 739,915
2014	1,168,626
2015	<u>87,010</u>
Total minimum payments required	\$ <u>1,995,551</u>

- (c) The terrorist attack on the World Trade Center on September 11, 2001 destroyed the North Bridge and severely damaged the South Bridge owned by the Authority. After commencing suit against the insurers of the bridges to obtain funds for physical loss and damage to the bridges, a settlement was reached in the sum of \$38 million. Pursuant to a written agreement made in December 2005, the insurance monies were deposited, in May 2006, into an interest-bearing account (“Insurance Fund”), jointly controlled by the Authority and the Management Committee of the World Financial Center, (comprised of Brookfield Financial Properties, American Express Company, and Merrill Lynch & Co.), for the purposes of: (i) improving pedestrian access to the World Financial Center in the area where the North Bridge had been destroyed, (ii) restoring the South Bridge, and (iii) the construction of the World Financial Center Pavilion. These funds are not recorded as assets of the Authority in the accompanying statements of net position.

In March 2009, the Authority and the Management Committee entered into an agreement permitting the following withdrawals from the Insurance Fund: (i) up to \$1,747,000 to fund the cost of the foundation of a structure, proposed by Brookfield, which would shelter the escalator bank in front of, and provide access to, the Winter Garden, from a pedestrian concourse which The Port Authority of New York & New Jersey (“PANYNJ”), and now Brookfield, is constructing under West Street, connecting the World Trade Center site and the World Financial Center, (ii) up to \$4,405,000 to fund the Authority’s construction of an eastern extension of the South Bridge, as part of a project to renovate the Bridge. The Authority’s only withdrawal was in March 2010 of \$483,288 to fund certain soft costs of the Authority for the South Bridge extension.

The remaining funds are to be used by Brookfield for the construction of the World Financial Center Pavilion, of which withdrawals have been made totaling \$30,177,306 at April 30, 2013.

- (d) In November 2007, the Authority designated the New York City School Construction Authority (“SCA”) as the ground lessee and developer of Site 2B for the purpose of constructing a public school for elementary and intermediate school students. The school opened in the fall of 2010 and the Authority will receive nominal rent for the site.
- (e) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the “Pier”), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the “Lease”), based on the major terms described in the Term Sheet. The lease was executed in October 2008. Under the lease, the Authority is redeveloping the Pier with funding provided by the City, which will then be used for recreational, maritime, and ancillary uses, including retail purposes. At April 30, 2013 and 2012, the cumulative amounts the Authority had received from the City for Pier A related costs, were approximately \$28.7 million and \$13.1 million, respectively.

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- (f) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to \$40 million of Special Fund monies (see note 10) to the PANYNJ for the construction of a planned pedestrian concourse running under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of April 30, 2013, the Authority disbursed a total sum of \$37,896,480 to the PANYNJ.
- (g) Pursuant to its ground lease with Goldman providing for construction by Goldman of a new world headquarters building in Battery Park City, the Authority entered into an arrangement as of July 18, 2007 under which Goldman may make purchases related to construction, furnishing, and equipping the building without liability for New York State and City sales tax, for an aggregate sales tax exemption of up \$60 million. To qualify for the exemption, the Authority is liable for payment of Goldman's purchases in connection with the building, in an amount not to exceed \$100 million (in addition to the value of goods delivered to the building), which purchases Goldman is to make as agent of the Authority, but which Goldman is obligated to pay pursuant to its ground lease. The Goldman Sachs Group, Inc. (the corporate parent of Goldman) executed a guaranty to assure reimbursement of any amounts paid by the Authority as a consequence of this arrangement. The likelihood of any payments made directly by the Authority resulting from this arrangement is considered remote.
- (h) For the six-month period ended April 30, 2013, the Authority received approximately \$4.3 million in insurance and Federal assistance advances and has paid out approximately \$3.7 million for remediation work for damage caused by super storm Sandy. The Authorities management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Damages are being assessed and costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover the majority of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund.

(20) Battery Park City Parks Conservancy

The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation. The Authority, as sole member of the Conservancy, designated the Authority's members to serve as the Conservancy's board of directors. By approval of the Board of Directors, the Conservancy added the Authority's President as an additional director. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the six-month periods ended April 30, 2013 and 2012, the Authority paid the Conservancy approximately \$4.6 million and \$4.1 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$450 thousand and \$186 thousand at April 30, 2013 and 2012, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Balance Sheet).

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(21) Litigation

Approximately 800 claims have been asserted against the Authority in the United States District Court for the Southern District of New York (hereinafter referred to as the “Court”) by plaintiffs who worked in and around the World Trade Center site after the September 11th attack (such claims hereinafter referred to as the “9/11 Claims”). Some of the plaintiffs had performed clean-up activities for ground lessees of the Authority and for the tenants of commercial and residential buildings in Battery Park City. Plaintiffs seek damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. The Authority’s ground leases provide for ground lessees to indemnify the Authority against certain claims. To date, Brookfield, Merrill Lynch and Lefrak have agreed to assume the defense of the 9/11 Claims related to the premises that they control. The Authority is pursuing the tender of the remaining claims to its other ground lessees. Certain of the Authority’s insurers have taken the position that their insurance policies for the applicable period do not provide coverage to the Authority for these claims.

Current Status: In November 2010, off-site cases (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) were permitted to proceed with litigation. However, the James Zadroga 9/11 Health and Compensation Act of 2010 (the “Zadroga Act”) bars Plaintiffs participating in the amended 2001 Victim Compensation Fund from suing the Authority and requires them to drop their lawsuits, thereby reducing the Authority’s potential exposure. A total of 153 plaintiffs with claims against the Authority chose to drop their lawsuits and participate in the amended VCF. The Court has so ordered these dismissals and 153 cases against the Authority have been dismissed with prejudice.

The Court subsequently dismissed an additional 81 cases against the Authority with prejudice due to the plaintiffs’ failure to properly verify their responses under oath as required by the Court ordered database of off-site cases. The Second Circuit, Court of Appeals recently affirmed the dismissal of these cases. Out of the 81 cases, 74 of those cases had also elected to participate in the VCF and were included in the Court’s order dismissing the 153 cases referenced above.

As a result of a motion to dismiss those cases where the plaintiffs did not allege a physical injury, alleged only a fear of cancer or only sought medical monitoring, the Court dismissed a further 104 cases against the Authority with prejudice. The dismissal of these cases is presently the subject of an appeal by the plaintiffs to the Second Circuit, Court of Appeals.

As a result of these dismissals together with Claims that were abandoned or never pursued, 534 cases (including Claims for which tender was accepted) remain against the Authority.

The Authority is named as a defendant in 7 of the 9 first phase cases that are nearing completion of discovery and has successfully tendered its defense to its lessees in 3 of those cases. The Court recently ordered the second phase of discovery to begin, which consists of 30 cases in which the Authority is named as a defendant in 25. However, many of these plaintiffs are making claims against the Authority for locations where the Authority is receiving a defense and indemnification from Brookfield, Merrill Lynch or Lefrak. The Court has ordered that 15 cases proceed to trial on July 14, 2014.

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Other Supplementary Information – Combining Statement of Net Position
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Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 10,689	479,375	—	490,064
Investments	1,166,434	—	—	1,166,434
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$750,616)	8,519,699	451,801	(449,567)	8,521,933
2003 Revenue Bond Resolution Funds	250,625,030	—	—	250,625,030
2009 Revenue Bond Resolution Funds	2,826,453	—	—	2,826,453
Corporate-designated and escrowed funds	49,098,455	—	—	49,098,455
Total current assets	<u>312,246,760</u>	<u>931,176</u>	<u>(449,567)</u>	<u>312,728,369</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	86,859,379	—	—	86,859,379
2009 Revenue Bond Resolution Funds	25,756,198	—	—	25,756,198
Residential lease required funds	22,142,151	—	—	22,142,151
Corporate-designated, escrowed, and OPEB funds	76,293,529	—	—	76,293,529
Bond insurance costs, less accumulated amortization of \$8,899,070	21,050,542	—	—	21,050,542
Battery Park City project assets – at cost, less accumulated depreciation	485,746,682	—	—	485,746,682
Other assets	4,965,278	286,011	—	5,251,289
Total noncurrent assets	<u>722,813,759</u>	<u>286,011</u>	<u>—</u>	<u>723,099,770</u>
Total assets	<u>1,035,060,519</u>	<u>1,217,187</u>	<u>(449,567)</u>	<u>1,035,828,139</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of interest rate swaps	98,413,896	—	—	98,413,896
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	17,702,853	—	—	17,702,853
Total deferred outflows of resources	<u>116,116,749</u>	<u>—</u>	<u>—</u>	<u>116,116,749</u>
Total assets and deferred outflows of resources	<u>\$ 1,151,177,268</u>	<u>1,217,187</u>	<u>(449,567)</u>	<u>1,151,944,888</u>

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Other Supplementary Information – Combining Statement of Net Position

April 30, 2013 (Unaudited)

Liabilities and Net Position	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 17,676,011		—	17,676,011
Accounts payable and other liabilities	12,905,871	642,060	(449,567)	13,098,364
Due to the City of New York	150,356,587	—	—	150,356,587
Due to the City of New York - 2010 Agreement	65,951,155	—	—	65,951,155
Due to the Port Authority of New York & New Jersey	—	—	—	—
Due to NYC School Construction Authority	1,898,808	—	—	1,898,808
Unearned revenue (note 3(d)):				
PILLOT revenue	27,596,258	—	—	27,596,258
Base rent and other revenue	15,076,124	—	—	15,076,124
Security and other deposits	88,449	—	—	88,449
2003 Revenue Bonds	21,590,000	—	—	21,590,000
2009 Revenue Bonds	310,000	—	—	310,000
Total current liabilities	<u>313,449,263</u>	<u>642,060</u>	<u>(449,567)</u>	<u>313,641,756</u>
Noncurrent liabilities:				
Unearned revenue (note 3(d)):				
Base rent and other revenue	298,407,583	—	—	298,407,583
Security and other deposits	22,788,783	—	—	22,788,783
OPEB - Battery Park City Authority	18,428,692	—	—	18,428,692
OPEB - Battery Park City Parks Conservancy	—	10,908,843	—	10,908,843
Fair value of interest rate swaps	98,413,896	—	—	98,413,896
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$11,198,746	939,607,226	—	—	939,607,226
2009 Revenue Bonds, less accumulated amortization of \$244,491	87,876,517	—	—	87,876,517
Total noncurrent liabilities	<u>1,465,522,697</u>	<u>10,908,843</u>	<u>—</u>	<u>1,476,431,540</u>
Total liabilities	<u>1,778,971,960</u>	<u>11,550,903</u>	<u>(449,567)</u>	<u>1,790,073,296</u>
Net position (deficit):				
Invested in capital assets, net of related debt	(5,251,269)	—	—	(5,251,269)
Restricted:				
Debt service	85,548,237	—	—	85,548,237
Under bond resolutions and other agreements	1,823,208	—	—	1,823,208
Unrestricted (deficit)	<u>(709,914,868)</u>	<u>(10,333,716)</u>	<u>—</u>	<u>(720,248,584)</u>
Total net position (deficit)	<u>(627,794,692)</u>	<u>(10,333,716)</u>	<u>—</u>	<u>(638,128,408)</u>
Total liabilities and net position (deficit)	<u>\$ 1,151,177,268</u>	<u>1,217,187</u>	<u>(449,567)</u>	<u>1,151,944,888</u>

See independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position

April 30, 2012 (Restated) (Unaudited)

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 12,718	385,289	—	398,007
Investments	554,046	—	—	554,046
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$444,185)	13,201,688	206,471	(185,897)	13,222,262
2003 Revenue Bond Resolution Funds	264,350,356	—	—	264,350,356
2009 Revenue Bond Resolution Funds	2,635,153	—	—	2,635,153
Corporate-designated and escrowed funds	<u>6,009,107</u>	<u>—</u>	<u>—</u>	<u>6,009,107</u>
Total current assets	<u>286,763,068</u>	<u>591,760</u>	<u>(185,897)</u>	<u>287,168,931</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	86,408,682	—	—	86,408,682
2009 Revenue Bond Resolution Funds	32,680,173	—	—	32,680,173
Residential lease required funds	21,340,720	—	—	21,340,720
Corporate-designated, escrowed, and OPEB funds	73,159,904	—	—	73,159,904
Bond insurance costs, less accumulated amortization of \$7,962,326	21,987,285	—	—	21,987,285
Battery Park City project assets – at cost, less accumulated depreciation	489,138,376	—	—	489,138,376
Other assets	<u>4,955,099</u>	<u>221,457</u>	<u>—</u>	<u>5,176,556</u>
Total noncurrent assets	<u>729,670,239</u>	<u>221,457</u>	<u>—</u>	<u>729,891,696</u>
Total assets	<u>1,016,433,307</u>	<u>813,217</u>	<u>(185,897)</u>	<u>1,017,060,627</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of interest rate swaps	98,275,601	—	—	98,275,601
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	19,102,757	—	—	19,102,757
Total deferred outflows of resources	<u>117,378,358</u>	<u>—</u>	<u>—</u>	<u>117,378,358</u>
Total assets and deferred outflows of resources	<u>\$ 1,133,811,665</u>	<u>813,217</u>	<u>(185,897)</u>	<u>1,134,438,985</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position
 April 30, 2012 (Restated) (Unaudited)

Liabilities and Net Position	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 18,162,829	—	—	18,162,829
Accounts payable and other liabilities	8,622,806	588,301	(185,897)	9,025,210
Due to the City of New York	129,483,298	—	—	129,483,298
Due to the City of New York - 2010 Agreement	61,657,016	—	—	61,657,016
Due to the Port Authority of New York & New Jersey	18,351	—	—	18,351
Due to NYC School Construction Authority	—	—	—	—
Unearned revenue (note 3(d)):				
PILOT revenue	26,742,675	—	—	26,742,675
Base rent and other revenue	13,411,880	—	—	13,411,880
Security and other deposits	88,275	—	—	88,275
2003 Revenue Bonds	20,655,000	—	—	20,655,000
2009 Revenue Bonds	115,000	—	—	115,000
Total current liabilities	<u>278,957,130</u>	<u>588,301</u>	<u>(185,897)</u>	<u>279,359,534</u>
Noncurrent liabilities:				
Unearned revenue (note 3(d)):				
Base rent and other revenue	310,275,128	—	—	310,275,128
Security and other deposits	21,846,456	—	—	21,846,456
OPEB - Battery Park City Authority	18,019,312	—	—	18,019,312
OPEB - Battery Park City Parks Conservancy	—	9,370,459	—	9,370,459
Fair value of interest rate swaps	98,275,601	—	—	98,275,601
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$10,025,008	962,370,964	—	—	962,370,964
2009 Revenue Bonds, less accumulated amortization of \$171,642	88,259,365	—	—	88,259,365
Total noncurrent liabilities	<u>1,499,046,826</u>	<u>9,370,459</u>	<u>—</u>	<u>1,508,417,285</u>
Total liabilities	<u>1,778,003,956</u>	<u>9,958,760</u>	<u>(185,897)</u>	<u>1,787,776,819</u>
Net position (deficit):				
Invested in capital assets, net of related debt	(4,756,998)	—	—	(4,756,998)
Restricted:				
Debt service	84,731,183	—	—	84,731,183
Under bond resolutions and other agreements	515,572	—	—	515,572
Unrestricted (deficit)	<u>(724,682,048)</u>	<u>(9,145,543)</u>	<u>—</u>	<u>(733,827,591)</u>
Total net position (deficit)	<u>(644,192,291)</u>	<u>(9,145,543)</u>	<u>—</u>	<u>(653,337,834)</u>
Total liabilities and net position (deficit)	<u>\$ 1,133,811,665</u>	<u>813,217</u>	<u>(185,897)</u>	<u>1,134,438,985</u>

See independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Six-month period ended April 30, 2013 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 31,223,849	—	—	31,223,849
Supplemental rent	999,850	—	—	999,850
Payments in lieu of real estate taxes	78,167,873	—	—	78,167,873
Civic facilities payments and other	7,216,111	4,730,781	(4,565,009)	7,381,883
Total operating revenues	<u>117,607,683</u>	<u>4,730,781</u>	<u>(4,565,009)</u>	<u>117,773,455</u>
Operating expenses:				
Wages and related benefits	3,148,918	3,136,406	—	6,285,324
OPEB - Battery Park City Authority	219,519	—	—	219,519
OPEB - Battery Park City Parks Conservancy		950,873	—	950,873
Other operating and administrative expenses	11,996,142	790,384	(4,565,009)	8,221,517
Depreciation of project assets	4,161,870	—	—	4,161,870
Other depreciation and amortization	856,795	45,935	—	902,730
Total operating expenses	<u>20,383,244</u>	<u>4,923,598</u>	<u>(4,565,009)</u>	<u>20,741,833</u>
Operating income	<u>97,224,439</u>	<u>(192,817)</u>	<u>—</u>	<u>97,031,622</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	1,082,954	—	—	1,082,954
2009 Revenue Bonds	61,580	—	—	61,580
Corporate-designated, escrowed, and OPEB funds	1,035,011	—	—	1,035,011
Realized and unrealized gains and losses	(745,403)	—	—	(745,403)
Other revenue	225,980	—	—	225,980
Gain (loss) on project assets	—	150	—	150
Interest expense relating to:				
2003 Swap agreements – net expense	(6,216,214)	—	—	(6,216,214)
2003 Revenue Bonds	(9,436,553)	—	—	(9,436,553)
2009 Revenue Bonds	(1,903,521)	—	—	(1,903,521)
Loss from extinguishment	(697,757)	—	—	(697,757)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(47,072,824)	—	—	(47,072,824)
Provision for transfer to the City of New York per 2010 agreement	(19,808,177)	—	—	(19,808,177)
Pier A Construction Pass Through NYC	(2,484,545)	—	—	(2,484,545)
Total nonoperating expenses	<u>(85,959,469)</u>	<u>150</u>	<u>—</u>	<u>(85,959,319)</u>
Change in net position (deficit)	<u>11,264,970</u>	<u>(192,667)</u>	<u>—</u>	<u>11,072,303</u>
Net (deficit), beginning of period	(617,878,567)	(10,141,049)	—	(628,019,616)
Effect of adoption of GASB 65	(21,181,095)	—	—	(21,181,095)
Net (deficit), beginning of period (Restated)	<u>(639,059,662)</u>	<u>(10,141,049)</u>	<u>—</u>	<u>(649,200,711)</u>
Net (deficit), end of period	<u>\$ (627,794,692)</u>	<u>(10,333,716)</u>	<u>—</u>	<u>(638,128,408)</u>

See independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Six-month period ended April 30, 2012 (Restated) (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 29,766,254	—	—	29,766,254
Supplemental rent	801,879	—	—	801,879
Payments in lieu of real estate taxes	79,859,277	—	—	79,859,277
Civic facilities payments and other	6,267,742	4,352,909	(4,144,897)	6,475,754
Total operating revenues	<u>116,695,152</u>	<u>4,352,909</u>	<u>(4,144,897)</u>	<u>116,903,164</u>
Operating expenses:				
Wages and related benefits	3,887,726	3,153,933	—	7,041,659
OPEB - Battery Park City Authority	610,412	—	—	610,412
OPEB - Battery Park City Parks Conservancy	—	612,495	—	612,495
Other operating and administrative expenses	10,722,794	677,591	(4,144,897)	7,255,488
Depreciation of project assets	4,074,630	—	—	4,074,630
Other depreciation and amortization	812,877	34,792	—	847,669
Total operating expenses	<u>20,108,439</u>	<u>4,478,811</u>	<u>(4,144,897)</u>	<u>20,442,353</u>
Operating income	<u>96,586,713</u>	<u>(125,902)</u>	<u>—</u>	<u>96,460,811</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	1,244,688	—	—	1,244,688
2009 Revenue Bonds	218,233	—	—	218,233
Corporate-designated, escrowed, and OPEB funds	1,077,638	—	—	1,077,638
Realized and unrealized gains and losses	496,982	—	—	496,982
Interest expense relating to:				
2003 Swap agreements – net interest expense	(6,238,411)	—	—	(6,238,411)
2003 Revenue Bonds	(10,170,852)	—	—	(10,170,852)
2009 Revenue Bonds	(1,849,734)	—	—	(1,849,734)
Loss from extinguishment	(697,931)	—	—	(697,931)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(41,859,513)	—	—	(41,859,513)
Provision for transfer to the City of New York per 2010 agreement	<u>(24,642,329)</u>	<u>—</u>	<u>—</u>	<u>(24,642,329)</u>
Total nonoperating expenses	<u>(82,421,229)</u>	<u>—</u>	<u>—</u>	<u>(82,421,229)</u>
Change in net position (deficit)	14,165,484	(125,902)	—	14,039,582
Net (deficit), beginning of period	(636,134,985)	(9,019,641)	—	(645,154,626)
Effect of adoption of GASB 65	(22,222,790)	—	—	(22,222,790)
Net (deficit), beginning of period (Restated)	<u>(658,357,775)</u>	<u>(9,019,641)</u>	<u>—</u>	<u>(667,377,416)</u>
Net (deficit), end of period	<u>\$ (644,192,291)</u>	<u>(9,145,543)</u>	<u>—</u>	<u>(653,337,834)</u>

See independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
Six-month period ended April 30, 2013 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 114,313,355	—	—	114,313,355
Receipts from the Authority	—	4,074,878	(4,074,878)	—
Miscellaneous receipts	549,184	174,289	—	723,473
Total cash receipts from operating activities	<u>114,862,539</u>	<u>4,249,167</u>	<u>(4,074,878)</u>	<u>115,036,828</u>
Cash payments for:				
Salaries and benefits	(3,519,346)	(3,299,629)	—	(6,818,975)
Services and supplies	(7,723,183)	(438,059)	4,074,878	(4,086,364)
Total cash payments for operating activities	<u>(11,242,529)</u>	<u>(3,737,688)</u>	<u>4,074,878</u>	<u>(10,905,339)</u>
Net cash provided by operating activities	<u>103,620,010</u>	<u>511,479</u>	<u>—</u>	<u>104,131,489</u>
Cash flows from noncapital financing activities:				
Receipts from the City of New York – Pier A	15,599,693	—	—	15,599,693
Payments to Pier A Contractors on behalf of the City of New York	(5,952,827)	—	—	(5,952,827)
Payments from lessees – site security deposits	250,340	—	—	250,340
Payments to The Port Authority of New York & New Jersey	(3,820,328)	—	—	(3,820,328)
Net cash provided by noncapital financing activities	<u>6,076,878</u>	<u>—</u>	<u>—</u>	<u>6,076,878</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(1,422,634)	—	—	(1,422,634)
Capital asset expenditures	(12,417)	(44,492)	—	(56,909)
Receipts from the sale of capital assets	—	150	—	150
Payments for Super Storm Sandy	(3,690,852)	—	—	(3,690,852)
Proceeds from Super Storm Sandy	4,256,000	—	—	4,256,000
JPMC Muni Bond derivative settlement	225,980	—	—	225,980
Auction fees for variable debt	(187,614)	—	—	(187,614)
Swap payment made on the 2003 Swap agreement	(6,563,547)	—	—	(6,563,547)
Swap interest payments received on the 2003 Swap agreement	257,352	—	—	257,352
Principal paydown on 2003 Revenue Bonds	(19,280,000)	—	—	(19,280,000)
Interest paid on 2003 Senior Revenue Bonds	(8,957,991)	—	—	(8,957,991)
Interest paid on 2003 Junior Revenue Bonds	(1,276,095)	—	—	(1,276,095)
Principal paydown on 2009 Senior Revenue Bonds	(115,000)	—	—	(115,000)
Interest paid on 2009 Senior Revenue Bonds	(2,517,603)	—	—	(2,517,603)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	576,508	—	—	576,508
Net cash used in capital and related financing activities	<u>(38,707,913)</u>	<u>(44,342)</u>	<u>—</u>	<u>(38,752,255)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	2,292,248	—	—	2,292,248
Maturities and redemptions of investment securities	310,855,003	—	—	310,855,003
Purchases of investment securities	(352,131,507)	—	—	(352,131,507)
Net cash used in investing activities	<u>(38,984,256)</u>	<u>—</u>	<u>—</u>	<u>(38,984,256)</u>
Increase (decrease) in cash and cash equivalents	32,004,719	467,137	—	32,471,856
Cash and cash equivalents, beginning of period	<u>121,127,954</u>	<u>12,238</u>	<u>—</u>	<u>121,140,192</u>
Cash and cash equivalents, end of period	<u>\$ 153,132,673</u>	<u>479,375</u>	<u>—</u>	<u>153,612,048</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Six-month period ended April 30, 2013 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 97,224,439	(192,817)	—	97,031,622
Adjustments to reconcile operating income to net cash provided by operating activities:				
Bad debt expense	108,451	—	—	108,451
Depreciation and amortization	5,018,665	45,935	—	5,064,600
Other	100,162	—	—	100,162
Changes in operating assets and liabilities:				
Decrease (increase) in rents and other receivables	2,030,635	(349,446)	349,812	2,031,001
Decrease (increase) in other assets	38,574	32,846	—	71,420
Increase (decrease) in accounts payable and other liabilities	3,485,264	40,375	(349,812)	3,175,827
Decrease in unearned revenue	(4,350,884)	—	—	(4,350,884)
Increase in OPEB	(35,296)	934,586	—	899,290
Net cash provided by operating activities	<u>\$ 103,620,010</u>	<u>511,479</u>	<u>—</u>	<u>104,131,489</u>
Reconciliation to cash and cash equivalents, end of period:				
Bank deposits	\$ 10,689	479,375	—	490,064
Cash and cash equivalents	926,609	—	—	926,609
Investments with less than 91-day maturities	<u>152,195,375</u>	<u>—</u>	<u>—</u>	<u>152,195,375</u>
Cash and cash equivalents, end of period	<u>\$ 153,132,673</u>	<u>479,375</u>	<u>—</u>	<u>153,612,048</u>

See independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Six-month period ended April 30, 2012 (Restated) (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 108,870,310	—	—	108,870,310
Receipts from the Authority	—	3,855,718	(3,855,718)	—
Miscellaneous receipts	603,030	211,570	—	814,600
Total cash receipts from operating activities	<u>109,473,340</u>	<u>4,067,288</u>	<u>(3,855,718)</u>	<u>109,684,910</u>
Cash payments for:				
Salaries and benefits	(4,044,324)	(3,320,000)	—	(7,364,324)
Services and supplies	(8,906,182)	(439,350)	3,855,718	(5,489,814)
Total cash payments for operating activities	<u>(12,950,506)</u>	<u>(3,759,350)</u>	<u>3,855,718</u>	<u>(12,854,138)</u>
Net cash provided by operating activities	<u>96,522,834</u>	<u>307,938</u>	<u>—</u>	<u>96,830,772</u>
Cash flows from noncapital financing activities:				
Payments to Battery Park City Library	(45,807)	—	—	(45,807)
Receipts from the City of New York – Pier A	—	—	—	—
Payments to Pier A Contractors on behalf of the City of New York	(5,020,415)	—	—	(5,020,415)
Payments from lessees – site security deposits	447,307	—	—	447,307
Payments to lessees - site security deposits	(82,965)	—	—	(82,965)
Payments to The Port Authority of New York & New Jersey	(20,638,145)	—	—	(20,638,145)
Net cash used in noncapital financing activities	<u>(25,340,025)</u>	<u>—</u>	<u>—</u>	<u>(25,340,025)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(9,401,096)	—	—	(9,401,096)
Capital asset expenditures	(816,993)	(28,059)	—	(845,052)
Auction fees for variable debt	(189,314)	—	—	(189,314)
Swap payment made on the 2003 Swap agreement	(6,657,614)	—	—	(6,657,614)
Swap interest payments received on the 2003 Swap agreement	327,138	—	—	327,138
Principal paydown on 2003 Revenue Bonds	(19,825,000)	—	—	(19,825,000)
Interest paid on 2003 Senior Revenue Bonds	(9,278,219)	—	—	(9,278,219)
Interest paid on 2003 Junior Revenue Bonds	(1,616,237)	—	—	(1,616,237)
Principal paydown on 2009 Senior Revenue Bonds	(255,000)	—	—	(255,000)
Interest paid on 2009 Senior Revenue Bonds	(2,520,153)	—	—	(2,520,153)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	631,444	—	—	631,444
Net cash used in capital and related financing activities	<u>(49,601,044)</u>	<u>(28,059)</u>	<u>—</u>	<u>(49,629,103)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	2,767,079	—	—	2,767,079
Maturities and redemptions of investment securities	170,617,247	—	—	170,617,247
Purchases of investment securities	(242,751,565)	—	—	(242,751,565)
Net cash used in investing activities	<u>(69,367,239)</u>	<u>—</u>	<u>—</u>	<u>(69,367,239)</u>
Increase (decrease) in cash and cash equivalents	(47,785,474)	279,879	—	(47,505,595)
Cash and cash equivalents, beginning of period	208,688,521	105,410	—	208,793,931
Cash and cash equivalents, end of period	<u>\$ 160,903,047</u>	<u>385,289</u>	<u>—</u>	<u>161,288,336</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
 (A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
 Six-month period ended April 30, 2012 (Restated) (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 96,586,713	(125,902)	—	96,460,811
Adjustments to reconcile operating income to net cash provided by operating activities:				
Bad debt expense	89,723	—	—	89,723
Depreciation and amortization	5,688,581	34,792	—	5,723,373
Other	(162,925)	—	—	(162,925)
Changes in operating assets and liabilities:				
Decrease (increase) in rents and other receivables	(1,711,726)	(190,176)	176,044	(1,725,858)
Decrease (increase) in other assets	116,994	(42,390)	—	74,604
Increase (decrease) in accounts payable and other liabilities	3,110,566	30,798	(176,044)	2,965,320
Decrease in deferred revenue	(7,580,977)	—	—	(7,580,977)
Increase in OPEB	385,885	600,816	—	986,701
Net cash provided by operating activities	\$ 96,522,834	307,938	—	96,830,772
Reconciliation to cash and cash equivalents, end of period:				
Bank deposits	\$ 12,718	385,289	—	398,007
Cash and cash equivalents	1,958,147	—	—	1,958,147
Investments with less than 91-day maturities	158,932,182	—	—	158,932,182
Cash and cash equivalents, end of period	\$ 160,903,047	385,289	—	161,288,336

See independent auditors' review report.

APPENDIX C

Definitions and Summary of Certain Provisions of the General Resolution

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APPENDIX C

The following is a summary of certain provisions of the General Resolution and definitions therein contained. This summary does not purport to be comprehensive and is subject to all of the terms and provisions of the General Resolution.

CERTAIN DEFINITIONS

“Accreted Value” shall mean with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” shall mean the Battery Park City Authority Act, Title 12 of Article 8 of the Public Authorities Law (constituting Chapter 43-a of the Consolidated Laws of the State of New York) as added by Chapter 343 of the Laws of 1968, as amended.

“Administrative Expenses” shall mean the reasonable expenses of the Authority in carrying out and administering the powers, duties and functions of the Authority in connection with the Project and the Resolution, and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management and consulting and engineering expenses, the fees and expenses of the Trustee (including, without limitation, legal and accounting fees and annual fees), the fees and expenses of trustees or other fiduciaries for any Bonds, Credit Facility fees or premiums that are not paid as Costs of Issuance, broker-dealer fees, auction agent fees and remarketing agent fees related to Variable Interest Rate Bonds, amounts rebatable to the United States of America with respect to Bonds pursuant to Section 148 of the Code, any scheduled rating agency fees incurred in connection with any Bonds, payments to pension, retirement, health and hospitalization funds, and any other expenses necessary or appropriate to carry out or administer such powers, duties and functions.

“Aggregate Debt Service” shall mean, for any period of calculation, the aggregate amount of principal, interest (net of capitalized interest) and Sinking Fund Installments scheduled to be paid from the Debt Service Fund on Outstanding Bonds during such period, plus the aggregate amount of Reimbursement Obligations and Qualified Swaps scheduled to be paid from the Debt Service Fund during such period. For purposes of such calculation, the interest rate to be borne by Variable Interest Rate Bonds and/or Qualified Swaps during any period of calculation shall be deemed to be the Estimated Average Interest Rate therefor.

“Appreciated Value” shall mean with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product

of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Authority” shall mean the Battery Park City Authority, the body corporate and politic constituting a public benefit corporation, created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Authority.

“Authorized Officer” shall mean any member of the Authority or its Chairman, President, Treasurer or Executive Vice President or any other officer or employee of the Authority authorized by the by-laws or resolution of the Authority to perform the act or sign the document in question.

“Battery Park Project Area” shall have the meaning ascribed to such term in the Act.

“Beneficiaries” shall mean Bondholders and, to the extent specified in the related Series Resolution or other Supplemental Indenture, Facility Providers, Qualified Swap Providers and persons to whom Subordinated Payments are owed by the Authority.

“Bond” or “Bonds” shall mean any of the bonds, notes or other obligations of the Authority issued pursuant to the General Resolution and one or more Series Resolutions.

“Bondholder”, or “Holder”, or “Holders of Bonds”, or any similar term, shall mean any person or party who shall be the registered owner of any Outstanding Bond or Bonds.

“Bond Proceeds Fund” shall mean the Fund so designated which is created in the General Resolution.

“Bond Year” shall mean a year of 365 or 366 days, as the case may be, commencing on November 2 and ending on the next succeeding November 1, except that the initial Bond Year shall be the period commencing on the Initial Funding Date and ending on November 2, 2003.

“Book Entry Bond” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

“Business Day” shall mean any day other than (i) a Saturday and Sunday, (ii) a day on which the Trustee or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed. *“Capital Appreciation Bond”* shall mean any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

“Cash Equivalent” shall mean a letter of credit, insurance policy, surety, guaranty or other security arrangement provided by a Qualified Financial Institution.

“City” shall mean The City of New York, New York.

“Civic Facilities” shall mean those portions of the Battery Park Project Area developed or to be developed with buildings, structures or betterments erected on the Battery Park Project Area designed for municipal uses and services, including but not limited to schools, police stations, health centers, fire houses, libraries, cultural and recreational facilities (including, without limitation, museums), streets, sidewalks, parks, esplanades, sewers, water lines, hydrants, street lighting, signal boxes, other utilities and other similar uses substantially as provided for in the Master Development Plan.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Collateral” shall have the meaning ascribed to such term in the General Resolution.

“Condemnation Proceeds” shall have the meaning ascribed to such term in the General Resolution.

“Corporate Trust Office” shall mean the office of the Trustee at which the corporate trust business of the Trustee related hereto shall, at any particular time, be principally administered, which office is, at the date of the Indenture, located at 4 New York Plaza, 15th Floor, New York, New York 10004.

“Costs of Issuance” shall mean items of expense incurred in connection with the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, underwriters’ fees or discount, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, commitment and initial fees or similar charges of a remarketing agent or relating to a Credit Facility or a Qualified Swap, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, costs and expenses of refunding Bonds, and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys selected by the Authority. Unless otherwise restricted in the Resolution, such attorney may be a counsel in the regular employment of the Authority.

“Credit Facility” shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Authority and is issued by a financial institution, insurance provider or other person and which provides security or liquidity in respect of any Outstanding Bonds or Reimbursement Obligations.

“Debt Service Fund” shall mean the Fund so designated which is created in the General Resolution.

“Defeasance Securities” shall mean money and, to the extent lawful for investment of funds of the Authority, any of the following:

- (i) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS, TIGRS” and “TRS”) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;
- (ii) non-callable obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);
- (iii) certificates rated at the time of purchase in one of the two highest long-term rating categories by each Rating Agency evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (ii), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;
- (iv) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (x) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (y) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (i), (ii) or (iii) which fund may be applied only to the payment when due of such bonds or other obligations and (z) rated in the highest long-term rating category by each of the Rating Agencies; and
- (v) investment arrangements rated at the time of purchase in the highest long-term and short-term rating categories by each Rating Agency.

“Deferred Income Bond” shall mean any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on each May 1 and each November 1.

“Depository” means DTC or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

“DTC” shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors or assigns.

“Estimated Average Interest Rate” shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Authority and its Financial Advisor.

“Event of Default” shall have the meaning ascribed to such term in the General Resolution.

“Excess Earnings” shall mean, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

“Facility Provider” shall mean the issuer of a Credit Facility.

“Fiscal Year” shall mean a year of 365 or 366 days, as the case may be, commencing on November 1 and ending on the next succeeding October 31, except that the initial Fiscal Year shall be the period commencing on the Initial Funding Date and ending on October 31, 2004.

“Gross Proceeds” shall mean, with respect to a Series of Bonds the “gross proceeds” as defined in the Tax Certificate executed by the Authority in connection with the issuance of such Series of Bonds, which definition shall be consistent with the provisions of the Code relating to the exclusion of interest on state and local government obligations for federal income taxation purposes.

“Historical Test Period” shall mean, as of any date of calculation, at the option of the Authority, either (i) the most recently completed Fiscal Year for which audited financial statements of the Authority shall have been published, or (ii) the most recently completed period of twelve (12) full calendar months for which the Authority has sufficient data to make the calculations required by the General Resolution.

“Initial Funding Date” shall mean the single, earliest date upon which any Bonds shall be outstanding.

“Interest Commencement Date” shall mean, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on each May 1 and each November 1.

“Investment Agreement” means an agreement for the investment of moneys with a Qualified Financial Institution.

“Investment Obligation” shall mean and include any security that is legal for investment of funds by the State Comptroller pursuant to Section 98 of the State Finance Law, including Investment Agreements that are fully collateralized by Permitted Security, in each case if and to the extent that the same are at the time legal for investment of funds of the Authority under the Act.

“Junior Bond” shall mean any Bond that is entitled to payment from the Junior Payments Account in accordance with the General Resolution.

“Junior Payments Account” shall mean the Account so designated which is created in the General Resolution.

“Junior Payments Requirement” shall mean, for any date of calculation by the Authority in each Bond Year, the aggregate amount of debt service on Junior Bonds and Junior Reimbursement Obligations and Junior Swap Payments that remain scheduled to be paid during such Bond Year. For purposes of calculating the Junior Payments Requirement, the interest rate to be borne by Variable Interest Rate Bonds shall be deemed to be the Maximum Rate therefor.

“Junior Reimbursement Obligation” shall mean any Reimbursement Obligation that is payable from the Junior Payments Account in accordance with the General Resolution.

“Junior Swap Payment” shall mean any Qualified Swap Payment that is payable from the Junior Payments Account in accordance with the General Resolution.

“Master Development Plan” shall mean the plan designated as Schedule A annexed to the Master Lease and made a part thereof, as amended.

“Master Lease” shall mean the Restated Amended Agreement of Lease, dated June 10, 1980 between BPC Development Corporation, as Landlord, and the Authority, as Tenant, as from time to time amended, supplemented or restated, relating to the Project.

“Maximum Rate” shall mean, for each Variable Interest Rate Bond, the maximum rate per annum at which interest may accrue from time to time on the unpaid principal amount thereof in accordance with the terms thereof; provided, however, that if, as of any date of calculation, the rate of interest due on such Variable Interest Rate Bond for any period is fixed, the Maximum Rate shall mean, with respect to such Variable Interest Rate Bond and for such period, such fixed rate.

“Non-WFC Parcel” shall mean a Parcel on which the World Financial Center is not situated.

“Operating Expenses” shall mean, with respect to any period of time, the Administrative Expenses payable during such period, together with an amount of money equal to the reasonable expenses of the Authority, payable during such period, for maintenance, repair, restoration and reconstruction of Public Open Areas and Civic Facilities, exclusive of (i) capital expenditures for new construction or equipping of new Civic Facilities or Public Open Areas, (ii) expenses covered by payments due from third parties under all Subleases or other contractual arrangements, and (iii) costs actually reimbursed to the Authority with the proceeds of insurance.

“Option Bond” shall mean any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bond or the Series Certificate related to such Bonds.

“Outstanding”, when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except (i) any

Bonds canceled by the Trustee or any Paying Agent at or prior to such date, (ii) Bonds for the payment or redemption of which monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1105 of the General Resolution, (iv) subject to the provisions of a Series Resolution relating to a Series of Bonds, Bonds paid pursuant to Section 1401 of the General Resolution and those Bonds for which payment shall have been deemed to have been paid pursuant to Section 1402 of the General Resolution, and (v) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Series Resolution, except to the extent such tendered Option Bonds thereafter may be resold pursuant to the terms thereof and of such Series Resolution. The principal component of any Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Series Resolution, the principal component of such Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

“Parcel” shall mean a specific portion of the Battery Park Project Area described by metes and bounds or by such other means as shall identify the same with certainty and which shall constitute the subject matter of a demise under a Sublease and the buildings, structures and betterments, if any, erected thereon designed for residential and/or commercial use, exclusive, however, of any portion thereof devoted to public utilities or streets, and including accessory facilities as provided for in the Master Development Plan, exclusive, however, of any portion of the Battery Park Project Area devoted to Public Open Areas or Civic Facilities.

“Participants” shall mean those broker-dealers, banks and other financial institutions for which DTC holds Bonds as securities depository.

“Paying Agent” shall mean any bank or trust company appointed pursuant to the provisions of Section 802 of the General Resolution for payment of principal and Redemption Price of and interest on Bonds.

“Permitted Purposes” shall mean (i) the payment of Project Costs, (ii) the refunding of bonds and notes of the Authority, (iii) the refunding of bonds of the Housing New York Corporation, and (iv) the payment of Junior Payments (to the extent permitted by law).

“Permitted Security” means any of the following:

(i) Defeasance Securities;

(ii) commercial paper that (x) matures within two hundred seventy (270) days after its date of issuance, (y) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (z) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one

nationally recognized statistical rating service not lower than in the second highest rating category; and

(iii) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by Bests Insurance Guide or a at least one nationally recognized statistical rating service in the highest rating category.

“*Pledged Funds*” shall mean the Bond Proceeds Fund, the Pledged Revenue Fund, the Debt Service Fund, the Redemption Fund, the Reserve Fund, and the Subordinated Payments Fund.

“*Pledged Revenue Fund*” shall mean the Fund so designated which is created in the General Resolution.

“*Pledged Sublease Revenues*” shall mean all Sublease Rentals (together, to the extent provided in any Supplemental Resolution, with all or any portion of any money, due and payable to the Authority by or for account of a Sublessee pursuant to a Sublease, that does not constitute Sublease Rentals).

“*Principal Installments*” shall mean, as of any date of calculation and with respect to any Series of Bonds or any Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Series Resolution or Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with Section 205 of the General Resolution as a principal component of such Reimbursement Obligation payable from the Debt Service Fund in accordance with the General Resolution.

“*Project*” shall have the meaning ascribed to such term in the Act.

“*Project Costs*” shall have the meaning ascribed to such term in the Act (including, without limitation, the payment of interest on Bonds).

“*Project Operating Fund*” shall mean the Fund so designated which is created in the General Resolution.

“*Project Operating Fund Requirement*” shall mean, as of any date of calculation by the Authority, the amount of money equal to twenty-five percent (25%) of the aggregate Operating Expenses estimated in the annual budget of the Authority for the then-current Fiscal Year.

“*Public Open Areas*” shall mean those portions of the Battery Park Project Area, exclusive of Civic Facilities, devoted to recreational, cultural or similar public uses as provided for in the Master Development Plan and developed with buildings, structures or betterments erected on the Battery Park Project Area.

“Qualified Financial Institution” shall mean any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

- (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;
- (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;
- (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any moneys held hereunder purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

“Qualified Swap” shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Authority as a Qualified Swap with respect to such Bonds.

“Qualified Swap Payment” shall mean any regularly scheduled payment required to be made by the Authority under a Qualified Swap, exclusive of: any termination payments or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest under a Qualified Swap in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

“Qualified Swap Provider” shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at the time the Qualified Swap is executed without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, at least as high as the third highest rating category by at least two nationally recognized statistical rating services.

“Rating Agencies” shall mean, at any time, the national rating agency or agencies that, at the request of the Authority, shall be rating the Bonds at such time.

“Ratings Confirmation” shall mean written evidence from each of the Rating Agencies that no rating assigned to any Bonds by such Rating Agency will be withdrawn or reduced solely as a result of an action to be taken under the Resolution.

“Real Estate Consultant” shall mean one or more entities at the time retained by the Authority to furnish certificates, opinions or reports to be furnished pursuant to the General Resolution and may include a different entity furnishing such certificate, opinion or report with respect to any particular area of the Project; provided that each such entity shall be an independent firm or corporation having good and favorable repute for skill and experience with respect to New York City real estate in performing such services.

“Rebate Fund” shall mean the Fund so designated which is created in the General Resolution.

“Record Date” shall have the meaning, with respect to Bonds of a particular Series, set forth in the Series Resolution or Series Certificate relating to such Bonds.

“Redemption Fund” shall mean the Fund so designated which is created in the General Resolution.

“Redemption Price” shall mean, when used with respect to a Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant hereto or to any applicable Series Resolution or Series Certificate.

“Refunding Bonds” shall mean Bonds issued for the purpose of refunding other Bonds or Reimbursement Obligations, funding related debt service reserves or paying related costs of issuance.

“Reimbursement Obligation” shall have the meaning ascribed to such term in the General Resolution.

“Reserve Fund” shall mean the Fund so designated which is created in the General Resolution.

“Reserve Fund Requirement” shall mean, as of any date of calculation, the sum of the amounts specified for each Series of Bonds, in the applicable Series Resolution for each Series of Outstanding Bonds, as the Series Reserve Requirement.

“Residual Fund” shall mean the Fund so designated which is created in the General Resolution.

“Resolution” shall mean the General Resolution as from time to time modified, amended or supplemented by Supplemental Resolutions adopted in accordance with the terms and provisions hereof.

“Senior Bond” shall mean any Bond that is entitled to payment from the Senior Payments Account in accordance with the General Resolution.

“Senior Payments Account” shall mean the Account so designated which is created in the General Resolution.

“Senior Payments Requirement” shall mean, for any date of calculation in each Bond Year, the aggregate amount of debt service on Senior Bonds and Senior Reimbursement Obligations and Senior Swap Payments that remain scheduled to be paid during such Bond Year. For purposes of calculating the Senior Payments Requirement, the interest rate to be borne by Variable Interest Rate Bonds shall be deemed to be the Maximum Rate therefor.

“Senior Reimbursement Obligation” shall mean any Reimbursement Obligation that is payable from the Senior Payments Account in accordance with the General Resolution.

“Senior Swap Payment” shall mean any Qualified Swap Payment that is payable from the Senior Payments Account in accordance with the General Resolution.

“Serial Bonds” shall mean the Bonds so designated in a Series Resolution or a Series Certificate.

“Series” shall mean all of the Bonds authenticated and delivered on original issuance and pursuant hereto and to any applicable Series Resolution or applicable Series Certificate authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or Section 1105 of the General Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“Series Certificate” shall mean a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or under a Series Resolution.

“Series Reserve Requirement” for a Series of Bonds shall have the meaning ascribed to such term in the Series Resolution authorizing the issuance of such Series of Bonds for purposes of calculating the Reserve Fund Requirement.

“Series Resolution” shall mean a resolution, adopted by the Authority pursuant to Article II, authorizing the issuance of a Series of Bonds or the execution of a Qualified Swap.

“Sinking Fund Installment” shall mean, as of any date of computation and with respect to Term Bonds, the amount payable for the retirement of such Term Bonds that mature thereafter, but does not include any amount payable only by reason of the maturity of a Bond.

“State” shall mean the State of New York.

“Sublease” shall mean a lease, now or hereafter in effect, of an entire Parcel made by the Authority to a Sublessee, or a lease of all or a portion of a Parcel under which the tenant attorns, as undertenant, to the Authority, as overtenant, following the termination of the Sublease to which such lease was theretofore subject.

“Sublease Rentals” shall mean the money due and payable to the Authority by or for account of a Sublessee pursuant to a Sublease, exclusive of: (i) Civic Facilities Payments and Transaction Payments (each as defined in such Sublease), (ii) payments in lieu of sales taxes thereunder, (iii) (A) in the case of a Sublease of a Non-WFC Parcel, rentals thereunder that are not (1) base rent or land rent payments, (2) supplemental rent payments (which include payments sometimes referred to as incremental rent, supplemental hotel base rent or additional rent), (3) real property tax equivalency payments or (4) payments in lieu of real property taxes and (B) in the case of a Sublease of the World Financial Center, rentals thereunder that are not (1) base rent payments, (2) additional base rent payments, or (3) payments in lieu of real property taxes, and (iv) to the extent that the Authority elects to make any payment required to be made by any Sublessee under a Sublease, sums of money reimbursed to the Authority for such payments.

“Sublessee” shall mean a tenant, its successors and assigns, pursuant to a Sublease.

“Subordinated Payments” shall mean (i) termination payments on any Qualified Swap or Reimbursement Obligation, (ii) any other payments on any Qualified Swap that are not Qualified Swap Payments, and (iii) any other Subordinated Payments so identified in or by reference to the General Resolution or any Supplemental Resolution or Series Certificate.

“Subordinated Payments Fund” shall mean the Fund so designated which is created in the General Resolution.

“Subordinated Payments Requirement” shall mean, for any date of calculation by the Authority in each Bond Year, the aggregate amount of Subordinated Payments that remain scheduled to be paid during such Bond Year.

“Subseries” shall mean the grouping of Bonds of a Series established by the Authority pursuant to the Series Resolution authorizing issuance of the Bonds of such Series or the applicable Series Certificate.

“Supplemental Resolution” shall mean a resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with Article X.

“Swap Receipts” shall mean money received by or for the account of the Authority from or on account of a Qualified Swap Provider pursuant to a Qualified Swap.

“Tax Certificate” shall mean such tax certificates, instructions and other documents as may be executed by an Authorized Officer of the Authority in connection with the issuance of Bonds of a Series for the purpose of demonstrating compliance with the provisions of Section 103(a) of the Code.

“Term Bonds” shall mean the Bonds which mature on a single future date and for which Sinking Fund Installments are established and specified by the Resolution.

“Trustee” shall mean the bank or trust company appointed pursuant to the provisions of the General Resolution to act as trustee under the General Resolution, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

“Valuation Date” shall mean (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond.

“Variable Interest Rate Bonds” shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds.

“World Financial Center” shall mean all or a portion of the office and retail complex presently known as the World Financial Center, situated at 1, 2, 3 and 4 World Financial Center, New York, New York.

AUTHORIZATION AND ISSUANCE OF BONDS; QUALIFIED SWAPS; CREDIT FACILITIES AND OTHER ARRANGEMENTS

Authorization of Bonds. The General Resolution authorizes the issuance of, pursuant to the Act, Bonds of the Authority to be known and designated as “Battery Park City Authority Revenue Bonds”. (Section 201)

Additional Bonds; Refunding Bonds. (1) The Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds issued on the Initial Funding Date, secured by any assignment or pledge of or other lien or charge on the Collateral, and shall not create or cause to be created any lien or charge on the Collateral, except as provided below; provided, however, that nothing in the General Resolution shall prevent the Authority from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrance of, the Pledged Sublease Revenues to be derived on and after such date as the pledges created by the General Resolution shall be discharged and satisfied as provided below under “DEFEASANCE - Release of Lien of Resolution”. Nothing in the General Resolution shall prevent the Authority from pledging, assigning or otherwise encumbering any revenues or assets of the Authority not constituting Collateral.

(2) The Authority may issue additional Bonds so long as before or simultaneously with each and any such issuance there is delivered to or filed with the Trustee either (i) Ratings Confirmation or (ii) a certificate signed by an Authorized Officer stating that the sum of:

(x) the Pledged Sublease Revenues obtained by the Authority during the Historical Test Period (net of Operating Expenses incurred by the Authority during the Historical Test Period), and

(y) income and earnings received by the Authority during the Historical Test Period from the investment of monies held or to be held in trust for the payment of Bonds (other than monies held in trust for, upon and after the defeasance of any Bonds),

for the Historical Test Period, in the current Fiscal Year and in each future Fiscal Year, to and including the Fiscal Year in which the latest final stated maturity of Bonds then or thereupon to be outstanding shall be scheduled to occur, was or will be a sum at least equal to (i) two hundred per centum (200%) of the sum of Aggregate Debt Service payable from the Senior Payments Account of the Debt Service Fund, and (ii) one hundred fifty-five per centum (155%) of the sum of Aggregate Debt Service.

(3) The Authority may issue Refunding Bonds so long as before or simultaneously with each and any such issuance there is delivered to or filed with the Trustee either (i) Ratings Confirmation or (ii) a certificate signed by an Authorized Officer confirming that for the then current and each future Fiscal Year, to and including the Fiscal Year in which the date of the latest final maturity of outstanding Bonds (including such Refunding Bonds) then or thereupon to be outstanding shall be scheduled to occur, the amount by which the sum of:

(x) the Pledged Sublease Revenues obtained (net of Operating Expenses actually incurred) or estimated by the Authority (based upon a report of a Real Estate Consultant, which report shall be dated within 60 days prior to the date of such pledge, assignment or other encumbrance) to be obtainable (net of Operating Expenses estimated by the Authority to be incurred), and

(y) income and earnings estimated by the Authority to be received (such estimate to be certified in writing by an Authorized Officer and a duly authorized officer of each other issuer, respectively) from the investment of monies held or to be held in trust for the payment of Bonds (other than monies held in trust for, upon and after the defeasance of any Bonds),

shall exceed Aggregate Debt Service, will not be reduced (or, in case the sum of items (x) and (y) is less than Aggregate Debt Service, that the amount of such deficit will not be increased) as a result of the issuance of such Refunding Bonds. (Section 204)

Credit Facilities; Qualified Swaps; Other Arrangements. (1) The Authority may include such provisions in a Series Resolution or related Series Certificate authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including:

(a) So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is legally qualified to do business in the State, and (x) no proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (y) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, Articles X and XI of the General Resolution, and following a default under Article XII of the General Resolution, except where the Credit Facilities provide only liquidity support and not credit support.

(b) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(2) In addition, such Series Resolution or related Series Certificate may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the

Credit Facility, and (iv) to make provision for any Events of Default or for additional or improved security required by the provider of a Credit Facility.

(3) In connection therewith the Authority may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(4) The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Series Resolution. The Authority may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Collateral; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, the Collateral on a parity with the lien created by the General Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Senior Reimbursement Obligation" if payable from the Senior Payments Account of the Debt Service Fund in accordance with the provisions summarized under "ESTABLISHMENT OF FUNDS AND ACCOUNTS - Debt Service Fund", or a "Junior Reimbursement" if payable from the Junior Payments Account of the Debt Service Fund in accordance with the provisions summarized under "ESTABLISHMENT OF FUNDS AND ACCOUNTS - Debt Service Fund", as the case may be. Senior Reimbursement Obligations and Junior Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Senior Reimbursement Obligations and Junior Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Senior Reimbursement Obligation or Junior Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Reimbursement Obligation relates.

(5) Any such Credit Facility may be for the benefit of and secure one or more Series of Bonds or portions thereof as specified in the applicable Series Resolution.

(6) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Authority determines that such Qualified Swaps or other similar arrangements will assist the Authority in more effectively managing its interest costs. To the extent provided in a Series Resolution or related Series Certificate, the Authority's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Senior Payments Account of the Debt Service Fund, and any Qualified Swap Payments so secured shall be deemed "Senior Swap Payments." To the extent provided in a Series Resolution or related Series Certificate, the Authority's obligation to pay Qualified Swap Payments under any

Qualified Swap may be secured by a pledge of, and a lien on, the Junior Payments Account of the Debt Service Fund, and any Qualified Swap Payments so secured shall be deemed "Junior Swap Payments."

(7) Reimbursement Obligations shall not be a debt of the State or of the City and neither the State nor the City shall be liable thereon, nor shall Reimbursement Obligations be payable out of any funds other than those of the Authority pledged therefor pursuant to the Resolution.

(8) Qualified Swap Payments shall not be a debt of the State or of the City and neither the State nor the City shall be liable thereon, nor shall Qualified Swap Payments be payable out of any funds other than those of the Authority pledged therefor pursuant to the Resolution.

Subordinated Payments shall not be a debt of the State or of the City and neither the State nor the City shall be liable thereon, nor shall Subordinated Payments be payable out of any funds other than those of the Authority pledged therefor pursuant to the Resolution. (Section 205)

CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS

Establishment of Bond Proceeds Fund. A special trust fund, which shall be deposited with and held by the Trustee, is created and established by the General Resolution and designated as the "Bond Proceeds Fund. Monies so deposited in the Bond Proceeds Fund shall be used by the Authority for any Permitted Purposes and for the payment of Costs of Issuance. (Section 501)

Lien of Bondholders. Subject to the provisions of the General Resolution summarized under "THE TRUSTEE AND THE PAYING AGENTS - Compensation" below, the proceeds of the Bonds and any other monies deposited to the credit of the Bond Proceeds Fund, together with interest earned and monies received on obligations purchased as an investment of such monies and any profit realized from the sale of such obligations, shall be held in trust and applied only to Permitted Purposes and the payment of Costs of Issuance in accordance with the provisions summarized under "CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS" and are assigned to and pledged to the Trustee, pending such application, for the benefit of the Holders of Bonds for the security of the payment of the principal of and interest on Bonds and shall at all times be subject to the lien of such assignment and pledge until paid out or transferred. (Section 502)

Retention and Inspection of Documents. All requisitions and certificates received by the Trustee, as conditions of payment from the Bond Proceeds Fund, may be relied upon by and shall be retained in the possession of the Trustee, subject at all times during normal business hours to the inspection of the Authority and Bondholders and their agents and representatives. (Section 504)

Reports. At least once in each calendar month while monies are on deposit in the Bond Proceeds Fund, the Authority shall require a report to be made by an officer or employee of the Trustee on behalf of the Trustee covering all receipts and monies then on deposit with the Trustee, in the name of the Trustee or the Authority, in the Bond Proceeds Fund and any security

specifically pledged or provided therefor, any investment thereof, and all expenditures and disbursements made from the Bond Proceeds Fund. (Section 505)

Transfer of Surplus from Bond Proceeds Fund. The Authority covenants that, promptly after the payment of all Project Costs, it will deliver to the Trustee a certificate signed by an Authorized Officer stating same. Upon receipt of such certificate, the Trustee shall forthwith transfer from the Bond Proceeds Fund the balance of the monies, if any, remaining in the Bond Proceeds Fund in the following order: (a) into the Reserve Fund in such amount, if any, as shall be necessary to increase the amount in said Fund to the Reserve Fund Requirement, and (b) into the Redemption Fund to the full extent of the remainder for the purchase or redemption of Bonds. Notwithstanding the foregoing, upon giving notice of the occurrence of an Event of Default pursuant to Section 1211 of the General Resolution described below, the Trustee shall transfer all amounts on deposit in the Bond Proceeds Fund to the Pledged Revenue Fund for application in accordance with the General Resolution. (Section 506)

ESTABLISHMENT OF FUND AND ACCOUNTS AND APPLICATION THEREOF

Pledge. The Pledged Sublease Revenues, Swap Receipts, Condemnation Proceeds, all monies in the Pledged Funds, the investments thereof and the proceeds of such investments, are pledged for the payment of the principal and Redemption Price of and interest on the Bonds, Senior Reimbursement Obligations, Junior Reimbursement Obligations, Senior Swap Payments, Junior Swap Payments and Subordinated Payments, all in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. This pledge shall be valid and binding from and after the date of adoption of the General Resolution, and the Pledged Sublease Revenues, Swap Receipts, Condemnation Proceeds, all monies in the Pledged Funds, the investments thereof and the proceeds of such investments pledged (collectively, the “Collateral”) shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. (Section 601)

Establishment of Funds and Accounts. The following special Funds and Accounts shall be established and maintained pursuant to the provisions of the Resolution:

- (1) Pledged Revenue Fund;
- (2) Project Operating Fund;
- (3) Debt Service Fund, and therein:
 - (a) Senior Payments Account, and
 - (b) Junior Payments Account;
- (4) Redemption Fund;
- (5) Reserve Fund;
- (6) Subordinated Payments Fund;

- (7) Rebate Fund; and
- (8) Residual Fund.

The Authority may, in any Supplemental Resolution, create and establish such additional Funds or Accounts or such sub-Funds or sub-Accounts as it shall determine to be necessary or desirable and may, in such Supplemental Resolution, provide for the pledge, assignment or grant (if any) of such Funds and Accounts not inconsistent with the other provisions summarized under the heading "ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF". The Trustee may establish such additional Funds or Accounts or such other sub-Funds or sub-Accounts as it shall determine to be necessary. (Section 602)

Pledged Revenue Fund. (1) There is created and established a "Pledged Revenue Fund", which shall be held by the Trustee. The Authority obligates and binds itself irrevocably to pay, or cause to be paid, to the Trustee all Pledged Sublease Revenues and Swap Receipts as and when actually received by or for the account of the Authority. Monies, including interest earned or other sums received on obligations purchased as an investment of such monies and any profit realized from the sale of such obligations, from time to time in the Pledged Revenue Fund (including monies or the proceeds of any property other than the Pledged Sublease Revenues that may be pledged pursuant to the Resolution and that may be deposited to the credit of the Pledged Revenue Fund) shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution.

(2) Subject to paragraph (4) below, once a month on any day within the first five Business Days of each calendar month, monies in the Pledged Revenue Fund shall be disbursed and applied by the Trustee, in the following order, subject to the provisions of the Resolution:

(a) FIRST, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Project Operating Fund the sum, if any, necessary to increase the amount in the Project Operating Fund so that it equals the Project Operating Fund Requirement;

(b) SECOND, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Senior Payments Account of the Debt Service Fund the sum, if any, necessary to increase the amount in the Senior Payments Account so that it equals the Senior Payments Requirement;

(c) THIRD, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Junior Payments Account of the Debt Service Fund the sum, if any, necessary to increase the amount in the Junior Payments Account so that it equals the Junior Payments Requirement;

(d) FOURTH, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Reserve Fund the sum, if any, necessary to increase the amount in the Reserve Fund so that it equals the Reserve Fund Requirement; and

(e) FIFTH, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Subordinated Payments Fund the sum, if any, necessary to increase the amount in the Subordinated Payments Fund so that it equals the Subordinated Payments Requirement.

(3) In accordance with written directions from the Authority signed by an Authorized Officer, the Trustee shall from time to time apportion and set apart out of the Pledged Revenue Fund and deposit in the Rebate Fund for the purpose of making payments to the United States in accordance with the provisions summarized under the subheading "*Rebate Fund*" below.

(4) As of each November 1, prior to any disbursement from the Pledged Revenue Fund to be made during such calendar month pursuant to the second preceding paragraph above: (a) *first*, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Senior Payments Account of the Debt Service Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to paragraph (2)(b) above, to make all payments scheduled to be made from the Senior Payments Account pursuant to paragraph (2) of the Section entitled "Debt Service Fund" during the next three (3) calendar months; (b) *second*, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Junior Payments Account of the Debt Service Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to paragraph (2)(c) above, to make all payments scheduled to be made from the Junior Payments Account pursuant to paragraph (3) of the Section entitled "Debt Service Fund" below during the next five (5) calendar months; (c) *third*, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Subordinated Payments Fund the sum, if any, designated in writing to the Trustee by an Authorized Officer of the Authority as being necessary, together with other amounts expected to be available pursuant to paragraph (2)(e) above, to make all payments scheduled to be made from the Subordinated Payments Fund pursuant to paragraph (2) of the Section entitled "Subordinated Payments Fund" below during the next five (5) calendar months; and (d) *fourth*, the Trustee shall apportion and set apart out of the Pledged Revenue Fund and deposit in the Residual Fund the balance of funds on deposit in the Pledged Revenue Fund. (Section 603)

Debt Service Fund. (1) There is created and established a "Debt Service Fund" which shall be held by the Trustee and which shall be used solely for the purposes of paying the principal and Redemption Price of and interest on the Bonds and of retiring Bonds at or prior to maturity in the manner provided herein. Immediately upon the issuance, sale and delivery of the Bonds, the Authority shall pay into the Debt Service Fund the amount, if any, received from such sale as accrued interest on the Bonds. The Authority obligates and binds itself irrevocably to pay, or cause to be paid, into the Debt Service Fund all monies withdrawn (a) from the Pledged Revenue Fund for the purposes of the Debt Service Fund pursuant to the provisions of paragraphs (2) and (4) of the Section entitled "Pledged Revenue Fund" above and (b) from the Reserve Fund for the purposes of the Debt Service Fund and (c) from the Bond Proceeds Fund for purposes of paying interest on Bonds in accordance with the provisions of Article V and pursuant to a Series Resolution. Within the Debt Service Fund there are created and established the following Accounts: (a) Senior Payments Account, and (b) Junior Payments Account.

(2) The Senior Payments Account shall be drawn upon for the sole purposes of (i) paying interest on Senior Bonds when due and payable, (ii) paying principal of Senior

Bonds when due and payable at maturity, (iii) paying into the Redemption Fund the Sinking Fund Installments on Senior Bonds when due, (iv) paying Senior Reimbursement Obligations when due, and (v) paying Senior Swap Payments when due. The Trustee shall pay out of the Senior Payments Account to the Paying Agents, on each principal or interest payment date for any Senior Bonds, the amounts respectively required for the payment on such date of interest on the Senior Bonds and principal of the Senior Bonds maturing on such date, and such amounts shall be applied by the Paying Agents to such payments. The Trustee shall also withdraw from the Senior Payments Account and deposit in the Redemption Fund the amount of each Sinking Fund Installment for the Senior Bonds on or before the corresponding redemption date. The Trustee shall also pay out of the Senior Payments Account to the appropriate Paying Agents, prior to the redemption date for any Senior Bonds, the amount required for the payment of interest on the Senior Bonds then to be redeemed, and such amount shall be applied by such Paying Agents to such payment. The Trustee shall also pay out of the Senior Payments Account to the appropriate Beneficiary the amount of Senior Reimbursement Obligations then due to be paid to such Beneficiary. The Trustee shall also pay out of the Senior Payments Account to the appropriate Beneficiary the Senior Swap Payments then due to be paid to such Beneficiary. Monies set aside from time to time with the Trustee and Paying Agents for the payment of such interest, principal, Redemption Price, Senior Reimbursement Obligation or Senior Swap Payment shall be held in trust for the Holders of the Bonds or other Beneficiaries in respect of which the same shall have been so set aside. If, at any time, the amount in the Senior Payments Account is in excess of the Senior Payments Requirement, the Trustee shall, upon the written direction of an Authorized Officer, withdraw such excess therefrom and deposit the same in the Pledged Revenue Fund. On the last Business Day of each October, the Trustee shall, upon the written direction of an Authorized Officer, withdraw from the Senior Payments Account and deposit in the Pledged Revenue Fund the excess, if any, of the amount then in the Senior Payments Account over the Senior Payments Requirement.

(3) The Junior Payments Account shall be drawn upon for the sole purposes of (i) paying interest on Junior Bonds when due and payable, (ii) paying principal of Junior Bonds when due and payable at maturity, (iii) paying into the Redemption Fund the Sinking Fund Installments on Junior Bonds when due, (iv) paying Junior Reimbursement Obligations when due, and (v) paying Junior Swap Payments when due. The Trustee shall pay out of the Junior Payments Account to the Paying Agents, on each principal or interest payment date for any Junior Bonds, the amounts respectively required for the payment on such date of interest on the Junior Bonds and principal of the Junior Bonds maturing on such date, and such amounts shall be applied by the Paying Agents to such payments. The Trustee shall also withdraw from the Junior Payments Account and deposit in the Redemption Fund the amount of each Sinking Fund Installment for the Junior Bonds on or before the corresponding redemption date. The Trustee shall also pay out of the Junior Payments Account to the appropriate Paying Agents, prior to the redemption date for any Junior Bonds, the amount required for the payment of interest on the Junior Bonds then to be redeemed, and such amount shall be applied by such Paying Agents to such payment. The Trustee shall also pay out of the Junior Payments Account to the appropriate Beneficiary the amount of Junior Reimbursement Obligations then due to be paid to such Beneficiary. The Trustee shall also pay out of the Junior Payments Account to the appropriate Beneficiary the Junior Swap Payments then due to be paid to such Beneficiary. Monies set aside from time to time with the Trustee and Paying Agents for the payment of such interest, principal, Redemption Price, Junior Reimbursement Obligation or Junior Swap Payment shall be held in trust for the Holders of the Bonds or other Beneficiaries in respect of which the same shall have been so set aside. If, at any time, the amount in the Junior Payments Account is in excess of the Junior Payments Requirement, the Trustee shall, upon the written direction of an Authorized

Officer, withdraw such excess therefrom and deposit the same in the Pledged Revenue Fund. On the last Business Day of each October, the Trustee shall, upon the written direction of an Authorized Officer, withdraw from the Junior Payments Account and deposit in the Pledged Revenue Fund the excess, if any, of the amount then in the Junior Payments Account over the Junior Payments Requirement.

(4) If on any date there shall be a deficiency of funds in any Account in the Debt Service Fund to meet any payment or withdrawal on said date directed by paragraph (2) or (3) above, the Trustee shall withdraw from the Reserve Fund any available monies necessary for the purpose and pay the same in the following order: (a) *first*, into the Senior Payments Account in such amount as shall be necessary to make up any such deficiency therein, and ratably in proportion to the respective amounts of such deficiencies, and (b) *second*, into the Junior Payments Account in such amount as shall be necessary to make up any such deficiency therein, and ratably in proportion to the respective amounts of such deficiencies. If after such transfer of available monies from the Reserve Fund to the Senior Payments Account or the Junior Payments Account, as the case may be, there shall remain a deficiency of funds in any Account in the Debt Service Fund to meet any payment or withdrawal on said date directed by paragraph (2) or (3) above, then the monies in such deficient Account shall be applied to the payments or withdrawals therefrom on such date ratably in proportion to the respective full amounts of such payments and withdrawals due on such date. (Section 604)

Redemption Fund. (1) There is created and established a "Redemption Fund" which shall be held by the Trustee. The Trustee shall establish and maintain in the Redemption Fund a separate account for the Term Bonds of each Series, if any, into which the amounts to be deposited in the Redemption Fund in accordance with paragraph (2) or (3) of the Section entitled "Debt Service Fund" summarized above shall be segregated and set aside by the Trustee. The Trustee shall apply monies in each such account to the purchase or the redemption of the Term Bonds for which such account is maintained as described below or to the payment of the principal thereof at maturity. If at any date there shall be monies in any such account and there shall be Outstanding no Term Bonds for which such account was established, said monies shall be withdrawn from said account and paid into the Pledged Revenue Fund.

(2) In connection with each Sinking Fund Installment required for Term Bonds, the Authority shall give written notice signed by an Authorized Officer to the Trustee of the date and amount of such Sinking Fund Installment as so specified, the maturity and interest rate of the Term Bonds entitled to such Sinking Fund Installment, and the principal amount of such Term Bonds to be redeemed out of such Sinking Fund Installment. Such notice shall be given at least forty-five (45) days prior to the date of such Payment or at such later time as shall be provided in a Series Resolution or otherwise as shall be acceptable to the Trustee. After receipt of such notice, the Trustee shall call for redemption on the date of such Sinking Fund Installment such principal amount of said Term Bonds; provided, however, that the amount of such Sinking Fund Installment shall be deemed to be reduced by the amount of the aggregate principal amount of any of the Term Bonds entitled to such Sinking Fund Installment that shall previously have been purchased by the Trustee pursuant to this section by application of monies deposited in the Redemption Fund on account of such Sinking Fund Installment pursuant to paragraph (2) or (3) of the section "Debt Service Fund" summarized above. The Trustee shall, on or prior to the date of such Sinking Fund Installment, out of the account for said Term Bonds maintained in the Redemption Fund pursuant to paragraph (1) above, pay or cause to be paid to the appropriate Paying Agent or Paying Agents an amount in cash, which, in addition to other monies, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem at the date of such Sinking Fund Installment, at the Redemption Price thereof, all of the

Term Bonds which are to be redeemed out of such Sinking Fund Installment, and the Paying Agent or Paying Agents shall apply such amounts to the payment of such Redemption Price on and after such date.

(3) The amounts paid into the Redemption Fund in accordance with the provisions set forth under "Transfer of Surplus from Bond Proceeds Fund", or in accordance with paragraph (3) under "DEFEASANCE – Payment and Discharge of Bonds" below, if any, shall be applied by the Trustee to the purchase or the redemption of any of the Bonds Outstanding or to the payment of the principal thereof at maturity.

(4) The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond plus accrued interest thereon. Subject to the limitations hereinabove set forth or referred to above, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Authority shall so direct. All Bonds so purchased shall be canceled by the Trustee and not be redelivered. (Section 605)

Reserve Fund. (1) There is created and established a "Reserve Fund" which shall be held by the Trustee. The Authority shall pay over to the Trustee for deposit in the Reserve Fund (a) proceeds of sale of Bonds pursuant to the provisions of a Series Resolution, and (b) any other monies which may be made available to the Authority only for the purposes of the Reserve Fund from any other source or sources, and the Trustee shall deposit in the Reserve Fund all monies authorized to be transferred thereto from the Pledged Revenue Fund.

(2) Monies and securities held for the credit of the Reserve Fund shall be transferred by the Trustee to the Debt Service Fund at the times and in the amounts required to comply with the provisions summarized in paragraph (4) under "Debt Service Fund" above.

(3) If, at any time, the monies and securities in the Reserve Fund are in excess of the Reserve Fund Requirement, the Trustee shall, upon the written direction of an Authorized Officer, withdraw such excess therefrom and deposit the same in the Pledged Revenue Fund.

(4) With Ratings Confirmation, and subject to the provisions of any Supplemental Resolution, the Reserve Fund may be funded by the Authority in whole or in part through delivery of Cash Equivalents to be held by the Trustee for the credit of the Reserve Fund, so long as prior to each such delivery the Trustee and the Authority receive an opinion of bond counsel for the Authority to the effect that the proposed funding with Cash Equivalents will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes. In connection with any provision of the Resolution concerning money, amounts or securities in the Reserve Fund, such terms shall be deemed to include such permitted Cash Equivalents. (Section 606)

Subordinated Payments Fund. (1) There is created and established a "Subordinated Payments Fund" which shall be held by the Trustee and which shall be used solely for the purposes of paying Subordinated Payments in the manner provided herein. The Authority obligates and binds itself irrevocably to pay, or cause to be paid, into the Subordinated Payments Fund all monies withdrawn from the Pledged Revenue Fund for the purposes of the Subordinated Payments Fund pursuant to the provisions summarized in paragraph (2) under "Pledged Revenue Fund" above and in accordance with the agreements, arrangements or obligations pursuant to which such Subordinated Payments may be or become due.

(2) The Subordinated Payments Fund shall be drawn upon for the sole purpose of paying Subordinated Payments when due and payable. The Trustee shall pay out of the Subordinated Payments Fund to the appropriate Beneficiary the amount required for the payment of Subordinated Payments then due to be paid to such Beneficiary.

(3) If, at any time, the monies and securities in the Subordinated Payments Fund are in excess of the Subordinated Payments Requirement, the Trustee shall, upon the written direction of an Authorized Officer, withdraw such excess therefrom and deposit the same in the Pledged Revenue Fund. (Section 607)

Rebate Fund. (1) There is created and established a “Rebate Fund” which shall be held by the Trustee and which shall be used solely for the purposes and in the manner provided herein. Amounts held for the credit of the Rebate Fund shall not constitute Collateral. No Bondholder or other Beneficiary shall have any rights in or claim to such money in the Rebate Fund. The Trustee shall transfer to the Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in the Pledged Revenue Fund at such times and in such amounts as shall be set forth in such directions. The Authority may withdraw from the Bond Proceeds Fund and pay to the Trustee for deposit to the Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

(2) Monies on deposit in the Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be paid or rebated to the United States of America.

(3) If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee (i) to transfer from the Pledged Revenue Fund or the Bond Proceeds Fund and deposit to the Rebate Fund all or a portion of the Excess Earnings with respect to each Series of Bonds, and (ii) to pay out of the Rebate Fund to the United States of America the amount, if any, required by the Code to be paid or rebated thereto.

(4) If, at any time, the monies and securities in the Rebate Fund are in excess of the amount required by the Code to be paid or rebated to the United States, as evidenced by a certificate signed by an Authorized Officer, the Trustee shall, upon the written direction of an Authorized Officer, withdraw such excess therefrom and deposit the same in the Pledged Revenue Fund. (Section 608)

Residual Fund. There is created and established a “Residual Fund”, which shall be held by the Trustee and into which shall be deposited by the Trustee monies transferred from the Pledged Revenue Fund pursuant to the provisions summarized under “Pledged Revenue Fund” above. Amounts held for the credit of the Residual Fund shall not constitute Collateral. No Bondholder or other Beneficiary shall have any rights in or claim to such money in the Residual Fund. Monies held for the credit of the Residual Fund may be withdrawn at any time by the Authority and applied by the Authority to any of its lawful corporate purposes. (Section 609)

Project Operating Fund. There is created and established a “Project Operating Fund”, which shall be held by the Trustee and into which shall be deposited by the Trustee monies transferred from the Pledged Revenue Fund pursuant to the provisions summarized under “Pledged Revenue Fund” above, and monies to be deposited therein pursuant to a Supplemental

Resolution. Amounts held for the credit of the Project Operating Fund shall not constitute Collateral. No Bondholder or other Beneficiary shall have any rights in or claim to such money in the Project Operating Fund. Monies at any time held for the credit of the Project Operating Fund may be withdrawn by the Authority from time to time for and applied to the payment of Operating Expenses of the Authority. (Section 610)

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Security for Deposits. It shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any monies with them held in trust for the payment of the principal or Redemption Price of or interest on any Bonds or in the Bond Proceeds Fund. (Section 701)

Investment of Funds and Accounts. Upon the deposit of the proceeds of Bonds in the manner hereinabove prescribed in the Bond Proceeds Fund, the Authority shall furnish the Trustee with a schedule of dates on which it is estimated by the Authority that such monies in said Fund will be required to be expended for Permitted Purposes or to pay Costs of Issuance. The Authority may from time to time amend the schedule so furnished. Upon receipt of such schedule or amended schedule, the Trustee shall invest and reinvest, at the direction of the Authority, in Investment Obligations, the monies in said Fund so that the maturity date or date of redemption at the option of the holder of such Obligations shall coincide as nearly as practicable with the times at which monies are needed by the Authority to be so expended. Any investment in Investment Obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized securities depository. Any such investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of the Bond Proceeds Fund, and the Trustee shall, on a monthly basis or more frequently upon the reasonable request of the Authority, keep the Authority advised as to the details of all investments held by it for the credit of the Bond Proceeds Fund.

Monies in the Pledged Revenue Fund shall be invested by the Trustee at the written direction of the Authority in Investment Obligations the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with and shall not exceed the times at which monies in said Fund will be required for the purposes in the Resolution provided.

Monies in any Account in the Debt Service Fund shall be invested by the Trustee at the written direction of the Authority in Investment Obligations the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with and shall not exceed the times at which monies in said Account will be required for the purposes in the Resolution provided.

Monies in the Reserve Fund shall be invested by the Trustee at the written direction of the Authority in Investment Obligations or as permitted under the provisions

summarized under paragraph (4) of “ESTABLISHMENT OF FUND AND ACCOUNTS AND APPLICATION THEREOF - Reserve Fund”.

To the extent permitted or authorized by the Act, in lieu of the investment of monies in Investment Obligations as authorized in this Section, the Trustee shall, upon written direction of the Authority confirmed in writing by an Authorized Officer, deposit monies held by it under the Resolution in interest-bearing time deposits, or interest bearing notes, make repurchase agreements, reverse repurchase agreements or investment agreements or make other similar banking arrangements or make such other investment arrangements involving Investment Obligations or other obligations which permit the Authority to make the certification required in clause (i) below, with the financial institution acting as Trustee or with any other bank, trust company, national banking association or Bank Holding Company in the United States, or with any surety or insurance company, or any other public or private corporation or make repurchase or reverse repurchase agreements involving Investment Obligations, with any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York and having capital aggregating at least fifty million dollars (\$50,000,000); provided that upon the making of such deposit, agreement or arrangement the Authority shall certify in writing to the Trustee (i) that each such interest-bearing time deposit, interest-bearing note, repurchase agreement, reverse repurchase agreement, investment agreement or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations shall permit the full principal amount of the monies so placed together with the investment income agreed to be paid to be available, without penalty, for use, as provided in paragraph (1) above, at the times provided with respect to the investment or reinvestment of such monies and (ii) that (x) the entity with which such interest-bearing time deposit, interest-bearing note, repurchase agreement, reverse repurchase or investment agreement, or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations is made must be an entity certain of whose unsecured or uncollateralized long-term debt obligations are assigned to a rating category which is equal to or higher than the rating category to which the Bonds are assigned by each of the Rating Agencies at the time of the making of such investment or, to the extent applicable, if such entity is the lead bank of a Bank Holding Company, such Bank Holding Company’s unsecured or uncollateralized long-term debt obligations are assigned to a rating category which is equal to or higher than the rating category which the Bonds are assigned by each of the Rating Agencies or (y) to the extent approved by each of the Rating Agencies, the performance of the entity with which such interest-bearing time deposit, or interest bearing notes, repurchase agreement, reverse repurchase agreement or investment agreement, or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations is made must be guaranteed by an entity referred to in (x) above or (z) such interest-bearing time deposit, interest-bearing note, repurchase agreement, reverse repurchase agreement, or other investment agreement, or other similar banking arrangement or investment arrangement is secured by contracts, arrangements or surety bonds with or from an entity certain of whose unsecured or uncollateralized long-term debt obligations are assigned to a rating category which is equal to or higher than the rating category which the Bonds are assigned by each of the Rating Agencies at the time of the making of such investment. In addition, the applicable short-term (rather than long-term) rating category of an entity described above may be utilized in satisfying the requirements of this Section if an Authorized Officer certifies to the Trustee in connection with an investment, as to which certificate the Trustee may conclusively rely in making such investment, that (1) the use of such short-term rating category has been approved by each of the Rating Agencies and such short-term rating category is at least equivalent to the rating category which the Bonds are assigned by each of the Rating Agencies, (2) any such investment made with such entity shall be made in accordance with the terms and conditions, including term thereof, specified in the approval of the Rating Agencies (which may,

to the extent applicable, mean that there is with respect to such entity a long-term rating which is equal to or higher than the rating category which the Bonds are assigned by such Rating Agency at the time of the making of such investment) and (3) the investment made with such entity would not cause, either directly or indirectly, any Rating Agency to lower the rating category which the Bonds are assigned immediately prior to such proposed investment. The Authority shall require the valuation of the obligations (which valuations may be performed by the Trustee), if any, securing such interest-bearing deposits, repurchase or reverse repurchase agreement or other similar banking arrangement not less than once each week. For the purposes of this paragraph, the term "Bank Holding Company" shall mean a corporation that is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, as amended.

Monies in the Redemption Fund shall be invested by the Trustee upon the written direction of the Authority in writing signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested, and the Authority, in issuing such direction, shall take into consideration the dates and times when monies in said Fund will be required for the purposes of the Resolution) authorizing such investment in such Defeasance Securities as the Authority may approve.

Obligations purchased as an investment of monies in any Fund or Account held by the Trustee under the provisions of the Resolution, and the interest earned on obligations purchased as an investment of such monies and any profit realized from the sale of such obligations, shall be deemed at all times to be a part of such Fund or Account and any losses realized from the sale of such obligations shall be charged thereto.

In computing the amount at any time in any Fund or Account held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of monies therein shall be valued at par, or if purchased at less than par, at their cost to the Authority, plus the interest on such obligations accrued to said date.

At the direction of the Authority, the Trustee shall sell, or present for redemption, any obligations purchased by it as an investment whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made. The Trustee shall advise the Authority in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each Fund and Account in its custody under the provisions of the Resolution as of the end of the preceding month.

The Trustee shall promptly immediately confirm to the Authority, in writing, the completion of any investment or reinvestment of amounts in any Fund or Account in the custody of the Trustee under the General Resolution. (Section 702)

Liability of Trustee for Investments. The Trustee shall not be liable or responsible for the making of any investment authorized by the provisions summarized under "Investment of Funds and Accounts" above, in the manner summarized under "SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS", or for any loss resulting from any such investment so made, or for compliance with Section 148 of the Code, except as summarized under "THE TRUSTEE AND THE PAYING AGENT – Responsibility." (Section 703)

THE TRUSTEE AND THE PAYING AGENTS

Responsibility of Trustee and Paying Agents. The recitals of fact in the Bonds contained shall be taken as the statements of the Authority and neither the Trustee nor any Paying Agent assumes any responsibility for the correctness of the same. Neither the Trustee nor any Paying Agent shall be deemed to make any representations as to the validity or sufficiency of the Resolution or of any Bonds or in respect of the security afforded by the Resolution, and neither the Trustee nor any Paying Agent shall incur any responsibility in respect thereof. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of any monies paid to the Authority. Neither the Trustee nor any Paying Agent shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own monies, unless properly indemnified. Neither the Trustee nor any Paying Agent shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any monies paid to any one of the others. Except during the continuance of an Event of Default described under "DEFAULT AND REMEDIES – Events of Default" below, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Resolution, and no implied covenants or obligations shall be read into the Resolution against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. (Section 803)

Evidence on Which Fiduciaries May Act. The Trustee and any Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee and any Paying Agent may consult with counsel, who may or may not be counsel to the Authority, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever the Trustee or any Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the General Resolution upon the faith thereof, but in its discretion the Trustee or any Paying Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the General Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Trustee or any Paying Agent shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer. (Section 804)

Compensation. Unless otherwise provided by agreement between the Authority and the Trustee or the Authority and a Paying Agent, the Authority shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of

their powers and duties under the Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution. The Authority further agrees to indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the General Resolution, and which are not due to its negligence or willful misconduct. (Section 805)

Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Bonds, and the trustee or paying agent for any other Secured Indebtedness, with the same rights it would have if it were not such Trustee or Paying Agent. The Trustee and any Paying Agent may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the General Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding. (Section 806)

Resignation of Trustee. The Trustee may, subject to the provisions summarized under "Transfer of Rights and Property to Successor Trustee" below, at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice by registered or certified mail, postage prepaid, to the Authority and to each Bondholder, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as described in "Appointment of Successor Trustee" below, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 807)

Removal of Trustee. The Trustee shall be removed, subject to the provisions summarized under "Transfer of Rights and Property to Successor Trustee" below, by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority, and signed by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. The Authority may, subject to such summarized provisions, remove the Trustee at any time, by filing with the Trustee an instrument signed by an Authorized Officer of the Authority: (i) without cause, so long as no Event of Default has occurred that continues or remains uncured, (ii) on the terms set forth in any Series Resolution authorizing the issuance of a Series of Bonds, so long as no Event of Default has occurred that continues or remains uncured, or (iii) for just cause (including, but not limited to, negligence in the performance of its duties and obligations). (Section 808)

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority may appoint a successor Trustee. The Authority shall give notice of any such appointment made by it, by certified or registered mail, postage prepaid, to each Bondholder, such mailing to be made within twenty (20) days after such appointment.

If in any of the foregoing circumstances no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within thirty (30) days after the Trustee shall have given to the Authority written notice, as provided in "Resignation of Trustee" above, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to

appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee so appointed in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association doing business and having its principal office in the Borough of Manhattan, City and State of New York and having a capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Resolution. (Section 809)

Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all monies, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, and, any other provision of the Resolution to the contrary notwithstanding, no resignation or removal of the Trustee shall be effective until the execution, acknowledgement and delivery of such instrument of acceptance; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver forthwith such instruments of conveyance and further assurance, without recourse or warranty, and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any monies or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances, and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

Any provision under Article VIII of the Resolution to the contrary notwithstanding, no resignation or removal of the Trustee shall take effect unless and until a successor shall have been appointed and such successor shall have accepted such appointment (Section 810)

Merger, Conversion or Consolidation. Any company into which the Trustee or any Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee or any Paying Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Trustee or Paying Agent without the execution or filing of any paper or the performance of any further act, provided with respect to the Trustee such company shall be a bank or trust company organized under the laws of the State of New York or a national banking association and shall have an office for the transaction of its business in the Borough of Manhattan, City and State of New York, and shall be authorized by law to perform all the duties imposed upon it by the General Resolution. (Section 811)

COVENANTS OF THE AUTHORITY

Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof. (Section 901)

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in the event that the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in the event of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the General Resolution) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. (Section 902)

Offices for Payment and Registration of Bonds. The Authority shall at all times maintain an office or agency in the Borough of Manhattan, City and State of New York, where Bonds may be presented for payment. The Authority may by a Supplemental Resolution designate an additional Paying Agent or Paying Agents where Bonds may be presented for payment. The Authority shall at all times maintain an office or agency in the Borough of Manhattan, City and State of New York, where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. (Section 903)

Further Assurances. At any and all times the Authority shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, confirming and effecting all and singular the monies, securities, funds and property pledged or assigned, or intended so to be, or which the Authority may hereafter become bound to pledge or assign. (Section 904)

Power to Issue Bonds and Make Pledges. The Authority is duly authorized pursuant to law to create and issue the Bonds and to adopt the General Resolution and to pledge and assign the Collateral and other monies, securities, funds and property purported to be pledged and assigned by the Resolution in the manner and to the extent provided in the Resolution. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their respective terms. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of the Collateral and other monies, securities, funds and property pledged and assigned under the General Resolution and all the rights of the Bondholders under the General Resolution against all claims and demands of all persons whomsoever. (Section 905)

Agreement of the State. In accordance with the provisions of Section 1978 of the Public Authorities Law, as amended, the Authority, on behalf of the State, does pledge to and agree with the Holders of the Bonds that the State will not limit or alter the rights vested by the

Act in the Authority to acquire, lease, mortgage or dispose of real or personal property or any interest therein or construct, improve, enlarge, operate and maintain the Project, to fix, establish and collect the rates, rentals, fees and other charges referred to in the Act and to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such Holders until the Bonds, together with the interest thereon, interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged. (Section 906)

Accounts and Reports. The Authority shall keep proper books of record and account in which complete and correct entries shall be made of all of its transactions including but not limited to those relating to the Collateral and all Funds and Accounts established by the Resolution or by any other document (including, without limitation, bond resolutions) secured in any way by any portion of the Collateral, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five per cent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. (Section 907)

Pledge and Assignment of Collateral. Subject to the terms of Section 601, the Collateral is pledged and assigned to the Trustee for the benefit of the Holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such pledge and assignment in the manner provided in the General Resolution. (Section 908)

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution or in any Supplemental Resolution or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority. (Section 909)

Operation and Maintenance of Project. The Authority shall at all times maintain and operate the Project, or cause the Project to be operated and maintained, including the enforcement of its rights under each Sublease of a Parcel from which the Authority derives Pledged Sublease Revenues, under the same standard of care as would be applied by an owner or operator of similar property in like circumstances. (Section 910)

Preservation of Interests in Certain Parcels. The Authority covenants that, with the exception of mortgages, liens or other encumbrances in existence as of the Initial Funding Date, the Authority shall not mortgage or dispose of any interest of the Authority in any Parcel; provided, however, that the foregoing provisions of this Section shall not prevent the Authority from adopting any resolution in furtherance of, pursuant to or in accordance with the General Resolution; and provided, further, that the foregoing provisions of this Section shall not anywise prevent the Authority from performing, enforcing or terminating any Sublease or from taking any action in pursuit of such performance, enforcement or termination. (Section 911)

Proceeds of Condemnation. In the event that there shall be a total taking or a constructive total taking of the fee title to all or a portion of any WFC Parcel or of all or a portion of the Authority's leasehold interest therein pursuant to condemnation proceedings or by exercise of the right of eminent domain, then the amount of the proceeds, if any, received by the Authority that are derived from such condemnation or exercise of eminent domain (such proceeds being referred to herein as "Condemnation Proceeds") shall be applied in the following priority:

FIRST: an amount of Condemnation Proceeds not greater than the aggregate principal amount of Senior Bonds and Senior Reimbursement Obligations then Outstanding shall be applied, pro rata, to the redemption (including the payment of interest due upon such redemption) of Senior Bonds and the payment of Senior Reimbursement Obligations;

SECOND: an amount of Condemnation Proceeds not greater than the aggregate principal amount of Junior Bonds and Junior Reimbursement Obligations then Outstanding shall be applied, pro rata, to the redemption (including the payment of interest due upon such redemption) of Junior Bonds and the payment of Junior Reimbursement Obligations; and

THIRD: an amount of Condemnation Proceeds not greater than the aggregate amount of Subordinated Payments then due shall be applied, pro rata, to the payment of such Subordinated Payments. (Section 912)

Covenant as to State Tax Contract. The Authority, on behalf of the State, does pledge to and agree with all Holders and transferees of the Bonds that, in consideration of the acceptance of and payment of the purchase price, the Bonds and the income therefrom, and all monies, funds and revenues pledged to pay or secure the payment of the Bonds, shall at all times be free from taxation except for transfer and estate taxes. (Section 913)

SUPPLEMENTAL RESOLUTIONS

Adoption and Filing. The Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, in accordance with the terms summarized under "General Provisions Relating to Supplemental Resolutions" below:

(1) To provide for the issuance of a Series of Bonds pursuant to the provisions hereof and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(2) To provide for the incurrence of Reimbursement Obligations pursuant to the provisions hereof and to prescribe the terms and conditions pursuant to which such Reimbursement Obligations may be incurred;

(3) To provide for the execution of Qualified Swaps pursuant to the provisions hereof and to prescribe the terms and conditions pursuant to which such Qualified Swaps may be executed;

(4) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained herein;

(5) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(6) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms hereof, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained herein;

(7) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, Reimbursement Obligations, Qualified Swap Payments or Subordinated Payments, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(8) To modify any of the provisions hereof or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions;

(9) To exclude from Pledged Sublease Revenues and to release from all obligations under the General Resolution, all of the Sublease Rentals derived or to be derived from the Subleases of any one or more Non-WFC Parcels (whereupon such Sublease Rentals shall be so excluded and released), so long as before or simultaneously with each such exclusion and release there is delivered to or filed with the Trustee a certificate signed by an Authorized Officer to the effect that immediately following such exclusion and release the coverage tests summarized under "AUTHORIZATION AND ISSUANCE OF BONDS; QUALIFIED SWAPS; CREDIT FACILITIES AND OTHER ARRANGEMENTS - Additional Bonds; Refunding Bonds" above applicable to a concurrent, hypothetical issuance of one dollar (\$1.00) of additional Senior Bonds and one dollar (\$1.00) of additional Junior Bonds will be satisfied; or

(10) With Rating Confirmation, to modify any of the provisions of the General Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect. (Section 1001)

Supplemental Resolutions Effective with Consent of Bondholders. The provisions of the General Resolution may be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions summarized under "AMENDMENTS OF RESOLUTION" below. (Section 1002)

General Provisions Relating to Supplemental Resolutions. The Resolution shall not be modified or amended in any respect except to the extent and on the conditions described in "Adoption and Filing" above or in accordance with and subject to the provisions summarized under "AMENDMENTS OF RESOLUTION" below. Nothing summarized under "SUPPLEMENTAL BOND RESOLUTIONS" or "AMENDMENT OF RESOLUTION" shall affect or limit the right or obligation of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions summarized under "COVENANT OF THE AUTHORITY – Further Assurances" above, or the right or obligation of the Authority

to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Resolution adopted by the Authority when filed with the Trustee shall be accompanied by a Counsel's Opinion to the effect that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on a Counsel's Opinion to the effect that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Authority without the written consent of the Trustee or the Paying Agent affected thereby, as the case may be.

The Authority shall promptly notify the Rating Agencies of any amendment, modification or supplementation of the General Resolution pursuant to provisions summarized under "SUPPLEMENTAL BOND RESOLUTIONS. (Section 1003)

AMENDMENTS OF RESOLUTION

Powers of Amendment. Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as described under "Consent of Bondholders" below, of the Holders of a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds pursuant to this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. (Section 1101)

Consent of Bondholders. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized under "Powers of Amendment" above, to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be furnished, by certified or registered mail, postage prepaid, by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this paragraph provided). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of Outstanding Bonds specified

in "Powers of Amendment" above and (ii) a Counsel's Opinion to the effect that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1301 of the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee prior to the time when the written statement of the Trustee hereinafter in this section provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1301 of the General Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided by this paragraph, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to make such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this paragraph provided). (Section 1102)

Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in "Consent of Bondholders" above, except that no notice to Bondholders shall be required. (Section 1103)

DEFAULTS AND REMEDIES

Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 1983 of the Public Authorities Law, except the rights as to declaration of Bonds being due and payable provided for in subdivision 2(e) of said Section 1983 or as to appointment of a receiver provided for in subdivision 5 of said Section 1983 or as to general representation of Bondholders provided for by subdivision 6 of said Section 1983, and the right of Bondholders to appoint a trustee pursuant to Section 1983 of the Public Authorities Law is abrogated in accordance with the provision of paragraph (j) of subdivision 4 of Section 1976 of the Public Authorities Law. (Section 1201)

Events of Default. Each of the following events is declared an “Event of Default”, that is to say, if:

- (a) Default in the payment of the principal of or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption; or
- (b) Default in the payment of any Senior Reimbursement Obligation or Junior Reimbursement Obligation after the same shall become due; or
- (c) Default in the payment of any Qualified Swap Payment after the same shall become due; or
- (d) Default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part in the Resolution, any Supplemental Resolution, or in the Bonds contained, and continuance of such for a period of sixty (60) days after receipt of written notice thereof by the Authority from the Trustee or by the Authority and the Trustee from the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, provided, however, that, if the Authority is diligently proceeding to cure such default, the Authority shall have one hundred twenty (120) days to cure such default if such default is of the nature that is able to be cured within such time period. (Section 1202)

Remedies. Upon the happening and continuance of any event of default specified in “Events of Default” above, then and in each such case the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by suit, action or proceeding in accordance with the Civil Practice Law and Rules, enforce all rights of the Bondholders, including the right to require the Authority to perform its duties under the Act;
- (b) by suit or action upon the Bonds;
- (c) by action or suit to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds; or
- (d) by action or suit to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds. (Section 1203)

Priority of Payments After Default. If at any time the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and the provisions summarized under “DEFUALTS AND REMEDIES”, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred (including the reasonable attorney fees and disbursements of counsel for the Trustee) and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due with respect to Senior Bonds or Senior Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Senior Bonds and Senior Reimbursement Obligations;

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Senior Bonds or Senior Reimbursement Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts on Senior Bonds and Senior Reimbursement Obligations due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

THIRD: To the payment to the persons entitled thereto of all installments of interest then due with respect to Junior Bonds or Junior Reimbursement Obligations and of all Qualified Swap Payments (other than those that are designated as Subordinated Payments) in the order of the maturity of the installments of such interest or such Qualified Swap Payments (as the case may be), and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Junior Bonds, Junior Reimbursement Obligations and in related Qualified Swaps;

FOURTH: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Junior Bonds or Junior Reimbursement Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts on Junior Bonds and Junior Reimbursement Obligations due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

FIFTH: To the payment to the persons entitled thereto of all Subordinated Payments in the order of the maturity thereof, and, if the amount available shall not be sufficient to pay in full any Subordinated Payments, then to the payment thereof ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or preference.

The provisions summarized under "Priority of Payment After Default" are in all respects subject to the provisions summarized under "COVENANTS OF THE AUTHORITY - Extension of Payment of Bonds" above.

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the

Trustee. The Trustee shall incur no liability whatsoever to the Authority, to any Beneficiary or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest (if any) on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. (Section 1204)

Termination of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights under the General Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken. (Section 1205)

Bondholders' Direction of Proceedings. Anything in the Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction. (Section 1206)

Limitation on Rights of Bondholders. No Holder of any Bond shall have any right to institute any suit, action, or other proceeding under the Resolution, or for the protection or enforcement of any right under the Resolution or any right under law, unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy under the Resolution or under law. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution or under law with respect to the Bonds or the Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of this Section or any other provisions summarized under "DEFAULTS AND REMEDIES," the obligation of the Authority shall be absolute and unconditional to pay the

principal and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the preceding paragraph, or any other provision of the Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond. (Section 1207)

Possession of Bonds by Trustee Not Required. All rights of action under the Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds subject to the provisions of the General Resolution. (Section 1208)

Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the General Resolution or now or hereafter existing at law or in equity or by statute. (Section 1209)

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient. (Section 1210)

Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by certified or registered mail, postage prepaid, to all registered owners of Bonds, as the names and addresses of such owners appear upon the books for registration and transfer of Bonds as kept by the Trustee. (Section 1211)

Restriction on Acceleration of Maturity. Notwithstanding any provision of the Resolution or of Section 1983 of the Public Authorities Law, neither the Trustee nor any Bondholder shall declare or have any right to declare any Bonds due and payable in advance of stated maturity. (Section 1212)

DEFEASANCE

Release of Lien of Resolution. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, (i) to the Holders of the Bonds then Outstanding, the principal and interest and Redemption Price, if any, due or to become due, (ii) to the providers of Credit Facilities, the amounts due or to become due under Reimbursement Obligations, if any, (iii) to Qualified Swap Providers under Qualified Swaps, the Qualified Swap Payments due, (iv) to the Beneficiaries entitled thereto any Subordinated Payments due or to become due, together with (v) any compensation due and owing to the Trustee under the Resolution, in each case at the times and in the manner stipulated therein and in the Resolution, then and in that event the pledges, assignments, covenants, agreements and other obligations of the Authority to the Beneficiaries shall be discharged and satisfied. In such events, at the expense of the Authority, the Trustee shall, upon request of the Authority and upon receipt of a certificate of an Authorized Officer and an opinion of counsel acceptable to the Trustee, each to the effect that all conditions precedent herein provided relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, execute and deliver to the Authority all such instruments, without recourse or warranty, as may be desirable to evidence such release and discharge and the Trustee and the Paying Agents shall deposit in the Rebate Fund or pay over or deliver to the Authority all monies or securities held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption in accordance with the direction of an Authorized Officer of the Authority. (Section 1401)

Payment and Discharge of Bonds. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in "Release of Lien of Resolution" above. All Outstanding Bonds of any Series, any Subseries or any maturity within a Series or a portion of a maturity within a Series or Subseries shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in "Release of Lien of Resolution" above if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which, when due, will provide moneys which without regard to reinvestment, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this

Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of which Series of Bonds, Subseries of Bonds or which maturity within a Series or Subseries or the principal amount of Bonds within a maturity of a Series or Subseries payment of which shall be made in accordance with this Section. The Trustee shall select which Bonds of like Series, Subseries and maturity payment of which shall be made in accordance with this Section in the manner provided in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and subject to any applicable tax covenant, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, paid by the Trustee as follows: first to the Arbitrage Rebate Fund the amount specified to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; and, then the balance thereof to the Authority. The moneys so paid by the Trustee shall be released and free from any trust, pledge, lien, encumbrance or security interest created under the Resolution or by the Agreement.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Rate therefor; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such Maximum Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Option Bonds shall be deemed to have been paid in accordance with the second sentence of the second preceding paragraph only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the second preceding paragraph, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the General Resolution. (Section 1402)

Obligations of Trustee. Notwithstanding the release of the lien of the Resolution or the payment and discharge of the Bonds, the obligations of the Authority to the Trustee under the provisions summarized under "THE TRUSTEE AND THE PAYING AGENTS - Compensation" shall survive until satisfied.

MISCELLANEOUS

Preservation and Inspection of Documents. All documents received by the Trustee or any Paying Agent under the provisions of the General Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Trustee, any Paying Agent or any Bondholder and their agents and representatives, any of whom may make copies thereof. (Section 1501)

No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on the General Resolution against any member, officer or employee of the Authority or any person executing the Bonds. (Section 1502)

Interested Parties. Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Paying Agents, if any, and the Bondholders and other Beneficiaries, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the General Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agents, if any, and the Bondholders and other Beneficiaries. (Section 1504)

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APPENDIX D

Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents

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APPENDIX D

Summary of Certain Provisions of the Master Lease, the Specified Subleases and Other Documents

The following are descriptions of the major provisions of the Master Lease, the Existing Subleases and certain other agreements. Capitalized terms used in this Appendix D and not defined herein, in "Appendix C – Definitions and Summary of Certain Provisions of the Master Resolution" to the Official Statement or in the Official Statement to which this is appended, have the meanings ascribed to them in the respective agreements. The descriptions contained herein do not purport to be complete, and reference is made to the respective agreements for full and complete statements of their provisions.

THE MASTER LEASE

The Project Area was originally leased to the Authority by New York City (the "City") pursuant to a lease, dated November 24, 1969 (as supplemented, restated and amended, the "Master Lease"), which expires June 18, 2069. In June 1980 the New York State Urban Development Corporation ("UDC") acquired the fee interest in the Project Area from the City in a condemnation proceeding, and conveyed the Project Area to its wholly owned subsidiary, BPC Development Corporation ("BPCDC"). In December 1982, BPCDC conveyed the fee interest in the Project Area to the Authority for a nominal consideration. By its terms, the Master Lease remained in effect after acquisition by the Authority of fee title to the Project Area and the Authority is the landlord and tenant thereunder.

The Master Lease obligated the Authority, as tenant, to construct or cause to be constructed site improvements, including utilities, streets and civic and other facilities and residential and commercial improvements, all in substantial accordance with the Master Development Plan. The Master Lease provides for the payment of a basic rent of \$1.00 per year and additional rent, payable monthly (with an accounting 120 days after the end of the fiscal year), in the amount equal to the amount by which all rents, issues, profits, revenue and income (determined on a cash basis) derived from the Project Area for such fiscal year exceeds all obligations incurred by the Authority in such fiscal year with respect to the Project Area.

The Master Lease contemplates the execution by the Authority of (a) subleases in its capacity as tenant under the Master Lease and (b) of direct leases (excluding the Master Lease) in its capacity as the owner, both of which are defined as "Basic Subleases," of portions of the Project Area. The Master Lease provides that each Basic Sublease shall provide for the payment to the Authority of a net annual basic rent plus tax equivalency payment which shall not be less than certain amounts specified in the Master Lease. Each of the Existing Subleases complies with these Master Lease requirements on Basic Sublease rent. The Master Lease is a "net" lease to landlord thereunder. The Authority, as tenant under the Master Lease, is to cause each tenant under a Basic Sublease to pay all impositions levied or assessed against the premises demised under such Basic Sublease, to insure all improvements constructed by such tenant, to comply with all requirements of governmental authorities, to restore the improvements constructed on such tenant's premises in the event of a fire or other casualty or a partial taking in condemnation and to make all repairs and replacements necessary to maintain the improvements in a condition appropriate for improvements of similar construction, use and class in New York City. The

Authority, as tenant under the Master Lease, is to keep all civic facilities (prior to dedication thereof) insured, to maintain a policy of comprehensive general liability insurance, to discharge any mechanic's lien filed against the Project Area or any improvements constructed thereon and, if a tenant under a Basic Sublease shall have failed to comply with any provision of the Master Lease requiring performance by such tenant, to perform such obligation.

The Authority, as landlord under the Master Lease, shall have the right to terminate the Master Lease if a default in the payment of Basic Rent or any item of additional rent shall remain unpaid for a period of 30 days after notice or if there is a failure to perform any other provision of the Master Lease and such failure continues for 90 days after notice, unless such failure could not by its nature be cured within such 90 days, in which event tenant is required to remedy such failure with reasonable diligence.

The Authority, as landlord under the Master Lease has agreed, in the event of a termination of the Master Lease, to recognize the Gateway Plaza Sublease, the Rector Place Subleases and the Battery Place Subleases, all of which are subordinate to the Master Lease, provided no default then exists which would permit landlord under the respective Sublease to terminate such Sublease. The WFC Severance Leases are direct leases with the Authority and would not be affected by a termination of the Master Lease. In addition, landlord has agreed that it will not exercise its right to terminate the Master Lease upon the occurrence of an event of default unless landlord shall have delivered to the trustee under any indenture securing any bonds or any resolution authorizing bonds, either: (i) monies sufficient to make full and complete redemption of such bonds then outstanding in accordance with their terms, (ii) an instrument whereby landlord assumes full payment of the debt service on such bonds, or (iii) an instrument whereby landlord agrees to recognize and continue the pledge to the bondholders under the terms of such indenture or resolution to apply to the payment of debt service on such bonds then outstanding the gross revenue and receipts received and derived from the Project Area and undertakes the performance of all of the duties and obligations relating to the Project Area which tenant under the Master Lease is required to perform, as tenant under the Master Lease or under such indenture or resolution.

The Master Lease grants to the City the right to reacquire the Project Area for \$1.00 within certain time periods following the date upon which all bonds and other indebtedness incurred by the Authority have been paid or repaid in full, but in no event prior to January 1, 2000. See "THE BATTERY PARK CITY PROJECT – The City Repurchase Right" for a further description of the City's right to repurchase the Project Area.

WORLD FINANCIAL CENTER SEVERANCE LEASES

The World Financial Center has been developed pursuant to four severance leases between the Authority, as landlord, and the developers identified therein, as tenants (individually, a "WFC Severance Lease" and collectively, the "WFC Severance Leases"). A schedule of the WFC Severance Leases is annexed hereto. The following is a description of the major provisions of the WFC Severance Leases. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the WFC Severance Leases. The description contained herein does not purport to be complete and reference is made to the WFC Severance Leases for full and complete statements of their provisions.

1. *Term:* The term of each of the WFC Severance Leases commenced on the date such WFC Severance Lease was executed and expires, unless sooner terminated, on June 17, 2069. No WFC Severance Lease contains any right on the part of tenant thereunder to renew or otherwise extend the term beyond June 17, 2069.

2. *Rental:* The primary components of rent under the WFC Severance Leases are base rent (including additional base rent), payments in lieu of real estate taxes or PILOT, and percentage rent. The following is a description of each such component of rent:

(a) *Base Rent:* Each WFC Severance Lease obligates tenant thereunder to pay, on a monthly basis, base rent (“Base Rent”) in the following amounts:

**ONE WORLD FINANCIAL CENTER
(PARCEL A)**

The Base Rent is \$3,400,000/year for the remainder of the term.

**TWO WORLD FINANCIAL CENTER
(PARCEL B)**

The Base Rent is \$5,100,000/year for the remainder of the term.

**THREE WORLD FINANCIAL CENTER
(PARCEL C)**

The Base Rent is \$5,100,000/year for the remainder of the term.

**FOUR WORLD FINANCIAL CENTER
(PARCEL D)**

The Base Rent is \$3,400,000/year for the remainder of the term.

(b) *Additional Base Rent:* Each WFC Severance Lease obligates tenant thereunder to pay, on a monthly basis, additional Base Rent in the following amounts:

**ONE WORLD FINANCIAL CENTER
(PARCEL A)**

Additional Base Rent is payable from 9/1/99-8/31/14 at the rate of \$1,588,920/year.

**TWO WORLD FINANCIAL CENTER
(PARCEL B)**

Additional Base Rent is payable from 9/1/99-8/31/14 at the rate of \$2,383,380/year.

**THREE WORLD FINANCIAL CENTER
(PARCEL C)**

Additional Base Rent was payable from 9/1/99-8/31/09 at the rate of \$3,106,674/year.

**FOUR WORLD FINANCIAL CENTER
(PARCEL D)**

Additional Base Rent is payable from 9/1/99-8/31/14 at the rate of \$1,588,920/year.

(c) PILOT: The Authority and the Project Area are exempt from real estate taxes. Each WFC Severance Lease obligates tenant thereunder to make payments to the Authority of PILOT. PILOT will be the same amount as the real estate taxes which would have been payable except for the Authority's tax exempt status, with an annually declining percentage abatement for approximately the first 10 years after substantial completion of the buildings which abatement has elapsed. Each WFC Severance Lease provides that tenant thereunder shall have the right to institute tax assessment reduction proceedings to reduce the assessed valuation of the premises covered by its WFC Severance Lease. If such proceeding is successful, PILOT will be reduced.

(d) *Percentage Rent*: Commencing on the 12th year after substantial completion of the buildings and continuing through the year 2016, each tenant under a WFC Severance Lease shall pay percentage rent ("Percentage Rent") in an amount equal to 5% of the amount by which "net fixed rent" for such year exceeds "net fixed rent" for the 11th year after substantial completion of the buildings. Percentage Rent is paid semi-annually. "Net fixed rent" is defined generally as revenues derived from use and occupancy of space in the buildings which is permitted to be used for office purposes (except to the extent deemed space used for retail purposes), or parking of vehicles, including, without limitation, base rent, fixed rent, percentage rent, additional rent, debt service and all other income, less operating expenses allocable to such office space, and debt service on loans made by tenant thereunder to subtenants to finance leasehold improvements in excess of the building standard improvements.

Each tenant under a WFC Severance Lease shall also pay Retail Rent and Other Rent. In addition, each tenant is obligated to pay, subject to such tenant's right to contest same, any imposition levied or assessed against the premises demised by a WFC Severance Lease (excluding real estate taxes, which, if levied, shall be paid by the Authority). Except as hereinafter set forth, each tenant's obligation to pay Rental is net to the Authority and without abatement, set-off or counterclaim. Each of the WFC Severance Leases gives tenant thereunder certain limited off-set rights against Rental in the following instances:

(a) In the event of a final determination in favor of a tenant in a tax assessment reduction proceeding, succeeding PILOT payments to the Authority will be reduced to the extent necessary to offset the overpayment of PILOT;

(b) If the premises covered by a WFC Severance Lease shall at any time become subject to real estate taxes, the Authority is responsible for the payment of same. In the event the Authority shall have failed to pay such real estate taxes or to timely contest such taxes, or if the Authority shall contest such taxes but, notwithstanding such contest, the failure to pay such taxes will result in the loss of the Premises and termination of tenant's interest under the WFC Severance Lease, and tenant shall have paid same, such tenant may deduct such payment, together with interest and penalties thereon, from Rental;

(c) In the event and to the extent Percentage Rent shall have been overpaid by a tenant;

(d) The cost of any work performed by a tenant in order to preserve the premises from damage due to excavation work undertaken by the Authority on adjacent premises; or

(e) If there shall be a judgment beyond appeal awarding a tenant a sum for expenses for rightfully undertaking to perform the Authority's obligations with respect to the civic facilities, as provided in the Project Operating Agreement dated as of June 15, 1983.

3. *Taxes:* As previously stated, in the event real estate taxes shall be levied and assessed against the premises covered by a WFC Severance Lease, the Authority shall be obligated to pay same. The Authority has the right, however, to contest the imposition of taxes, and, in certain circumstances, may defer payment during the pendency of such tax contest.

4. *Insurance:* Both during and after completion of the buildings, each tenant under a WFC Severance Lease is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to one year's current Base Rent, PILOT, Substitute PILOT, if any, and Basic Retail Rent (as defined therein). The types of insurance and limits of coverage are specified in each WFC Severance Lease. All insurance provided (except certain workmen's compensation insurance) shall name, the tenant and, at the tenant's option, the landlord as named insureds and certain insurance may name the mortgagee, if any, provided, however, that all rent insurance shall name the landlord as well as the tenant. In addition, the Authority may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. Each WFC Severance Lease provides that, in the event of a casualty, the insurance proceeds shall be paid to tenant, in trust, for the sole purpose of paying the cost of restoration if less than \$1,000,000 (the amount as of the execution of the WFC Severance Leases, which amount is subject to adjustment on September 1, 1986 and every fifth year thereafter based on the consumer price index) or, if in excess of \$1,000,000 (as adjusted), to a depository designated by such tenant, such depository to be an institutional lender (as defined in each WFC Severance Lease). The Authority has agreed pursuant to the Merrill Lynch agreements to increase the "\$1,000,000" figure, whenever such figure appears in the WFC Severance Leases for Two World Financial Center and Four World Financial Center, to \$2,500,000.

5. *Restoration:* Except as hereinafter set forth, each tenant is obligated to restore the buildings in the event of damage or destruction due to fire or other casualty, whether insured or uninsured, whether or not the cost of restoration exceeds the insurance proceeds and whether or not the mortgagee shall permit such insurance proceeds to be used for restoration. Each tenant shall be obligated for the payment of Rental during the period of a casualty without reduction or abatement. In the event a tenant fails to restore the buildings as provided in its WFC Severance Lease, the Authority shall have the right to do so at tenant's expense and may apply the insurance proceeds for such purposes. To the extent the cost of restoration equals or exceeds \$1,000,000 or, with respect to Two World Financial Center and Four World Financial Center, \$2,500,000 (as adjusted), such tenant shall provide the Authority with plans and specifications for such restoration, a construction contract and payment and performance bonds or other security reasonably satisfactory to the Authority. In addition, if such restoration involves work to the exterior of any buildings or a change in the height, bulk or setback of such buildings, such tenant shall deliver plans and specifications for such work prior to the commencement of the

restoration. No WFC Severance Lease grants tenant thereunder the right to terminate its WFC Severance Lease in the event of a casualty, except in the following instances:

- (a) If there is damage or destruction during the last 5 years of the term rendering 20% or more of the premises untenantable; and
- (b) If there is damage or destruction during the last 2 years of the term rendering 10% or more of the premises untenantable.

If a tenant elects to terminate its WFC Severance Lease, the insurance proceeds are paid to the Authority. To the extent any procedure for payment of insurance proceeds required under any mortgage held by an Institutional Investor shall be inconsistent with a WFC Severance Lease, the procedures required by the mortgage shall control provided they are more restrictive with respect to the payment of insurance proceeds to or on behalf of the tenant.

6. *Condemnation:* In the event all or substantially all of the premises demised under a WFC Severance Lease are taken in a condemnation, such WFC Severance Lease shall be terminated. In such event, there shall first be paid to the Authority the entire award for that part of the land and the civic facilities, if any, taken. The balance of the award shall be paid to such tenant, subject to the rights of any mortgagees. In the event less than all or substantially all of the premises shall be taken, such WFC Severance Lease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and civic facilities, if any, so taken and such tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, such tenant shall be obligated for the payment of Rental, without abatement or reduction. The obligations of each tenant to restore the buildings in the case of a partial taking are similar to such tenant's obligations in the case of a casualty. No WFC Severance Lease grants tenant thereunder the right to terminate its WFC Severance Lease except with respect to a taking of all or substantially all of the premises covered by a WFC Severance Lease and in the additional following instances:

- (a) If there is a taking of 20% or more of the building during the last 5 years of the term; and
- (b) If there is a taking of 10% or more of the building during the last 2 years of the term.

If a tenant elects to terminate its WFC Severance Lease, the condemnation proceeds are paid to the Authority. To the extent any procedure for payment of condemnation proceeds required under any mortgage held by an Institutional Lender shall be inconsistent with a WFC Severance Lease, the procedures required by the mortgage shall control provided they are more restrictive with respect to the payment of insurance proceeds to or on behalf of the tenant.

7. *Assignment, Subletting:* Tenant thereunder has the right to assign its WFC Severance Lease, sublet all or substantially all of the premises demised thereunder or effect certain transfers of interests in such tenant without the Authority's approval (including transfers to affiliated or related entities). Each WFC Severance Lease permits tenant thereunder at any time to enter into subleases of portions of the premises for actual occupancy without the Authority's approval. Tenant may collaterally assign its interest in a WFC Severance Lease to one or more mortgagees without the consent of landlord and may subject its leasehold interest to one or more mortgages. If an event of default by a tenant under a WFC Severance Lease shall

have occurred, the Authority may, under certain circumstances, collect rent from subtenants under such subleases. In the event the Authority shall terminate a WFC Severance Lease, at the Authority's option and except as hereinafter provided, each subtenant under a sublease shall attorn to or enter into a direct lease with the Authority on identical terms and for the balance of the unexpired term of such subtenant's sublease. The Authority has agreed, in certain circumstances, to recognize a sublease with a subtenant which is not an affiliate of tenant in the event a WFC Severance Lease is terminated, provided, among other things, such subtenant is not in default under its sublease. Assuming compliance with these provisions, the Authority will be able to retain any subleases made by tenant in the event of a WFC Severance Lease termination by the Authority.

8. *Mortgages:* Each WFC Severance Lease provides that in the event tenant thereunder shall mortgage its interest in its WFC Severance Lease and shall have delivered notice thereof to the Authority, the Authority shall give each mortgagee a copy of any notice of default given by the Authority to such tenant. Each mortgagee shall have the right to cure such default in the manner set forth in such WFC Severance Lease and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by tenant. In the event the Authority shall have terminated a WFC Severance Lease as a result of an event of default by tenant or for any other reason, the Authority shall notify each mortgagee of such termination and, at such mortgagee's request, shall enter into a new lease with the mortgagee (or its designee or nominee) most junior in lien (unless a mortgagee senior in lien has such right) for the remainder of the term and upon the same terms and conditions as in such WFC Severance Lease. In such event, such mortgagee shall pay to the Authority all unpaid Rental and the Authority's expenses incurred in connection with tenant's default and the termination of such WFC Severance Lease and shall remedy those defaults which are susceptible of being cured. In the event a mortgagee did not cure tenant's defaults or request a new lease, the lien of such mortgagee's mortgage would be extinguished as a result of the termination of such WFC Severance Lease. The rights of mortgagees have also been given to certain pledgees of direct or indirect interests in the WFC Severance Lease tenants and collateral assignees of mortgages.

9. *Repairs:* The WFC Severance Leases provide that each tenant thereunder shall, at its expense, take good care of the premises and all equipment and shall keep and maintain the buildings (which tenant was obligated to construct pursuant to each WFC Severance Lease) in good and safe order and working condition and shall make all repairs, internal and external, structural and non-structural.

10. *Compliance with Requirements:* The WFC Severance Leases provide that each tenant thereunder shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Each tenant shall have the right, in certain circumstances, to contest the validity of any such requirement.

11. *Capital Improvements:* The WFC Severance Leases provide that tenant shall have the right to make capital improvements to the buildings, provided any such capital improvement, when completed, shall be of such a character as not to reduce the value of the buildings below their value immediately before construction of the capital improvement was commenced. In addition, capital improvements of a structural nature require the submission to the Authority of plans and specifications. Capital improvements in excess of \$1,000,000 (or \$2,500,000 with respect to Two World Financial Center and Four World Financial Center) (as

adjusted) also require the submission to the Authority of the construction contract, bonds or a letter of credit or other security reasonably satisfactory to the Authority. Title to all additions, alterations, improvements and replacements made to the World Financial Center, including, without limitation, capital improvements, shall vest in the landlord without need to compensate the tenant.

12. *Discharge of Liens:* The WFC Severance Leases provide that tenant thereunder shall not create or cause to be created any lien, encumbrance or charge upon such tenant's estate in the premises (except a permitted mortgage, sublease, assignment of lease or additional easements), any assets of or funds appropriated to the Authority or upon the Authority's estate in the premises. Such tenant shall cause any such lien to be promptly discharged of record.

13. *The Authority's Right to Perform:* If an event of default shall have occurred under a WFC Severance Lease, the Authority shall have the right to perform any obligation on tenant's behalf and any monies expended by the Authority shall be repaid by such tenant with interest.

14. *Events of Default:* The WFC Severance Leases provide that if certain defaults shall occur the Authority shall have the right to terminate such WFC Severance Lease. Defaults by a tenant that would entitle the Authority to terminate such WFC Severance Lease include: (a) failure to make any required payment of Rental after 10 days' notice, (b) failure to perform any other provision of such WFC Severance Lease if such failure continues for a period of 30 days after notice by the Authority to such tenant, unless such failure could not by its nature be cured within such 30 days, in which case such tenant is required to remedy such failure with reasonable diligence, (c) such tenant's failure to comply with those prohibitions contained in such WFC Severance Lease on assigning, subleasing, mortgaging, pledging or otherwise encumbering such WFC Severance Lease unless such assignment, sublease, mortgage, pledge or encumbrance is fully discharged within 30 days after notice by the Authority to such tenant, and (d) events of bankruptcy concerning such tenant. In the event of a default by such tenant and the failure of such tenant or such tenant's mortgagee to timely exercise its cure rights, as hereinabove described, the Authority will have the right to terminate such WFC Severance Lease. As previously stated, each WFC Severance Lease grants a mortgagee certain rights intended to provide protection in the event of a default by a tenant under a WFC Severance Lease, including a right to notice and cure and a right to enter into a new lease with the Authority directly. Such rights have also been given to certain pledgees of direct or indirect interests in the WFC Severance Lease tenants and collateral assignees of mortgages.

15. *Civic Facilities:* Each of the WFC Severance Leases provides that the Authority shall construct, at its expense, certain enumerated civic facilities and insure, maintain, repair and, in the event of a fire or other casualty or condemnation, restore such civic facilities. Brookfield Financial Properties, L.P., (formerly known as World Financial Properties, L.P.) ("Brookfield") has undertaken certain construction and maintenance obligations with respect to the civic facilities pursuant to separate agreements with the Authority. (See: "Ancillary and Other Agreements" below.)

16. *No Subordination:* The Authority's interest in the WFC Severance Leases shall not be subject or subordinate to any mortgage placed upon a tenant's interest in its WFC Severance Lease or to any other lien or encumbrance affecting such tenant's interest in its WFC

Severance Lease. Tenant's interest shall not be subject or subordinate to any liens or encumbrances affecting landlord's interest in, among other things, the Master Lease.

17. *Diversity Program:* Tenants under the WFC Severance Leases are obligated to comply with a diversity program, which program is annexed to each WFC Severance Lease.

18. *Restrictions on Transfers by the Authority:* The Authority has agreed in each of the WFC Severance Leases that it will not make or cause there to be made any mortgage of or other encumbrance against its interest in the fee title to the premises, tenant's leasehold estate under the Master Lease applicable to the premises, the civic facilities or the WFC Severance Leases and it will not sell, convey, assign or otherwise transfer or relinquish its interest in any of the foregoing except to the UDC or any subsidiary thereof, the State of New York or a bureau or department thereof or a public benefit corporation, agency or authority of the State of New York and further provided that the Authority will not sell, convey, assign or otherwise transfer or relinquish its interest in any of the foregoing if as a result thereof real estate taxes would become payable with respect to the premises or sales or compensating use taxes would become payable in connection with the purchase of materials, fixtures and equipment (each of the foregoing being called a "Restricted Transfer"). The foregoing prohibitions shall not apply to the right of repurchase granted to New York City to acquire the Project Area.

19. *Limitation of the Authority's Liability:* The liability of the Authority under each of the WFC Severance Leases for damages or otherwise shall be limited to the Authority's interest in the demised premises and the WFC Severance Leases, including, without limitation, the rents, issues and profits thereof, the proceeds of any insurance policies, any awards payable in connection with any condemnation, any amounts received or receivable by the Authority in connection with a sale, transfer or assignment by the Authority of its interest in the premises and the WFC Severance Leases to the extent such amounts have not been distributed and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to the premises. The limitations of the Authority's liability shall not apply to any liability that the Authority may incur by reason of the consummation of a Restricted Transfer.

20. *Limitation of Tenant's Liability:* The liability of a tenant under its WFC Severance Lease shall be limited to such tenant's interest in the demised premises and its WFC Severance Lease, including, without limitation, the rents, issues and profits thereof, the proceeds of any insurance policies, any awards payable in connection with any condemnation, any amounts received or receivable by such tenant in connection with a sale, transfer or assignment of the tenant's interest in the premises and the WFC Severance Lease to the extent such amounts have not been distributed and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to the premises. Accordingly, if a tenant shall have defaulted under its WFC Severance Lease and such default was not remedied by such tenant or its mortgagee or if such WFC Severance Lease was terminated and a new lease was not requested by such mortgagee, the sole remedy of the Authority will be to terminate such WFC Severance Lease and repossess the demised premises. The Authority will be unable to recover any monetary damages resulting from such termination from the tenant thereunder.

SCHEDULE OF WORLD FINANCIAL CENTER SEVERANCE LEASES

ONE WORLD FINANCIAL CENTER (PARCEL A)

Agreement of Severance Lease dated as of June 15, 1983, between the Authority, as landlord, and Olympia & York (now known as WFC Tower A Company), as tenant, as amended by: amendments dated as of June 1, 1984, August 30, 1984 and August 15, 1985; an assumption agreement dated as of January 30, 1987, between O&Y Equity Company, L.P. and the Authority; amendments dated as of February 26, 1988 and January 19, 1989 between the Authority and WFC Tower A Company; an assignment to New Tower A LP (now known as WFP Tower A Co. L.P.) dated as of November 21, 1996; an amendment to the Design Guidelines dated as of February 29, 2012; and amendments dated as of May 29, 2013 and May 30, 2013.

TWO WORLD FINANCIAL CENTER (PARCEL B)

Agreement of Severance Lease dated as of June 15, 1983, between the Authority, as landlord, and Olympia & York, as tenant. The interest of Olympia & York in said Lease was assigned to Olympia & York Tower B Company (“Tower B Company”) pursuant to an assignment dated as of October 7, 1983, between Olympia & York and Tower B Company. Said Lease was amended by an: agreement dated as of August 24, 1984, among the Authority, Tower B Company and Merrill Lynch & Co., Inc.; amendment dated as of December 5, 1984, between the Authority and Tower B Company; agreement dated July 12, 1985, among the Authority, Tower B Company and Bankers Trust Company, as collateral agent; amendment dated as of August 15, 1985, between the Authority and Tower B Company; agreement dated as of January 30, 1987, between the Authority, Tower B Company and Bankers Trust Company, as collateral agent; assumption agreement dated as of January 30, 1987, between O&Y Equity Company, L.P. and the Authority; agreement dated as of September 23, 1987, among the Authority, Bankers Trust Company, as collateral agent, Tower B Company, Merrill Lynch & Co., Inc. and Merrill Lynch/WFC/L, Inc.; agreement dated December 1987, between the Authority and Tower B Company; agreement dated June 30, 1988, between the Authority and Tower B Company; amendment dated as of July 14, 1988, between the Authority and Tower B Company; agreement dated December 14, 1988, among the Authority, Bankers Trust Company, as collateral agent, and Tower B Company; assignment to WFP Tower B Co. L.P. dated as of November 21, 1996; amendment to the Development Guidelines dated as of February 29, 2012; amendment dated as of June 29, 2012; amendment dated as of May 29, 2013; and amendment dated as of May 30, 2013.

THREE WORLD FINANCIAL CENTER (PARCEL C)

Agreement of Severance Lease dated as of June 15, 1983, between the Authority, as landlord, and Olympia & York, as tenant. The interest of Olympia & York in said Lease was assigned to American Express Company, Shearson/American Express, Inc., American Express International Banking Corporation and American Express Travel Related Services Company, Inc. (collectively, “Assignee”) pursuant to an agreement dated as of June 15, 1983. The interest of Assignee in said Lease was assigned to American Express Company, American Express Bank Ltd. (as successor to American Express International Banking Corporation), American Express

Travel Related Services Company, Inc., Shearson Lehman Brothers Inc. (as successor to Shearson/American Express, Inc.), Lehman Government Securities Inc. and Lehman Commercial Paper Incorporated pursuant to an assignment dated as of May 30, 1985. This interest in the Lease was further assigned in part by American Express Company, American Express Bank Ltd. and American Express Travel Related Services Company to Lehman Brothers Holdings Inc. pursuant to an assignment and assumption dated as of September 6, 1994 and further assigned in part pursuant to an assignment and assumption dated as of May 13, 2002. Lehman Brothers Holdings Inc.'s interest in the Lease was assigned to BFP Tower C Co. LLC pursuant to an assignment and assumption dated as of September 6, 2002. Said Lease was amended by an: amendment dated as of December 31, 2004 among the Authority, American Express Company, American Express Bank Ltd., American Express Travel Related Services Company, Inc., and BFP Tower C Co. LLC; amendment dated as of November 24, 2009 among the Authority, American Express Company, American Express Travel Related Services Company, Inc., and BFP Tower C Co. LLC; amendment to the Development Guidelines dated as of February 29, 2012; amendment dated as of May 29, 2013 among the Authority, American Express Company, American Express Travel Related Services Company, Inc., and BFP Tower C Co. LLC; and amendment dated as of May 30, 2013 among the Authority, American Express Company, American Express Travel Related Services Company, Inc., and BFP Tower C Co. LLC.

FOUR WORLD FINANCIAL CENTER (PARCEL D)

Agreement of Severance Lease dated as of June 15, 1983, between the Authority, as landlord, and Olympia & York, as tenant. The interest of Olympia & York in said Lease was assigned to Olympia & York Tower D Company (now known as WFC Tower D Company) ("Tower D Company") pursuant to an assignment dated as of October 7, 1983, between Olympia & York and Tower D Company. Said Lease was amended by an: agreement dated as of August 24, 1984, among the Authority, Tower D Company and Merrill Lynch & Co., Inc.; amendment dated as of December 5, 1984, between the Authority and Tower D Company; agreement dated July 12, 1985, among the Authority, Tower D Company and Bankers Trust Company, as collateral agent; amendment dated as of August 15, 1985, between the Authority and Tower D Company; agreement dated December 24, 1986, among the Authority, Tower D Company and The Sumitomo Bank Limited, New York Branch ("Sumitomo"); assumption agreement dated as of January 30, 1987, between O&Y Equity Company, L.P. and the Authority; agreement dated March 24, 1987, between the Authority, Tower D Company and The First National Bank of Chicago; agreement dated as of February 26, 1988, among the Authority, Sumitomo, and Tower D Company; amendment dated as of February 26, 1988, between the Authority and Tower D Company; assignment to WFP Tower D Co. L.P. dated as of November 21, 1996; amendment to the Development Guidelines dated as of February 29, 2012; amendment dated as of May 29, 2013; and amendment dated as of May 30, 2013.

GROUND LEASE FOR SITE 15 (NYMEX)

The following is a description of the major provisions of the Ground Lease for Site 15 (NYMEX), or the Lease, between Battery Park City Authority (the "Authority"), as landlord, and New York Mercantile Exchange, as tenant ("Tenant"), made as of the 18th day of May, 1995, for Site 15 (NYMEX) (the "Lease"). In exchange for reduced base rent, reduced payments in lieu of real property taxes, increased sales tax benefits, public monies contributed towards construction of a new commodities exchange headquarters on Site 15 and other certain benefits, NYMEX agreed to maintain its world headquarters at Site 15 and to comply with certain other conditions set forth in a separate agreement dated the same date as the Lease (the "Occupancy Agreement") between the City of New York, the Authority, Tenant and certain other public parties. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of their provisions.

1. *Term:* The Lease commenced on the date of the Lease, or the Commencement Date and expires, unless sooner terminated, on June 17, 2069. The Lease contains an option to extend the Lease and a purchase option, if any other commercial tenant or commercial subtenant is granted an option to purchase or extend its lease beyond June 17, 2069, on comparable terms.

2. *Rental:* The primary components of rent under the Lease are base rent, PILOT and Civic Facilities Payments.

(a) *Base Rent:* The Lease obligates Tenant to pay, on a monthly basis, base rent in the following amounts:

(i) \$1.00 for each lease year up to the date on which floor trading occurs, or the Occupancy Date, for the trading portion of the building (the "Trading Portion") consisting of approximately 113,625 square feet; and \$1.00 for the office portion of the building (the "Office Portion") consisting of approximately 386,375 square feet;

(ii) for each lease year commencing on the Occupancy Date and for 20 years: (A) \$1.00 for the Trading Portion; and (B) \$1,000,000 for first 7 years, \$1,500,000 for the next 6 years, and \$2,000,000 for the remaining 7 years for the Office Portion;

(iii) thereafter \$4,000,000, subject to adjustment based on fair market rent. The fair market rent is to be determined on the 1st day of the month next succeeding the 20th anniversary of the Occupancy Date and as of each subsequent 15th anniversary by an appraisal or agreed by Tenant and the Authority at least 6 months prior to any appraisal date. For each lease year and continuing for period of 15 years: (1) if the fair market rent is in excess of \$4,000,000, the base rent shall be the sum of \$4,000,000 plus ½ of the difference between fair market rent and \$4,000,000; or (2) if the fair market rent is less than \$4,000,000, the base rent shall be the difference of \$4,000,000 minus ½ of the difference between \$4,000,000 and fair market rent.

(b) *PILOT:* For each tax year, Tenant shall pay to the Authority, without notice or demand, on or before the last date taxes are payable, an annual sum of PILOT, which shall be payable for:

(i) The Trading Portion: (A) subject to adjustment, from the Commencement Date to the 20th anniversary of the Occupancy Date, PILOT shall be zero and provided that if Tenant shall cease to use the Trading Portion for the purposes provided in the Lease and the Occupancy Agreement, PILOT shall be increased to an amount equal to real property taxes (subject, however, to any real property tax abatement, deferral or exemption which would be available from time to time if the premises were owned by an entity not exempt from the payment of taxes); and (B) thereafter continuing for the remainder of the term, PILOT shall be in an amount equal to real property taxes assessed on the Trading Portion, subject to adjustments for any real property tax abatement, deferral or exemption as described above.

(ii) The Office Portion: (A) subject to adjustment as provided in (D) below, from the Commencement Date to the 2nd anniversary of the Occupancy Date, PILOT shall be zero; (B) subject to adjustment as provided in (D) below, for the next 10 years, PILOT shall be paid in amount equal to the following percentages of real property taxes in each tax year: 1st – 25%, 2nd – 32.5%, 3rd – 40%, 4th – 47.5%, 5th – 55%, 6th – 62.5%, 7th – 70%, 8th – 77.5%, 9th – 85%, 10th – 92.5%; (C) thereafter, PILOT shall be in an amount equal to real property taxes assessed on the Office Portion and (D) PILOT for subleased space shall be based upon a pro rata amount of real property taxes on the building, without the abatement described in (A) or (B) (subject, however, to any real property tax abatement, deferral or exemption which would be available from time to time if the premises were owned by an entity not exempt from the payment of taxes).

Except for subleased space, in determining PILOT, the allocation of the total assessed value (1) of the land, is made on a pro rata basis based upon the square footage of each, and (2) of the improvements is (A) in the Office Portion, based on the number of rentable square feet of office space in the building multiplied by the then current, per square-foot assessed value of comparable office buildings in the project area and (B) the balance is allocated to the Trading Portion. The lease provides that the World Financial Center is deemed to be "comparable office buildings". Tenant is under the obligation to continue to pay the full amount of PILOT, notwithstanding that Tenant may have instituted tax assessment reduction or other actions or proceedings to reduce the assessed valuation of the premises. Tenant shall be entitled to an adjustment or a credit against future PILOT to the extent of any tax reduction, provided, however, that Tenant shall not be entitled to any refund of any such excess from the Authority.

(c) *Civic Facility Payments*: As its allocable share of the cost of operating and maintaining civic facilities, Tenant shall pay to the Authority an annual sum in the amount of \$150,000, escalated annually by 3%, commencing on the first day of the first month following the Occupancy Date and ending on the last day of the term of the Lease.

3. *Insurance*: Both during and after completion of the building, Tenant is obligated to provide and keep in force insurance, including rent insurance in an amount equal to at least one year's current Base Rent, PILOT and Civic Facilities Payment and other insurance required by the Authority against hazards commonly insured by prudent owners of such buildings. The limits of coverage are specified in the Lease. All insurance provided (except for workers' compensation insurance) must name Tenant as named insured and the Authority, the City and the

UDC as additional insureds to the extent of their respective insurable interests in the premises and shall be primary with respect to any other coverage the Authority may obtain, and certain insurance may name the mortgagee, if any. Loss under all policies against damage to the building shall be payable to the depository, designated by Tenant and such depository being an institutional lender, except that amounts of less than \$1,000,000 shall be payable directly to Tenant, in trust, for application to the cost of restoration. Such amount shall be adjusted on the 5th anniversary of the Commencement Date and on every 5th year thereafter based on the Consumer Price Index. All Rent Insurance shall provide in substance that all adjustments for claims with the insurers shall be made with the Authority and Tenant.

4. *Restoration:* If all or any part of the Building shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such restoration, restore the building. The Authority in no event shall be obligated to restore the building or any portion thereof or to pay any of the costs or expenses thereof. If Tenant shall fail or neglect to restore the building as provided in the Lease, the Authority may, but shall not be required to, complete such restoration at Tenant's expense. Prior to commencing any restoration, Tenant shall furnish the Authority with an estimate of the cost of such restoration prepared by a licensed professional engineer or registered architect, and to the extent the cost of restoration equals or exceeds \$1,000,000, Tenant shall furnish to the Authority complete plans and specifications for the restoration and any required permits, a contract or construction management agreement and payment and performance bonds or such other security as shall be reasonably satisfactory to the Authority. To the extent that any portion of the restoration involves work on the exterior of the building or a change in height, bulk or setback of the building, or in any manner affects compliance with the master development plan, the design guidelines and declaration of restrictions, if applicable, Tenant shall furnish to the Authority a complete set of plans and specifications for the restoration prior to commencement of such restoration. The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder, by reason of damage to or total, substantial or partial destruction of the building by reason of the untenability of the same for or due to any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the building had not been damaged or destroyed without abatement, suspension, diminution of any kind.

5. *Condemnation:* If all or substantially all of the premises shall be taken by any lawful power or authority by exercise of the right of condemnation or eminent domain or agreement among the Authority, Tenant and those authorized to exercise such right, the Lease and the Term shall end on the date of such taking and all obligations and liabilities of Tenant shall terminate and expire. In such case, the award, awards or damages shall be apportioned: first to the Authority for the value of land and civic facilities taken; next to the mortgagee which holds a first lien on Tenant's interest in the Lease; then if such taking is by the United States of America or any instrumentality thereof, the amount funded by the New York City Economic Development Corporation, or EDC, shall be amortized over 15 years and next paid to the Authority, for payments by the Authority under the Project Agreement to UDC and EDC, the unamortized portion thereof, unless Tenant shall have elected to remain in New York City, in which event, such portion of the award shall be paid to Tenant; then next to the Authority for the

Authority's reversionary interest in part of the building as described in the Lease; and subject to rights of any mortgagees, Tenant shall receive the balance, if any, of any such award.

If less than substantially all of the premises shall be taken, the Lease and the Term shall continue as to the portion of the premises remaining without abatement of the Base Rent or diminution of any of Tenant's obligations thereunder. Tenant shall proceed to restore any remaining part of the building in conformity with applicable plans. Any award should be first paid to the Authority for the value attributable to land and civic facilities, and the balance to be paid to depository and if less than \$1,000,000, in trust, to Tenant for application to the cost of restoration of the part of building not so taken. The obligations of Tenant to restore the building are similar to such obligations as discussed under the subheading "Restoration" above. If the temporary use of the whole or any part of the premises shall be taken, Tenant shall give notice to the Authority and the term shall not be reduced or affected in any way and Tenant shall continue to pay in full the rental payable without reduction or abatement, and Tenant shall be entitled to receive for itself any award or payments for such use subject to restrictions provided in the Lease.

6. *Assignment, Subletting:* Prior to the Lease Restrictions Expiration Date, as such term is defined in the Lease, neither the Lease nor any interest of Tenant in the Lease, shall be sold, assigned, or otherwise transferred, nor certain transfer of interests in Tenant made, nor shall Tenant sublet the premises as an entirety or substantially as an entirety without the consent of the Authority. Thereafter, Tenant may assign the Lease, sublet the premises as an entirety or substantially as an entirety or transfer certain interests in Tenant, without first obtaining the Authority's approval, provided no default shall have occurred and be continuing, unless it is cured simultaneously with such transfer, assignment or subletting. In no event shall Tenant assign the Lease, sublet the premises as an entirety or substantially as an entirety or enter into or effect any transfer of certain interests in Tenant to certain prohibited persons. The consent of the Authority shall not apply to acquisition of the premises by a mortgagee through foreclosure of its mortgage, so long as such mortgagee shall assume and agree to perform all of the terms, covenants and conditions of this Lease to be observed or performed by Tenant, excluding certain minimum occupancy requirements. Tenant shall not, without prior consent of the Authority, which may be withheld in the Authority's sole discretion, submit Tenant's leasehold to the provisions of Article 9-B of the NYS Real Property Law, as such may be amended.

Tenant may, without the Authority's consent, subject to minimum occupancy requirements, enter into agreements for the rental of space in the building for periods shorter than or equal to the remainder of the term of the Lease. In the event, at any time prior to the 15th anniversary of the 1st date on which floor trading occurs on the premises, Tenant enters into a sublease with other than its affiliate or a service provider, then, Tenant shall pay an increase in PILOT equal to taxes on such sublet premises (subject to any real property tax abatement, deferral or exemption which would be available from time to time if the premises were owned by an entity not exempt from the payment of taxes). The Authority, after an event of default by Tenant, may, subject to the rights of any mortgagee, collect subrent and other sums due under subleases. In the event of termination of the Lease, at the Authority's option, subtenants under a sublease shall attorn to or enter into a direct lease with the Authority on identical terms. In certain circumstances, the Authority agrees to recognize subtenants that are not affiliates of Tenant as the direct tenant of the Authority upon termination of the Lease.

7. *Mortgages:* Tenant shall have the right to mortgage or otherwise encumber Tenant's interest in the Lease. In the event Tenant so mortgages its interest, Tenant or a mortgagee shall give the Authority prompt notice and the Authority shall give notice to such mortgagee of each default. Each mortgagee shall have the right to cure such default in the manner set forth in the Lease and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by Tenant. In case of termination of the Lease by reason of any event of default, the Authority shall give prompt notice thereof to each mortgagee of such termination, and, at such mortgagee's request, shall enter into a new lease with such mortgagee, or its designee or nominee, for the remainder of the term subject to all covenants, conditions, limitations and agreements contained in the Lease. In such event, such mortgagee shall pay to the Authority all unpaid rental due and all expenses incurred by the Authority in connection with the default by Tenant and termination of the Lease, and shall cure all defaults susceptible of being cured. Concurrently, the Authority shall assign to such mortgagee all of its right, title and interest in and to moneys, if any, then held by or payable to the Authority or depository that Tenant would have been entitled to receive but for termination of this Lease. If there is more than one mortgage, the Authority shall only recognize the mortgagee whose mortgage is senior in lien and that has requested a new lease of the premises.

8. *Repairs:* Tenant shall, at its sole cost and expense, put and keep in good condition and repair the premises and fixtures, and shall put, keep and maintain the building in good and safe order and condition and make all repairs therein and thereon, interior and exterior, structural or nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary or appropriate to keep the same in good and safe order and condition, and whether or not necessitated by wear, tear, obsolescence or defects, latent or otherwise.

9. *Compliance with Requirements:* Tenant promptly shall comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the premises. Tenant shall have the right to contest the validity of any such requirements or the application thereof.

10. *Capital Improvements:* Tenant shall have the right to make capital improvements to the building, provided that any such capital improvement, when completed, shall be of such a character as not to materially reduce the value of the premises. If the estimated cost of any proposed capital improvement exceeds \$1,000,000 (as adjusted), Tenant shall: a) pay to the Authority the reasonable fees and expenses of any architect or engineer selected by the Authority to review the plans and specifications and inspect work; and b) furnish to the Authority complete plans and specifications for such capital improvement, a contract or construction management agreement and bonds or other security reasonably satisfactory to the Authority. To the extent that any portion of the capital improvement involves work which affects the structural elements of the building or work involving the exterior or a change in the height, bulk or setback of the building, Tenant shall furnish to the Authority complete plans and specifications at the Authority's request. Title to all additions, alterations, improvements and replacements made to the building shall forthwith vest in the Authority, without any obligation by the Authority to pay any compensation therefor to Tenant.

11. *Discharge of Liens:* Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the premises, or the project area, and shall not suffer any other matter or thing whereby the estate, right and interest of the Authority in the premises might be impaired. Tenant may finance any equipment. If any lien at

any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Tenant shall have no power to do any act or make any contract which may create or be the foundation for any lien, mortgage or other encumbrance upon the estate or assets of, or funds appropriated to, the Authority or of any interest of the Authority in the premises.

12. *Limitations on Liabilities:* The Authority shall not in any event whatsoever be liable for any injury or damage to Tenant or to any other person happening on, in or about the premises, nor for any injury or damage to the premises which may be caused by any fire or breakage, or by the use, misuse or abuse of the building or which may arise from any other cause whatsoever except to the extent any of the foregoing shall have resulted from the negligence or wrongful act of the Authority; nor for the acts or failure to act of any other tenant of any premises within the project area other than the premises, or of any agent, representative, employee, contractor or servant of such other tenant. In no event shall Tenant be liable to the Authority or to any other person for any injury or damage to the Authority or to such other person happening on, in or about the premises and its appurtenances which may be caused by the Authority's civic facilities or the existence of any hazardous, toxic or dangerous waste, substance or material in the soil or subsurface, except to the extent that the same shall have been caused in whole or in part by the negligence or wrongful act of Tenant.

13. *The Authority's Right to Perform:* If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a mortgagee, respectively, to cure or commence to cure same, the Authority, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may but shall be under no obligation to perform such obligation on Tenant's behalf. All associated expenses shall be paid by Tenant.

14. *Events of Default:* The following events shall be Events of Default under the Lease: a) failure of Tenant to pay any item of Rental for 10 days after notice from the Authority to Tenant; b) failure of Tenant to observe or perform one or more of the other terms contained in this Lease which failure continues for a period 30 days after notice thereof by the Authority specifying such failure; c) admission, in writing, by Tenant that it is unable to pay its debts as such become due; d) an assignment for the benefit of creditors; e) filing of a bankruptcy petition; f) the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days; g) the assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Authority's approval to the extent required which transaction does not comply with the terms of the Lease or is voided ab initio within 30 days after notice thereof from the Authority; h) a levy against the premises which is not vacated or removed within a period of 30 days from the date on which Tenant shall have received notice of same; i) failure by Tenant to maintain its corporate existence in good standing and continue for 30 days after notice thereof to Tenant; j) default by Tenant under the Funding Agreement or Occupancy Agreement which default shall not have been remedied within any applicable grace or cure period provided therein; and k) amendment, modification or execution of a supplement to the Severance Tenants Agreement without the prior consent of the Authority.

If an Event of Default shall occur, and Tenant shall fail to cure it within 10 days after receipt of written notice from the Authority, the Authority may: elect to declare due and payable

a sum equal to the amount by which the rental reserved in this Lease for the period which otherwise would have constituted the unexpired portion of the Term exceeds the fair and reasonable rental value of the premises for the same period, both discounted to present worth at the rate of 8%; give notice that the Lease and the Term shall expire and terminate on the date specified in such notice; re-enter and repossess the premises using such force for that purpose as may be necessary without being liable to indictment, prosecution or damages therefor and may dispossess Tenant by summary proceedings or otherwise. Tenant shall pay to the Authority all costs and expenses incurred by the Authority in any action or proceeding to which the Authority may be made a party by reason of any act or omission of Tenant, in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by the Authority against Tenant on account of the provisions hereof within 15 days after demand by the Authority.

15. *Civic Facilities:* The Authority has the obligation to construct certain enumerated the Authority's civic facilities and Tenant has the obligation to construct certain other civic facilities. the Authority and Tenant shall take good care of and be responsible for compliance with requirements, discussed above, and shall maintain and repair their respective civic facilities. Tenant's sole remedies for a failure by the Authority to substantially complete the Authority's civic facilities shall be: a) an extension of the Scheduled Completion Date, and b) the right to engage in Self-Help and to receive offset against Base Rent and Civic Facilities Payment. If all or any part of the Authority's civic facilities shall be destroyed or damaged, the Authority, at no cost and expense to Tenant, shall restore. In the event the Authority shall fail to perform the Authority's construction or maintenance, the Authority shall incur no penalty or liability and Tenant shall have no remedies or rights other than as expressly provided in the Lease.

16. *Subordination:* the Authority's interest in the Lease shall not be subject or subordinate to any mortgage or any other liens or encumbrances upon Tenant's interest in the Lease.

17. *Limitations on the Authority's Liability:* The liability of the Authority shall be limited to the Authority's interest in the premises. Neither the Authority nor any of its members, directors, officers, employees, agents or servants shall have any liability (personal or otherwise) hereunder beyond the Authority's interest in the premises, and no other property or assets of the Authority or any such person or any of the members, directors, officers, employees, agents or servants of either shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

18. *Limitations on Tenant's Liability:* The liability of Tenant hereunder for damages or otherwise shall be limited to the property and assets of Tenant. Neither the Tenant nor any of the members, directors, officers, shareholders, partners, managers, principals or joint venturers, employees, agents or servants of Tenant or its partners, members or shareholders shall have any liability (personal or otherwise) hereunder beyond the property or assets of the Tenant, and no property or asset of any such excluded persons shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Authority's remedies hereunder.

19. *Security Deposit:* Tenant shall deposit with the Authority as security the following amounts in cash or other security: up to \$10,000,000 at the time and in the manner provided in the Funding Agreement; \$10,000,000 for the period of 5 years from the Occupancy Date; \$7,500,000 for 5 years thereafter; \$5,000,000 for 5 years thereafter; and zero thereafter.

LEASE FOR SITE 26 (Goldman, Sachs & Co.)

The following is a description of the major provisions of the Lease for Site 26 (Goldman Sachs), or the Lease between Battery Park City Authority, d/b/a Hugh L. Carey Battery Park City Authority (the “Authority”), as landlord, and Goldman Sachs Headquarters LLC, as tenant (“Tenant”), made as of the 23rd day of August, 2005, for Site 26 (Goldman Sachs) (the “Lease”). In exchange for reduced base rent, reduced payments in lieu of real property taxes, increased sales tax benefits, public monies contributed towards construction of a new headquarters at Site 26 and certain other benefits, Goldman Sachs agreed to locate its headquarters at the Premises. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of its provisions.

1. **Term:** The Lease commenced on August 23rd, 2005, (the “Commencement Date”), and expires, unless sooner terminated, on June 17, 2069. The Lease contains an option to extend the Term and a purchase option if any other tenant or subtenant of a fee owner in Battery Park City is granted an option to purchase the fee or extend its lease term beyond June 17, 2069, on comparable terms.

2. **Rental:** The primary components of rent under the Lease are base rent (“Base Rent”), payments in lieu of real estate taxes (“PILOT”), payments in Lieu of Sales and Use Tax (“PILOST”) and Civic Facilities Payments.

(a) **Base Rent:** The Lease obligates Tenant to pay in advance, in one installment, the total Base Rent for the entire Term in the sum of One Hundred Sixty Million Nine Hundred Twenty Thousand and 00/100 Dollars (\$160,920,000.00) into the Payment Escrow pursuant to the Payment Escrow Agreement as defined in the Lease, and which portion of the Payment Escrow shall constitute the Ground Lease Payment Escrow with the following qualifiers:

- (i) There shall be no apportionment of Base Rent; and
- (ii) In the event the Lease Term shall end on a date prior to the Lease expiration date, or should the Lease be rejected pursuant to a bankruptcy or similar proceeding; Landlord shall have no obligation to refund to, or to otherwise credit Tenant with any portion of Base Rent; and
- (iii) Should the Lease be terminated in the event of a taking of all, or substantially all of the Premises as defined in Article 9 of the Lease (see condemnation provisions hereinafter described) prior to the release of the Payment Escrow Agreement, then Tenant shall be entitled to the payment of such escrowed amounts; however, such payments shall be credited against amounts which Tenant would otherwise be entitled as defined in Article 9 of the Lease.
- (iv) Notwithstanding the above, Landlord agrees that if Tenant shall pay the New York City commercial rent or occupancy tax imposed by Section 11-702 of the New York City Administrative Code (“CROT”), or any successor imposition in respect of Base Rent, and provided the CROT payment is not made under protest or pursuant to a final order, Tenant shall be entitled to credits in the aggregate amount of CROT so

paid to a maximum of \$6,000,000.00 against its next payment or payments of PILOT, plus interest at 7.75% per annum with respect to such portion of the credit that remains unapplied from time to time.

Amounts held in the Payment Escrow shall be payable to the Landlord if prior to December 31, 2009 (which date may be extended to not later than March 31, 2010) there shall have been developed and implemented portions of the required security plan, which is the responsibility of the City and the State.

(b) **PILOT:** For each Tax Year, which is defined as each annual period commencing on July 1 and ending the following June 30 of any given year in the Term, Tenant shall pay to the Landlord, without notice or demand, on or before the last date taxes are payable, a sum of PILOT, which shall be payable as follows:

(i) Commencing on the PILOT Benefit Commencement Date, which is the earlier of: (x) July 1, 2007, provided assessable Building infrastructure has not been created prior to January 5, 2006; or (y) July 1st following the first taxable status date on which the Department of Finance determines that assessable Building infrastructure at the Project Premises have been created, tenant will make PILOT payments for each Tax Year except as follows:

A. From the PILOT Benefit Commencement Date to the day immediately preceding the eighth anniversary of said commencement date, Tenant will make semi-annual PILOT payments for each Tax Year equal to the least of (i) Full Real Estate Property Taxes; (ii) the Capped Pilot¹, or an amount equal to the lesser of the sum of:

a) With respect to the Land: the product of (x) the AV (assessed value), defined as the lesser of the taxable transitional or taxable actual assessed value for such Tax Year of the Land, as computed as per sub-Section 1805(b) of the New York State Real Property Tax Law as certified on the assessment roll by the Commissioner of Finance as delivered to the City Council of the City of New York for such Tax Year, without giving effect to any exemption, abatement or reduction in assessed value available through any as-of-right program, of the Land only, for such Tax Year and (y) the lesser of 11.58% or the actual real property tax rate for the Land only for such Tax Year; and

b) With respect to the building: the product of (x) the AV for such Tax Year less the Exemption Amount determined in accordance with the following schedule: for (i) years one through four, 100% of the

¹ Capped Pilot means: for any Tax Year, the product of (1) total gross square footage of the Building (calculated by the Dept. of Finance, *provided that* prior to substantial completion of the Building, the total gross square footage of the Building shall be assumed to be the total gross square footage as shown by the then most recent plans on file with the Dept. of Buildings) and (2) the quotient of (A) the aggregate payments in lieu of real property taxes (final determination) with respect to any such Tax Year payable in respect of the World Financial Center (including NYMEX building) divided by (B) the aggregate gross square footage (as calculated by the Dept. of Finance) of the World Financial Center (including the NYMEX building; and (3) 115%.

Exemption Base²; (ii) year five, 80%; (iii) year six, 60%; (iv) year seven, 40%; and (v) year eight, 20% ; and (y) the lesser of 11.58% or the actual real property tax rate for the Building for such Tax year; and

B. From the eighth anniversary of the PILOT Benefit Commencement Date to the day immediately prior to the twentieth anniversary date of the PILOT Benefit Commencement Date Tenant will make semi-annual installments for each Tax Year equal to the least of (x) Full Real Property Taxes; (y) the Capped PILOT; or (z) the sum of:

- a) With respect to the Land: the product of (x) the AV of the Land for such Tax Year and (y) the lesser of 11.58% or the actual real property tax rate for the Land for such Tax Year;
- b) With respect to the Building: the product of (x) the AV of the Building for such Tax year and (y) the lesser of 11.58% or the actual real property tax rate for the Building for such Tax Year; and

if Tenant constructs Additional Improvements which qualify for an As-Of-Right Tax Reduction, then the PILOT in respect of the Building shall be reduced by the AV of the Additional Improvements and Tenant shall make additional PILOT payments for the Additional Improvements based upon the product of the following: the Exemption AV – Additional Improvements for such Tax Year; and either (i) for periods prior to the 20th anniversary of the PILOT Benefit Commencement Date, the lesser of 11.58% or the actual real property tax rate for the Additional Improvements for such Tax Year; or (ii) for periods after the twentieth anniversary date of the PILOT Benefit Commencement Date, the actual real property tax rate for the Additional Improvements for the Tax Year minus any additional As-Of-Right Tax Reduction not included in the calculation of Exemption AV – Additional Improvements.

C. Tenant shall pay a PILOT equal to Full Real Property Taxes on generator equipment located at the Building, but only to the extent that Tenant would not have been eligible, prior to the twentieth anniversary of the PILOT Benefit Commencement Date to receive ICIP tax benefits in respect of such equipment. Under certain qualifiers as defined in Section 3.02 of the Lease, Tenant will make PILOT payments in respect of such equipment, and be entitled to the PILOT benefits. Tenant's PILOT obligation up to the twentieth anniversary of the PILOT Benefit Commencement Date shall not exceed the Capped PILOT.

D. Notwithstanding the above, PILOT shall equal Full Real Property Taxes for each Tax Year or portion thereof for any portion of the Building sublet to an unrelated third party by Tenant and PILOT for any such portion of the Building shall be calculated based upon the product of: (x) Full Real Property Taxes for the Building for the Tax year or portion thereof in question, and (y) a ratio, the numerator of which shall be the gross

² Exemption Base means: for any Tax Year commencing on or following the PILOT Benefit Commencement Date, the AV of the Building at the Site made since the date of issuance by the Dept. of Buildings of a building permit for the construction work described in the initial Approved Plans which are attributable exclusively to the construction work described in the Approved Plans, provided such improvements have been completed within forty-two months of the Building Permit Issuance Date.

square footage of the Building occupied by such third party subtenant, and the denominator of which shall be the total gross square footage of the Building.

(c) **Civic Facility Payments:** As its allocable share of the cost of operating and maintaining civic facilities, Tenant shall pay to the Landlord, commencing on January 1, 2009, which is the Initial CFP Date, Civic Facility Payments ("CFP"), payable in equal monthly installments in advance, as follows: (i) the product of the gross square feet of the Building, or if not yet constructed, the gross square feet of floor area in the Construction Documents multiplied by \$0.4136, for the Initial CFP period, which period runs from the Initial CFP date to December 31, 2009 (the "First CFP Period"); and (ii) for each Lease Year after the First CFP Period and for the balance of the Term, a sum equal to the immediately prior year's CFP increased by 3%.

3. **Insurance:** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect, among other coverages, (i) an All Risk of Physical Loss form of policy on an Agreed Amount basis, and (ii) a rental loss and/or business interruption policy equal to not less than one year's PILOT and Civic Facilities Payments; all policies shall name the Tenant as the insured and the Landlord as an additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided Mortgagee irrevocably agrees in writing for the benefit of Landlord to apply all proceeds of an award in accordance with the terms of the Lease. All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds shall be paid to Depository to be applied to PILOT and Civic Facilities Payments and any other sums due and owing until completion of such Restoration by Tenant. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of five million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee; as their interests may appear; however the rental loss and/or business interruption insurance for amounts not in excess of the amount of insurance shall be made with Landlord and Tenant only

4. **Restoration:** If all or any part of the Building or Tenant's Civic Facilities as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, restore the Building and or Tenant's Civic Facilities. As per Section 26.07 of the Lease, in no event is Tenant responsible for Restoration or reconstruction of Landlord's Civic Facilities. The Landlord in no event shall be obligated to restore the Building or any portion thereof or to pay any of the costs or expenses thereof. Should Tenant fail or neglect to restore the Building as provided in the Lease, the Landlord may, but shall not be required to complete such Restoration at Tenant's expense. Tenant shall restore the Building to the same primary use, and to the same height, bulk, quality and setback of the Building as existed immediately prior to the occurrence. Tenant shall furnish the Landlord within 120 days of an occurrence an estimate of the cost of such restoration prepared by a licensed professional engineer or registered architect. In the event the cost of restoration exceeds five million dollars, and the net insurance proceeds, then unless Landlord approves of the payment and performance bonds as provided for in Section 8.04(a)(ii) of the Lease, then Tenant shall deposit with Depository, as security for the completion of the restoration, security reasonably satisfactory to Landlord in the amount of such excess to be held and applied by Depository in accordance with Section 8.02 of the Lease. The Lease shall not

terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total substantial or partial destruction of, the Building by reason of the untenantability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind. Notwithstanding the above, should the estimated cost of any Restoration to be performed due to casualty or condemnation in the last ten years of the Term exceed twenty five percent of the full replacement cost, Tenant, at its option, may cancel the Lease upon ten days notice. The Term shall end on the date indicated in the notice. The Tenant shall have no obligation to perform such Restoration, provided however, at Landlord's option, Tenant shall demolish the Improvements on the Land. All proceeds of insurance for such damage, other than the amount reasonably necessary to demolish the Improvements, shall be paid to Landlord, and Tenant shall pay Landlord an amount equal to the deductibles applicable to the loss under the insurance policies, under which such proceeds were received.

5. ***Condemnation:*** If the whole or substantially all of the Premises shall be taken, (excluding a taking of the fee interest in the Premises, if after such taking Tenant's rights under the Lease are not affected), for any public or quasi public purpose by any lawful power or authority by exercise of the right of condemnation or eminent domain or agreement among the Landlord, Tenant and those authorized to exercise such right, the Lease and the Term shall terminate and expire. Any claim in respect of a leasehold interest superior to that of Tenant, as well as any claim by the tenant under the Master Lease shall be subject and subordinate to Tenant's claims pursuant to Article 9 of the Lease, and provided that the foregoing shall not be construed as Tenant permitting such leasehold interest. In such case, the award, awards, or damages shall be apportioned: (i) first to the Landlord for so much of the award which is for, or attributable to, the value of land so taken, considered as unimproved and encumbered by the Lease, and the provisions contained therein, including the benefits accruing to Landlord, and any improvements made by Landlord on the Premises so taken; (ii) next, to the Mortgagees, in accordance with the priority of their mortgages, so much of the balance of such award as shall be (x) equal the lesser of the unpaid principal indebtedness secured by such Mortgages with interest thereon at the rate specified therein to the date of payment and (y) prior to the tenth anniversary of the Commencement Date, an amount equal to eighty percent of the costs of the Building, as reasonably established by Tenant; and thereafter (z) an amount equal to eighty percent of the fair market value of the Building immediately prior to such taking, as established by an appraisal reasonably acceptable to Tenant and Landlord; (iii) next, to Landlord for so much of the award which is for, or attributable to, the value of Landlord's reversionary interest in that part of the Building taken (it being agreed that for a period of forty years from the Scheduled Completion Date as set forth in the Lease, the value of the Landlord's reversionary interest in the Building shall be zero; and (iv) subject to the rights of any Mortgagees, to Tenant for the balance, if any, of the award.

If less than substantially all of the premises shall be taken, the Lease and the Term shall continue as to the portion of the premises remaining without abatement of the Base Rent or diminution of any of Tenant's obligations thereunder. Tenant shall proceed to restore any remaining part of the Building in conformity with applicable plans. PILOT shall be adjusted to reflect any changes to gross square footage of the Building or the assessed valuation of the

Premises resulting from such taking. Tenant shall restore the Building in accordance with the Design Guidelines and to the same primary use and to the same quality, height, bulk and setback of the Building existing immediately prior to such occurrence. In the event of a less than substantial taking, the award shall be payable first to Tenant for restoration in accordance with the Lease; then to Landlord to the extent attributable to the Land; and next to mortgagees in the order of priority of any respective liens and if there are no Mortgagees, then to Tenant in accordance with the terms of the Lease. In the event of an award of five million dollars or less, such amount shall be payable, in trust, to Tenant for application to the cost of Restoration of the part of the Building not so taken; if such balance shall be more than said amount, the same shall be paid to Depository, if any, less all necessary and proper third-party expenses paid or incurred by Tenant, Depository, the Mortgagee most senior in lien status, or its designee, and Landlord in the condemnation proceedings,

In the event of a temporary taking which does not extend beyond the Term, Tenant shall continue to pay, in full, the Rental without reduction or abatement, and if any award or payment is made less frequently than monthly installments, the same shall be paid to and held by Depository as a fund which shall be applied from time to time to the payment of Rental; however, if such taking results in changes in the Building which necessitate an expenditure to restore the Building to its former condition, then a portion of the award or payment considered by Landlord in its reasonable opinion, appropriate to cover the expenses of Restoration shall be retained by Depository without application as aforesaid, and applied and paid over toward the Restoration of the Building to its former condition and substantially in the same manner and subject to the same conditions. If the taking is for a period extending beyond the Term, such award or payment shall be equitably apportioned between Landlord and Tenant as of the Expiration Date and Landlord's and Tenant's share thereof, if paid less than once monthly shall be paid to and administered by Depository in accordance with Section 9.05 of the Lease.

Pursuant to the Lease Landlord, Tenant, and any Mortgagee shall be entitled to file a claim and to otherwise participate in any condemnation or similar proceeding and all hearings, trials and appeals in respect thereof. Landlord represents that under current law it does not have the authority to condemn all or any part of the Premises.

6. ***Assignment, Subletting:*** Prior to Substantial Completion of the Building, neither the Lease nor any interest of Tenant in the Lease, shall be sold, assigned, or otherwise transferred whether by operation of law or otherwise; however, so long as no Default exists under the Lease, or shall arise by reason of any action or inaction that would violate the transfer provisions under Section 10.01(a), and the Goldman Parent Controls Tenant, then Section 10.01(a) shall not prohibit any Transfer or subletting of the Premises as an entirety or substantially as an entirety to an affiliate and shall not prohibit Tenant or any Person who owns a direct or indirect interest in Tenant from granting a Mortgage, or the exercise by a Mortgagee of remedies under any such Mortgage. From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to a Transfer assignment of Tenant's interests or subletting, provided that no event of Default shall have occurred and be continuing under this Lease and Tenant shall have complied with the provisions of Article 10 of the lease in connection with such Transfer, assignment, or subletting. As a condition to the effectiveness of any such transfer, assignment or subletting, Tenant shall provide the notice to Landlord, and shall comply with all other requirements as set forth therein regarding identification of parties and furnishing of documentation. In no event shall Tenant make, suffer, or permit any Transfer, Mortgage,

Assignment or sublet to a party, who at the time of such event is a Prohibited Person³ or is controlled by a Prohibited Person, whether directly or indirectly. The consent of the Landlord shall not apply to acquisition of the Premises by a Mortgagee, or qualifying Mortgagee Designee, qualifying as such designee in accordance with terms of Section 10.01(iv)(f), through foreclosure of its Mortgage or by an instrument of transfer delivered in lieu thereof, so long as such Mortgagee or Mortgagee Designee shall agree to assume and agree to perform all of the terms, covenants and conditions of the Lease thereafter to be observed or performed by Tenant. Subject to the provisions of 10.01(c) Tenant may enter into leases for the rental of space in the Building and agreements for the occupancy of such space pursuant to licenses or concessions for periods shorter than, or equal to, the Term at the time of such lease agreement (collectively "Subleases"). Permitted Subleases shall not include any such sublease, license, concession or other occupancy arrangement with any Affiliate of Tenant unless the same shall constitute a Qualifying Sublease⁴. Subject to the rights of a qualifying Mortgagee as defined in the Lease, Landlord retains the right to participate in Sublease rents during a continuing Event of Default.

7. ***Mortgages:*** Tenant shall have the right to mortgage or otherwise encumber Tenant's interest in the Lease. In the event Tenant so mortgages its interest, Tenant or a Mortgagee shall give the Landlord notice of such Mortgage and provide Landlord with a complete and correct copy of such Mortgage certified by Tenant or such Mortgagee and shall provide the name and address of such Mortgagee. Landlord shall give notice to such Mortgagee of each default in accordance with Article 25 of the Lease. Landlord shall accept performance of any obligation of Tenant by Mortgagee, with the same force and effect as though performed by Tenant. In the event of a modification or amendment of the Lease made subsequent to the date of the Mortgage, and delivery to Landlord in accordance with the notice provisions, then Mortgagee shall not be liable under the provisions of the Lease unless such Mortgagee consents to such modifications or amendments. In the event of Termination of the Lease by reason of any Default, the Landlord shall give prompt notice thereof to each Mortgagee of such termination, and, at such Mortgagee's request made within thirty days after the giving of notice from Landlord, shall enter into a new lease with such Mortgagee for the Premises, or such portion of

³ Prohibited Person means: a Person (i) (x) who has ever been convicted of a felony, (y) against whom any action or proceeding is pending to enforce rights of the State of New York or any agency, department, public authority or public benefit corporation thereof arising out of a mortgage obligation to the State of New York or to any such agency, department, public authority or public benefit corporation, or (z) with respect to whom any notice of substantial monetary default which remains uncured has been given by the State of New York or any agency, department, public authority or any public benefit corporation; (ii) on the most current list of "Specifically Designated National and Blocked Persons", or on any other similarly designated lists promulgated from time to time by any agency of the U.S. government and with whom the conduct of business is prohibited; or (iii) who is a "designated national," "specifically designated national," "specially designated terrorist," "specially designated global terrorist," "foreign terrorist organization," or "blocked person" within the definitions set forth in the Foreign Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended from time to time.

⁴ Qualifying Sublease means: a Sublease (a)(x) which is made at a net effective rental of not less than the fair market rental for the space demised thereunder as of date of execution and delivery (taking into account all of the terms and conditions of such Sublease), which must be conclusively established by the delivery, within ninety (90) days after the effective date of the Sublease, of an Appraiser's Certificate or (y) with respect to which, each Mortgagee shall have agreed in writing substantially to the effect that it will not join the subtenant as a party defendant in any foreclosure action or proceeding which may be instituted or taken by the Mortgagee, nor evict the subtenant from the portion of the premises demised to it, except by reason of the subtenant's rights under such Sublease, nor affect any of the subtenant's rights under such Sublease by reason of any default under its Mortgage, and (b) which is entered into in accordance with all of the requirements of this Lease applicable to Subleases.

the Premises subject to the Lease, or its designee or nominee, for the remainder of the Term subject to all covenants, conditions, limitations and agreements contained in the Lease, provided in such event, such Mortgagee shall pay to the Landlord all unpaid Rental from the date of termination up to and including the date of commencement of the term of such new lease, and together with all expenses incurred by the Landlord in connection with the default by Tenant, termination of the Lease, and all expenses incurred in connection with the new lease with Mortgagee, and Mortgagee shall perform all obligations if Tenant susceptible of being performed by Mortgagee. Concurrently, the Landlord shall assign to such Mortgagee all of its right, title and interest in and to moneys, if any, then held by or payable to the Landlord or Depository that Tenant would have otherwise been entitled to receive but for termination of the Lease.

8. **Repairs:** Tenant shall, at its sole cost and expense, put and keep in good condition and repair the premises and fixtures, and shall put, keep, and maintain the Building in good and safe order and condition and make all repairs therein and thereon, interior and exterior, structural or nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary or appropriate to keep the same in good and safe order and condition, and whether or not necessitated by wear, tear, obsolescence or defects, latent or otherwise. Tenant shall take good care of the Tenant's Civic Facilities and shall make all repairs necessary to maintain same in first-class condition. If Tenant is in compliance in all material respects with its obligations with respect to the Pedestrian Walkway, and there is no event of Default that is continuing, then Tenant shall be entitled to enforce the rights of Landlord against the tenant of another site in Battery Park City for reimbursement of a portion of the cost of removing dirt, rubbish, snow and ice from the pedestrian walkway.

9. **LEED Compliance:** Tenant acknowledges that the incorporation of environmentally responsible building methods and systems into the Building is an important goal of Landlord and Tenant and the same is thus a material obligation of Tenant; therefore, the Building shall be constructed in a manner consistent with the achievement of a gold rating on the LEED-NC version 2.1 rating system of the United States Green Building Council, as published in November 2002.

10. **Compliance with Requirements:** Tenant promptly shall comply with any and all applicable present and future laws, rules, orders, ordinances, including without limitation Environmental Statutes, etc. affecting the premises. Tenant shall have the right to contest the validity of any such requirements or the application thereof; however if the amount of compliance with the requirement exceeds five million dollars, then Tenant shall furnish to Landlord or deposit with Depository a qualifying bond, cash or other security reasonably satisfactory to Landlord securing compliance with the requirement.

11. **Purchase Option:** If any other tenant or subtenant of Landlord or any tenant or subtenant of any other owner of property in Battery Park City purchases, or is granted by Landlord or such other fee owner the right or an option to purchase, the fee interest relating to its leased premises, Tenant shall be offered an option to purchase the Premises on comparable terms.

12. **Capital Improvements:** Tenant shall have the right to make capital improvements to the building, provided that any such capital improvement, when completed, shall be of such a character as not to materially reduce the value of the premises and shall be in compliance with

the Design Guidelines for the Building. If the estimated cost of any proposed capital improvement exceeds \$5,000,000 (as adjusted) in any twelve month period, or should the improvement not exceed \$5,000,000 but such improvement impacts or affects the structural integrity of the building, or the exterior appearance of the Building, then Tenant shall: a) pay to the Landlord the reasonable fees and expenses of any architect or engineer selected by the Landlord to review the plans and specifications and inspect work; and b) furnish to the Landlord to Landlord twenty days in advance complete plans and specifications for such capital improvement, a contract or construction management agreement and bonds or other security reasonably satisfactory to the Landlord. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in the Landlord, without any obligation by the Landlord to pay any compensation therefor to Tenant.

13. ***Discharge of Liens:*** Tenant shall not create or permit to be created any lien, encumbrance or charge upon the Premises, or the Project Area, and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the Premises or the Project Area, or any part thereof, the income therefrom or any asset of, or funds appropriated to Landlord. Tenant shall not create suffer to exist any other matter or thing whereby any interest of the Landlord in the Premises, or any part thereof may be impaired, provided Tenant's obligations shall not relate to any Landlord's Lien or any lien, encumbrance or charge resulting from any Pre-Existing Environmental Condition. Tenant may finance any equipment. If any lien at any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise within forty-five days of notice of the foiling thereof. Tenant shall have no power to do any act or make any contract which may create or be the foundation for any lien, mortgage or other encumbrance upon the estate or assets of, or funds appropriated to, the Landlord or of any interest of the Landlord in the premises.

14. ***Limitations on Liabilities:*** Landlord shall not in any event whatsoever be liable for any injury or damage to Tenant or to any other person happening on, in or about the premises, nor for any injury or damage to the premises which may be caused by any fire or breakage, or by the use, misuse or abuse of the Building or which may arise from any other cause whatsoever, except to the extent any of the foregoing shall have resulted from the negligence or wrongful act of the Landlord or its officers agents, employees, contractors, servants, or licensees. Nor for the acts or failure to act of any other tenant of any premises within the Project Area other than the Premises, or of any agent, representative, employee, contractor or servant of such other tenant. Landlord shall not be liable to Tenant or to any other Person for any failure of water supply, gas or electric current, injury or damage to the property of Tenant or of any other Person or to the Premises caused by gasoline, oil, steam, gas, electricity, hurricane, tornado, flood, or similar storms or disturbances, sewer, gas mains or subsurface area or interference with light or other incorporeal hereditament by anybody, or caused any public or quasi-public work, except to the extent any of the foregoing shall have resulted from the negligence or wrongful act of the Landlord, or its officers agents, employees, contractors, servants, or licensees. In addition, in no event shall Landlord be liable to Tenant or to any other Person for any injury or damage to any property of Tenant or of any other person or to the Premises arising out of any sinking, shifting, movement, subsidence, failure in load bearing capacity of or other matter or difficulty related to, the soil, or other surface or subsurface materials on the Premises or in the Project Area, except to the extent any of the foregoing shall have resulted from the negligence or wrongful act of the

Landlord, or its officers agents, employees, contractors, servants, or licensees, it being agreed that Tenant shall assume and bear all risk of loss with respect thereto.

15. ***Indemnification of Landlord:*** Tenant, to the fullest extent permitted by law shall indemnify and save Landlord, and any former Landlord and the State of New York and their agents, directors, officers and employees (collectively the "Indemnitees") harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including, without limitation, reasonable engineers architects and attorneys fees and disbursements, which may be imposed upon or incurred by, or asserted against any of the Indemnitees by reason of any occurrence or matter as set forth in Article 19 of the Lease and relating to construction and operation of the Building, in the manner therein set forth during the Term, except with respect to Landlord's Liens or to the extent that the same shall have been caused by the negligence or wrongful act of any of the Indemnitees.

16. ***Landlord's Right to Perform:*** If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may but shall be under no obligation to perform such obligation on Tenant's behalf. All associated expenses shall be paid by Tenant.

17. ***Events of Default:*** The following events shall be Events of Default under the Lease: a) if Tenant shall fail to pay any item of Rental for 10 days after notice from the Landlord to Tenant; b) if Tenant shall fail to observe or perform any of the other terms contained in this Lease which failure continues for a period 30 days after notice thereof by the Landlord specifying such failure; c) if Tenant shall admit, in writing, that it is unable to pay its debts as such become due; d) an assignment for the benefit of creditors; e) if tenant shall file a bankruptcy petition; f) if within 90 days after the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code, the same shall not have been dismissed ; g) if the Lease shall be assigned, subleased, transferred, mortgaged or encumbered without the Landlord's approval to the extent required which transaction does not comply with the terms of the Lease or is not voided ab initio within 30 days after notice thereof from the Landlord; h) if a levy under execution or attachment shall be made against the Premises which is not vacated or removed within a period of 60 days from the date on which Tenant shall have received notice of same; i) if Tenant shall fail to maintain its corporate existence in good standing and continue for 30 days after notice thereof to Tenant; j) if Tenant shall default under a certain Staging Letter, which default shall not have been remedied within any applicable grace or cure period provided therein; k) if any guarantor under a Guaranty of Completion delivered pursuant to the terms of the Lease shall be in default beyond any applicable cure period and such default shall continue for 10 days after notice to Tenant; l) if Obligor fails to pay a recapture amount due under the Project Agreement, except that this default provision shall be of no force and effect if Tenant's leasehold interest is subject to one or more Mortgages securing not less than \$500 million in financing held by a party who is not an affiliate of Tenant or any Eligible Affiliate.

If an Event of Default shall occur, and Tenant shall fail to cure it after receipt of written notice from the Landlord (subject to limitations on the number of times Tenant shall have the right to cure certain repeated Events of Default) the Landlord may, in its discretion, elect to give notice that the Lease and the Term shall expire and terminate on the date specified in such notice.

In such event, Tenant shall quit and surrender the Premises. If the Lease is terminated as provided for in the Lease, Landlord may re-enter and repossess the premises using such force for that purpose as may be necessary without being liable to indictment, prosecution or damages therefor and may dispossess Tenant by summary proceedings or otherwise. Tenant shall pay to the Landlord all costs and expenses incurred by the Landlord as provided for in Article 24 of the Lease. With respect to damages if the Lease is terminated or Tenant is dispossessed, Tenant shall pay all rental payable until the date of termination and dispossession, and Landlord may elect to declare due and payable a sum equal to the amount by which the rental reserved in this Lease for the period which otherwise would have constituted the unexpired portion of the Term exceeds the fair and reasonable rental value of the premises for the same period, both discounted to present worth at the rate of 6% per annum Landlord may also elect to collect from Tenant, in installments, any deficiency between the Rental reserved under the Lease and the amount of any rents collected under any subsequent reletting or the total amount of such deficiency for the unexpired of the Term, discounted at the rate of 6% per annum. Landlord may elect to proceed by appropriate judicial proceedings, either at law or in equity to enforce performance or observance by Tenant of the applicable provisions of the Lease and/or to recover damages for breach thereof.

18. **Civic Facilities:** The Landlord has constructed certain enumerated Civic Facilities and has undertaken to construct certain other civic facilities for the benefit of Tenant in the Project Area. Tenant has the obligation to construct certain numerated Civic Facilities. Tenant shall commence and diligently complete the construction and installation of Tenant's Civic Facilities on or before the first anniversary of Substantial Completion in accordance with the Construction Documents and the specifications supplied by Landlord, Landlord and Tenant shall perform their respective maintenance obligations in connection with the Civic Facilities and take good care of and be responsible for compliance with requirements therein, and shall maintain and repair their respective Civic Facilities in accordance thereto. Tenant's sole remedies for a failure by the Landlord to substantially complete the Landlord's Civic Facilities shall be: a) an extension of the *Scheduled* Completion Date, and b) the right to engage in Self-Help and to receive offset against Base Rent and Civic Facilities Payment. If all or any part of the Landlord's Civic Facilities shall be destroyed or damaged, the Landlord, at no cost and expense to Tenant, shall restore the same. If Landlord shall fail to perform the Landlord's construction or maintenance obligations, the Landlord shall incur no penalty or liability and Tenant shall have no remedies or rights other than as expressly provided in the Lease. Landlord shall have no obligation to restore Landlord's Civic Facilities after a casualty or condemnation shall in any event such obligation only extend to, and shall only apply prior to any public dedication thereof, certain Landlord's Basic Civic Facilities. Tenant shall make annual Civic Facilities Payments as its allocable share of maintaining the Esplanade and parks in Battery Park City.

19. **Subordination:** Landlord's interest in the Lease shall not be subject or subordinate to any mortgage or any other liens or encumbrances upon Tenant's interest in the Lease. Tenant's interest in the Lease as may be modified, amended or supplemented, shall not be subject or subordinate to any liens or encumbrances hereafter affecting Landlord's interest in the fee title to Battery Park City or any part thereof, the Lease, the Premises or the Master Lease. Without limiting the foregoing, Battery Park City Authority, in its capacity as tenant under the Master Lease, acknowledges and agrees that the interest of the tenant under the Master Lease and the interest of any Person in the Premises which arises by, through, or under, or is otherwise

derivative of the Master Lease, including any possessory interest therein, are and shall be subordinate to the Tenant's interest under the Lease for so long as the Lease remains in effect.

20. ***Limitations on Landlord's Liability:*** The liability of Landlord shall be limited to the Landlord's interest in the Premises. Neither Landlord nor any of its members, directors, officers, employees, agents or servants shall have any liability (personal or otherwise) hereunder beyond the Landlord's interest in the premises, and no other property or assets of the Landlord or any such person or any of the members, directors, officers, employees, agents or servants of either shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

21. ***Limitations on Tenant's Liability:*** The liability of Tenant for damages or otherwise shall be limited to the property and assets of Tenant, except as to Recourse Claims as defined in the Lease. Neither the Tenant nor any of the members, directors, officers, shareholders, partners, managers, principals or joint venturers, employees, agents or servants of Tenant or its partners, members or shareholders shall have any liability (personal or otherwise) beyond the property or assets of the Tenant, and no property or asset of any such excluded persons shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Landlord's remedies hereunder.

22. ***Letter of Credit Security Deposit:*** Tenant shall secure its obligations under the Lease through Completion of the Building, including, without limitation, Tenant's obligation for the payment of Rental, by depositing with Landlord a clean irrevocable letter of credit drawn in favor of Landlord, in the form provided for in the Lease having a term of not less than one year. The initial Letter of Credit shall be in the amount of eighteen million eight hundred seventy thousand dollars. The letter of credit shall be renewed or replaced without decrease in amount each and every year as provided in the Lease. Notwithstanding the above, upon payment in full of the Base Rent, and provided no Event of Default shall have occurred and is ongoing, then Tenant shall have the right to reduce the letter of credit with Landlord's authorization to one million dollars or to provide a deposit of immediately available funds in such amount to be held by Landlord until completion of the Building.

EXISTING RECTOR PLACE SUBLEASES

The Rector Place (or Phase II) portion of the Project Area consists of twelve parcels which have been developed pursuant to ten subleases between the Authority, as landlord, and certain developers identified therein, as tenants (individually, a "Rector Place Sublease" and collectively, the "Rector Place Subleases"). A schedule of the Rector Place Subleases is annexed hereto. The following is a description of the major provisions of the Rector Place Subleases. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Rector Place Subleases. The description contained herein does not purport to be complete and reference is made to the Rector Place Subleases for full and complete statements of their provisions.

1. ***Term:*** The term of each of the Rector Place Subleases commenced on the date such Rector Place Sublease was executed and expires, unless sooner terminated, on June 17, 2069. No Rector Place Sublease contains any right on the part of tenant thereunder to renew or otherwise extend the term of its Rector Place Sublease beyond June 17, 2069.

2. *Rental:* The primary components of rent under the Rector Place Subleases are base rent, payments in lieu of real estate taxes (“PILOT”), supplemental rent and civic facilities payments. The following is a description of each such component of rent:

(a) **Base Rent:** Each Rector Place Sublease obligates tenant thereunder to pay, on a monthly basis commencing on the date of execution of its Rector Place Sublease (the “Commencement Date”), base rent (“Base Rent”). The formula and procedure for determining Base Rent subsequent to the First Appraisal Date (as defined below) or the first two reappraisal periods, as applicable, is more fully described in each Rector Place Sublease. Each Rector Place Sublease provides that the Base Rent payable after any reappraisal shall not be less than the Base Rent payable prior to such reappraisal.

Parcel D: For the period commencing on the Commencement Date of the Parcel D Sublease and expiring on the day prior to the twenty-fifth anniversary of the date on which a temporary certificate of occupancy is issued for any dwelling unit on Parcel D constructed pursuant to such Sublease (such anniversary being called the “First Appraisal Date”), the Base Rent shall be in the amount specified in the Sublease.

For Parcel D’s Sublease, after the First Appraisal Date, Base Rent is adjusted every fifteen years based upon an appraisal of the land underlying Parcel D’s Sublease. Parcel D’s Sublease provides that the annual Base Rent for the fifteen-year period commencing on the First Appraisal Date shall be equal to 6% of the fair market value of the land, a certain percentage in excess of 100% of the highest annual Base Rent paid by tenant thereunder for the period from the Commencement Date to the First Appraisal Date, or a fixed amount as set forth in the Sublease.

Rector Place Subleases (except Parcel D): All of the Rector Place Subleases, except for Parcel D’s Sublease, were modified to provide for increased fixed ground rents that are spread over the first two reappraisal periods or thirty years. This modification reduced the ground rent increases from the original term of 6% of the fair market value of the land. The Base Rent shall be in the amount specified in the summary of each of the Rector Place Subleases below, except for Parcel D’s Sublease. The seventieth anniversary of the date on which a temporary certificate of occupancy was issued for any of the dwelling units constructed pursuant to any Rector Place Sublease will be the first Reappraisal Date, and each subsequent fifteenth anniversary thereof will be another Reappraisal Date.

(b) **PILOT:** The Authority and the Battery Park City Project Area are exempt from real estate taxes. Each Rector Place Sublease obligates tenant thereunder to make payments to the Authority of PILOT, such payments to be made quarterly in advance (semi-annually for the Rector Place Sublease for Parcel D) commencing on the Commencement Date. PILOT will be the same amount as the real estate taxes which would have been payable except for the Authority’s tax exempt status. Tenant is entitled to the amount of real estate tax exemptions or abatements available to an owner of comparable property in the Borough of Manhattan. Each Rector Place Sublease provides that tenant thereunder shall have the right to institute tax assessment reduction proceedings to reduce the assessed valuation of the premises covered by its Rector Place Sublease. If such proceeding is successful, tenant will be entitled to a credit against future PILOT. Each Rector Place Sublease provides for an abatement of PILOT equivalent to the real estate abatement set forth in Section 421 a of the Real Property Tax

Law of the State of New York as in effect on the date such Rector Place Sublease was executed (“Section 421-a”), which abatement declines to zero biannually over a ten-year period following substantial completion of the buildings. As a condition to receiving benefits equivalent to benefits available under Section 421-a, until the Release Date described in the Rector Place Subleases each tenant must comply with various requirements specified in Section 421-a and the regulations promulgated thereunder for buildings receiving Section 421-a benefits. A failure by a tenant to comply with those requirements will subject such tenant to penalties and sanctions (including increases in Rentals).

(c) Supplemental Rent: In addition to Base Rent and PILOT, each tenant is required to pay to the Authority as supplemental rent (“Supplemental Rent”), on a monthly basis, commencing on the Commencement Date and expiring with respect to (i) all Rector Place Subleases other than the Subleases for Parcels D and H/I, on the day prior to the First Appraisal Date, (ii) the Rector Place Sublease for Parcel D, on June 30, 2009 and (iii) the Rector Place Sublease for Parcel H/I, on the 12th anniversary of the issuance of a temporary certificate of occupancy for the residential space in the building constructed thereon, an amount equal to the difference, if any, between the amounts specified in its Rector Place Sublease and PILOT for the applicable lease year.

(d) Civic Facilities Payments: Each tenant under a Rector Place Sublease shall pay to the Authority its allocable share of the cost of operating, maintaining, repairing, restoring, upgrading and insuring Rector Park, the Esplanade and certain other “civic facilities” enumerated in the Rector Place Subleases, commencing on the date (the “Initial Occupancy Date”) on which a temporary certificate of occupancy was issued for any dwelling unit in the buildings constructed pursuant to such Rector Place Sublease (the “Civic Facilities Payment”). The Civic Facilities Payment for the remainder of the Tax Year in which the Initial Occupancy Date occurs and for the next two Tax Years following the Initial Occupancy Date becomes an amount equal to an annual rate of \$150 multiplied by the number of dwelling units in the buildings, increases (for the following three Tax Years) to \$200, and is thereafter in an amount equal to such tenant’s proportionate share of the Authority’s budget for certain operating costs. The Rector Place Subleases set a limit on increases in the Civic Facilities Payment of an amount not to exceed 125% of the payment for the prior year.

The term “Rental” also includes any other sums which may be due and payable under the Rector Place Subleases. For example, each tenant is obligated to pay, subject to such tenant’s right to contest same, any imposition (including water and sewer charges) levied or assessed against the demised premises (excluding real estate taxes, which, if levied, shall be paid by the Authority). Except as noted below, each tenant’s obligation to pay Rental is net to the Authority and without abatement, set-off or counterclaim. Each of the Rector Place Subleases gives tenant thereunder certain limited off-set rights against Rental (or certain components thereof) for payments made (and interest thereon) in the following instances:

(a) In the event of a final determination in favor of a tenant in a tax assessment reduction proceeding, succeeding PILOT payments to the Authority will be reduced to the extent necessary to offset the overpayment of PILOT.

(b) If the premises covered by a Rector Place Sublease shall at any time become subject to real estate taxes, the Authority is responsible for the payment of same. In the

event the Authority shall have failed to pay such real estate taxes and tenant shall have paid same (together with any interest and penalties thereon), such tenant may deduct such payment from the next installment of PILOT and, to the extent such payment shall exceed the next installment of PILOT, from the next installment(s) of Base Rent. If a Rector Place Sublease and leasehold estate are submitted to condominium ownership pursuant to the terms of such Rector Place Sublease and real estate taxes are assessed and levied by New York City against the condominium units, then payments of such taxes by the unit owners shall be credited against PILOT.

(c) If a tenant is compelled by a governmental authority to pay any sales or compensating use taxes with respect to materials incorporated into the buildings and as to which such tenant previously made payments in lieu of such taxes to the Authority, such tenant may deduct such payments from subsequent installments of Base Rent and PILOT if the Authority failed to successfully contest the imposition of such tax, provided such deduction shall not exceed the amount so paid by such tenant to the Authority.

(d) Each Rector Place Sublease obligated the Authority to construct certain civic facilities (including Rector Park and the Esplanade), and thereafter, requires the Authority to maintain such civic facilities. In the event the Authority fails to maintain such civic facilities, each tenant shall have the right, after notice to the Authority and the expiration of a cure period, to perform such maintenance and to offset such cost against subsequent installments of Base Rent, Supplemental Rent and Civic Facilities Payments. In addition, in the event the Authority fails to insure such civic facilities, such tenant may, after notice to the Authority, pay the premiums therefor and deduct such payment from subsequent installments of Base Rent and the Civic Facilities Payments.

(e) The Rector Place Subleases for Parcels E/F, G, H/I and J obligated the Authority to construct, and thereafter, requires the Authority to maintain a service road. In the event the Authority fails to maintain such service road, tenants under such Rector Place Subleases shall have the right to do so after notice to the Authority and the expiration of a cure period, and to offset the costs thereof against subsequent installments of Base Rent, Supplemental Rent and service road maintenance payments due under the Rector Place Subleases.

3. *Taxes:* As previously noted, in the event real estate taxes shall be levied and assessed against the premises covered by a Rector Place Sublease, the Authority shall be obligated to pay same. The Authority has the right, however, to contest the imposition of taxes, and, in certain circumstances, may defer payment during the pendency of such tax contest.

4. *Insurance:* Each tenant under a Rector Place Sublease is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to at least one year's current Base Rent, Supplemental Rent, PILOT and Civic Facilities Payment. The types of insurance and limits of coverage are specified in the Rector Place Subleases. All insurance provided by tenant shall name tenant as named insured and the Authority, in its capacity as landlord and Master Landlord, as additional insured. In addition, the Authority may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. Each Rector Place Sublease provides that, in the event of casualty, the insurance proceeds shall be paid to tenant, in trust, if less than \$250,000 (subject to adjustment in the manner therein provided based on the consumer price index) or, if in excess of \$250,000 (subject to adjustment),

to a depository designated by such tenant with the Authority's approval, such depository to be an institutional lender (as defined in each Rector Place Sublease).

5. *Restoration:* Each tenant is obligated to restore the buildings in the event of damage or destruction due to fire or other casualty, whether insured or uninsured and whether or not the cost of restoration exceeds the insurance proceeds. Each tenant shall be obligated for the payment of Rental during the period of a casualty without reduction or abatement. In the event a tenant fails to restore the buildings as provided in its Rector Place Sublease, the Authority shall have the right to do so and may apply the insurance proceeds for such purposes. Other than under the Rector Place Sublease for Parcel H/I, to the extent the cost of restoration exceeds \$250,000 (subject to adjustment), such tenant shall provide the Authority with complete plans and specifications for such restoration, a construction contract and payment and performance bonds or other security reasonably satisfactory to the Authority. In addition, if such restoration involves work to the exterior of any buildings or a change in the height, bulk or setback of such buildings, such tenant shall deliver complete plans and specifications for such work prior to the commencement of the restoration. No Rector Place Sublease grants tenant thereunder the right to terminate its Rector Place Sublease in the event of a casualty.

6. *Condemnation:* In the event all or substantially all of the premises demised under a Rector Place Sublease is taken in a condemnation, such Rector Place Sublease shall be terminated. In such event, there shall first be paid to the Authority the portion of the award attributable to the land and the civic facilities taken, if any, except that in the Rector Place Sublease for Parcel H/I there shall first be paid to the Trustee (as defined in the Master Lease) an amount equal to the amount which it is entitled to receive pursuant to the Master Lease. The balance of the award shall be paid to such tenant, subject to the rights of any mortgagees. In the event less than all or substantially all of the premises under a Rector Place Sublease shall be taken, such Rector Place Sublease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and civic facilities, if any, so taken and such tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, such tenant shall be obligated for the payment of Base Rent, without abatement or reduction. The Rector Place Subleases (other than those for Parcels D and H/I) provide that if as a result of such taking PILOT is reduced, Supplemental Rent shall similarly be reduced by an amount equal to the amount by which PILOT shall have been so reduced. If the Authority and tenant are unable to agree on the amount of reduction of Supplemental Rent, such dispute shall be submitted to arbitration. The obligations of each tenant to restore the buildings in the case of a partial taking are similar to such tenant's obligations in the case of a casualty. Except with respect to a taking of all or substantially all of the demised premises, no Rector Place Sublease grants tenants thereunder the right to terminate its Rector Place Sublease.

7. *Assignment, Subletting:* Tenants can fully assign, sublet or transfer their respective Rector Place Sublease provided the assignee, sublessee or transferee is not prohibited (as described in the Rector Place Subleases). If an event of default by a tenant under a Rector Place Sublease shall have occurred, the Authority may, subject to the rights of any mortgagee, under certain circumstances, collect from subtenants under such subleases. In the event the Authority shall terminate a Rector Place Sublease, at the Authority's option and except as described below, each subtenant under a sublease shall attorn to or enter into a direct lease with the Authority on identical terms and for the balance of the unexpired term of such subtenant's

sublease. The Authority has agreed, in certain circumstances and with respect to certain Rector Place Subleases, to recognize a sublease with a subtenant in the event a Rector Place Sublease is terminated, provided such subtenant is not in default under its sublease. Assuming compliance with these provisions, the Authority will be able to retain any subleases made by tenant in the event of a Rector Place Sublease termination by the Authority.

8. *Mortgages:* Each Rector Place Sublease provides that in the event tenant thereunder shall mortgage its interest in its Rector Place Sublease and shall have delivered notice thereof to the Authority, the Authority shall give each mortgagee a copy of any notice of default given by the Authority to such tenant. Each mortgagee shall have the right to cure such default in the manner set forth in such Rector Place Sublease, and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by tenant. In the event the Authority shall have terminated a Rector Place Sublease as a result of an event of default by tenant or for any other reason, the Authority shall notify each mortgagee of such termination and, at such mortgagee's request, shall enter into a new lease with the mortgagee (or its designee or nominee) most senior in lien for the remainder of the term and upon the same terms and conditions as in such Rector Place Sublease. In such event, such mortgagee shall pay to the Authority all unpaid Rental, the Authority's expenses incurred in connection with tenant's default, the termination of such Rector Place Sublease and the execution of a new lease with such mortgagee and shall remedy those defaults which are susceptible of being cured. In the event a mortgagee did not cure tenant's defaults or request a new lease, the lien of such mortgagee's mortgage would be extinguished as a result of the termination of such Rector Place Sublease. See "Condominium Ownership" below for a further discussion of certain limitations on such remedies applicable to condominium units.

9. *Repairs:* The Rector Place Subleases provide that each tenant thereunder shall, at its expense, take good care of the premises (excluding the civic facilities) and all equipment and shall keep and maintain the buildings (which tenant was obligated to construct pursuant to the Rector Place Sublease) in good and safe order and working condition and shall make all repairs, internal and external, structural and non-structural.

10. *Compliance with Requirements:* The Rector Place Subleases provide that each tenant thereunder shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Each tenant shall have the right, in certain circumstances, to contest the validity of any such requirement at such tenant's sole cost and expense.

11. *Capital Improvements:* The Rector Place Subleases provide that tenant shall have the right to make capital improvements to the buildings, provided any such capital improvements, when completed, shall be of such a character as not to reduce the value of the buildings below their value immediately before construction of the capital improvement was commenced and certain other conditions are met.

12. *Discharge of Liens:* The Rector Place Subleases provide that tenant thereunder shall not create or cause to be created any lien, encumbrance or charge upon such tenant's estate in the premises (other than permitted liens), any assets of or funds appropriated to the Authority or upon the Authority's estate in the premises. Such tenant shall cause any such lien to be promptly discharged of record unless tenant is contesting the lien in the manner permitted.

13. *The Authority's Right to Perform:* If an event of default shall have occurred under a Rector Place Sublease, the Authority shall have the right to perform any obligation on tenant's behalf without waiving or releasing such tenant of any obligation contained in such Rector Place Sublease, and any monies expended by the Authority shall be repaid by such tenant with interest.

14. *Events of Default:* The Rector Place Subleases provide that if certain defaults shall occur, the Authority shall have the right to terminate such Rector Place Sublease. (See also: "Condominium Ownership" below for a discussion of certain limitations on such remedy.) Defaults by a tenant that would entitle the Authority to terminate such Rector Place Sublease include: (a) failure to make any required payment of Rental after 10 days' notice; (b) failure to perform any other provision of such Rector Place Sublease if such failure continues for a period of 30 days after notice by the Authority to such tenant, unless such failure could not by its nature be cured within such 30 days, in which case such tenant is required to remedy such failure with reasonable diligence; (c) such tenant's failure to comply with those prohibitions contained in such Rector Place Sublease on assigning, subleasing, mortgaging, pledging or otherwise encumbering such Rector Place Sublease unless such assignment, sublease, mortgage, pledge or encumbrance is voided or made to comply with Rector Place Sublease requirements within 30 days after notice by the Authority to such tenant; and (d) events of bankruptcy concerning such tenant for the Rector Place Subleases for Parcels D and H/I. In the event of a default by such tenant and the failure of such tenant or such tenant's mortgagee to timely exercise its cure rights, as described above, the Authority will have the right to terminate such Rector Place Sublease. As previously noted, each Rector Place Sublease grants a mortgagee certain rights intended to provide protection in the event of a default by a tenant under a Rector Place Sublease, including a right to notice and cure and a right to enter into a new lease with the Authority directly.

15. *Civic Facilities:* The Rector Place Subleases provide that the Authority construct, at its expense, the enumerated civic facilities and (except to the extent that certain responsibilities of the Authority are taken over by New York City or appropriate utilities) insure, maintain, repair and, in the event of a fire or other casualty or condemnation, restore such civic facilities. Commencing with the sixth Lease Year after the Tax Year in which the Initial Occupancy Date occurs and subject to a 25% limit on increases over the prior year, the Authority is reimbursed for certain operating costs related to the civic facilities by means of the Civic Facilities Payment. In the event of a fire or other casualty or condemnation, each tenant will reimburse the Authority for such tenant's proportionate share of the cost of restoration in excess of the insurance proceeds or condemnation award received by the Authority and any reserve funds set aside by the Authority, provided that the Authority maintained the insurance coverage required by the Rector Place Subleases. As previously noted, in the event the Authority fails to maintain or insure such civic facilities, tenants under the Rector Place Subleases are given curing and off-set rights.

16. *No Subordination:* The Authority's interest in the Rector Place Subleases shall not be subject or subordinate to any mortgage placed upon a tenant's interest in its Rector Place Sublease or to any other lien or encumbrance affecting such tenant's interest. See, however, "CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLICENSES – Defaults and Termination – Residential Condominium Specified Subleases."

17. *Diversity Program:* Tenants under the Rector Place Subleases are obligated to comply with a diversity program and affirmative fair housing marketing program.

18. *Condominium Ownership:* Each of the Rector Place Subleases or the related condominium plan contains provisions for the submission by the original tenant thereunder of its Rector Place Sublease and leasehold estate to condominium ownership pursuant to Article 9-B of the Real Property Law of the State of New York. Under such provisions, the Authority has agreed to give up its right to terminate a Rector Place Sublease submitted to condominium ownership in conformance with the provisions of such Rector Place Sublease and to look directly to the condominium unit owners for payment and performance of tenant's obligation under such Rector Place Sublease. Nine buildings have been submitted to a condominium form of ownership, and the tenth parcel H/I, is subject to a condominium plan which has not yet been declared effective. Each such Rector Place Sublease, or the related condominium plan provides for the establishment of a security fund in the amount specified therein, which fund may be applied by the Authority to the payment of unpaid Rental or portions thereof. Upon submission to condominium ownership, the board of managers constitute the attorney-in-fact for all unit owners for the purpose of paying, performing and observing on tenant's part all terms, covenants and conditions of the Rector Place Sublease. In addition, subject to certain notice procedures, the Authority may proceed directly against a unit owner and could, in certain circumstances, as a result of the Authority's legal action, become the owner of a defaulting unit owner's unit.

19. *Limitation of the Authority's Liability:* The liability of the Authority under each of the Rector Place Subleases for damages or otherwise shall be limited to the Authority's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises.

20. *Limitation of Tenant's Liability:* The liability of tenants under each of the Rector Place Subleases shall be limited to such tenant's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises. Accordingly, if a tenant shall have defaulted under its Rector Place Sublease and such default was not remedied by such tenant or its mortgagee or if such Rector Place Sublease was terminated and a new lease was not requested by such mortgagee, the sole remedy of the Authority will be to terminate such Rector Place Sublease and repossess the demised premises. (See: "Condominium Ownership" above for a description of certain limitations on such remedy.) The Authority will be unable to recover any monetary damages from such tenant or any of its principals resulting from such termination.

SCHEDULE OF RECTOR PLACE SUBLEASES AND BASE RENTS

Parcel A: (280 Rector Street) The Soundings	Agreement of Lease dated as of December 20, 1984, between the Authority, as landlord, and Rector Park A Associates L.P., as tenant, as amended by amendments dated as of November 15, 1985 and as of December 3, 1985, respectively. Parcel A was submitted to condominium ownership by a declaration dated February 1, 1987.
	For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$405,000; Year 2 at \$416,000; Year 3 at \$426,000; Year 4 at \$437,000; Year 5 at \$448,000; Year 6 at \$459,000; Year 7 at \$470,000; Year 8 at \$482,000; Year 9 at \$494,000; Year 10 at \$506,000; Year 11 at \$519,000; Year 12 at \$532,000; Year 13 at \$545,000; Year 14 at \$559,000; Year 15 at \$573,000; Year 16 at \$728,000; Year 17 at \$746,000; Year 18 at \$764,000; Year 19 at \$783,000; Year 20 at \$803,000; Year 21 at \$823,000; Year 22 at \$844,000; Year 23 at \$865,000; Year 24 at \$886,000; Year 25 at \$909,000; Year 26 at \$931,000; Year 27 at \$955,000; Year 28 at \$978,000; Year 29 at \$1,003,000; and Year 30 at \$1,028,000.
Parcel B: (200 Rector Place) Liberty Court	Agreement of Lease dated as of October 25, 1984, between the Authority, as landlord, and Mariner's Cove Site B Associates, as tenant, as amended by amendments dated as of November 7, 1985, and as of December 3, 1985, respectively; as supplemented by agreement dated as of March 26, 1987; and as amended as of April 3, 1987. Parcel B was submitted to condominium ownership by a declaration dated September 17, 1987.
	For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$1,580,000; Year 2 at \$1,627,000; Year 3 at \$1,676,000; Year 4 at \$1,727,000; Year 5 at \$1,778,000; Year 6 at \$1,832,000; Year 7 at \$1,887,000; Year 8 at \$1,943,000; Year 9 at \$2,001,000; Year 10 at \$2,062,000; Year 11 at \$2,123,000; Year 12 at \$2,187,000; Year 13 at \$2,253,000; Year 14 at \$2,320,000; Year 15 at \$2,390,000; Year 16 at \$3,919,000; Year 17 at \$4,037,000; Year 18 at \$4,158,000; Year 19 at \$4,283,000; Year 20 at \$4,411,000; Year 21 at \$4,544,000; Year 22 at \$4,680,000; Year 23 at \$4,820,000; Year 24 at \$4,965,000; Year 25 at \$5,114,000; Year 26 at \$5,267,000; Year 27 at \$5,425,000; Year 28 at \$5,588,000; Year 29 at \$5,756,000; and Year 30 at \$5,928,000.
Parcel C: (250 South End Avenue) Hudson View East	Agreement of Lease dated as of December 6, 1984, between the Authority, as landlord, and Hudson View Towers Associates, as tenant, as amended by amendments dated as of March 26, 1985, as of August 30, 1985, and as of November 14, 1985, respectively. Parcel C was submitted to condominium ownership by a declaration dated August 25, 1986.
	For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$569,000; Year 2 at \$576,000; Year 3 at \$583,000; Year 4 at \$589,000; Year 5 at \$596,000; Year 6 at \$603,000; Year 7 at \$610,000; Year 8 at \$617,000; Year 9 at \$624,000; Year 10 at \$631,000; Year 11 at \$638,000; Year 12 at \$646,000; Year 13 at \$653,000; Year 14 at \$661,000; Year 15 at \$668,000; Year 16 at \$691,000; Year 17 at \$715,000; Year 18 at \$739,000; Year 19 at \$764,000; Year 20 at \$790,000; Year 21 at \$817,000; Year 22 at \$845,000; Year 23 at \$873,000; Year 24 at \$903,000; Year 25 at \$934,000; Year 26 at \$965,000; Year 27 at \$998,000; Year 28 at \$1,032,000; Year 29 at \$1,067,000; and Year 30 at \$1,104,000.
Parcel D: (225 Rector Place) Parc Place	Agreement of Lease dated October 29, 1984, between the Authority, as landlord, and Liberty View Associates L.P., as tenant.
	The Base Rent will be calculated pursuant to the Parcel D Sublease.

Parcels E/F:
(350 Albany Street)
Hudson Towers

Agreement of Lease dated as of August 23, 1984, between the Authority, as landlord, and Hudson Tower Associates, as tenant, as amended by amendments dated as of March 26, 1985, and as of August 30, 1985, respectively. Parcel E/F was submitted to condominium ownership by a declaration dated April 10, 1986.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$638,000; Year 2 at \$648,000; Year 3 at \$658,000; Year 4 at \$668,000; Year 5 at \$678,000; Year 6 at \$688,000; Year 7 at \$698,000; Year 8 at \$709,000; Year 9 at \$719,000; Year 10 at \$730,000; Year 11 at \$741,000; Year 12 at \$752,000; Year 13 at \$763,000; Year 14 at \$775,000; Year 15 at \$786,000; Year 16 at \$952,000; Year 17 at \$975,000; Year 18 at \$1,000,000; Year 19 at \$1,025,000; Year 20 at \$1,050,000; Year 21 at \$1,077,000; Year 22 at \$1,103,000; Year 23 at \$1,131,000; Year 24 at \$1,159,000; Year 25 at \$1,188,000; Year 26 at \$1,218,000; Year 27 at \$1,249,000; Year 28 at \$1,280,000; Year 29 at \$1,312,000; and Year 30 at \$1,344,000.

Parcel G:
(300 Albany Street)
Hudson View West

Agreement of Lease dated as of December 6, 1984, between the Authority, as landlord, and Hudson View Towers Associates, as tenant, as amended by amendments dated as of March 26, 1985, as of August 30, 1985, and as of November 21, 1985, respectively. Parcel G was submitted to condominium ownership by a declaration dated December 17, 1986.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$683,000; Year 2 at \$688,000; Year 3 at \$693,000; Year 4 at \$697,000; Year 5 at \$702,000; Year 6 at \$707,000; Year 7 at \$712,000; Year 8 at \$717,000; Year 9 at \$723,000; Year 10 at \$728,000; Year 11 at \$733,000; Year 12 at \$738,000; Year 13 at \$743,000; Year 14 at \$749,000; Year 15 at \$754,000; Year 16 at \$759,000; Year 17 at \$765,000; Year 18 at \$770,000; Year 19 at \$776,000; Year 20 at \$781,000; Year 21 at \$787,000; Year 22 at \$792,000; Year 23 at \$798,000; Year 24 at \$803,000; Year 25 at \$809,000; Year 26 at \$815,000; Year 27 at \$821,000; Year 28 at \$827,000; Year 29 at \$832,000; and Year 30 at \$838,000.

Parcels H/I:
(333 Rector Place)
River Rose

Agreement of Lease dated as of March 23, 1984, between the Authority, as landlord, and River Rose Company, as tenant, as supplemented by a letter of clarification dated March 27, 1984, between the Authority, as landlord, and John Gutheil, as attorney for River Rose Company.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$852,440; Year 2 at \$860,964; Year 3 at \$869,574; Year 4 at \$878,270; Year 5 at \$887,052; Year 6 at \$909,229; Year 7 at \$931,960; Year 8 at \$955,259; Year 9 at \$979,140; Year 10 at \$1,003,618; Year 11 at \$1,028,709; Year 12 at \$1,054,427; Year 13 at \$1,080,757; Year 14 at \$1,107,807; Year 15 at \$1,135,502; Year 16 at \$1,376,796; Year 17 at \$1,421,542; Year 18 at \$1,467,742; Year 19 at \$1,515,444; Year 20 at \$1,564,696; Year 21 at \$1,615,549; Year 22 at \$1,668,054; Year 23 at \$1,722,266; Year 24 at \$1,778,239; Year 25 at \$1,836,032; Year 26 at \$1,895,703; Year 27 at \$1,957,313; Year 28 at \$2,020,926; Year 29 at \$2,086,606; and Year 30 at \$2,154,421.

Parcel J:
(377 Rector Place)
Liberty House

Agreement of Lease dated as of October 25, 1984, between the Authority, as landlord, and Mariner's Cove Site J Associates, as tenant, as amended by amendments dated as of November 7, 1985, and as of December 11, 1985, respectively. Parcel J was submitted to condominium ownership by a declaration dated April 9, 1986.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$623,000; Year 2 at \$641,000; Year 3 at \$661,000; Year 4 at \$681,000; Year 5 at \$701,000; Year 6 at \$722,000; Year 7 at \$744,000; Year 8 at \$766,000; Year 9 at \$789,000; Year 10 at \$813,000; Year 11 at \$837,000; Year 12 at \$862,000; Year 13 at \$888,000; Year 14 at \$915,000; Year 15 at \$942,000; Year 16 at \$1,460,000; Year 17 at \$1,504,000; Year 18 at \$1,549,000; Year 19 at \$1,596,000; Year 20 at \$1,643,000; Year 21 at \$1,693,000; Year 22 at \$1,744,000; Year 23 at \$1,796,000; Year 24 at \$1,850,000; Year 25 at \$1,905,000; Year 26 at \$1,962,000; Year 27 at \$2,021,000; Year 28 at \$2,082,000; Year 29 at \$2,144,000; and Year 30 at \$2,209,000.

Parcel K:
(380 Rector Place)
Liberty Terrace

Agreement of Lease dated as of October 25, 1984, between the Authority, as landlord, and Mariner's Cove Site K Associates, as tenant, as amended by amendments dated as of November 7, 1985, and as of December 11, 1985, respectively; and as supplemented by letter agreement dated July 28, 1986. Parcel K was submitted to condominium ownership by a declaration dated October 17, 1986.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$722,000; Year 2 at \$744,000; Year 3 at \$766,000; Year 4 at \$789,000; Year 5 at \$813,000; Year 6 at \$837,000; Year 7 at \$862,000; Year 8 at \$888,000; Year 9 at \$915,000; Year 10 at \$942,000; Year 11 at \$970,000; Year 12 at \$999,000; Year 13 at \$1,029,000; Year 14 at \$1,060,000; Year 15 at \$1,092,000; Year 16 at \$1,704,000; Year 17 at \$1,755,000; Year 18 at \$1,807,000; Year 19 at \$1,862,000; Year 20 at \$1,917,000; Year 21 at \$1,975,000; Year 22 at \$2,034,000; Year 23 at \$2,095,000; Year 24 at \$2,158,000; Year 25 at \$2,223,000; Year 26 at \$2,290,000; Year 27 at \$2,358,000; Year 28 at \$2,429,000; Year 29 at \$2,502,000; and Year 30 at \$2,577,000.

Parcel L:
(300 Rector Place)
Battery Pointe

Agreement of Lease dated as of December 20, 1984, between the Authority, as landlord, and Rector Place L Associates L.P., as tenant, as amended by amendment dated as of November 15, 1985; and as supplemented by agreements dated as of September 10, 1985, and May 29, 1987, respectively. Parcel L was submitted to condominium ownership by a declaration dated June 1, 1989.

For the first two reappraisal periods, the Base Rent is as follows: Year 1 at \$655,000; Year 2 at \$671,000; Year 3 at \$688,000; Year 4 at \$705,000; Year 5 at \$723,000; Year 6 at \$741,000; Year 7 at \$759,000; Year 8 at \$778,000; Year 9 at \$798,000; Year 10 at \$818,000; Year 11 at \$838,000; Year 12 at \$859,000; Year 13 at \$880,000; Year 14 at \$902,000; Year 15 at \$925,000; Year 16 at \$948,000; Year 17 at \$972,000; Year 18 at \$996,000; Year 19 at \$1,021,000; Year 20 at \$1,047,000; Year 21 at \$1,073,000; Year 22 at \$1,100,000; Year 23 at \$1,127,000; Year 24 at \$1,155,000; Year 25 at \$1,184,000; Year 26 at \$1,214,000; Year 27 at \$1,244,000; Year 28 at \$1,275,000; Year 29 at \$1,307,000; and Year 30 at \$1,340,000.

GATEWAY PLAZA SUBLEASE

The Gateway Plaza (or POD III) development has been developed pursuant to a sublease dated as of June 3, 1980, as amended by amendments dated as of June 10, 1982, November 20, 1987, October 29, 1993, April 27, 2005, and July 1, 2009 (the “Gateway Plaza Sublease”), between the Authority, as landlord, and Marina Towers Associates, L.P., as tenant (“Tenant”). The Authority is also the mortgagee with respect to the mortgage loans made to finance the development. Payments pursuant to such mortgage loans do not constitute Existing Sublease Revenues. Tenant has entered into agreements with the Authority which regulate the operation of the development, including matters relating to maximum chargeable apartment rentals. The following is a description of certain provisions of the Gateway Plaza Sublease. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Gateway Plaza Sublease. The description contained herein does not purport to be complete and reference is made to the Gateway Plaza Sublease for full and complete statements of its provisions.

1. *Term:* The term of the Gateway Plaza Sublease commenced on June 3, 1980 (the “Commencement Date”) and expires, unless sooner terminated, on June 30, 2040. Tenant has the option to renew the term for two additional periods of five years each, and a third renewal commencing on July 1, 2050 and expiring on June 17, 2069.

2. *Rental:* Rent under the Gateway Plaza Sublease consists of an annual ground rent or land rent, tax equivalency payments and certain enumerated items of additional rent. The following is a description of each such component of rent:

(a) *Land Rent:* Tenant shall pay to the Authority, on a monthly basis, annual ground rent (“Land Rent”) in the amount of \$305,440 per annum. From July 1, 2023 through June 30, 2040, ground rent shall be equal to 8.125% of the rent collected by Tenant minus certain deductions. If Tenant shall have exercised its renewal option(s), the Land Rent for each renewal term shall be adjusted to an amount determined by agreement between the Authority and Tenant, or in the event the parties shall be unable to so agree, the Land Rent shall be in an amount equal to 8% of the fair market value of the land demised under the Gateway Plaza Sublease, as determined by appraisal, provided on such anniversary date either the HUD Mortgage shall have been paid or the HUD Mortgage shall no longer be insured by HUD. In no event however shall such Land Rent, together with the Tax Equivalency Payments (as defined below) be less than the amounts otherwise required to be paid by tenant to the Authority pursuant to Section 4.02(a) of the Master Lease.

(b) *Tax Equivalency Payments:* for purposes of the Gateway Plaza Sublease, “Tax Equivalency Payments” shall be determined and computed as follows: until February 15, 2016 (the “First Adjustment Date”), the Tax Equivalency Payments shall equal the Original Tax Equivalency Payments (“Original Tax Equivalency Payments” being an amount equal to 10% of (i) the total rents from the buildings less (ii) the net cost of providing electricity, gas, heat and other utilities to dwelling units therein); from February 16, 2016 until February 15, 2017, the Tax Equivalency Payments shall equal the sum of (a) the Original Tax Equivalency Payments, plus (b) twenty percent (20%) of the TEP Amount; from February 16, 2017, until February 15, 2018, the Tax Equivalency Payments shall equal the sum of (a) the Original Tax Equivalency Payments, plus (b) forty percent (40%) of the TEP Amount; from February 16, 2018 until February 15,

2019, the Tax Equivalency Payments shall equal the sum of (a) the Original Tax Equivalency Payments, plus (b) sixty percent (60%) of the TEP Amount; from February 16, 2019 until February 15, 2020 (the “Fifth Adjustment Date”), the Tax Equivalency Payments shall equal the sum of (i) the Original Tax Equivalency Payments, plus eighty percent (80%) of the TEP Amount; and from and after February 16, 2020, the Tax Equivalency Payments shall equal Full Taxes. “TEP Amount” shall mean the excess, if any, of (i) full real estate taxes with respect to the project in the period for which the Tax Equivalency Payment is being calculated, over (ii) the Original Tax Equivalency Payment for such period.

(c) Additional Rent:

(i) Tenant shall pay to the Authority, as additional rent, 10% of any “net proceeds” (as defined in the Gateway Plaza Sublease) realized from a refinancing of a leasehold mortgage (other than certain specified leasehold mortgages, *i.e.*, mortgages obtained to finance construction of improvements and the HUD Mortgage), subject, however, to repayment by the Authority to such leasehold mortgagee or tenant upon payment of the refinanced leasehold mortgage.

(ii) Commencing on the 40th anniversary of the Commencement Date, tenant shall pay to the Authority 40% of the “net proceeds” received thereafter until the Authority shall have received an aggregate amount based upon a formula specified therein.

(iii) Tenant shall pay to the Authority an allocable share of the cost of operating, maintaining, repairing, restoring and upgrading certain “civic facilities” enumerated in the amendment to the Gateway Plaza Sublease dated November 20, 1987 (the “Civic Facilities Payment”), in addition to the special civic facilities payments as set forth in the Gateway Plaza Sublease. The Civic Facilities Payment for each year is an amount equal to tenant’s proportionate share of the Authority’s budget for such costs.

(iv) For each year until termination of the Gateway Plaza Sublease and during renewal periods, Tenant shall pay to the Authority a supplemental contribution in addition to the Civic Facilities Payment. This “Special Civic Facilities Payment” shall be \$300,000 per year for each year from June 1, 1994 through June 30, 2009; for each year thereafter, including renewal periods, it shall be \$350,000.

The term “Additional Rent” (as defined in the Gateway Plaza Sublease) means any sums other than Land Rent which may be due and payable thereunder. In addition, tenant is obligated to pay, subject to tenant’s right to contest same, any imposition levied or assessed against the premises (excluding real estate taxes). Except as noted below, tenant’s obligation to pay Land Rent, Tax Equivalency Payments and Additional Rent is net to the Authority and without abatement, set-off or counterclaim. Tenant shall be entitled to deduct from Land Rent and Tax Equivalency Payments the amounts of any refund, together with interest in specified circumstances, to which it is entitled in the event of a final determination in favor of tenant in a tax assessment reduction proceeding.

3. *Insurance:* Tenant is obligated to maintain, at its expense, insurance naming the Authority, BPCDC and any leasehold mortgagee as additional insureds, including rent insurance in an amount equal to one year’s current Land Rent, premiums for insurance required to be maintained by tenant and Tax Equivalency Payments. The types of insurance and limits of

coverage are specified in the Gateway Plaza Sublease. In the event of a casualty, the insurance proceeds shall be paid to the institutional leasehold mortgagee, or if there is none, to the Authority, or if the Authority and such institutional leasehold mortgagee agree, to tenant, in trust.

4. *Restoration:* Tenant is obligated to restore the buildings in the event of damage or destruction due to fire or other casualty, whether insured or uninsured and whether or not the cost of restoration exceeds the insurance proceeds. The Land Rent and Tax Equivalency Payments from the date of the casualty until completion of the restoration shall be abated to the extent of the amount of rental value insurance received by the Authority for application to Land Rent and Tax Equivalency Payments for such period. Tenant shall be obligated for the payment of Land Rent, Tax Equivalency Payments, Additional Rent and other charges on the part of tenant to be paid if in excess of the insurance amounts received by the Authority during the period of a casualty, without further reduction or abatement. To the extent such restoration involves structural alterations or changes, tenant shall provide the Authority with plans and specifications for such restoration, and if the cost thereof exceeds \$250,000, bonds or other security reasonably satisfactory to the Authority. Tenant shall not have the right to terminate the Gateway Plaza Sublease in the event of a casualty

5. *Condemnation:* In the event all or substantially all of the premises demised under the Gateway Plaza Sublease is taken in a condemnation, the Gateway Plaza Sublease shall be terminated. In such event, there shall first be paid to the Authority the entire award for that part of the land and the civic facilities, if any, taken. In the event less than all or substantially all of the premises under the Gateway Plaza Sublease shall be taken, the Gateway Plaza Sublease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and civic facilities, if any, so taken and tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, a just proportion of the Land Rent, Tax Equivalency Payments and other charges, according to the extent and nature of such taking, shall abate for the remainder of the term of the Gateway Plaza Sublease. If the Authority and tenant are unable to agree on the abatement, such dispute shall be determined by arbitration. The obligations of tenant to restore the buildings in the case of a partial taking are similar to tenant's obligations in the case of a casualty.

6. *Assignment, Subletting:* Without the consent of the Authority, no interest in tenant (other than a limited partnership interest) may be sold, assigned or transferred, provided no consent by the Authority shall be required if the approval of the Secretary of HUD (during the period that the leasehold mortgage is insured, reinsured, held by or given to HUD) shall have been obtained, nor may tenant assign the Gateway Plaza Sublease or enter into any sublease (other than for residential use where the subtenant will occupy such space for living quarters). Provided the use under any non-residential sublease is consistent with the character and quality of the improvements and adjoining buildings, the Authority's consent to such sublease will not be unreasonably withheld. In the event the Authority shall terminate the Gateway Plaza Sublease, the Authority has agreed, in certain circumstances, to recognize a sublease with a subtenant, provided such subtenant is not in default under its sublease and attorns to the Authority. Assuming compliance with these provisions, the Authority will be able to retain any subleases made by tenant and recognized by the Authority in the event of the Gateway Plaza Sublease termination by the Authority.

7. *Mortgage:* So long as any leasehold mortgage shall remain outstanding, the Gateway Plaza Sublease may not be cancelled, surrendered, modified or amended without the prior written consent of the mortgagee. Tenant may mortgage its leasehold to any Institutional Leasehold Mortgagee without the consent of the Authority. The Gateway Plaza Sublease provides that in the event tenant shall mortgage its interest in the Gateway Plaza Sublease, the Authority shall give each requesting mortgagee a copy of any notice of default given by the Authority to tenant. Each mortgagee shall have the right to cure such default in the manner set forth in the Gateway Plaza Sublease, and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by tenant. In the event the Authority shall have terminated the Gateway Plaza Sublease as a result of an event of default by tenant, the Authority shall notify each mortgagee of such termination and, at such mortgagee's request made at any time within 6 months after the Authority's notice, shall enter into a new lease with the mortgagee most senior in lien (or with a junior mortgagee exercising such right if the senior mortgagee fails or refuses to do so), which lease shall be effective as of the date of the lease termination for the remainder of the term and upon the same terms and conditions as in the Gateway Plaza Sublease. In such event, such mortgagee shall pay to the Authority all unpaid Land Rent, Tax Equivalency Payments, Additional Rent and other charges, the Authority's expenses incurred in connection with tenant's default and the termination of the Gateway Plaza Sublease and shall agree to remedy those defaults which are susceptible of being cured. In the event a mortgagee did not cure tenant's defaults or request a new lease, the lien of such mortgagee's mortgage would be extinguished as a result of the termination of the Gateway Plaza Sublease.

8. *Repairs:* Tenant shall, at its expense, take good care of the premises and all equipment and shall keep and maintain the buildings (which tenant was obligated to construct pursuant to the Gateway Plaza Sublease) in good and safe order and working condition and shall make all repairs, internal and external, structural and non-structural.

9. *Compliance With Requirements:* Tenant shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Tenant shall have the right, in certain circumstances, to contest the validity of any such requirement.

10. *Capital Improvements:* Subject to the Authority's consent which is not to be unreasonably withheld and certain other conditions, the Gateway Plaza Sublease provides that tenant shall have the right to make capital improvements to the buildings, provided any such capital improvement, when completed, shall be of such a character as not to reduce the value of the buildings below its value immediately before construction of the capital improvement was commenced. In addition, capital improvements of a structural nature require the submission to the Authority of plans and specifications for such capital improvement.

11. *Discharge of Mechanic's Liens:* Tenant shall not create or cause to be created any mechanic's lien, encumbrance or charge upon tenant's estate in the premises (other than permitted liens), any assets of or funds appropriated to the Authority or upon the Authority's estate in the premises. Tenant shall cause any such lien to be promptly discharged of record.

12. *The Authority's Right to Perform:* If an event of default shall have occurred under the Gateway Plaza Sublease, the Authority shall have the right to perform any obligation on tenant's behalf and any monies expended by the Authority shall be repaid by tenant with interest

on demand, such right, except in case of emergency, to be subject to the rights granted to institutional leasehold mortgagees.

13. *Master Lease:* The Gateway Plaza Sublease is subject and subordinate to all terms and condition of the Master Lease. If estates under the Master Lease are merged, tenant will attorn to the holder of the reversionary interest.

14. *Events of Default:* If certain defaults shall occur, the Authority shall have the right to terminate the Gateway Plaza Sublease. Defaults by tenant that would entitle the Authority to terminate the Gateway Plaza Sublease include: (a) failure to make any required payment of Land Rent, Tax Equivalency Payment, Additional Rent or other charge after 15 days' notice; (b) failure to perform any other provision of the Gateway Plaza Sublease if such failure continues for a period of 30 days after notice by the Authority to tenant, unless such failure could not by its nature be cured within such 30 days, in which case tenant is required to remedy such failure with reasonable diligence; and (c) events of bankruptcy concerning tenant. In the event of a default by tenant and the failure of tenant or tenant's mortgagee to timely exercise its cure rights, as hereinabove described, the Authority will have the right to terminate the Gateway Plaza Sublease and at its option relet the premises and seek damages. As previously stated, the Gateway Plaza Sublease grants a mortgagee certain rights intended to provide protection in the event of a default by tenant, including a right to notice and cure and a right to enter into a new lease with the Authority directly.

15. *Compliance with HUD Mortgage:* Notwithstanding any other provisions of the Gateway Plaza Sublease, so long as any leasehold mortgage shall be insured, reinsured or held by or given to HUD in connection with a resale or the premises are acquired by HUD because of a default under said mortgage, all provisions of the Gateway Plaza Sublease relating to plans, specifications, design, construction, reconstruction, restoration, repairs, replacement or rebuilding, operations and maintenance, kinds or amounts of insurance, project cost and cost certifications, apportionment of condemnation or other awards or insurance or other payments (which apportionments shall be subject to the Master Lease and the HUD Mortgage) shall be subject to the rules, regulations and administrative determinations of the Secretary of HUD, provided that nothing contained in the Gateway Plaza Sublease shall prevent tenant from challenging the same.

16. *Limitation of Personal Liability:* No member, officer, employee, consultant or agent of the Authority nor any venturer, partner (general or limited), director, employee, agent, consultant, affiliate, associate, principal or stockholder of tenant shall have any personal liability under the Gateway Plaza Sublease. Accordingly, if tenant shall have defaulted under the Gateway Plaza Sublease and such default was not remedied by tenant or its mortgagee or if the Gateway Plaza Sublease was terminated and a new lease was not requested by such mortgagee, the sole remedy of the Authority will be to terminate the Gateway Plaza Sublease and repossess the premises demised thereunder. The Authority will be unable to recover any monetary damages resulting from such termination.

SUBLEASE FOR SITE 3

The following is a description of the major provisions of the Lease for Site 3 (Battery Place) between Battery Park City Authority, d/b/a Hugh L. Carey Battery Park City Authority, as

landlord (the “Authority” or “Landlord”), and Battery Place Green, LLC, as tenant (“Tenant”), made as of the 17th day of August, 2006, (the “Lease”). Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of its provisions.

1. **Term:** The Lease commenced on August 17, 2006, (the “Commencement Date”), and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the Term.

2. **Rental:** The primary components of rent under the Lease are the (i) the “Upfront Lease Payment;” (ii) special additional rent payments (“Special Additional Rent Payments”); (iii) base rent (“Base Rent”); (iv) payments in lieu of real estate taxes (“PILOT”); and (v) “Civic Facilities Payments.”

(a) **Upfront Lease Payment:** As an inducement to Landlord, and as a condition precedent to Landlord’s obligation to enter into the Lease, Tenant has paid to Landlord the sum of four million dollars (“Upfront Lease Payment”). As of the Commencement Date the Upfront Lease Payment shall be deemed fully earned and shall be non-refundable under any circumstances whatsoever.

(b) **Special Additional Rent Payments:** As additional rent, Tenant shall pay to Landlord the following payments (collectively the “Special Additional Rent Payments”): (x) seven million five hundred thousand dollars no later than thirty days after the Commencement of Construction as defined in the Lease; (y) fourteen million dollars no later than thirty days after the issuance of the first Residential TCO for the Building; and (z) seventeen million dollars no later than two hundred ten days after issuance of the first Residential TCO for the Building. Each such Special Additional Rent Payment shall be deemed fully earned when paid and non-refundable under any circumstances whatsoever. To assure payment of each Special Additional Rent Payment when due, Tenant, as Borrower, and Construction Lender, as defined in the Lease, have entered into a Building Loan Agreement and Project Loan Agreement (the “Agreements”) for the construction of the Premises. The Agreements provide that the amount of each Special Additional Rent Payment when due as described herein shall be paid directly to Landlord by Construction Lender, on behalf of Tenant, as an advance on account of the building loan (each a “Special Additional Rent Advance”), on the due date, subject only to compliance by Tenant, as borrower, with the conditions precedent to advances under the building loan and project loan and to the Special Additional Rent Advance(s) that are set forth in the Agreements. Tenant reserves the right to pay the amount of each Special Additional Rent Payment directly to Landlord on or before the due date, and in which event Construction Lender shall have no obligation to pay to Landlord any Special Additional Rent Advance with respect thereto. The Agreements shall contain provisions that the Agreements shall not be amended in any way without the consent of Landlord and no advances shall be made thereunder except in strict compliance with the provisions thereof until all Special Additional Rent has been paid to Landlord. In addition to the foregoing Tenant shall be deemed to mean “Sponsor” should the Premises be submitted to a condominium form of ownership, and Landlord may pursue any rights granted to Landlord directly against Sponsor. In addition to the provisions and requirements set forth in Exhibit F of the

Lease, the Condominium Plan shall condition effectiveness of a transfer of a Unit by Sponsor upon the payment of any Special Additional Rent Payment then due in accordance with the Lease, and should payment not be tendered when due, such transfer shall be deemed null and void, and of no force and effect. Landlord agrees that provided the Special Additional Rent Payments are paid as required under the Lease, then Landlord, if having received the notice required under the Lease, shall provide to a unit purchaser and/or unit purchaser's mortgagee an estoppel certificate containing a certification that all Special Additional Rent Payments then due have been paid.

(c) Base Rent: The Lease obligates Tenant to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the Term to the Landlord, without notice or demand, the sums hereinafter described:

(i) First Period: For the twenty five year period beginning on the Commencement Date, pay the Base Rent as follows: Year 1 at \$0.00; Year 2 at \$901,829.00; Year 3 at \$928,883.00; Year 4 at \$956,750.00; Year 5 at \$985,453.00; Year 6 at \$1,015,016.00; Year 7 at \$1,048,004.00; Year 8 at \$1,082,064.00; Year 9 at \$1,117,231.00; Year 10 at \$1,153,541.00; Year 11 at \$1,191,031.00; Year 12 at \$1,229,740.00; Year 13 at \$1,269,706.00; Year 14 at \$1,310,972.00; Year 15 at \$1,353,579.00; Year 16 at \$1,397,570.00; Year 17 at \$1,442,991.00; Year 18 at \$1,489,888.00; Year 19 at \$1,538,309.00; Year 20 at \$1,588,304.00; Year 21 at \$1,639,924.00; Year 22 at \$1,693,222.00; Year 23 at \$1,748,252.00; Year 24 at \$1,805,070.00; and Year 25 at \$1,863,735.00 (the first twenty five years of Base Rent collectively the "First Period").

(ii) Second Period: For each Lease Year commencing on August 17, 2031 which is the 25th anniversary of the Commencement Date ("First Appraisal Date"), and continuing for a period of fifteen Lease Years thereafter ("Second Period"), an amount per annum equal to (x) the Base Rent Floor , as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with the Lease, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord's Civic Facilities and other site improvements made by Landlord, ("Base Rent Floor") or (y) the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined. Base Rent for the Second Period shall escalate on August 17, 2036 and again August 17, 2041 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period.

(iii) Third Period: For each Lease Year commencing on August 17, 2046 (the first day of the Third Period and Fourth Period defined below each a "Reappraisal Date") and continuing for a period of fifteen (15) Lease Years thereafter ("Third Period") an amount per annum equal to the Base Rent Floor as determined on the Reappraisal Date, as escalated on August 17, 2051 and again August 17, 2056 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable

escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period.

(iv) Fourth Period: For each Lease Year commencing on August 17, 2061 continuing thereafter until the Expiration Date (“Fourth Period”) an amount per annum equal to the Base Rent Floor as determined on the Reappraisal Date, as escalated on August 17, 2066 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period.

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

(d) PILOT: For each tax year or portion thereof within the Term, Tenant shall pay to the Landlord, without notice or demand, an annual sum (“PILOT”), equal to the greater of (x) actual Taxes for such Tax Year and (y) the Minimum PILOT set forth as follows: (i) Year 1 at \$598,489.00; Year 2 at \$797,985.00; Year 3 at \$2,488,507.00; Year 4 at \$4,977,014.00; Year 5 at \$5,076,554.00; Year 6 at \$5,178,085.00; Year 7 at \$5,281,647.00; Year 8 at \$5,387,279.00; Year 9 at \$5,495,025.00; Year 10 at \$5,604,926.00; Year 11 at \$5,717,024.00; Year 12 at \$5,831,356.00; Year 13 at \$5,947,992.00; Year 14 at \$6,066,952.00; Year 15 at \$6,188,291.00; Year 16 at \$6,312,057.00; Year 17 at \$6,438,298.00; Year 18 at \$6,567,064.00; Year 19 at \$6,698,405.00; Year 20 at \$6,832,373.00; Year 21 at \$6,969,020.00; Year 22 at \$7,108,401.00; Year 23 at \$7,250,569.00; Year 24 at \$7,395,580.00; and Year 25 at \$7,543,492.00; In no event shall the amount of PILOT be less than the amounts set forth above. PILOT shall be paid in equal semi-annual installments during such tax year, in advance on the first day of each of January and July.

(e) Civic Facility Payments: As its allocable share of the cost of operating and maintaining certain Civic Facilities as described in the Lease as the Parks and any other parks or open spaces within or adjacent to the Project Area (“Operating Costs”), Tenant, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the Building (“Initial Occupancy Date”) and ending on the last day of the Term an annual sum (“Civic Facilities Payment”) as follows:

(i) For the period commencing on the Initial Occupancy Date and for each of the next two full Lease Years an annual amount equal to the product obtained by multiplying the sum computed under the succeeding clause (ii) by a fraction the numerator of which shall be the number of days between the Initial Occupancy Date and the last day of the Lease Year in which the Initial Occupancy Date occurs and the denominator of which shall be three hundred sixty-five.

(ii) For each of the next two Lease Years an amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$500.00 dollars and (B) the product derived by multiplying \$.50 by the gross square feet of non-residential floor area, but excluding therefrom the Park Space and common areas described in the Lease, in the Building.

(iii) For each of the next three Lease Years an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$550.00 dollars and (B) the product derived by multiplying \$.55 by the gross square feet of non-residential floor area, but excluding therefrom the Park Space and common areas described in the Lease, in the Building.

(iv) For the next succeeding Lease Year and for each Lease Year thereafter with respect to the North Neighborhood Residential Parks, an amount equal to the product of (A) the Parks Budget as defined below, less amounts (x) payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases which were originally entered into prior to the Commencement Date and (y) computed on the basis of operating costs for a particular neighborhood within the Project Area other than for Operating Costs for the entire Project Area, multiplied by (B) a fraction, the numerator of which shall be the maximum permissible number of Zoning Floor Area square feet in the Building (excluding the Zoning Floor Area square feet comprising the Parks Space) and the denominator of which shall be the maximum permissible number of Zoning Floor Area square feet in all residential buildings, including the Building (but excluding the Zoning Floor Area square feet comprising the Parks Space); except that Landlord, at its sole option and at any time, may establish as an alternative method for determining such allocable share of the Operating Costs and the amount of the Civic Facilities Payment that Tenant would pay as its share, as may be equitable with respect to all tenants of Landlord within the Project Area. Notwithstanding the provisions of the foregoing clause (iii), the amount of tenant's Civic Facilities Payment for any Lease Year referred to in the Lease shall not be greater than one hundred twenty-five percent of Tenant's Civic Facilities Payment for the prior Lease Year and the amount of capital costs included in Operating Costs for any year shall not exceed ten percent of the Operating Costs for such year.

(v) For each Lease Year commencing with the Lease Year referred to in item (iii) above, Landlord shall submit to Tenant (A) an estimate of Operating Costs for such Payment Period ("Parks Budget"), (B) an estimate of the Operating Costs for the North Neighborhood Esplanade for such Payment Period ("Civic Facilities Budget") and (C) an estimate of the Operating Costs for the Residential Esplanade ("Residential Esplanade Budget").

(vi) The North Neighborhood Esplanade Budget defined as an amount computed by multiplying (A) the estimated Operating Costs of the entire Esplanade in the Project Area other than such portion of the Esplanade described in the Lease and defined as the Residential Esplanade by (B) a fraction, the numerator of which is the number of linear feet of the North Neighborhood Esplanade and the denominator of which is the total number of linear feet of the Residential Esplanade. Tenant shall pay to Landlord the Civic Facilities Payment due in respect of each such Payment Period in equal monthly installments payable in advance on the first day of each month.

(f) Percentage Rent: For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue (the "Percentage Rent Commencement Date"), which Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and

occupancy of space in the Building which is being used for any non-residential purpose, payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which Gross Non-Residential Revenue is more particularly defined in the Lease, and ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the First Period, Tenant shall pay to Landlord an amount equal to the excess of (x) 11% of the amount by which Gross Non-Residential Revenue collected by Tenant during each such calendar year exceeds the Allowed Deductions for such calendar year, or portion thereof, less (y) the total minimum percentage rent amount, set forth in the Lease, applicable to the Lease Year during which such calendar year, or portion thereof, occurs.

(i) For the period commencing on the first day of the Second Period and ending on December 31 of the calendar year in which the Second Period commences, and for each calendar year or partial calendar year thereafter during the Term, an amount equal to 11% of the amount by which Gross Non-Residential Revenue collected by Tenant during each such calendar year exceeds the Allowed Deductions for such calendar year or portion thereof.

(ii) Tenant shall pay to Landlord, with respect to the Garage Space as defined in the Lease the sum of \$926,464.00 (the “Upfront Garage Percentage Rent Payment”); and with respect to the Retail Space, the sum of \$175,652.00 (the “Upfront Retail Percentage Rent Payment”). Tenant shall pay the Upfront Garage Percentage Rent Payment upon the earlier to occur of (x) the date Tenant shall first collect any Gross Non-Residential Revenue with respect to all or any portion of the Garage Space; (y) the date that is nine months following the issuance of a Certificate of Occupancy for the Garage Space; or (z) the date that Sponsor conveys the Unit comprising the Garage Space to a Unit Owner that is not a Sponsor. Tenant shall pay the Upfront Retail Percentage Rent upon the earlier to occur of (x) the date Tenant shall first collect any Gross Non-Residential Revenue with respect to all or any portion of the Retail Space; (y) the date that is nine months following the issuance of a Certificate of Occupancy for the Retail Space; or (z) the date that Sponsor conveys the Unit comprising the Retail Space to a Unit Owner that is not a Sponsor. The aforementioned Upfront payments shall be fully earned upon payment and non-refundable under any circumstances whatsoever.

Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 11% of the amount by which the Gross Non-Residential Revenue exceeds the Allowed Deductions for such calendar quarter, as a partial payment. Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

If Tenant sells the Garage Unit or the Retail Space to an owner which is not the Sponsor and has previously paid the Upfront Garage Percentage Rent Payment or the Upfront Retail Percentage Rent payment, respectively, no further percentage rent with respect to the Garage Space or the Retail Space, respectively, shall be payable.

In the event Tenant's leasehold estate in the Premises shall be submitted to a condominium form of ownership, then "Tenant" shall be deemed to mean the Sponsor or Condominium Board if it shall become the Unit Owner, it being the agreement of Landlord and Tenant that so long as Sponsor is a Unit Owner, Sponsor shall be solely liable for the payment of any Percentage Rent and the Upfront Percentage Rents payable directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against each Sponsor, or Condominium Board if it should become the unit owner.

3. ***Insurance:*** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss o damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years. In the event Tenant's leasehold estate shall be submitted to condominium ownership, however, then such replacement cost determination shall be made annually; (ii) commercial general liability insurance against liability for bodily injury, death and property damage in an amount as may be reasonably required by Landlord upon thirty (30) days notice, but not less than twenty five million dollars combined single limit; and (iii) such other insurance enumerated in the Lease approved by Landlord, and such other insurance in such amounts as may be reasonably required by Landlord. All policies shall name the Tenant as the insured, the Landlord, and Master Landlord as additional insureds to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided that such Mortgagee irrevocably agrees in writing for the benefit of Landlord that all proceeds of such insurance shall be applied in accordance with the Lease. Mortgagee may be an additional insured under the policies, and loss payable in accordance with the provisions of the Lease. All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds, if in excess of one million dollars shall be paid to Depository to be applied to Rental Payments until such Restoration by Tenant is completed. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee, as their interests may appear.

4. ***Restoration:*** If all or any part of the Building as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty, Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, Restore the Building. Except as hereinafter set forth, Tenant shall Restore the Premises in the event all or any part of the Premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the Premises existing immediately prior to such occurrence, and if such casualty occurs within ten years after the date the building has been Substantially completed, then Restoration shall be performed in

accordance with the Construction Documents as defined in the Lease. If any loss, damage or destruction occurs, and the cost of Restoration of which equals or exceeds \$1,000,000. (as adjusted), Tenant shall furnish to the Landlord complete plans and specifications for such Restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of Restoration exceeding such amount, and required insurance policies. Notwithstanding anything in the Lease to the contrary, to the extent that any portion of the Restoration involves work on the exterior of the Building or a change in the height, bulk or setback of the Building, Tenant shall furnish to the Landlord a complete set of plans and specifications for the Restoration. The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total, substantial or partial destruction of, the Building by reason of the untenantability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the Premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind.

If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligations under Article 8 of the Lease shall be the obligation of the Condominium Board.

5. ***Condemnation:*** If the whole or substantially all of the Premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under this Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as unencumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of forty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified therein to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of forty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the Premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to Restore any

remaining part of the Building. The entire award for or attributable to the Land taken and the fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of Restoration.

If the temporary use of the whole or any part of the Premises shall be taken, the Term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental, and Tenant shall be entitled to receive for itself any award or payments for such use, in accordance with the provisions of Section 9.5(i) and (ii) of the Lease.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises; furthermore, Landlord hereby covenants and agrees that it shall never institute any taking or condemnation of all or any portion of the Premises without the prior written consent of Tenant.

6. ***Assignment, Subletting:*** Except as otherwise provided, prior to Substantial Completion of the Building, or at any time after Substantial Completion of the Building that the conditions set forth in Section 10.01(b) of the Lease are not satisfied, neither the Lease nor any interest of Tenant in the Lease shall be sold, assigned, or otherwise transferred, whether by operation of law or otherwise, including without limitation an assignment to an Apartment Corporation in connection with a Cooperative Plan or partial assignment in connection with Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, but excluding transfers of individual condominium units following the submission by Tenant of its leasehold estate in the Premises to a condominium form of ownership pursuant to Article 41 and Exhibit F (Provisions Regarding the Conversion To Condominium Form of Ownership), of the Lease, or in connection with the issuance or transfer of proprietary leases following the submission of Tenant of its leasehold estate in the Premises to an Apartment Corporation in connection with a Cooperative Plan nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company any partnership interest in any partnership or any equity interest in any Person, in each case, which is Tenant or owns a direct or indirect interest in Tenant be sold assigned, transferred pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of Tenant as held by the members thereof as of the Commencement Date, or there be any change in the right to direct the management of any Person that is Tenant or owns a direct or indirect interest in Tenant, nor shall Tenant sublet the Premises as an entirety or substantially as an entirety, without the consent of Landlord in each case. Notwithstanding the foregoing, prior to Substantial Completion of the Building Landlord's consent shall not be required with respect to any Transfer that satisfies the conditions as set forth in Section 10.01(a) of the Lease.

From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to any Transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenant has complied with the requirements under Article 10 of the Lease. Landlord's consent shall not be required in the event Tenant assigns its interest in this Lease to the Apartment Corporation pursuant to a Cooperative Plan, provided no Default then exists and is continuing; however, Tenant shall not, at any time during the Term, assign its interest in the Lease in whole or in part

pursuant to any plan to submit Tenant's leasehold estate in the Premises to condominium ownership except pursuant to the provisions of Article 41 and Exhibit F of the Lease.

Tenant may, without Landlord's consent, but subject to the provisions of the last sentence of Section 10.01(c) enter into agreements for the rental of residential and non-residential space in the Building or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases"). Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the Premises included therein for residential purposes only. After an Event of Default by Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenant sets over to Landlord all of Tenant's right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the Lease. All Subleases shall provide that they are subject to the Lease and to the Master Lease, and at Landlord's option on the termination of the Lease; the Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, the Landlord and a Subtenant shall execute an agreement wherein the Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the Lease.

7. ***Mortgages:*** Tenant shall have the right to mortgage or otherwise encumber Tenant's interest in the Lease. In the event Tenant so mortgages its interest, Tenant or a Mortgagee shall give the Landlord notice of such Mortgage and provide Landlord with a complete and correct copy of such Mortgage certified by Tenant or such Mortgagee and shall provide the name and address of such Mortgagee. Landlord shall give notice to such Mortgagee of each Default in accordance with Article 25 of the Lease. Landlord shall accept performance by Mortgagee, with the same force and effect as though performed by Tenant. In the event of a modification or amendment of the Lease made subsequent to the date of the Mortgage, and delivery to Landlord in accordance with the notice provisions, then Mortgagee shall not be liable under the provisions of the Lease. In the event of Termination of the Lease by reason of any Default, the Landlord shall give prompt notice thereof to each Mortgagee of such termination, and, at such Mortgagee's request made within thirty days after the giving of notice from Landlord, shall enter into a new lease with such Mortgagee for the Premises, or such portion of the Premises subject to the Lease, or its designee or nominee, for the remainder of the Term subject to all covenants, conditions, limitations and agreements contained in the Lease, provided in such event, such Mortgagee shall pay to the Landlord all unpaid Rental from the date of termination up to and including the date of commencement of the term of such new lease, and together with all expenses incurred by the Landlord in connection with the Default by Tenant, termination of the Lease, and all expenses incurred in connection with the new lease with Mortgagee; Mortgagee shall cure all Defaults susceptible of being cured. Concurrently, the Landlord shall assign to such Mortgagee all of its right, title and interest in and to moneys, if any, then held by or payable to the Landlord or Depository that Tenant would have otherwise been entitled to receive but for termination of the Lease.

8. ***Repairs:*** Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the Premises and shall put, keep and maintain the Building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall

use all reasonable precaution to prevent, waste, damage or injury to the Premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the Premises. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with all Governmental Authorities as defined in Section 12.01 of the Lease.

9. ***Compliance with Requirements:*** Tenant promptly shall comply with any and all applicable present and future laws, rules, orders, ordinances, including without limitation Environmental Statutes, etc. affecting the Premises. Tenant shall have the right to contest the validity of any such requirements or the application thereof. During such contest, compliance with any such contested Requirements may be deferred by Tenant upon condition that, if Tenant is not an Institutional Lender, before instituting any such proceeding,, then Tenant shall furnish to Landlord or deposit with Depository a qualifying bond, cash or other security reasonably satisfactory to Landlord securing compliance with the requirement.

10. ***Capital Improvements:*** Tenant shall not demolish, replace or materially alter the Building, or make any addition thereto, unless Tenant has procured from all Governmental Authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the Premises; the Capital Improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to Landlord certificates of insurance acceptable to Landlord. If the estimated cost of any proposed Capital Improvement exceeds \$750,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the Capital Improvement involves work which affects the structural elements of the Building or work involving the exterior or a change in the height, bulk or setback of the Building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenant.

11. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

12. ***Discharge of Liens:*** Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the Premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the Premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the Premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

13. ***The Landlord's Right to Perform:*** If Tenant at any time shall be in Default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may but shall be under

no obligation to perform such obligation on Tenant's behalf. All associated expenses shall be paid by Tenant.

14. *Events of Default:* The Lease provides that if certain Defaults shall occur, the Landlord shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. Events of Default shall include but are not limited to: (i) failure of Tenant to pay any item of Rental for 10 days after notice from the Landlord to Tenant; (ii) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by Landlord; (iii) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days and (iv) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Landlord's approval to the extent required which transaction has not been made to comply or voided ab initio within 30 days after notice thereof from Landlord; (v) to the extent permitted by law, if Tenant shall admit in writing that it is unable to pay its debts as such become due, or if Tenant shall make an assignment for the benefit of creditor's. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the Event of Default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event the Lease shall terminate due to an Event of Default and in accordance with the provisions of the Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No termination of this Lease pursuant to Section 24.03(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.03(b) or 24.04(b) of the Lease shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting. Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

15. *Civic Facilities:* The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenant acknowledges that other than those certain facilities enumerated in Article 26 of the Lease, Landlord has completed the Civic Facilities improvements. Tenant has the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated civic facilities in accordance with the Lease Tenant shall have the right but not the obligation to undertake Landlord's Maintenance Obligations ("Self-Help," as defined in the Lease). In the event Tenant undertakes Self-Help, then Tenant shall have the right to offset against the next installment of Civic Facilities Payments an amount equal to the reasonable expenses thereby incurred or paid by Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by Tenant. Landlord shall incur no penalty or liability, and Tenant shall have no remedies or rights other than as expressly provided in the Lease, it being agreed by the parties that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Lease.

16. *Subordination:* the Landlord's interest in the Lease shall not be subject or subordinate to any mortgage or any other liens or encumbrances upon Tenant's interest in the Lease. Tenant's interest in the Lease as may be modified, amended or supplemented, shall not be subject or subordinate to any liens or encumbrances hereafter affecting the Landlord's interest in the fee title to Battery Park City or any part thereof, this Lease, the Premises or the Master Lease. Without limiting the foregoing, Battery Park City Authority, in its capacity as tenant under the Master Lease acknowledges and agrees that the interest of the tenant under the Master Lease and the interest of any Person in the Premises which arises by, through, or under, or is otherwise derivative of the Master Lease, including any possessory interest therein, are and shall be subordinate to the Tenant's interest under the Lease for so long as the Lease remains in effect.

17. *Limitations on the Landlord's Liability:* The liability of the Landlord shall be limited to the Landlord's interest in the Premises. Neither the Landlord nor any of its members, directors, officers, employees, agents or servants shall have any liability (personal or otherwise) hereunder beyond the Landlord's interest in the Premises, and no other property or assets of the Landlord or any such person or any of the members, directors, officers, employees, agents or servants of either shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

18. *Limitations on Tenant's Liability:* The liability of Tenant hereunder for damages or otherwise shall be limited to the property and assets of Tenant, except as to Recourse Claims as defined in the Lease and which recovery is limited to the recovery for said Recourse Claims as stated therein. Neither the Tenant nor any of the members, directors, officers, shareholders, partners, managers, principals or joint venturers, employees, agents or servants of Tenant or its partners, members or shareholders shall have any liability (personal or otherwise) hereunder beyond the property or assets of the Tenant, and no property or asset of any such excluded persons shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Landlord's remedies hereunder.

19. *Letter of Credit Security Deposit:* Tenant shall secure obligations under the Lease through Completion of the Building, including, without limitation, Tenant's obligation for the payment of Rental, by depositing with Landlord a clean irrevocable letter of credit drawn in favor of Landlord, in the form provided for in the Lease having a term of not less than one year, payable in U.S. dollars. The initial Letter of Credit shall be eighteen million eight hundred seventy thousand dollars. The letter of credit shall be renewed or replaced without decrease in amount each and every year as provided in the Lease. Notwithstanding the above, upon payment in full of the Base Rent, and provided no Event of Default shall have occurred and is ongoing, then Tenant shall have the right to reduce the letter of credit with Landlord's authorization to one million dollars. Upon reduction of said amount, Tenant shall have the option to replace the letter of credit with a deposit of immediately available funds for said amount.

EXISTING BATTERY PLACE SUBLEASES FOR SITES 4, 10, 11

The following is a description of the major provisions of the Battery Place subleases for Sites 4, 10 and 11 (individually, a "Battery Place Sublease" and collectively, the "Battery Place Subleases"). A schedule of the Battery Place Subleases is annexed hereto. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Battery Place

Subleases. The description contained herein does not purport to be complete and reference is made to the Battery Place Subleases for full and complete statements of their provisions.

1. *Term:* The term of each of the Battery Place Subleases commenced on the date such Battery Place Sublease was executed and expires, unless sooner terminated, on June 17, 2069. No Battery Place Sublease contains any right on the part of Tenant thereunder to renew or otherwise extend the term of its Battery Place Sublease beyond June 17, 2069.

2. *Rental:* The primary components of rent under the Battery Place Subleases are base rent, payments in lieu of real estate taxes (“PILOT”) and civic facilities payments. The following is a description of each such component of rent:

(a) *Base Rent:* Each Battery Place Sublease obligates Tenant thereunder to pay base rent (“Base Rent”) on a monthly basis commencing on the date of execution of its Battery Place Sublease (the “Commencement Date”) in the case of Sites 4 and 11, or on March 20, 1987 (the “Rent Commencement Date”) in the case of Site 10. For the period commencing on the Commencement Date, in the case of Sites 4 and 11, and the Rent Commencement Date, in the case of Site 10, and expiring on the day prior to the twentieth anniversary of the date on which a temporary certificate of occupancy is issued for any dwelling unit in the buildings constructed pursuant to such Battery Place Sublease (such anniversary being called the “First Appraisal Date”), the Base Rent shall be in the amount specified in each of the Battery Place Subleases subject to certain annual increases determined in accordance with each Battery Place Sublease. Pursuant to a modification of each of the Battery Place Subleases, for the thirty years immediately following the First Appraisal Date, the Base Rent shall be in the amount specified in the Battery Place Sublease for such site. This modification reduced the ground rent increases from the original term of 6% of the fair market value of the land. The Base Rent shall be in the amount specified in the summary of each of the Battery Place Subleases below. Every succeeding 15 year anniversary of the First Appraisal Date, each a “Reappraisal Date,” annual Base Rent is readjusted to be the greater of 6% of the fair market value of the land or 125% of the Base Rent for the year preceding the respective Reappraisal Date.

(b) *PILOT:* The Authority and the Battery Park City Project Area are exempt from real estate taxes. Each Battery Place Sublease obligates Tenant thereunder to make payments to the Authority of PILOT, such payments to be made semi-annually in advance, or some variation thereof. PILOT will be the same amount as the real estate taxes which would have been payable except for the Authority’s tax exempt status. Tenant is entitled to the amount of real estate tax exemptions or abatements available to an owner of comparable property in the Borough of Manhattan under Section 421-a of the Real Property Tax Law of the State of New York as in effect on the date the related Battery Park Sublease was executed (“Section 421-a”). Each Battery Place Sublease provides that Tenant thereunder shall have the right to institute tax assessment reduction proceedings to reduce the assessed valuation of the premises covered by its Battery Place Sublease. If such proceeding is successful, Tenant will be entitled to a credit against future PILOT. Each Battery Place Sublease provides for an abatement of PILOT equivalent to the real estate abatement set forth in Section 421-a, which abatement declines biannually over a ten-year period following substantial completion of the buildings. As a condition to receiving benefits equivalent to benefits available under Section 421-a, until the Release Date described in the Battery Place Subleases each

Tenant must comply with various requirements specified in Section 421-a and the regulations promulgated thereunder for buildings receiving Section 421-a benefits. A failure by Tenant to comply with those requirements will subject such Tenant to penalties and sanctions.

(c) *Civic Facilities Payments:* Each Tenant under a Battery Place Sublease shall pay to the Authority its allocable share of the cost of operating, maintaining, repairing, restoring, replacing and upgrading certain “civic facilities” enumerated in the Battery Place Subleases, commencing on the date (the “Initial Occupancy Date”) on which a temporary certificate of occupancy was issued for any dwelling unit in the buildings constructed pursuant to such Battery Place Sublease (the “Civic Facilities Payment”). The Civic Facilities Payment is an amount equal to such Tenant’s proportionate share of the Authority’s budget for certain operating costs. The Battery Place Subleases set a limit on increases in the Civic Facilities Payment of an amount not to exceed 125% of the payment for the prior year.

The term “Rental” also includes any other sums which may be due and payable under the Battery Place Subleases. For example, each Tenant is obligated to pay, subject to such Tenant’s right to contest same, any imposition (including water and sewer charges) levied or assessed against the demised premises (excluding real estate taxes, which, if levied shall be paid by the Authority). In the case of Sites 10 and 11, Tenant is obligated to pay Percentage Rent equal to 10% of Gross Non-Residential Revenue for each calendar year. Except as noted below, each Tenant’s obligation to pay Rental is net to the Authority and without abatement, set-off or counterclaim. Each of the Battery Place Subleases gives Tenant thereunder certain limited offset rights against Rental (or certain components thereof) for payments made (and interest thereon) in the following instances:

(a) In the event of a final determination in favor of a Tenant in a tax assessment reduction proceeding, succeeding PILOT payments to the Authority will be reduced to the extent necessary to offset the overpayment of PILOT.

(b) If the premises covered by a Battery Place Sublease shall at any time become subject to real estate taxes, the Authority is responsible for the payment of same. In the event the Authority shall have failed to pay such real estate taxes and Tenant shall have paid same (together with any interest and penalties thereon), such Tenant may deduct such payment from the next installment of PILOT and, to the extent such payment shall exceed the next installment of PILOT, from the next installments(s) of Base Rent. If a Battery Place Sublease and leasehold estate are submitted to condominium ownership pursuant to the terms of such Battery Place Sublease and real estate taxes are assessed and levied by New York City against the condominium units, then payments of such taxes by the unit owners shall be credited against PILOT.

(c) If a Tenant is compelled by a governmental authority to pay any sales or compensating use taxes with respect to materials incorporated into the buildings and as to which such Tenant previously made payments in lieu of such taxes to the Authority, such Tenant may deduct such payments from subsequent installments of Base Rent and PILOT if the Authority failed to successfully contest the imposition of such tax, provided such deduction shall not exceed the amount so paid by such Tenant to the Authority.

(d) Each Battery Place Sublease obligated the Authority to construct certain civic facilities, and thereafter, requires the Authority to maintain such civic facilities. In the

event the Authority fails to maintain such civic facilities, each Tenant shall have the right, after notice to the Authority and the expiration of a cure period, to perform such maintenance and to offset such cost against subsequent installments of Base Rent and Civic Facilities Payments.

3. *Taxes:* As previously noted, in the event real estate taxes shall be levied and assessed against the premises covered by a Battery Place Sublease, the Authority shall be obligated to pay same. The Authority has the right, however, to contest the imposition of taxes, and, in certain circumstances, may defer payment during the pendency of such tax contest.

4. *Insurance:* Each Tenant under a Battery Place Sublease is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to at least one year's current Base Rent, PILOT, Percentage Rent (in the case of Sites 10 and 11) and Civic Facilities Payment. The types of insurance and limits of coverage are specified in the Battery Place Subleases. In addition, the Authority may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. Each Battery Place Sublease provides that, in the event of casualty, the insurance proceeds shall be paid to Tenant, in trust, if less than \$250,000 (subject to adjustment in the manner therein provided based on the consumer price index) or, if in excess of \$250,000 (subject to adjustment), to a depository designated by such Tenant with the Authority's approval, such depository to be an institutional lender (as defined in each Battery Place Sublease).

5. *Restoration:* Each Tenant is obligated to restore the buildings in the event of damage or destruction due to fire or other casualty, whether insured or uninsured and whether or not the cost of restoration exceeds the insurance proceeds. Each Tenant shall be obligated for the payment of Rental during the period of a casualty without reduction or abatement. In the event a Tenant fails to restore the buildings as provided in its Battery Place Sublease, the Authority shall have the right to do so and may apply the insurance proceeds for such purposes. To the extent the cost of restoration exceeds \$250,000 (as adjusted), such Tenant shall provide the Authority with complete plans and specifications for such restoration, a construction contract and payment and performance bonds or other security reasonably satisfactory to the Authority. In addition, if such restoration involves work to the exterior of any buildings or a change in the height, bulk or setback of such buildings, such Tenant shall deliver complete plans and specifications for such work prior to the commencement of the restoration. No Battery Place Sublease grants Tenant thereunder the right to terminate its Battery Place Sublease in the event of a casualty.

6. *Condemnation:* In the event all or substantially all of the premises demised under a Battery Place Sublease is taken in a condemnation, such Battery Place Sublease shall be terminated. In such event, there shall first be paid (i) to the Authority the portion of the award attributable to the value of the land (considered as unencumbered and unimproved except for civic facilities provided by the Authority); (ii) to certain mortgagees the amount of unpaid principal indebtedness; (iii) to the Authority its amount of reversionary interest in Buildings taken; and (iv) subject to the rights of certain mortgagees, to the Tenant any remaining amount. In the event less than all or substantially all of the premises under a Battery Place Sublease shall be taken, such Battery Place Sublease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and civic facilities, if any, so taken and such Tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, such Tenant shall be obligated for the payment of Base Rent, without abatement

or reduction. The obligations of each Tenant to restore the buildings in the case of a partial taking are similar to such Tenant's obligations in the case of a casualty. Except with respect to a taking of all or substantially all of the demised premises, no Battery Place Sublease grants the Tenants thereunder the right to terminate its Battery Place Sublease.

7. *Assignment, Subletting:* After substantial completion of the buildings, Tenant can fully assign, sublet or transfer the Battery Place Subleases provided the assignee, sublessee or transferee is not prohibited (as described in the Battery Place Subleases). If an event of default by a Tenant under a Battery Place Sublease shall have occurred, the Authority may, subject to the rights of any mortgagee, under certain circumstances, collect from subtenants under such subleases. In the event the Authority shall terminate a Battery Place Sublease, at the Authority's option and except as described below, each subtenant under a sublease shall attorn to or enter into a direct lease with the Authority on identical terms and for the balance of the unexpired term of such subtenant's sublease. The Authority has agreed, in certain circumstances and with respect to certain Battery Place Subleases, to recognize a sublease with a subtenant in the event a Battery Place Sublease is terminated, provided such subtenant is not in default under its sublease. Assuming compliance with these provisions, the Authority will be able to retain any subleases made by Tenant in the event of a Battery Place Sublease termination by the Authority.

8. *Mortgages:* Each Battery Place Sublease provides that in the event Tenant thereunder shall mortgage its interest in its Battery Place Sublease and shall have delivered notice thereof to the Authority, the Authority shall give each mortgagee a copy of any notice of default given by the Authority to such Tenant. Each mortgagee shall have the right to cure such default in the manner set forth in such Battery Place Sublease, and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by Tenant. In the event the Authority shall have terminated a Battery Place Sublease as a result of an event of default by Tenant or for any other reason, the Authority shall notify each mortgagee of such termination and, at such mortgagee's request, shall enter into a new lease with the mortgagee (or its designee or nominee) most senior in lien for the remainder of the term and upon the same terms and conditions as in such Battery Place Sublease. In such event, such mortgagee shall pay to the Authority all unpaid Rental, the Authority's expenses incurred in connection with Tenant's default and the termination of such Battery Place Sublease and shall remedy those defaults which are susceptible of being cured. In the event a mortgagee did not cure Tenant's defaults or request a new lease, the lien of such mortgagee's mortgage would be extinguished as a result of the termination of such Battery Place Sublease. See, however, "Condominium Ownership" below for a further discussion of certain limitations on such remedies applicable to condominium units.

9. *Repairs:* The Battery Place Subleases provide that each Tenant thereunder shall, at its expense, take good care of the premises (excluding the civic facilities) and all equipment and shall keep and maintain the buildings (which the Tenant was obligated to construct pursuant to the Battery Place Sublease) in good and safe order and working condition and shall make all repairs, internal and external, structural and non-structural.

10. *Compliance with Requirements:* The Battery Place Subleases provide that each Tenant thereunder shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Each Tenant shall have the right, in certain circumstances, to contest the validity of any such requirement.

11. *Capital Improvements:* Subject to the Authority's consent which is not to be unreasonably withheld and certain other conditions, the Battery Place Subleases provide that Tenant shall have the right to make capital improvements to the buildings, provided any such capital improvements, when completed, shall be of such a character as not to reduce the value of the buildings below their value immediately before construction of the capital improvement was commenced.

12. *Discharge of Liens:* The Battery Place Subleases provide that Tenant thereunder shall not create or cause to be created any lien, encumbrance or charge upon such Tenant's estate in the premises (other than permitted liens), any assets of or funds appropriated to the Authority or upon the Authority's estate in the premises. Such Tenant shall cause any such lien to be promptly discharged of record unless Tenant is contesting the lien in the manner permitted.

13. *The Authority's Right to Perform:* If an event of default shall have occurred under a Battery Place Sublease, the Authority shall have the right to perform any obligation on Tenant's behalf and any monies expended by the Authority shall be repaid by such Tenant with interest.

14. *Events of Default:* The Battery Place Subleases provide that if certain defaults shall occur, the Authority shall have the right to terminate such Battery Place Sublease. (See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy.) Defaults by a Tenant that would entitle the Authority to terminate such Battery Place Sublease include: (a) failure to make any required payment of Rental after 10 days' notice; (b) failure to perform any other provision of such Battery Place Sublease if such failure continues for a period of 30 days after notice by the Authority to such Tenant, unless such failure could not by its nature be cured within such 30 days, in which case such Tenant is required to remedy such failure with reasonable diligence; and (c) such Tenant's failure to comply with those prohibitions contained in such Battery Place Sublease on assigning, subleasing, mortgaging, pledging or otherwise encumbering such Battery Place Sublease unless such assignment, sublease, mortgage, pledge or encumbrance is voided or made to comply with Battery Place Sublease requirements within 30 days after notice by the Authority to such Tenant. As previously noted, each Battery Place Sublease grants a mortgagee certain rights intended to provide protection in the event of a default by a Tenant under a Battery Place Sublease, including a right to notice and cure and a right to enter into a new lease with the Authority directly.

15. *Civic Facilities:* The Battery Place Subleases provide that the Authority construct, at its expense, the enumerated civic facilities and (except to the extent that certain responsibilities of the Authority are taken over by New York City or appropriate utilities) maintain, repair and, in the event of a fire or other casualty or condemnation, restore such civic facilities. Commencing with the sixth Lease Year after the Lease Year in which the Initial Occupancy Date occurs and subject to the 25% limit on increases over the prior year, the Authority is reimbursed for certain operating costs related to the civic facilities by means of the Civic Facilities Payment. In the event of a fire or other casualty or condemnation, each Tenant will reimburse the Authority for such Tenant's proportionate share of the cost of restoration in excess of the insurance proceeds or condemnation award received by the Authority and any reserve funds set aside by the Authority.

16. *No Subordination:* The Authority's interest in the Battery Place Subleases shall not be subject or subordinate to any mortgage placed upon a Tenant's interest in its Battery Place Sublease or to any other lien or encumbrance affecting such Tenant's interest. See, however, "Condominium Ownership" below and "CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLICENSES – Defaults and Termination – Residential Condominium Specified Subleases" above.

17. *Diversity Program:* Tenants under the Battery Place Subleases are obligated to comply with a diversity program and affirmative fair housing marketing program.

18. *Condominium Ownership:* Each of the Battery Place Subleases contains provisions for the submission by the original Tenant thereunder of its Battery Place Sublease and leasehold estate to condominium ownership pursuant to Article 9-B of the Real Property Law of the State of New York. Each Battery Place Sublease contains specific provisions governing such a submission. All three buildings subject to Battery Place Subleases have been submitted to a condominium form of ownership. Under such provisions, the Authority has agreed to give up its right to terminate a Battery Place Sublease submitted to condominium ownership in conformance with the provisions of such Battery Place Sublease and to look directly to the condominium unit owners for payment and performance of Tenant's obligation under such Sublease. Each such Battery Place Sublease provides for the establishment of a security fund in the amount specified therein, which fund may be applied by the Authority to the payment of unpaid Rental or portions thereof. Upon conversion to condominium ownership, the Board of Managers constitute the attorney-in-fact for all unit owners for the purpose of paying, performing and observing on Tenant's part all terms, covenants and conditions of the Battery Place Sublease. In addition, subject to certain notice procedures, the Authority may proceed directly against a unit owner and could, in certain circumstances, as a result of the Authority's legal action, become the owner of a defaulting unit owner's unit.

19. *Limitation of the Authority's Liability:* The liability of the Authority under each of the Battery Place Subleases for damages or otherwise shall be limited to the Authority's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises.

20. *Limitation of Tenant's Liability:* The liability of the Tenants under each of the Battery Place Subleases shall be limited to such Tenant's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises. Accordingly, if a Tenant shall have defaulted under its Battery Place Sublease and such default was not remedied by such Tenant or its mortgagee or if such Battery Place Sublease was terminated and a new lease was not requested by such mortgagee, the sole remedy of the Authority will be to terminate such Battery Place Sublease and repossess the demised premises. (See: "Condominium Ownership" above for a description of certain limitations on such remedy.) The Authority will be unable to recover any monetary damages from such termination.

SCHEDULE OF BATTERY PLACE SUBLEASES AND BASE RENTS

Site 4: (99 Battery Place) Liberty View	Agreement of Lease dated as of March 12, 1987 between the Authority as landlord, and Battery Park Associates general partnership, as tenant, as amended by amendments dated as of May 17, 1991 and as of February 28, 1992, respectively. Site 4 was submitted to condominium ownership by a declaration dated May 15, 1991.
	For the first two reappraisal periods following the First Appraisal Date, the Base Rent is as follows: Year 1 at \$2,468,000; Year 2 at \$2,501,000; Year 3 at \$2,534,000; Year 4 at \$2,567,000; Year 5 at \$2,601,000; Year 6 at \$2,635,000; Year 7 at \$2,670,000; Year 8 at \$2,705,000; Year 9 at \$2,741,000; Year 10 at \$2,777,000; Year 11 at \$2,814,000; Year 12 at \$2,851,000; Year 13 at \$2,889,000; Year 14 at \$2,927,000; Year 15 at \$2,966,000; Year 16 at \$3,005,000; Year 17 at \$3,044,000; Year 18 at \$3,085,000; Year 19 at \$3,125,000; Year 20 at \$3,167,000; Year 21 at \$3,208,000; Year 22 at \$3,251,000; Year 23 at \$3,294,000; Year 24 at \$3,337,000; Year 25 at \$3,381,000; Year 26 at \$3,426,000; Year 27 at \$3,471,000; Year 28 at \$3,517,000; Year 29 at \$3,563,000; and Year 30 at \$3,610,000.
Site 10: (21 South End Avenue) The Regatta	Agreement of Lease dated as of April 9, 1987, between the Authority, as landlord, and South Cove III Associates general partnership, as tenant, as amended by an amendment dated as of July 10, 1991. Site 10 was submitted to condominium ownership by a declaration dated December 13, 1988.
	For the first two reappraisal periods following the First Appraisal Date, the Base Rent is as follows: Year 1 at \$1,855,000; Year 2 at \$1,875,000; Year 3 at \$1,894,000; Year 4 at \$1,914,000; Year 5 at \$1,934,000; Year 6 at \$1,955,000; Year 7 at \$1,975,000; Year 8 at \$1,996,000; Year 9 at \$2,017,000; Year 10 at \$2,038,000; Year 11 at \$2,060,000; Year 12 at \$2,081,000; Year 13 at \$2,103,000; Year 14 at \$2,125,000; Year 15 at \$2,147,000; Year 16 at \$2,170,000; Year 17 at \$2,193,000; Year 18 at \$2,216,000; Year 19 at \$2,239,000; Year 20 at \$2,263,000; Year 21 at \$2,286,000; Year 22 at \$2,310,000; Year 23 at \$2,335,000; Year 24 at \$2,359,000; Year 25 at \$2,384,000; Year 26 at \$2,409,000; Year 27 at \$2,434,000; Year 28 at \$2,460,000; Year 29 at \$2,486,000; and Year 30 at \$2,512,000.

Site 11:
(2 South End Avenue)
Cove Club

Agreement of Lease dated as of March 19, 1987 between the Authority, as landlord, and Battery Place Site II Associates, as tenant, as assigned to South Cove Associates, L.P., as tenant, as amended by amendments dated as of January 12, 1989, as of May 17, 1991 and as of July 19, 1994, respectively. Site 11 was submitted to condominium ownership by a declaration dated May 22, 1991.

For the first two reappraisal periods following the First Appraisal Date, the Base Rent is as follows: Year 1 at \$1,869,000; Year 2 at \$1,880,000; Year 3 at \$1,892,000; Year 4 at \$1,903,000; Year 5 at \$1,914,000; Year 6 at \$1,926,000; Year 7 at \$1,937,000; Year 8 at \$1,949,000; Year 9 at \$1,961,000; Year 10 at \$1,973,000; Year 11 at \$1,984,000; Year 12 at \$1,996,000; Year 13 at \$2,008,000; Year 14 at \$2,020,000; Year 15 at \$2,032,000; Year 16 at \$2,045,000; Year 17 at \$2,057,000; Year 18 at \$2,069,000; Year 19 at \$2,082,000; Year 20 at \$2,094,000; Year 21 at \$2,107,000; Year 22 at \$2,119,000; Year 23 at \$2,132,000; Year 24 at \$2,145,000; Year 25 at \$2,158,000; Year 26 at \$2,171,000; Year 27 at \$2,184,000; Year 28 at \$2,197,000; Year 29 at \$2,210,000; and Year 30 at \$2,223,000.

SUBLEASES FOR SITES 12 (RIVER WATCH), 13 (SOUTH COVE PLAZA), 18A (SOLAIRE), 19A (RIVER TERRACE), 20B (HALLMARK), 20A/C (TRIBECA PARK), 21A (TRIBECA POINT) AND 22 (TRIBECA BRIDGE TOWER)

The following is a description of the major provisions of the subleases executed by the Battery Park City Authority (the “Authority”) for Site 12 (“River Watch”), Site 13 (“South Cove Plaza”), Site 18A (“Solaire”), Site 19A (“River Terrace”), Site 20B (“Hallmark”), Site 20A/C (“Tribecca Park”), Site 21A (“Tribecca Point”) and Site 22 (“Tribecca Bridge Tower”) (individually, a “Post-1987 Sublease” and collectively, the “Post-1987 Subleases”). A schedule of the Post-1987 Subleases is annexed hereto. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Post-1987 Subleases. The description contained herein does not purport to be complete and reference is made to the Post-1987 Subleases for full and complete statements of their provisions.

1. *Term:* The term of each of the Post-1987 Subleases commenced on the date such Post-1987 Sublease was executed and expires, unless sooner terminated, on June 17, 2069. No Post-1987 Sublease contains any right on the part of Tenant thereunder to renew or otherwise extend the term of its Post-1987 Sublease beyond June 17, 2069.

2. *Rental:* The primary components of rent under the Post-1987 Subleases are base rent, incremental rent (in the case of Tribecca Park and Tribecca Point), transaction payments (in the case of Tribecca Park and Tribecca Point), payments in lieu of real estate taxes (“PILOT”), Incremental PILOT (in the case of Hallmark), and civic facilities payments. The following is a description of each such component of rent:

(a) *Base Rent:* Each Post-1987 Sublease obligates Tenant thereunder to pay base rent (“Base Rent”) on a monthly basis commencing on the date of execution of its Post-1987 Sublease (the “Commencement Date”). For the period commencing on the Commencement Date (the “First Period”), and expiring (i) for Tribecca Bridge Tower, on the 25th anniversary of the Commencement Date, (ii) for Solaire, on the 23rd anniversary of the Commencement Date, (iii) for River Watch, on the first day of the 23rd Lease Year and (iv) for all other Post-1987 Subleases, on the first day of the month next succeeding the 20th anniversary of the date on which a temporary certificate of occupancy is issued for any dwelling unit in the Building (in all cases, such anniversary being called the “First Appraisal Date”), the Base Rent shall be in the amount specified on Schedule 1 of each Post-1987 Sublease, except that for Tribecca Bridge Tower, Base Rent shall be reduced to the extent that actual PILOT exceeds the PILOT amount indicated in Schedule 1 for each year. Also, in the case of Solaire, a Section 421-a Differential Rent payment is made which is generally an amount equal to the difference between benefits under the 10 year and 20 year Section 421-a (defined below) abatement programs as indicated in the pro forma schedule attached to the lease, multiplied by a factor from 25% to 50%, such factor being determined based upon the average initial rent per square foot for market rate units subject to adjustment as set forth in the lease. In addition, for Solaire, Base Rent in Schedule 1 commences January 9, 2004, however, Solaire is required to make a one-time payment of \$1,032,623 on July 8, 2012 for deferred construction period rent.

(1) Base Rent escalation for Tribecca Bridge Tower and Solaire – For the first five years after the First Appraisal Date, the annual Base Rent shall increase to an amount

which is the greatest of (i) 6% of the fair market value of the land, (ii) the Base Rent for the immediately preceding year, or (iii) for Solaire, \$3,731,130. The Base Rent will be increased in the 6th Lease Year and 11th Lease Year after the First Appraisal Date by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage increase, if any, of the Consumer Price Index during the 60 months of the prior five Lease Year period. Every succeeding 15 year anniversary of the First Appraisal Date, (each a “Reappraisal Date”) and for the 15-year period thereafter, annual Base Rent is readjusted to increase as indicated in the preceding two sentences except that clause (iii) above shall not apply.

(2) Base Rent escalation for all other Post-1987 Subleases – For the fifteen years immediately following the First Appraisal Date, the annual Base Rent shall be the greater of 6% of the fair market value of the land or the product derived by multiplying the Base Rent payable for the Lease Year immediately before the First Appraisal Date (for the Second Period only, Base Rent includes Incremental Rent but not Incremental PILOT (both described below) for purposes of this computation) by the Applicable Percentage for such Lease Year. The Applicable Percentage starts at 103% and increases by 3 each year until the tenth year when it levels at 130% for the remainder of the Second Period. At each Reappraisal Date, and the 15 years thereafter, annual Base Rent is readjusted as indicated in the preceding two sentences except that Incremental Rent adjustments shall not apply.

(b) *Incremental Rent/Incremental PILOT:* For River Terrace, Tribeca Park, Hallmark and Tribeca Point, Incremental Rent (called Incremental PILOT in the Hallmark lease) shall be paid in equal monthly installments commencing on the Commencement Date, and shall equal the amount, if any, by which the amount set forth in Schedule 2 in the Post-1987 Sublease which is applicable to a given Tax Year exceeds PILOT for such Tax Year.

(c) *Transaction Payments:* For Tribeca Park and Tribeca Point, if Tenant shall have submitted its leasehold estate to either a cooperative or condominium ownership, Tenant shall pay to the Authority, upon the transfer of each Cooperative Apartment or each Unit, a payment in an amount equal to two percent (2%) of the Gross Sales Price of such Apartment or Unit.

(d) *PILOT:* The Authority and the Battery Park City Project Area are exempt from real estate taxes. However, each Post-1987 Sublease obligates Tenant to make payments to the Authority of PILOT, such payments to be made semi-annually in advance, or some variation thereof. PILOT will be the same amount as the real estate taxes which would have been payable except for the Authority’s tax exempt status, except that for Tribeca Bridge Tower, the greater of such actual PILOT or the amount of PILOT indicated in Schedule 1 (“Minimum PILOT”) shall be paid. Each Post-1987 Sublease provides that Tenant thereunder shall have the right to institute tax assessment reduction proceedings to reduce the assessed valuation of the premises covered by its Post-1987 Sublease. If such proceeding is successful, Tenant will be entitled to a credit against future PILOT. Each Post-1987 Sublease (except for River Terrace, Hallmark and Tribeca Bridge Tower, which pay full unabated PILOT) provides for an abatement of PILOT equivalent to the real estate abatement set forth in Section 421-a of the Real

Property Tax Law of the State of New York as in effect on the date the related Post-1987 Sublease was executed (“Section 421-a”). The PILOT abatement on the building is (x) 100% for the period ending on the last day of the Tax Year in which all residential units have received a temporary certificate of occupancy or the last day of the Tax Year in which the third anniversary of the commencement of construction has occurred on or before the tax status date during such Tax Year, whichever is earlier, (y) 100% for the next succeeding 10 years and (z) for the 10 tax years thereafter, the abatement declines by 20% biannually. As a condition to receiving benefits equivalent to benefits available under Section 421-a, until the Release Date described in the Post-1987 Subleases each Tenant must comply with various requirements specified in Section 421-a and the regulations promulgated thereunder for buildings receiving Section 421-a benefits. A failure by Tenant to comply with those requirements will subject such Tenant to penalties and sanctions.

(e) *Civic Facilities Payments:* Each Tenant under a Post-1987 Sublease shall pay to the Authority its allocable share of the cost of operating, maintaining, repairing, restoring, replacing and upgrading certain “civic facilities” enumerated in the Post-1987 Subleases, commencing on the date (the “Initial Occupancy Date”) on which a temporary certificate of occupancy was issued for any dwelling unit in the buildings constructed pursuant to such Post-1987 Sublease (the “Civic Facilities Payment”). For the remainder of the Lease Year on which the Initial Occupancy Date occurs and the next five years, the Civic Facilities Payment is a set amount per residential unit or an amount per square foot of non-residential space (not including lobbies or common areas) as stated in each Post-1987 Sublease. Thereafter, the Civic Facilities Payment is an amount equal to such Tenant’s proportionate share of the Authority’s budget for the civic facilities, based upon one of two formulas, one based on the pro-rata share of total residential building square footage for the neighborhood in which the building is located and the other based on the total square footage for all residential buildings in Battery Park City, as adjusted for square footage related to and payments made by pre-1988 residential leases. The choice of formula is left to the Authority in its sole discretion. The Civic Facilities Payment for any Lease Year shall not exceed 125% of the payment for the prior year.

The term “Rental” also includes any other sums which may be due and payable under the Post-1987 Subleases. For example, each Tenant is obligated to pay, subject to such Tenant’s right to contest same, any imposition (including water and sewer charges) levied or assessed against the demised premises (excluding real estate taxes, which, if levied, shall be paid by the Authority). Tenant is obligated to pay Percentage Rent equal to a percentage of Gross Non-Residential Revenue for each calendar year. The Percentage Rent is 2% for River Watch, 10% for Tribeca Park, 5% for Tribeca Point and 3% for Solaire; there is no Percentage Rent for Tribeca Bridge Tower, South Cove Plaza or River Terrace. In addition, (i) Tribeca Park, for each calendar year until the First Appraisal Date, shall pay to the Authority Net Income Percentage Rent which is equal to 10% of the amount by which Net Income for such calendar year exceeds Tenant’s Preferred Return and (ii) Hallmark shall pay to the Authority an amount by which 10% of Net Cash Flow exceeds the amount of Base Rent. If Tribeca Park shall submit its leasehold interest to a condominium form of ownership, then Tenant’s obligations to pay Net Income Percentage Rent shall cease. If Tenant under a Post-1987 Lease shall submit its leasehold interest to a condominium form of ownership, then all of Tenant’s obligations for Percentage Rent shall

become the obligations of the respective non-residential unit owners from which Gross Non-Residential Revenue is earned.

Except as noted below, each Tenant's obligation to pay Rental is net to the Authority and without abatement, set-off or counterclaim. Each of the Post-1987 Subleases gives Tenant thereunder certain limited off-set rights against Rental (or certain components thereof) for payments made (and interest thereon) in the following instances:

(a) If a final determination is made in favor of a Tenant in a tax assessment reduction proceeding, succeeding PILOT payments to the Authority will be reduced to the extent necessary to offset the overpayment of PILOT.

(b) If the premises covered by a Post-1987 Sublease shall at any time become subject to real estate taxes, the Authority is responsible for the payment of same. If the Authority shall have failed to pay such real estate taxes and Tenant shall have paid same (together with any interest and penalties thereon), such Tenant may deduct such payment from the next installment of PILOT and, to the extent such payment shall exceed the next installment of PILOT, from the next installments(s) of Base Rent.

(c) If a Tenant is compelled by a governmental authority to pay any sales or compensating use taxes with respect to materials incorporated into the buildings and as to which such Tenant previously made payments in lieu of such taxes to the Authority, such Tenant may deduct such payments from subsequent installments of Base Rent and PILOT if the Authority failed to successfully contest the imposition of such tax, provided such deduction shall not exceed the amount so paid by such Tenant to the Authority.

(d) Each Post-1987 Sublease obligated the Authority to construct certain civic facilities, and thereafter, requires the Authority to maintain such civic facilities. If the Authority fails to maintain such civic facilities, each Tenant shall have the right, after notice to the Authority and the expiration of a cure period, to perform such maintenance and to offset such cost against subsequent installments of Base Rent and Civic Facilities Payments.

3. *Taxes:* As previously noted, if real estate taxes shall be levied and assessed against the premises covered by a Post-1987 Sublease, the Authority shall be obligated to pay same. The Authority has the right, however, to contest the imposition of taxes, and, in certain circumstances, may defer payment during the pendency of such tax contest.

4. *Insurance:* Each Tenant under a Post-1987 Sublease is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to at least one year's current Base Rent, PILOT, Percentage Rent and Civic Facilities Payment. The types of insurance and limits of coverage are specified in the Post-1987 Subleases. In addition, the Authority may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. Each Post-1987 Sublease provides that, in the event of casualty, the insurance proceeds shall be paid to Tenant, in trust, if less than \$1,000,000 (subject to adjustment in the manner therein provided based on the consumer price index) (for Tribeca Park, \$250,000) or, if in excess of \$1,000,000 (subject to adjustment) (for Tribeca Park, \$250,000), to a depository designated by such Tenant with the Authority's approval, such depository to be an institutional lender (as defined in each Post-1987 Sublease).

5. *Restoration:* Each Tenant is obligated to restore the buildings if damaged or destroyed due to fire or other casualty, whether insured or uninsured and whether or not the cost of restoration exceeds the insurance proceeds. Each Tenant is obligated for the payment of Rental during the period of a casualty without reduction or abatement. If a Tenant fails to restore the buildings as provided in its Post-1987 Sublease, the Authority shall have the right to do so and may apply the insurance proceeds for such purposes. To the extent the cost of restoration exceeds \$1,000,000 (as adjusted) (\$250,000 for Tribeca Park), such Tenant shall provide the Authority with complete plans and specifications for such restoration, a construction contract and payment and performance bonds or other security reasonably satisfactory to the Authority for approval by the Authority. In addition, if such restoration involves work to the exterior of any buildings or a change in the height, bulk or setback of such buildings, such Tenant shall deliver complete plans and specifications for such work prior to the commencement of the restoration for approval by the Authority. No Post-1987 Sublease grants Tenant thereunder the right to terminate its Post-1987 Sublease in the event of a casualty. In the case of Tribeca Bridge Tower, if all or any part of the School Building shall be destroyed or damaged in whole or in part due to fire or other casualty, and in such event, if School Tenant has exercised its right to terminate the School Lease, the Authority and the Tribeca Bridge Tower Tenant have agreed that Tenant shall perform any Structural Restoration and all proceeds received from insurance coverage provided by School Tenant shall be applied for purposes of performing such Structural Restoration. If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligations under this section shall be the obligation of the Condominium Board.

6. *Condemnation:* If all or substantially all of the premises demised under a Post-1987 Sublease is taken in a condemnation, such Post-1987 Sublease shall terminate. In such event, there shall first be paid (i) to the Authority the portion of the award attributable to the value of the land (considered as unencumbered and unimproved except for civic facilities provided by the Authority); (ii) to certain mortgagees the amount of unpaid principal indebtedness; (iii) to the Authority its amount of reversionary interest in Buildings taken; and (iv) subject to the rights of certain mortgagees, to the Tenant any remaining amount. If less than all or substantially all of the premises under a Post-1987 Sublease shall be taken, such Post-1987 Sublease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and civic facilities, if any, so taken and such Tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, such Tenant shall be obligated for the payment of Base Rent, without abatement or reduction. The obligations of each Tenant to restore the buildings in the case of a partial taking are similar to such Tenant's obligations in the case of a casualty. Except with respect to a taking of all or substantially all of the demised premises, no Post-1987 Sublease grants the Tenant thereunder the right to terminate its Post-1987 Sublease. In each Post 1987 Sublease, the Authority represents that under current law it has no power to condemn all or any part of the Premises.

7. *Assignment, Subletting:* After substantial completion of the buildings, Tenant may fully assign, sublet or transfer the Post-1987 Subleases provided the assignee, sublessee or transferee is not a prohibited person (as defined in the Post-1987 Subleases) and the Tenant is not in default. If an event of default by a Tenant under a Post-1987 Sublease shall have occurred, the Authority may, subject to the rights of any mortgagee, under certain circumstances, collect from subtenants under such subleases. If the Authority shall terminate a Post-1987 Sublease, at the Authority's option and except as described below, each subtenant under a sublease shall attorn to

or enter into a direct lease with the Authority on identical terms and for the balance of the unexpired term of such subtenant's sublease. The Authority has agreed, in certain circumstances and with respect to the Post-1987 Subleases, to recognize a sublease with a subtenant if a Post-1987 Sublease is terminated, provided such subtenant is not in default under its sublease.

8. *Mortgages:* Each Post-1987 Sublease provides that if Tenant thereunder shall mortgage its interest in its Post-1987 Sublease to an institutional mortgagee and shall have delivered notice thereof to the Authority, the Authority shall give each mortgagee a copy of any notice of default given by the Authority to such Tenant. Each mortgagee shall have the right to cure such default in the manner set forth in such Post-1987 Sublease, and the Authority shall accept performance by a mortgagee with the same force and effect as though performed by Tenant. If the Authority shall have terminated a Post-1987 Sublease as a result of an event of default by Tenant or for any other reason, the Authority shall notify each mortgagee of such termination and, at such mortgagee's request, shall enter into a new lease with the mortgagee (or its designee or nominee) most senior in lien for the remainder of the term and upon the same terms and conditions as in such Post-1987 Sublease. In such event, such mortgagee shall pay to the Authority all unpaid Rental, the Authority's expenses incurred in connection with Tenant's default and the termination of such Post-1987 Sublease and shall remedy those defaults which are susceptible of being cured.

9. *Repairs:* The Post-1987 Subleases provide that each Tenant, or if Tenant's leasehold estate in the Premises is submitted to the condominium form of ownership, the Board of Managers thereunder, shall, at its expense, take good care of the premises (excluding the Authority's Civic Facilities) and all equipment and shall keep and maintain the buildings (which the Tenant or Board of Managers was obligated to construct pursuant to the Post-1987 Sublease) in good and safe order and working condition and shall make all repairs, internal and external, structural and nonstructural.

10. *Compliance with Requirements:* The Post-1987 Subleases provide that each Tenant thereunder shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Each Tenant shall have the right, in certain circumstances, to contest the validity of any such requirement.

11. *Capital Improvements:* Subject to certain conditions, the Post-1987 Subleases provide that Tenant shall have the right to make capital improvements to the buildings, provided any such capital improvements, when completed, shall be of such a character as not to reduce the value of the buildings below their value immediately before construction of the capital improvement was commenced. In addition, capital improvements of a structural nature require the submission of plans and specifications to the landlord for approval. Capital improvements in excess of (i) \$500,000 (as adjusted) for all Post-1987 Subleases except South Cove Plaza and (ii) \$1,000,000 (as adjusted) for South Cove Plaza also require the submission to the Authority of the construction contract, bonds or a letter of credit or other security reasonably satisfactory to the landlord for approval by the Authority. Title to all additions, alterations, improvements and replacements made to the Premises, including, without limitation, capital improvements, shall vest in the Authority without need to compensate Tenant.

12. *Discharge of Liens:* The Post-1987 Subleases provide that Tenant thereunder shall not create or cause to be created any lien, encumbrance or charge upon such Tenant's estate

in the premises (other than liens expressly permitted in such Sublease), any assets or funds appropriated to the Authority or upon the Authority's estate in the premises. Such Tenant shall cause any such lien to be promptly discharged of record unless Tenant is contesting the lien in the manner permitted.

13. *The Authority's Right to Perform:* If an event of default shall have occurred under a Post-1987 Sublease, the Authority shall have the right to perform any obligation on Tenant's behalf and any monies expended by the Authority shall be repaid by such Tenant with interest.

14. *Events of Default:* The Post-1987 Subleases provide that if certain defaults shall occur, the Authority shall have the right to terminate such Post-1987 Sublease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. Defaults by a Tenant that would entitle the Authority to terminate such Post-1987 Sublease include: (a) failure to make any required payment of Rental after 10 days' notice; (b) failure to perform any other provision of such Post-1987 Sublease if such failure continues for a period of 30 days after notice by the Authority to such Tenant, unless such failure could not by its nature be cured within such 30 days, in which case such Tenant is required to remedy such failure with reasonable diligence; (c) such Tenant's failure to comply with those prohibitions contained in such Post-1987 Sublease on assigning, subleasing, mortgaging, pledging or otherwise encumbering such Post-1987 Sublease unless such assignment, sublease, mortgage, pledge or encumbrance is voided or made to comply with Post-1987 Sublease requirements within 30 days after notice by the Authority to such Tenant; and (d) events of bankruptcy concerning such Tenant. As previously noted, each Post-1987 Sublease grants a mortgagee certain rights intended to provide protection in the event of a default by a Tenant under a Post-1987 Sublease, including a right to notice and cure and a right to enter into a new lease with the Authority directly.

15. *Civic Facilities:* The Post-1987 Subleases provide that the Authority construct, at its expense, enumerated civic facilities and (except to the extent that certain responsibilities of the Authority are taken over by New York City or appropriate utilities) maintain, repair and, in the event of a fire or other casualty or condemnation, restore such civic facilities. If a fire or other casualty or condemnation occurs, each Tenant will reimburse the Authority for such Tenant's proportionate share of the cost of restoration in excess of the insurance proceeds or condemnation award received by the Authority and any reserve funds set aside by the Authority.

16. *No Subordination:* The Authority's interest in the Post-1987 Subleases shall not be subject or subordinate to any mortgage placed upon a Tenant's interest in its Post-1987 Sublease or to any other lien or encumbrance affecting such Tenant's interest. If the Master Lease should terminate, each Post-1987 Sublease will continue and will not be affected by any proceeding to terminate the Master Lease. Each Sublease is expressly subordinate to the Master Lease.

17. *Diversity Program:* Under each Post-1987 Sublease, Tenant is obligated to comply with a diversity program and affirmative fair housing marketing program, which program is annexed to each Post-1987 Sublease.

18. *Condominium Ownership:* Except for Hallmark, each of the Post-1987 Subleases provides, under certain circumstances, for the submission by the original Tenant thereunder of its Post-1987 Sublease and leasehold estate to condominium ownership pursuant to Article 9-B of

the Real Property Law of the State of New York. The Post-1987 Subleases either provide attached specific terms regarding the conversion of such subleases to a condominium regime or a right to conversion on similar terms accepted by the Authority subsequent to the date of each Post-1987 Sublease. No Post-1987 Sublease has been converted to condominium ownership. However, a hotel/residential lease executed in 2000 for Site 1 (not included in the definition of "Post-1987 Sublease") has been so converted and similar terms applicable to that sublease have been included in certain Post-1987 Subleases. Under such provisions, in the event of a conversion, the Authority has agreed to give up its right to terminate such Post-1987 Sublease and to look directly to the condominium unit owners for payment and performance of Tenant's obligation under such sublease. The condominium provisions included or which would be included in each Post-1987 Sublease would provide for the establishment of a security fund in the amount specified therein, which fund may be applied by the Authority to the payment of unpaid Rental or portions thereof. Upon conversion to condominium ownership, the Board of Managers constitute the attorney-in-fact for all unit owners for the purpose of paying, performing and observing on Tenant's part all terms, covenants and conditions of the Post-1987 Sublease. In addition, subject to certain notice procedures, the Authority may proceed directly against a unit owner and could, in certain circumstances, as a result of the Authority's legal action, become the owner of a defaulting unit owner's unit.

19. *Limitation of the Authority's Liability:* The liability of the Authority under each of the Post-1987 Subleases for damages or otherwise shall be limited to the Authority's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises.

20. *Limitation of Tenant's Liability:* The liability of Tenant (except for River Watch, a special purpose entity which provided certain personal guarantees of completion) under each of the Post-1987 Subleases shall be limited to such Tenant's interest in the demised premises, including, without limitation, the rents and profits therefrom, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to such premises.

21. *Special Provisions:* Hallmark shall be operated as a senior housing facility and for no other use or purpose. Tribeca Bridge Tower is subject to a moderate income housing program for 30 identified units in the premises, such program continuing for the term and under the conditions set forth in the Tribeca Bridge Tower lease.

SCHEDULE OF POST-1987 SUBLEASES

Site 12: River Watch	Agreement of Lease dated as of November 17, 1998 between the Authority as landlord, and BPC12 Associates LLC, as tenant.
Site 13: South Cove Plaza	Agreement of Lease dated as of June 17, 1999 between the Authority as landlord, and Dematteis Battery Park Associates LLC, as tenant.

Site 18A: Solaire	Agreement of Lease dated as of April 4, 2001 between the Authority as landlord, and River Terrace Associates, as tenant, as amended by amendments dated as of July 8, 2002 and as of October 22, 2002, respectively.
Site 19A: South Cove Plaza	Agreement of Lease dated as of September 30, 1999 between the Authority as landlord, and 22 River Terrace LLC, as tenant.
Site 20A/C: Tribeca Park	Agreement of Lease dated as of December 18, 1997 between the Authority, as landlord, and BPC Associates LP, as tenant.
Site 20B: Hallmark	Agreement of Lease dated as of August 24, 1999 between the Authority, as landlord, and AH Battery Park Owner LLC, as tenant.
Site 21A: Tribeca Point	Agreement of Lease dated as of November 20, 1997 between the Authority, as landlord, and Tribeca Landing LLC, as tenant.
Site 22: Tribeca Bridge Tower	Agreement of Lease dated as of May 25, 2000 between the Authority as landlord, and Tribeca North End LLC, as tenant.

BATTERY PARK CITY SITE 25 LEASE

Site 25 has been developed under: (1) a Ground Lease between Battery Park City Authority, as landlord (the “Authority”), and BPC Site 25 Associates, LLC, as tenant (the “Ground Lease”); (2) a Hotel Sublease between BPC Site 25 Associates, LLC, as sublandlord, and BPC Hotel, LLC, as subtenant (“Hotel Subtenant”); and (3) a Retail Sublease between BPC Site 25 Associates, LLC, as sublandlord, and FC Battery Park Associates, LLC, as subtenant (“Retail Subtenant”) (Hotel Subtenant or Retail Subtenant, a “Tenant” and collectively, “Tenants”, and Hotel Sublease or Retail Sublease, a “Sublease” and collectively, the “Site 25 Subleases”). The Site 25 project has been converted to a condominium regime. Further, BPC Site 25 Associates, LLC’s interest under the Ground Lease was assigned to the Authority in October 2000. Since the assignment, the Authority has collected rental payments as successor in interest to the sublandlords under the Site 25 Subleases. The following is a description of the major provisions of the Site 25 Subleases. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Site 25 Subleases. The description contained herein does not purport to be complete and reference is made to the Site 25 Subleases for full and complete statements of their provisions.

1. *Term:* The term of each of the Site 25 Subleases commenced on the date such Site 25 Sublease was executed. The Site 25 Subleases expire, unless sooner terminated, on June 16, 2069. The Ground Lease expires, unless sooner terminated, on June 17, 2069. No Site 25 Sublease contains any right on the part of tenant thereunder to renew or otherwise extend the term beyond June 17, 2069.

2. *Rental:* The primary components of rent under the Site 25 Subleases are base rent, payments in lieu of real estate taxes (“PILOT”), Civic Facilities Payment, Percentage Rent and Hotel Participation Rent. The following is a description of each such component of rent:

Base Rent. Each Site 25 Sublease obligates tenant thereunder to pay, on a monthly basis, base rent (“Base Rent”) in the following amounts:

Hotel Sublease: Base Rent for the current year (ending November 17, 2003) on the Hotel Sublease is \$344,500. Commencing November 18, 2003, Base Rent on the Hotel Sublease shall be \$355,000 per year. For the period commencing on the Commencement Date (the “First Period”), and expiring on the day before the first day of the twenty-third Lease Year (such anniversary being called the “First Appraisal Date”), Base Rent increases based on Schedule 1 of the Hotel Sublease. For the fifteen years immediately following the First Appraisal Date (the “Second Period”), the annual Base Rent shall be the greater of 6% of the fair market value of the land or \$860,500. At each succeeding 15 year anniversary of the First Appraisal Date, each a “Reappraisal Date”, and the 15 years thereafter, annual Base Rent shall be the greater of 6% of the fair market value of the land or 125% of the Base Rent payable for the Lease Year immediately before the Reappraisal Date.

Retail Sublease: Base Rent for the current year (ending November 17, 2003) on the Retail Sublease is \$79,500. Commencing November 18, 2003, Base Rent on the Retail Sublease shall be \$82,000 per year. For the First Period (as defined above), and expiring on the First Appraisal Date (as defined above), Base Rent increases based on Schedule 1 of the Retail Sublease. For the Second Period (as defined above), the annual Base Rent shall be the greater of 6% of the fair market value of the land or \$312,500. At each Reappraisal Date (as defined above), and the 15 years thereafter, annual Base Rent shall be the greater of 6% of the fair market value of the land or 125% of the Base Rent payable for the Lease Year immediately before the Reappraisal Date.

PILOT: The Authority and the Project Area are exempt from real estate taxes. Each Site 25 Sublease obligates the tenant thereunder to make payments to the landlord thereunder of PILOT in semiannual equal installments. Each Site 25 Sublease provides that tenant thereunder shall have the right to institute tax assessment reduction proceedings to reduce the assessed valuation of the premises covered by its Site 25 Sublease. If such proceeding is successful, PILOT will be reduced.

Hotel Sublease: PILOT for the first 10 years of the lease is as indicated in Schedule 1 of the Hotel Sublease. Schedule 1 also contains a full unabated tax schedule and a “Deferral” PILOT schedule based on a declining abatement for both the Hotel Sublease and the Retail Sublease premises for that period. The aggregate difference between the schedule of full unabated PILOT for the Hotel Sublease and the Retail Sublease premises and the Deferral PILOT for the Hotel Sublease and Retail Sublease premises for the first 10 years divided by 10 is the Recapture Amount which is to be made in years 11-20. For years 11-20, PILOT is equal to the Taxes owed on the Hotel Sublease and the Retail Sublease premises plus the Recapture Amount minus the amount of PILOT paid by the Retail Subtenant. From Year 21 until the end of the Term, PILOT equals the Taxes on the Hotel only.

Retail Sublease: PILOT for the first 20 years of the Retail Sublease is as indicated in Schedule 1 of the Retail Sublease. From Year 21 until the end of the Term, PILOT equals the Taxes on the Retail Complex only.

Civic Facility Payments: Commence in the third year of the lease and is due in monthly installments commencing at an annual rate of \$96,000 for the Hotel Sublease and

\$75,000 for the Retail Sublease. The Civic Facility Payment increases at 3% per year for the term of each Site 25 Sublease.

Percentage Rent: Commencing on the 22nd anniversary of the Construction Commencement Date through the end of the Term, each tenant under a Site 25 Sublease shall pay percentage rent (“Percentage Rent”) in an amount equal to 0.5% of the Gross Revenue during each such Lease Year. Percentage Rent is paid quarterly.

Hotel Participation Rent: Under the Hotel Sublease, for the period commencing on the fifteenth day following the first full fiscal quarter following the Hotel Opening Date (the “Hotel Participation Rent Commencement Date”) and for each Lease Year thereafter during the Term, Tenant shall pay a portion of the Adjusted Hotel Gross Revenues derived from the Hotel, determined in accordance with the following formula (any such payments, “Hotel Participation Rent”): fifteen percent (15%) of the amount, if any, by which Adjusted Hotel Gross Revenues for such Lease Year exceeds the product of (x) thirteen percent (13%) and (y) Total Project Cost. In no event shall Hotel Participation Rent exceed a maximum amount of \$175,000 in the first full Lease Year following the Hotel Participation Rent Commencement Date, such maximum amount increasing for each year thereafter at a rate of three percent (3%) per annum throughout the Term.

Except as hereinafter set forth, each tenant’s obligation to pay Rental is net to the Authority and without abatement, set-off or counterclaim. Each of the Site 25 Subleases gives tenant thereunder certain limited offset rights against Rental in the following instances:

If a final determination in favor of a tenant in a tax assessment reduction proceeding, succeeding PILOT payments to the landlord will be reduced to the extent necessary to offset the overpayment of PILOT;

If and to the extent Percentage Rent was overpaid by a tenant;

If there shall be a judgment beyond appeal awarding a tenant a sum for expenses for rightfully undertaking to perform the landlord’s obligations with respect to the Civic Facilities; or

If and to the extent Hotel Participation Rent was overpaid by a tenant.

3. *Taxes:* As previously stated, in the event real estate taxes shall be levied and assessed against the premises covered by a Site 25 Sublease, the Authority shall be obligated to pay same. The Authority has the right, however, to contest the imposition of taxes, and, in certain circumstances, may defer payment during the pendency of such tax contest.

4. *Insurance:* Each tenant under a Site 25 Sublease is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to one year’s current Base Rent, PILOT, and Civic Facilities Payments in accordance with the terms provided in each Site 25 Sublease. The types of insurance and limits of coverage are specified in each Site 25 Sublease. In addition, the landlord may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. Each Site 25 Sublease provides that, in the event of a casualty, the insurance proceeds shall be paid to tenant, in trust, for the sole purpose of paying the cost of restoration if less than \$350,000 (the amount as of the execution of the Site 25

Subleases, which amount is subject to adjustment every fifth year thereafter based on the consumer price index) or, if in excess of \$350,000 (as adjusted), to a depository designated by such tenant, such depository to be an institutional lender (as defined in each Site 25 Sublease).

5. *Restoration:* Each tenant is obligated to restore the buildings in the event of damage or destruction due to fire or other casualty, whether insured or uninsured, whether or not the cost of restoration exceeds the insurance proceeds and whether or not the mortgagee shall permit such insurance proceeds to be used for restoration. Each tenant shall be obligated for the payment of Rental during the period of a casualty without reduction or abatement. If a tenant fails to restore the buildings as provided in its Site 25 Sublease, the landlord shall have the right to do so at tenant's expense and may apply the insurance proceeds for such purposes. To the extent the cost of restoration equals or exceeds \$350,000 such tenant shall provide the landlord with plans and specifications for such restoration, a construction contract and payment and performance bonds or other security reasonably satisfactory to the landlord. In addition, if such restoration involves work to the exterior of any buildings or a change in the height, bulk or setback of such buildings, such tenant shall deliver plans and specifications for such work before commencing the restoration. No Site 25 Sublease grants tenant thereunder the right to terminate its Site 25 Sublease in the event of a casualty except if there is damage or destruction to all or substantially all of the Premises during the last 5 years of the Term. Subject to the previous sentence, a tenant under a Site 25 Sublease shall continue to pay Rental without abatement, suspension, diminution or reduction of any kind as though the Premises had not been damaged or destroyed. The foregoing is an "express agreement to the contrary" as provided in Section 227 of the Real Property Law of the State of New York.

6. *Condemnation:* If all or substantially all of the premises demised under a Site 25 Sublease are taken in a condemnation, such Site 25 Sublease shall be terminated. In such event, there shall first be paid to the landlord the entire award for that part of the land and the Landlord's Civic Facilities, if any, taken. The balance of the award shall be paid to such tenant, subject to the rights of any mortgagees. If less than all or substantially all of the premises shall be taken, such Site 25 Sublease shall continue in full force and effect with respect to the portion of the premises not so taken, the Authority shall receive that portion of the award attributable to the land and Landlord's Civic Facilities, if any, so taken and such tenant shall restore the buildings, whether or not the balance of the award is sufficient for such purpose. In the event of a partial taking, such tenant shall be obligated for the payment of Rental, without abatement or reduction. The obligations of each tenant to restore the buildings in the case of a partial taking are similar to such tenant's obligations in the case of a casualty. No Site 25 Sublease grants tenant thereunder the right to terminate its Site 25 Sublease except for a taking of all or substantially all of the premises covered by a Site 25 Sublease.

7. *Assignment, Subletting:* Tenant thereunder has the right to assign its Site 25 Sublease, sublet all or substantially all of the premises demised thereunder or effect certain transfers of interests in such tenant with the landlord's approval. Transfers to affiliated or related entities may be effected without landlord approval. Each Site 25 Sublease permits tenant thereunder at any time to enter into subleases of portions of the premises for actual occupancy without the landlord's approval. Tenant may collaterally assign its interest in a Site 25 Sublease to one or more mortgagees without the consent of landlord and may subject its leasehold interest to one or more mortgages. If an event of default by a tenant under a Site 25 Sublease shall have occurred, the landlord may, under certain circumstances, collect rent from subtenants under such

subleases. If the landlord shall terminate a Site 25 Sublease, at the landlord's option and except as hereinafter provided, each subtenant under a sublease shall attorn to or enter into a direct lease with the landlord on identical terms and for the balance of the unexpired term of such subtenant's sublease. The landlord has agreed, in certain circumstances, to recognize a sublease with a subtenant which is not an affiliate of tenant if a Site 25 Sublease is terminated, provided, among other things, such subtenant is not in default under its sublease. Assuming compliance with these provisions, the landlord will be able to retain any subleases made by tenant if the landlord terminates a Site 25 Sublease.

8. *Mortgages:* Each Site 25 Sublease provides that if tenant thereunder shall mortgage its interest in its Site 25 Sublease and shall have delivered notice thereof to the landlord, the landlord shall give each mortgagee a copy of any notice of default given by the landlord to such tenant. Each mortgagee shall have the right to cure such default in the manner set forth in such Site 25 Sublease and the landlord shall accept performance by a mortgagee with the same force and effect as though performed by tenant. If the landlord shall have terminated a Site 25 Sublease as a result of an event of default by tenant or for any other reason, the landlord shall notify each mortgagee of such termination and, at such mortgagee's request, shall enter into a new lease with the mortgagee (or its designee or nominee) most junior in lien (unless a mortgagee senior in lien has such right) for the remainder of the term and upon the same terms and conditions as in such Site 25 Sublease. In such event, such mortgagee shall pay to the landlord all unpaid Rental and the landlord's expenses incurred in connection with tenant's default and the termination of such Site 25 Sublease and shall remedy those defaults which are susceptible of being cured. The rights of mortgagees have also been given to certain pledgees of direct or indirect interests in the Site 25 Sublease tenants and collateral assignees of mortgages.

9. *Repairs:* The Site 25 Subleases provide that each tenant thereunder shall, at its expense, take good care of the premises and all equipment and shall keep and maintain the building in good and safe order and working condition and shall make all repairs, internal and external, structural and nonstructural.

10. *Compliance with Requirements:* The Site 25 Subleases provide that each tenant thereunder shall, at its expense, comply with all laws, rules, ordinances, etc. applicable to the premises. Each tenant shall have the right, in certain circumstances, to contest the validity of any such requirement.

11. *Capital Improvements:* The Site 25 Subleases provide that tenant shall have the right to make capital improvements to the buildings, provided any such capital improvement, when completed, shall be of such a character as not to reduce the value of the buildings below their value immediately before construction of the capital improvement was commenced. In addition, capital improvements of a structural nature require the submission to the landlord of plans and specifications. Capital improvements in excess of \$500,000 (as adjusted) also require the submission to the landlord of the construction contract, bonds or a letter of credit or other security reasonably satisfactory to the landlord. Title to all additions, alterations, improvements and replacements made to the Premises, including, without limitation, capital improvements, shall vest in the landlord without need to compensate the tenant.

12. *Discharge of liens:* The Site 25 Subleases provide that tenant thereunder shall not create or cause to be created any lien, encumbrance or charge upon such tenant's estate in the

premises (except a permitted mortgage, sublease, assignment of lease or additional easements), any assets of or funds appropriated to the landlord or upon the landlord's estate in the premises. Such tenant shall cause any such lien to be promptly discharged of record.

13. *The Authority's Right to Perform:* If an event of default shall have occurred under a Site 25 Sublease, the landlord shall have the right to perform any obligation on tenant's behalf and any monies expended by the landlord shall be repaid by such tenant with interest.

14. *Events of Default:* The Site 25 Subleases provide that if certain defaults shall occur the landlord shall have the right to terminate such Site 25 Sublease. Defaults by a tenant that would entitle the landlord to terminate such Site 25 Sublease include: (a) failure to make any required payment of Rental after 10 days' notice, (b) failure to perform any other provision of such Site 25 Sublease if such failure continues for a period of 30 days after notice by the landlord to such tenant, unless such failure could not by its nature be cured within such 30 days, in which case such tenant is required to remedy such failure with reasonable diligence, (c) such tenant's failure to comply with those prohibitions contained in such Site 25 Sublease on assigning, subleasing, mortgaging, pledging or otherwise encumbering such Site 25 Sublease unless such assignment, sublease, mortgage, pledge or encumbrance is fully discharged within 30 days after notice by the landlord to such tenant, and (d) events of bankruptcy concerning such tenant. In the event of a default by such tenant and the failure of such tenant or such tenant's mortgagee to timely exercise its cure rights, the landlord will have the right to terminate such Site 25 Sublease. As previously stated, each Site 25 Sublease grants a mortgagee certain rights intended to provide protection in the event of a default by a tenant under a Site 25 Sublease, including a right to notice and cure and a right to enter into a new lease with the landlord directly. Such rights have also been given to certain pledgees of direct or indirect interests in the Site 25 Sublease tenants and collateral assignees of mortgages.

15. *Civic Facilities:* Each of the Site 25 Subleases provides that the landlord shall construct, at its expense, certain enumerated civic facilities and insure, maintain, repair and, in the event of a fire or other casualty or condemnation, restore such civic facilities.

16. *No Subordination:* The Authority's interest in the Site 25 Subleases shall not be subject or subordinate to any mortgage placed upon a tenant's interest in its Site 25 Sublease or to any other lien or encumbrance affecting such tenant's interest in its Site 25 Sublease. If the Ground Lease should terminate, each Sublease will continue and will not be affected by any proceeding to terminate the Ground Lease. Each Site 25 Sublease is expressly subordinate to the Ground Lease and the Master Lease.

17. *Limitation of the Authority's Liability:* The liability of the landlord under each of the Site 25 Subleases for damages or otherwise shall be limited to the landlord's interest in the demised premises and the Site 25 Subleases, including, without limitation, the rents, issues and profits thereof, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to the premises.

18. *Limitation of Tenant's Liability:* The liability of a tenant under its Site 25 Sublease shall be limited to such tenant's interest in the demised premises and its Site 25 Sublease, including, without limitation, the rents, issues and profits thereof, the proceeds of any insurance policies, any awards payable in connection with any condemnation and any other

rights, privileges, licenses, franchises, claims, causes of action or other interests, sums or receivables appurtenant to the premises.

GROUND LEASE FOR SITE 1 (MILLENNIUM HOTEL AND CONDOMINIUMS)

The following is a description of the major provisions of the Ground Lease, or the Lease, between Battery Park City Authority (“Authority”), as landlord, and Millenium BPC Development LLC, as tenant (“Tenant”), made as of the 1st day of January, 2000, for Site 1 (Millennium Hotel and Condominiums). Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of their provisions.

1. *Term:* The term of the Lease commenced on the date of the Lease, or the Commencement Date, and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the term.

2. *Rental:* The primary components of rent under the Lease are Base Rent, payments in lieu of real estate taxes (“PILOT”), Civic Facilities Payments, Hotel Percentage Rent, a Transaction Payment and Supplemental Hotel Base Rent. The following is a description of each such component of rent:

(i) *Base Rent:* The Lease obligates Tenant to pay, upon the Commencement Date and continuing thereafter throughout the term, to the Authority, without notice or demand, the annual sums referred to below:

Hotel Portion: With respect to the portion of the building used or designated for use by the Hotel, or the Hotel Portion: (1) for each lease year (or portion thereof) commencing on the Commencement Date, \$494,744, up to but not including the first day of the month next succeeding the 22nd anniversary of the Commencement Date; (2) thereafter and for 15 years, the greater of (x) 6% of the fair market value of the land allocable to the Hotel Portion, determined as provided in the Lease, considered as unencumbered by this Lease and as unimproved except for the Authority’s civic facilities and other improvements made by the Authority or (y) \$618,430; (3) thereafter and for 15 years and for any such subsequent 15-year term until expiration, the greater of (x) 6% of the fair market value of such land as above or (y) 125% of the rent payable in the last year of such preceding period.

Residential Portion: With respect to the portion of the building exclusively used for residential purposes, or the Residential Portion: (1) for each lease year (or portion thereof) commencing on the Commencement Date \$458,906 up to but not including as of the first day of the month next succeeding the 22nd anniversary of the Commencement Date; (2) thereafter and for 15 years, the greater of (x) 6% of the fair market value of the land allocable to the Residential Portion, or (y) \$573,633; (3) thereafter and for 15 years and for any such subsequent 15-year term until expiration, the greater of (x) 6% of the fair market value of such land as above or (y) 125% of the rent payable in the last year of such preceding period.

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term. To

calculate the base rent, 54.7696% of the land shall be deemed to be allocable to the Hotel Portion, and 45.2304% to the Residential Portion.

(ii) *PILOT*: For each tax year, Tenant shall pay to the Authority, without notice or demand, on or before the last date real property taxes are payable, an annual sum, with respect to the land and building, equal to real property taxes for such tax year. Except that the Hotel Portion PILOT payments shall be reduced by any Hotel PILOT Credit given as provided in the Lease for the period from the Commencement Date through the first June 30th to occur after the 10th anniversary of the Commencement Date.

(iii) Tenant must pay the full amount of PILOT, notwithstanding that Tenant may have instituted tax assessment or other actions or proceedings to reduce the assessed valuation of the premises. Tenant shall be entitled to an adjustment or a credit against future PILOT to the extent of any tax reduction, provided, however, that Tenant shall not be entitled to any refund of any such excess from the Authority, unless the Authority shall receive any such refund.

(iv) *Civic Facilities Payment*: As its allocable share of the cost of operating and maintaining civic facilities, Tenant shall pay to the Authority for:

Hotel Portion: (1) \$106,847, for the 3rd lease year; and (2) for each lease year thereafter, the prior lease year payment increased by the greater of (a) 3% or (b) the Consumer Price Index.

Residential Portion: (1) for the 3rd and 4th lease years, the product of multiplying the number of residential apartment units by \$280; (2) for each of the next 3 lease years, the product of multiplying the number of residential apartment units by \$330; (3) thereafter, the Civic Facilities Payment is an amount equal to Tenant's proportionate share of the Authority's budget for the civic facilities, based upon one of two formulas, one based on the Residential Portion pro-rata share of total residential building square footage for the neighborhood in which the building is located and the other based on the total square footage for all residential buildings in Battery Park City, as adjusted for square footage related to and payments made by pre-1988 residential leases. The choice of formula is left to the Authority in its sole discretion. Notwithstanding the foregoing, Tenant's civic facilities payment shall not be greater than 125% of such payment for the prior year and Tenant shall have the right to offset the amount of any excess paid.

(v) *Hotel Percentage Rent*: Tenant shall pay to the Authority Hotel Percentage Rent with respect to the Hotel Portion: for the period commencing on the date Tenant shall first receive any Hotel Gross Revenue and ending on the last day of the lease year, and for each year thereafter, the lesser of (i) \$542,512 and (ii) 3% of the amount by which Hotel Gross Revenue during each such lease year, exceeds the Hotel Base Rent, payable on a quarterly basis. Furthermore, Tenant shall deliver to the Authority the Annual Percentage Statement and pay to the Authority any deficiency or offset the amount of any excess, without interest, against subsequent payments of Hotel Percentage Rent.

(vi) *Transaction Payment*: In lieu of individual payments to be made to the Authority by Tenant in connection with the sale or occupancy of each Residential unit

throughout the Term, Tenant paid to the Authority a single transaction payment in the amount of \$2,000,000 on the Commencement Date.

(vii) *Supplemental Hotel Base Rent:* Prior to execution of the Lease certain components of Rental were established which assumed a tax deferral program which established a fixed PILOT schedule for the Hotel Portion and recapture payments for deferred PILOT payments as set forth in Schedule 1 to the Lease. A real property tax deferral program was not implemented and the lease provides that PILOT for the Hotel Portion shall equal real property taxes allocable to the Hotel Portion. However, in view of such previously established Rental amounts, the Authority and Tenant agreed to the following method of applying Base Rent and other non-PILOT payments to Hotel PILOT and recapturing such credits against Hotel PILOT in Lease Years 11-20: a Hotel PILOT Record is established and the non-PILOT payments shall be used to offset amounts due from Tenant for PILOT allocable to the Hotel Portion, in excess of the Hotel Baseline Amounts set forth in Schedule 1 of the Lease and such record shall terminate on the earlier of (x) the first July 1 after the 10th anniversary of the Commencement Date or (y) the termination of the Lease. To the extent that the balance in the Hotel PILOT Record is insufficient to cover Hotel PILOT due, Tenant shall make any additional payments required to cover PILOT payments with respect to the Hotel Portion and as a result thereof shall be entitled to receive a credit, plus interest thereon at an annual rate of 7%, against certain future Hotel Base Rent and Hotel Percentage Rent payments due. Tenant shall make payments of Supplemental Hotel Base Rent equal to the Recapture Amount as described in Schedule 1 to the Lease for a 10-year period commencing with the first July 1 to occur after the 10th anniversary of the Commencement Date. An assessment reduction in Tenant's favor for any tax year through to the end of the 10th full tax year shall be (i) credited against future PILOT payments under this Lease in the manner described in the Lease and (ii) used to reduce the Supplemental Hotel Base Rent, provided, however, that real property taxes used for purposes of computing such payments shall not be below the projected full taxes specified for any year as set forth in such Schedule 1.

Rental shall be absolutely net to the Authority without any abatement, deduction, counterclaim, set-off or offset whatsoever except as specifically set forth in this Lease, so that this Lease shall yield, net, to the Authority, Rental in each year during the Term and that Tenant shall pay all costs, expenses and charges of every kind and nature relating to the premises (except real property taxes, if any, and the cost of constructing and maintaining the Authority's civic facilities) which may arise or become due or payable during or after (but attributable to a period falling within) the Term.

3. *Insurance:* Tenant is obligated to maintain, at its expense, insurance, including rent insurance in an amount equal to one year's current Base Rent, PILOT, and Civic Facilities Payments in accordance with the terms provided in the Lease. The types of insurance and limits of coverage are specified in the Lease. In addition, the Authority may require types of insurance and limits of coverage comparable to those maintained by prudent owners of like buildings. The loss under all policies insuring against damage to the Building by fire or other casualty shall be payable to a depository, except that amounts of less than \$500,000 (as adjusted on each 5th anniversary of the Commencement Date based on

consumer price index) shall be payable in trust directly to Tenant for application to the cost of restoration.

4. *Restoration:* Except as hereinafter set forth, Tenant shall restore the premises in the event all or any part of the premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the premises existing immediately prior to such occurrence. If such casualty occurs within the last 5 years of the Term and damages all or substantially all of the premises, this Lease shall terminate and Tenant shall not be obligated to restore the premises and depository shall pay over to the Authority all restoration funds. The Authority in no event shall be obligated to restore the premises or any portion thereof or to pay any of the costs or expenses thereof but if Tenant shall fail or neglect to restore the premises, the Authority may, but shall not be required to, complete such restoration at Tenant's expense. If any loss, damage or destruction occurs, and the cost of restoration of which equals or exceeds \$250,000 (as adjusted), Tenant shall furnish to the Authority complete plans and specifications for such restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Authority for the cost of restoration exceeding such amount, and required insurance policies. Notwithstanding, to the extent that any portion of the restoration involves work on the exterior of the building or a change in the height, bulk or setback of the building, Tenant shall furnish to the Authority a complete set of plans and specifications for the restoration. Subject to provisions of the Lease, there shall no termination or reduction or abatement of the Rental, by reason of damage to destruction of the building or by reason of the untenability, and Tenant waives any and all rights to quit or surrender the premises and agrees that its obligations shall continue as though the premises had not been damaged or destroyed and without abatement, suspension, diminution or reduction of any kind.

5. *Condemnation:* If the whole or substantially all of the premises shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Authority, Tenant and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: first to the Authority for or attributable to the value of the Land and the Authority's civic facilities; next to the mortgagee which holds a first lien on Tenant's interest in the Lease so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Mortgage; next to the Authority the value of the Authority's reversionary interest, if any, in that part of the building taken; and finally subject to rights of any mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to restore any remaining part of the building. The entire award for or attributable to the Land taken and the fair market value of the Authority's civic facilities shall be first paid to the Authority, and the balance, if any, shall be paid to a depository, except that if such balance shall be less than \$250,000 (as adjusted), such balance shall be payable, in trust, to Tenant for application to the cost of restoration. If the temporary use of the whole or any part of the premises shall be taken, the term shall not be reduced and Tenant shall continue to pay in full

the rental, and Tenant shall be entitled to receive for itself any award or payments for such use, as provided in the Lease.

6. *Assignment, Subletting:* Except as otherwise provided, prior to completion of the Hotel Portion, the substantial completion of the Residential Portion and of the Public Amenity Space Core and Shell, as defined in the Lease, neither the Lease nor any interest of Tenant in the Lease, shall be sold, assigned, or otherwise transferred, nor certain transfers of interests in Tenant made, nor shall Tenant sublet the premises as an entirety or substantially as an entirety without the consent of the Authority which consent shall be given or withheld in the Authority's sole discretion. In addition, the prior written consent of the Authority is required under certain circumstances under the Hotel Unit Lease, the Hotel Unit Sublease, and a Public Amenity Space Agreement. Furthermore, subject to certain provisions of the Lease, Tenant shall not submit Tenant's leasehold estate in the premises to the provisions of Article 9-B of the Real Property Law of the State of New York, as it may be amended, or to a cooperative form of ownership.

From and after the substantial completion of the Residential Portion, the Hotel Portion and the Public Amenity Core and Shell, the Authority's consent shall not be required with respect to certain transfers of interests in Tenant, or sale or assignment of this Lease, or subletting of the premises except with respect to the Public Amenity Space, and after the Condominium Date with respect to Hotel and Residential units, as provided in the Lease, provided there are no defaults and there is compliance with the applicable provisions, but in no event shall such transfer, assignment or sublease be made to certain prohibited persons including those who have been convicted of a felony, and those against whom any action or proceeding is pending to enforce rights arising out of a mortgage obligation to the State of New York, etc. In addition, subject to compliance by a mortgagee with certain provisions of the Lease, consent by the Authority shall not apply to the acquisition of Tenant's interest in the premises under the Lease by such mortgagee. Tenant may, without the Authority's consent, at any time enter into agreements for the letting of: hotel rooms and retail commercial space as part of the operation of the Hotel, and the letting of residential apartment units, etc., for periods shorter than or equal to the remainder of the Term. Each such sublease shall obligate the sublessee to occupy and use the premises for purposes consistent with this Lease and other requirements. A violation or breach of any of the terms of the Lease by any subtenant or other occupant of the building shall not relieve Tenant of Tenant's obligations. Tenant shall take any and all reasonable steps necessary to prevent any such violation or breach. The Authority after a default, may, subject to the rights of any mortgagee, collect subrent and all other sums due under subleases, and apply the net amount collected to Rental. Furthermore, Tenant has assigned all of Tenant's right, title and interest in and to all Subleases and conferred upon the Authority a right of entry in, and sufficient possession of, the premises to permit and ensure the collection by the Authority of the rentals and other sums payable under subleases.

All Subleases shall include certain terms including that they are subject and subordinate to this Lease and that at the Authority's option, on the termination of the Lease, the Subtenants will attorn to, or enter into a direct sublease on identical terms with, the Authority. With respect to certain subleases, the Authority and a subtenant shall execute an agreement wherein the Authority agrees to recognize such subtenant as the direct tenant of the Authority under its sublease upon the termination of this Lease.

7. *Mortgage:* Tenant shall have the right to mortgage or otherwise encumber Tenant's interest in this Lease to a mortgagee and shall give the Authority notice of such mortgage and the Authority shall give to such mortgagee a copy of each notice of default and such mortgagee may remedy the default and the Authority shall accept performance with the same force and effect as though performed by Tenant. No Mortgagee shall become liable under the provisions of this Lease unless and until such time as it becomes and remains, the owner of the leasehold estate created hereby. Each mortgagee shall, as a precondition to filing any mortgage execute a Mortgagee Subordination and Recognition Agreement in substantially the form attached as an exhibit to the Lease. In the case of termination of this Lease upon default, the Authority shall give notice thereof to each mortgagee and on written request shall promptly execute and deliver a new lease of the premises covered by the mortgage, to the mortgagee, for the remainder of the Term, provided that such mortgagee shall pay all rental due and all expenses incurred by the Authority and cure all defaults. The Authority shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Authority or depository which Tenant would have been entitled. If there is more than one mortgage, the Authority shall only recognize the mortgagee whose mortgage is senior in lien and which has requested a new lease of the premises.

The Authority shall have the right to mortgage its leasehold interest in the premises, as long as such mortgage is subject and subordinate to this Lease and any new lease and Tenant's interest shall not be subordinate to any such mortgage, except to the extent subordinated to the Authority's interests. Any such the Authority's leasehold mortgagee shall be entitled to succeed to all of the right, title and interest of the Authority under this Lease, and other documents, and shall have the same priority as the Authority.

8. *Repairs:* Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the premises and shall put, keep and maintain the building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the premises.

9. *Compliance with Requirements:* Tenant promptly must comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the premises and shall have the right to contest the validity of any such requirements or the application thereof.

10. *Capital Improvements:* Tenant shall not demolish, replace or materially alter the building, or make any addition thereto, unless Tenant has procured from all governmental authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the premises; the improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to the Authority original insurance policies acceptable to the Authority. If the estimated cost of any proposed capital improvement exceeds \$500,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Authority and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the capital improvement involves work which affects the structural elements of the

building or work involving the exterior or a change in the height, bulk or setback of the building, Tenant shall furnish to the Authority complete plans and specifications and other item at the Authority's request. Title to all additions, alterations, improvements and replacements made to the building shall forthwith vest in the Authority, without any obligation by the Authority to pay any compensation therefor to Tenant.

11. *Equipment:* All equipment shall be and shall remain the property of the Authority. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of the Authority, which consent shall not be unreasonably withheld.

12. *Discharge of Liens:* Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Authority in the premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

13. *The Authority's Right to Perform:* If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Authority, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf. All associated expenses, with interest thereon, shall be paid by Tenant.

14. *Events of Default:* The Lease provides that if certain defaults shall occur, the Authority shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. The following events shall be Events of Default under the Lease: (a) failure of Tenant to pay any item of Rental for 10 days after notice from the Authority to Tenant; (b) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by the Authority; provided, however, if such cure is not effected within 90 days following notice of such failure, then Tenant must provide collateral satisfactory to the Authority; (c) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 60 days and (d) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Authority's approval to the extent required which transaction has not be made to comply or voided ab initio within 30 days after notice thereof from the Authority. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the event of a default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly.

15. *Civic Facilities:* The Authority has the obligation to construct certain enumerated civic facilities. Tenant's sole remedies for a failure by the Authority to substantially complete the Authority's civic facilities shall be: (i) an extension of the Scheduled Completion Date, and (ii) the right to engage in Self-Help. If all or any part of the Authority's civic facilities shall be destroyed or damaged, the Authority shall restore the

civic facilities, at no cost and expense to Tenant, whether or not insurance proceeds shall be sufficient for the purpose.

16. *No Subordination:* The Authority's interest in this Lease shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenant's interest in this Lease or any other liens or encumbrances hereafter affecting Tenant's interest in this Lease.

17. *Condominium Ownership:* The Authority permitted the submission of Tenant's leasehold estate in the premises under the Lease to the condominium form of ownership pursuant to the Article 9-B of the Real Property Law of the State of New York and the Authority agreed to limit its remedies under the Lease from and after the Condominium Date in certain respects, including the right to terminate this Lease and the term hereof. The Hotel Unit was leased to the Authority and leased back to the Hotel Unit Owner, giving the Authority a direct lease relationship with the Hotel Unit Owner under a sublease. The deed to the Public Amenity Unit (approximately 5,000 square feet) has been conveyed to the Authority by Tenant and the Authority subsequently leased the Public Amenity Unit to the Skyscraper Museum for a nominal sum.

18. *Limitations on the Authority's Liability:* The liability of the Authority shall be limited to the Authority's interest in the premises. Neither the Authority nor any of its members, directors, officers, employees, agents or servants shall have any liability (personal or otherwise) hereunder beyond the Authority's interest in the premises, and no other property or assets of the Authority or any such Person or any of the members, directors, officers, employees, agents or servants of either shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

19. *Limitations on Tenant's Liability:* The liability of Tenant hereunder for damages or otherwise shall be limited to the property and assets of Tenant. Neither the Tenant nor any of the members, directors, officers, shareholders, partners, managers, principals or joint venturers, employees, agents or servants of Tenant or its partners, members or shareholders shall have any liability (personal or otherwise) hereunder beyond the property or assets of the Tenant, and no property or asset of any such excluded persons shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Authority's remedies hereunder.

LEASE FOR SITE 2A

The following is a description of the major provisions of the Lease between Battery Park City Authority, as landlord ("Authority" and/or "Landlord"), and Millenium BPC Development LLC, as tenant ("Tenant"), made as of the 22nd day of February, 2005, for Site 2A (Millennium). Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of their provisions.

1. *Term:* The term of the Lease commenced on February 22, 2005 ("Commencement Date"), and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the term.

2. **Rental:** The primary components of rent under the Lease are Base Rent, payments in lieu of real estate taxes (“PILOT”), Civic Facilities Payments, Percentage Rent, Transaction Payments, and Participation Payments. The following is a description of each such component of rent:

3. **Base Rent:** The Lease obligates Tenant to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the term to the Landlord, without notice or demand, the sums hereinafter described:

(i) First Period: For the twenty five year period beginning on the Commencement Date, pay the Base Rent as follows: (i) Year 1 at \$250,000.00; Year 2 at \$250,000.00; Year 3 at \$564,370.00; Year 4 at \$581,301.00; Year 5 at \$598,740.00; Year 6 at \$616,702.00; Year 7 at \$635,203.00; Year 8 at \$654,260.00; Year 9 at \$673,887.00; Year 10 at \$694,104.00; Year 11 at \$714,927.00; Year 12 at \$736,375.00; Year 13 at \$758,466.00; Year 14 at \$781,220.00; Year 15 at \$804,657.00; Year 16 at \$828,796.00; Year 17 at \$853,660.00; Year 18 at \$879,270.00; Year 19 at \$905,648.00; Year 20 at \$932,818.00; Year 21 at \$960,802.00; Year 22 at \$989,626.00; Year 23 at \$1,019,315.00; Year 24 at \$1,049,894.00; and Year 25 at \$1,081,391.00 (the first twenty five years of Base Rent collectively the “First Period”); (ii) Notwithstanding (i) above, Tenant shall have no obligation to pay any Base Rent for the period commencing on the second anniversary of the Commencement Date through and including the day immediately preceding the sixth anniversary of the Commencement Date (“Years 3-6 Base Rent”), and \$145,387.00 of the Base Rent that would otherwise have been payable beginning on the sixth anniversary of the Commencement Date (“Year 7 Relieved Base Rent”); it being understood that in lieu of the Years 3-6 Base Rent and Year 7 Relieved Base Rent Tenant shall pay to Landlord an aggregate amount equal to four million seven hundred fifty thousand dollars (“Deferred Amount”) as follows: (a) \$1,450,000.00 during the Lease Year commencing in the month following the date on which the Deferral ends, and payable in equal installments of \$120,833.33 on the first day of each month of said Lease Year; (b) \$1,350,000.00 during the Lease Year commencing in the month immediately following the first anniversary of the Deferral End Date and payable in equal installments of \$112,500.00 on the first day of each month; (c) \$1,200,000.00 during the Lease Year commencing in the month immediately following the second anniversary of the Deferral End Date and payable in equal installments of \$100,000.00 on the first day of each month of said Lease Year, and (d) \$750,000.00 during the Lease Year commencing in the month immediately following the third anniversary of the Deferral End Date and payable in equal installments of \$62,500.00 on the first day of each month of said Lease Year; however, if prior to any of the aforementioned Lease Years (x) 40% of the residential square footage in the 2nd floor through and including the 12th floor of the Building (the “Lower Portion”) are sold to a third party, then within thirty days from the date of achieving said percentage sale threshold, 40% of the Deferred Amount shall become payable; if 70% of the residential square footage in the Lower Portion shall be sold to a third party then an additional 30% of the Deferred Amount shall become payable within thirty days of said threshold having been achieved; and should 95% of the Lower Portion shall be sold then the balance of the Deferred Amount shall become payable within thirty days of such threshold having been achieved as set forth

in Section 3.9(a) of the Lease. Any payments of the Deferred Amount that are made based on obtaining any of the aforementioned sale thresholds shall be credited against the last installments of the Deferred Amount that would otherwise become due or payable. Until the Deferred Amount is paid in full Tenant shall deposit with Landlord an irrevocable letter of credit in the initial amount of \$4,750,000.00 in form acceptable to Landlord (the “Deferred Amount Letter of Credit”). The Deferred Amount Letter of Credit may be reduced dollar for dollar with each payment of the Deferred Amount by delivering a replacement letter of credit in the required amount in form satisfactory to Landlord.

(ii) Second Period: For each Lease Year commencing on the 25th anniversary of the Commencement Date or February 22, 2030 (“First Appraisal Date”), and continuing for a period of fifteen Lease Years thereafter (“Second Period”), an amount per annum equal to (x) the Base Floor Rent, as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with the Lease, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord’s Civic Facilities and other site improvements made by Landlord, (“Base Floor Rent”) or (y) the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined. Base Rent for the Second Period shall escalate on February 22, 2035 and again February 22, 2040 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iii) Third Period: For each Lease Year commencing on February 22, 2045 (the first day of the Third Period and Fourth Period defined below each a “Reappraisal Date”) and continuing for a period of fifteen (15) Lease Years thereafter (“Third Period”) an amount per annum equal to the Base Rent Floor as determined on the Reappraisal Date, as escalated on February 22, 2050 and again February 22, 2055 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iv) Fourth Period: For each Lease Year commencing on February 22, 2060 continuing thereafter until the Expiration Date (“Fourth Period”) an amount per annum equal to the Base Rent Floor as determined on the Reappraisal Date, as escalated on February 22, 2065 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

4. ***PILOT***: For each tax year or portion thereof within the Term, Tenant shall pay to the Landlord, without notice or demand, an annual sum (“PILOT”), equal to the greater of (x) actual Taxes for such Tax Year and (y) the Minimum PILOT set forth as follows: (i) Year 1 at \$600,000.00; Year 2 at \$600,000.00; Year 3 at \$1,500,000.00; Year 4 at \$3,068,193.00; Year 5 at \$3,229,273.00; Year 6 at \$3,398,810.00; Year 7 at \$3,577,247.00; Year 8 at \$3,765,053.00; Year 9 at \$3,962,718.00; Year 10 at \$4,170,761.00; Year 11 at \$4,306,311.00; Year 12 at \$4,446,266.00; Year 13 at \$4,590,769.00; Year 14 at \$4,739,969.00; Year 15 at \$4,894,018.00; Year 16 at \$5,053,074.00; Year 17 at \$5,217,299.00; Year 18 at \$5,386,861.00; Year 19 at \$5,561,934.00; Year 20 at \$5,742,697.00; Year 21 at \$5,929,334.00; Year 22 at \$6,122,038.00; Year 23 at \$6,321,004.00; Year 24 at \$6,526,437.00; and Year 25 at \$6,738,546.00; In no event shall the amount of PILOT be less than the amounts set forth above. PILOT shall be paid in equal semi-annual installments during such tax year, in advance, on the first day of each of January and July.

5. ***Civic Facilities Payment***: As its allocable share of the cost of operating and maintaining certain Civic Facilities as described in the Lease in the Project Area, Tenant, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the Building (“Initial Occupancy Date”) and ending on the last day of the Term an annual sum (“Civic Facilities Payment”) as follows:

- (i) For the period commencing on the Initial Occupancy Date and ending on the last day of the Lease Year in which the Initial Occupancy Date occurs (“First CFP Period”) an amount equal to the product obtained by multiplying the sum computed under the succeeding clause (ii) by a fraction, the numerator of which shall be the number of days between the Initial Occupancy Date and the last day of the Lease Year in which the Initial Occupancy Date occurs and the denominator of which shall be three hundred sixty-five (365);
- (ii) For each of the next two Lease Years following the First CFP Period (“Second CFP Period”), an amount equal to the product obtained by multiplying the number of residential units in the Buildings by four hundred dollars and the product derived by multiplying \$.40 by the gross square feet of nonresidential floor area, other than common areas and certain other enumerated areas as defined in the Lease.
- (iii) For the next three Lease Years succeeding the Second CFP Period (“Third CFP Period”) an amount equal to the product obtained by multiplying the number of residential units in the Buildings by four hundred fifty dollars and the product derived by multiplying \$.45 by the gross square feet of nonresidential floor area, other than common areas and certain other enumerated areas as defined in the Lease.
- (iv) For each Lease Year succeeding the Third CFP Period (“Payment Period”), an amount equal to the product of an estimate of the Operating Costs, as defined in Section 26.5(a) of the Lease, for the Payment Period (the “Parks Budget”) multiplied by a fraction, the numerator of which shall be the maximum permissible Zoning Floor Area, which shall be 416,200 square feet for the Land as computed in accordance with Section 12-10 of the Zoning Resolution in the Building and the denominator of which shall be the then maximum permissible Zoning Floor Area in all residential

buildings, including the Building, constructed or to be constructed in the Project Area in accordance with the Zoning Resolution of the City of New York, as such number may have been reduced by the Design Guidelines pertaining to such buildings, less amounts payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases which were (x) originally entered into prior to the Commencement Date and (y) computed on the basis of operating costs for a particular neighborhood within the Project Area rather than for Operating Costs for the entire Project Area. Landlord at its sole option may at any time establish such alternative method of determining Tenant's allocable share of the Operating Costs and the amount of Civic Facilities Payment as may be equitable with respect to all tenants of Landlord within the Project Area.

Notwithstanding the foregoing provisions, the amount of Tenant's Civic Facilities payment for any Lease Year shall not be greater than one hundred twenty-five percent of Tenant's Civic Facilities Payment for the prior Lease Year and the amount of capital costs included in the Operating Costs shall not exceed ten percent of the Operating Costs for any one year.

6. ***Percentage Rent:*** For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue (the "Percentage Rent Commencement Date"), which Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which Gross Non-Residential Revenue is more particularly defined in the Lease, and ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the term, Tenant shall pay to Landlord an amount equal to 10% of the Gross Non-Residential Revenue during each such calendar year or portion thereof ("Percentage Rent"). Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 5% of the Gross Non-Residential Revenue as a partial payment. Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

In the event Tenant's leasehold estate in the Premises shall be submitted to a condominium for ownership, then "Tenant" shall be deemed to mean the unit owner of each commercial unit of such condominium, it being the agreement of Landlord and Tenant that each such unit owner shall pay Percentage Rent directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against each such unit owner.

7. ***Transaction Payments:*** In the event Tenant shall submit Tenant's Leasehold estate in the Premises to either a cooperative or condominium form of ownership in accordance with this Lease, Tenant shall pay to Landlord, upon transfer of each Cooperative

Apartment or Unit to a bona fide purchaser (“Transaction Payment”), a payment in an amount equal to one percent of the Gross Sales Price of such Apartment or Unit. To secure Tenant’s obligation to make the Transaction Payment, Tenant shall deliver to Landlord a guaranty in form reasonably acceptable to Landlord from a credit worthy entity reasonably acceptable to Landlord with sufficient liquidity of \$1,000,000.00 or more.

8. ***Participation Payments:*** Tenant shall pay to Landlord an amount, such amount being calculated on a quarterly basis and being referred to as “Participation Payments” equal to 3% of Distributable Cash as defined below, after Tenant has received an aggregate amount of Distributable Cash equal to the sum of (i) Development Costs; (ii) the aggregate amount of all Operating Deficits, the sum of (i) and (ii), as such sum may be increased from time to time is referred to as the “Hurdle Amount” and (iii) the return, calculated in the same manner as interest accruing at the rate of ten percent per annum, compounding annually, on accrued and unpaid Hurdle Amount calculated quarterly, Development Costs being deemed incurred and repaid as of the end of the calendar quarter immediately following the date of such incurrence or repayment and Operating Deficits being deemed incurred as of the last day of each calendar quarter (“Preferred Return”) on the Hurdle Amount, which such Distributable Cash defined as the excess of the sum of all revenue received by Tenant from operations and capital events (but excluding financing/refinancing proceeds during such period), and including without limitation the receipt of insurance proceeds and condemnation awards, but only to the extent same are not used to rebuild or restore the property, and reductions in any reserves previously set aside by Tenant, as determined on the last day of such period (“Revenues”) over the sum of all expenses however defined or denominated, incurred by Tenant during such period, including those categories of cost and expense identified within the definition of Development Costs, as defined in the Lease, but not including cost and expenses already included as Development Costs, and all reasonable amounts deposited into reserves maintained by or for the benefit of Tenant and the Building determined as of the last day of such period (“Expenses”). Revenues shall not include the proceeds of any financing or refinancing by Tenant, and Expenses shall not include any interest, fees or other charges incurred in connection with any financing or refinancing by Tenant. If Expenses exceed Revenues in a given period, then the amount by which Expenses so exceed Revenues shall be deemed an “Operating Deficit;”

Participation Payments shall be paid in arrears on or prior to April 15 of each calendar year beginning with the first calendar year after Substantial Completion that Tenant shall have previously received an aggregate amount of Distributable Cash equal to the sum of the Hurdle Amount and the Preferred Return thereon as of the last day of such calendar year

9. ***Insurance:*** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss or damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years. In the event Tenant’s leasehold estate shall be submitted to condominium ownership, however, then such replacement cost determination shall be made annually. All policies shall name the Tenant as the insured, the Landlord, and Master Landlord as additional insureds’ to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any

Mortgagee may be named an additional insured under a standard mortgagee endorsement, under the following policies: All Risk of Physical Loss, commercial general liability, sprinkler leakage, boiler and machinery, and automobile liability policies of insurance only; All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds, if in excess of one million dollars shall be paid to Depository to be applied to Rental Payments until such Restoration by Tenant is completed. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee; as their interests may appear.

10. ***Restoration:*** If all or any part of the Building as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, restore the Building. Except as hereinafter set forth, Tenant shall restore the premises in the event all or any part of the premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the premises existing immediately prior to such occurrence, and if such casualty occurs within the first ten years of the Term, then restoration shall be performed in accordance with the Construction Documents as defined in the Lease. If such casualty occurs within the last 3 years of the Term and damages all or substantially all of the premises, then at Tenant's option, to be exercised no later than ninety days following such casualty, this Lease shall terminate on the date specified by Tenant, but no later than 30 days following Tenants exercise of said option. Tenant shall not be obligated to restore the premises and Depository shall pay over to the Landlord all restoration funds. The Landlord in no event shall be obligated to restore the premises or any portion thereof or to pay any of the costs or expenses thereof, but if Tenant shall fail or neglect to restore the premises, the Landlord may, but shall not be required to, complete such restoration at Tenant's expense. If any loss, damage or destruction occurs, and the cost of restoration of which equals or exceeds \$1,000,000. (as adjusted), Tenant shall furnish to the Landlord complete plans and specifications for such restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of restoration exceeding such amount, and required insurance policies. Notwithstanding, to the extent that any portion of the restoration involves work on the exterior of the building or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord a complete set of plans and specifications for the restoration. . The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total substantial or partial destruction of, the Building by reason of the untenability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind. If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligation's under Article 8 of the Lease shall be the obligation of the Condominium.

11. ***Condemnation:*** If the whole or substantially all of the premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under this Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as encumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of forty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified therein to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of forty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to restore any remaining part of the building. The entire award for or attributable to the Land taken and the fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of restoration.

If the temporary use of the whole or any part of the premises shall be taken, the term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental, and Tenant shall be entitled to receive for itself any award or payments for such use, in accordance with the provisions of Section 9.5(i)(ii) of the Lease.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises; furthermore, Landlord hereby covenants and agrees that it shall never institute any taking or condemnation of all or any portion of the Premises without the prior written consent of Tenant.

12. ***Assignment, Subletting:*** Except as otherwise provided, prior to Substantial Completion of the Building, or at any time after Substantial Completion of the Building that the conditions set forth in Section 10.1(b) of the Lease are not satisfied, neither the Lease nor any interest of Tenant in the Lease shall be sold, assigned, or otherwise transferred, whether by

operation of law or otherwise, including without limitation an assignment to an Apartment Corporation in connection with a Cooperative Plan or partial assignment in connection with Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, but excluding transfers of individual condominium units following the submission by Tenant of its leasehold estate in the Premises to a condominium form of ownership pursuant to Article 40 and Exhibit F (Provisions Regarding the Conversion To Condominium Form of Ownership), of the Lease, or (ii) in connection with the issuance or transfer of proprietary leases following the submission of Tenant of its leasehold estate in the Premises to an Apartment Corporation in connection with a Cooperative Plan nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company any partnership interest in any partnership or any equity interest in any Person, in each case, which is Tenant or owns a direct or indirect interest in Tenant be sold assigned, transferred pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of Tenant as held by the members thereof as of the Commencement Date. Landlord's consent shall not be required with respect to any mortgage of Tenant's leasehold interest pursuant to an instrument that qualifies as a Mortgage as defined in Article 1, provided that the Mortgagee complies with the provisions of Sections 10.10 and 10.11 of the Lease and any pledge or collateral assignment of all but not less than all of the direct equity interests in Tenant or all but not less than all of the direct equity interests in a Person which owns directly or indirectly all of the equity interests in Tenant pursuant to an instrument that qualifies as a Pledge.

From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to any transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenant has complied with the requirements under Section 10.1(c) and 10.1(d) of the Lease. Landlord's consent shall not be required in the event Tenant assigns its interest in this Lease to the Apartment Corporation pursuant to a Cooperative Plan, provided no Default then exists and is continuing; however, Tenant shall not, at any time during the Term, assign its interest in the Lease in whole or in part pursuant to any plan to submit Tenant's leasehold estate in the Premises to condominium ownership except pursuant to the provisions of Article 40 and Exhibit F of the Lease.

Tenant may, without Landlord's consent, but subject to the provisions of the last sentence of Section 10.1(c) enter into agreements for the rental of residential and non-residential space in the Building or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases"). Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the premises included therein for residential purposes only. After an Event of Default by Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenant sets over to Landlord all of Tenant's right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the Lease. All Subleases shall provide that they are subject to the Lease and to the Master Lease, and at Landlord's option on the termination of the Lease, the Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, the Landlord and a Subtenant shall execute an agreement wherein the

Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the Lease.

13. ***Mortgage:*** Tenant shall have the right to mortgage or otherwise pledge Tenant's interest in this Lease to a Mortgagee or Pledgee, and shall give Landlord prompt notice of such mortgage or pledge, and the Landlord shall give to such mortgagee or pledgee that is a First Pledgee a copy of each notice of default and such Mortgagee or First Pledgee may remedy the default and Landlord shall accept performance with the same force and effect as though performed by Tenant. Except as provided in Section 10.10(b) of the Lease, no Mortgagee or First Pledgee shall become liable under the provisions of this Lease unless and until such time as it becomes and remains, the owner of the leasehold estate created hereby. Each Mortgagee shall, as a precondition to filing any mortgage execute a Mortgagee Subordination and Recognition Agreement in substantially the form attached as an exhibit to the Lease. Notwithstanding the foregoing, from and after the Condominium Date the rights recognition and privileges afforded a Mortgagee or Pledgee under the Lease shall consist solely of those rights, recognition and privileges afforded under Exhibit F and any applicable Pledgee Subordination and Recognition Agreement, or Construction Mortgage Subordination and Recognition Agreement or applicable Unit Mortgagee Subordination and Recognition Agreement. In the case of termination of this Lease upon default, Landlord shall give notice thereof to each Mortgagee and/or Pledgee and on written request shall promptly execute and deliver a new lease of the premises covered by the mortgage or pledge, to the Mortgagee or Pledgee, for the remainder of the Term, provided that such Mortgagee or Pledgee shall pay all rental due and all expenses incurred by the Landlord and cure all defaults. The Landlord shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Landlord or Depository which Tenant would have been entitled. If there is more than one mortgage, the Landlord shall only recognize the Mortgagee whose mortgage is most senior in lien and which has requested a new lease of the premises.

14. ***Repairs:*** Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the premises and shall put, keep and maintain the building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the premises. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with all governmental authorities as defined in Section 12.1 of the Lease.

15. ***Compliance with Requirements:*** Tenant promptly must comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the premises and shall have the right to contest the validity of any such requirements or the application thereof in accordance with the provisions of the Lease.

16. ***Capital Improvements:*** Tenant shall not demolish, replace or materially alter the building, or make any addition thereto, unless Tenant has procured from all governmental authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the premises; the improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to Landlord original insurance policies acceptable to Landlord. If the estimated cost

of any proposed capital improvement exceeds \$500,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the capital improvement involves work which affects the structural elements of the building or work involving the exterior or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenant.

17. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

18. ***Discharge of Liens:*** Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

19. ***Landlord's Right to Perform:*** If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf.

20. ***Events of Default:*** The Lease provides that if certain defaults shall occur, the Landlord shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. The following events shall be Events of Default under the Lease: (a) failure of Tenant to pay any item of Rental for 10 days after notice from the Landlord to Tenant; (b) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by Landlord; (c) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days and (d) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Landlord's approval to the extent required which transaction has not be made to comply or voided ab initio within 30 days after notice thereof from Landlord. (e) to the extent permitted by law, if Tenant should admit, in writing, that it is unable to pay its debts or Tenant shall make an assignment for the benefit of creditors. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the event of a default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event the Lease shall terminate due to an Event of Default and in accordance with the provisions of the Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No termination of this Lease

pursuant to Section 24.3(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.3(b) or 24.4(b) of the Lease shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting. Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

21. ***Civic Facilities:*** The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenant acknowledges that other than those certain facilities enumerated in Article 26 of the Lease, Landlord has completed the Civic Facilities improvements. Tenant has the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated civic facilities in accordance with the Lease Tenant shall have the right but not the obligation to undertake Landlord's Maintenance Obligations as defined in the Lease ("Self-Help"). In the event Tenant undertakes Self-Help, then Tenant shall have the right to offset against the next installment of Civic Facilities Payments an amount equal to the reasonable expenses thereby incurred or paid by Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by Tenant. Landlord shall incur no penalty or liability, and Tenant shall have no remedies or rights other than as expressly provided in the Lease, it being agreed by the parties that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Lease.

22. ***No Subordination:*** The Landlord's interest in this Lease shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenant's interest in this Lease or any other liens or encumbrances hereafter affecting Tenant's interest in this Lease, including without limitation any Unit Mortgage, or any other liens or encumbrances hereafter affecting Tenant's interest in the Lease including without limitation a lien filed pursuant to Section 339-z and 339-aa of the Real Property Law. Master Landlord and Tenant executed that certain Master Landlord Non-Disturbance and Recognition Agreement which shall be in the form exhibited to the Lease, and which is binding on Master Landlord's successors and assigns and benefits Tenant's successors and assigns, and provides that if the master Lease is terminated then Landlord will recognize Tenant under the Lease and Tenant will attorn to Landlord and will recognize such holder as Tenant's landlord under the Lease.

23. ***Condominium Ownership:*** The Landlord permitted the submission of Tenant's leasehold estate in the premises under the Lease to the condominium form of ownership pursuant to the Condominium Act and the terms and provisions of Exhibit F of the Lease. The Lease shall, after the condominium Date, remain in full force and effect, provided that to the extent that after the Condominium Date any of the provisions of Exhibit F of the Lease conflict with other Lease provisions, the terms of Exhibit F shall prevail.

24. ***Limitations on Landlord's Liability:*** The liability of Landlord, as set forth in the Lease, shall be limited to Landlord's interest in the Premises, including the rents and profits

therefrom, the proceeds of any insurance policies covering the relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof and any other rights, privileges, or other interests appurtenant to the Premises. Neither Landlord nor any such Person nor any of the members, directors, officers, employees, agents or servants of either shall have nay liability hereunder beyond Landlord's interest in the Premises, including, without limitation, the rents and profits therefrom and such other proceeds and awards as set forth in the Lease appurtenant to the Premises, and no other property or asset of Landlord or any such Person shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

25. **Tenant's Liability:** Except as to Recourse Claims as defined in the Lease, the liability of Tenant shall be limited to Tenant's interest in the Premises, including without limitation, the rents and profits from the Premises, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof, any security provided hereunder and amount deposited hereunder with Landlord, Depository or a Mortgagee, or other interest or sums appurtenant to the Premises. Except as to Recourse Claims, Tenant shall have no liability hereunder beyond Tenant's interest in the Premises, and no other property or asset of Tenant shall be subject to levy, execution or other enforcement procedure for the satisfaction of Landlord's remedies hereunder.

LEASE FOR PARCEL 18B

The following is a description of the major provisions of the Lease between Battery Park City Authority, as landlord ("Authority" and/or "Landlord"), and North End Associates, LLC, as tenant ("Tenant"), made as of August 19, 2004, for Parcel 18B. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of their provisions.

1. **Term:** The term of the Lease commenced on August 19, 2004 ("Commencement Date"), and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the term.

2. **Rental:** The primary components of rent under the Lease are Base Rent, payments in lieu of real estate taxes ("PILOT"), Civic Facilities Payments, Percentage Rent, and Transaction Payments. The following is a description of each such component of rent:

3. **Base Rent:** The Lease obligates Tenant to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the term to the Landlord, without notice or demand, the sums hereinafter described:

(i) **First Period:** For each of the first twenty five, twelve month periods ("First Period") beginning on the earlier of the January 1st or July 1st first following the Commencement Date, and each succeeding twelve month period or portion thereof during the Term to, but not including the First Appraisal Date, as hereinafter defined, and following the First Appraisal Date, the twelve month period beginning on such date and each succeeding twelve month period or portion thereof during the Term

(“Lease Year”), an amount equal to the amount which is the difference between (x) the Aggregate Rent as herein listed for such Lease Year less (y) PILOT payable for such Lease Year pursuant to the Lease, it being understood that, provided PILOT does not exceed the Aggregate Rent, the sum of Base Rent plus PILOT for the first twenty-five Lease Years shall be the Aggregate Rent as follows: (i) Year 1 at \$240,000.00; Year 2 at \$420,000.00; Year 3 at \$540,000.00; Year 4 at \$741,900.00; Year 5 at \$755,723.00; Year 6 at \$769,806.00; Year 7 at \$784,153.00; Year 8 at \$798,770.00; Year 9 at \$813,662.00; Year 10 at \$828,833.00; Year 11 at \$844,290.00; Year 12 at \$860,038.00; Year 13 at \$876,082.00; Year 14 at \$892,427.00; Year 15 at \$909,080.00; Year 16 at \$1,640,838.00; Year 17 at 1,677,772.00; Year 18 at \$2,470,182.00; Year 19 at \$2,529,578.00; Year 20 at \$3,387,069.00; Year 21 at \$3,471,287.00; Year 22 at \$4,398,585.00; Year 23 at \$4,510,174.00; Year 24 at \$5,512,330.00; and Year 25 at \$5,654,042.00.

(ii) Second Period: For each Lease Year commencing on August 19, 2029 (“First Appraisal Date”), and continuing for a period of fifteen Lease Years thereafter (“Second Period”), an amount per annum equal to (x) the Base Floor Rent, as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with the Lease, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord’s Civic Facilities and other site improvements made by Landlord, or the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined (“Base Floor Rent”). Base Rent for the Second Period shall escalate on August 19, 2049 and again August 19, 2054 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period. Base Rent for the Second Period shall escalate on January 1, 2034 and again January 1, 2039 by the greater of (x) 15% of the Base Rent set for the prior five Lease Years or (y) the percentage of increase, of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iii) Third Period: For each Lease Year commencing on August 19, 2044 and continuing for a period of fifteen (15) Lease Years thereafter (“Third Period”) an amount per annum equal to the Base Rent Floor as determined on the first day of the Third Period, as escalated on January 1, 2049 and again January 1, 2054 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iv) Fourth Period: For each Lease Year commencing on August 19, 2059 continuing thereafter until the Expiration Date (“Fourth Period”) an amount per annum equal to the Base Rent Floor as determined as of the first day of the Fourth Period, as escalated on August 19, 2064 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as

determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

4. **PILOT:** For each tax year or portion thereof within the Term, Tenant shall pay to the Landlord, without notice or demand, an annual sum (“PILOT”). For each Tax Year or portion thereof during the First Period, PILOT shall equal the greater of (x) actual Taxes for such Tax Year, irrespective of whether same shall exceed the Aggregate Rent set forth above or (y) the Minimum PILOT set forth as follows: (i) Year 1 at \$90,000.00; Year 2 at \$270,000.00; Year 3 at \$280,000.00; Year 4 at \$290,000.00; Year 5 at \$294,785.00; Year 6 at \$299,649.00; Year 7 at \$304,593.00; Year 8 at \$309,619.00; Year 9 at \$314,728.00; Year 10 at \$319,921.00; Year 11 at \$325,199.00; Year 12 at \$330,565.00; Year 13 at \$336,019.00; Year 14 at \$341,564.00; Year 15 at \$347,200.00; Year 16 at \$1,067,720.00; Year 17 at \$1,093,191.00; Year 18 at \$1,873,910.00; Year 19 at \$1,921,380.00; Year 20 at \$2,766,707.00; Year 21 at \$2,838,517.00; Year 22 at \$3,753,161.00; Year 23 at \$3,851,841.00; Year 24 at \$4,840,830.00; and Year 25 at \$4,969,112.00, payable in equal semi-annual installments during such Tax Year; and (ii) for each Tax Year or portion thereof occurring after the First Period, PILOT shall equal actual Taxes for such Tax Year, in each case payable, in advance, on the first day of each of January and July; and (iii) PILOT for the period from the Commencement Date until the first day of the first Lease Year shall be the greater of (x) Minimum PILOT payable for the first Lease Year as set forth above, and (y) actual Taxes for the Tax Year during which such period occurs, apportioned for such period.

5. **Civic Facilities Payment:** As its allocable share of the cost of operating and maintaining certain Civic Facilities as described in the Lease as the North Neighborhood Residential Parks, the North Neighborhood Esplanade, the Vesey Street Area, the Murray Street Triangle, the Median Parks and any other parks or open spaces within or adjacent to the North Residential Neighborhood (“Operating Costs”), Tenant, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the Building (“Initial Occupancy Date”) and ending on the last day of the Term an annual sum (“Civic Facilities Payment”) as follows:

(i) For the period commencing on the Initial Occupancy Date and for each of the next two full Lease Years an annual amount equal to the sum of (1) the product obtained by multiplying the number of residential units in the Building by \$300.00 dollars and (2) the product derived by multiplying \$.30 by the gross square feet of non-residential floor area, but excluding therefrom the common areas described in the Lease, in the Building;

(ii) For each of the next three Lease Years an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$350.00 dollars and (B) the product derived by multiplying \$.35 by the gross square feet of non-residential floor area, but excluding therefrom the common areas, the space occupied by Landlord, but including any garage, described in the Lease, in the Building;

(iii) For the next succeeding Lease Year and for each Lease Year thereafter with respect to the North Neighborhood Residential Parks, an amount equal to the product of (A) the North Neighborhood Residential Parks Budget as defined below, less any portion thereof attributable to the Open Space, as defined in the Lease, multiplied by (B) .07104; and for the period referred to in the preceding clause, with respect to the North Neighborhood Esplanade, an amount equal to the product of (A) the North Neighborhood Esplanade Budget, defined below, multiplied by (B) .07104, except that Landlord, at its sole option and at any time, may establish as an alternative method for determining such allocable share of the Operating Costs and the amount of the Civic Facilities Payment that Tenant would pay as its share, an amount equal to the product of (x) the sum of the Parks Budget, as hereinafter defined and the Residential Esplanade Budget, less amounts payable toward such Budgets by other tenants of Landlord in the Project Area under leases which were originally entered into prior to January 1, 1988, multiplied by (y) .04994. Notwithstanding the provisions of the foregoing clause (iii), the amount of tenant's Civic Facilities Payment for any Lease Year referred to in the Lease shall not be greater than one hundred twenty-five percent of Tenant's Civic Facilities Payment for the prior Lease Year and the amount of capital costs included in Operating Costs for any year shall not exceed ten percent of the Operating Costs for such year.

(iv) For each Lease Year commencing with the Lease Year referred to in item (iii) above, Landlord shall submit to Tenant (i) an estimate of Operating Costs for the North Neighborhood Residential Parks, for such Payment Period ("North Neighborhood Residential Parks Budget"), and (ii) an estimate of the Operating Costs for the North Neighborhood Esplanade for such Payment Period ("Civic Facilities Budget") and (iii) an estimate of the Operating Costs for the Residential Esplanade ("Residential Esplanade Budget").

The North Neighborhood Residential Parks budget shall be an amount computed by multiplying (A) the estimated Operating Cost of all parks in or adjacent to the Project Area other than parks situated in the area described in the Lease and defined as the "Residential Parks," by (B) a fraction, the numerator of which shall be the number of square feet in the North Neighborhood Residential Parks and the denominator of which shall be the total number of square feet in all Residential Parks. The North Neighborhood Esplanade Budget is defined as an amount computed by multiplying (A) the estimated Operating Costs of the entire Esplanade in the Project Area as defined in the Lease, by (B) a fraction, the numerator of which is the number of linear feet of the North Neighborhood Esplanade and the denominator of which is the total number of linear feet of the Residential Esplanade. Tenant shall pay to Landlord the Civic Facilities Payment due in respect of each such Payment Period in equal monthly installments payable in advance on the first day of each month

6. **Percentage Rent:** For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue (the "Percentage Rent Commencement Date"), which Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which Gross Non-Residential Revenue is more particularly defined in the Lease, and ending on December

31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the term, Tenant shall pay to Landlord an amount equal to 3% of the Gross Non-Residential Revenue during each such calendar year or portion thereof ("Percentage Rent"). Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 2% of the Gross Non-Residential Revenue as a partial payment. Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

In the event Tenant's leasehold estate in the Premises shall be submitted to a condominium for of ownership, then "Tenant" shall be deemed to mean the unit owner of each commercial unit of such condominium, it being the agreement of Landlord and Tenant that each such unit owner shall pay Percentage Rent directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against each such unit owner.

7. ***Transaction Payments:*** In the event Tenant shall submit Tenant's Leasehold estate in the Premises to either a cooperative or condominium form of ownership in accordance with this Lease, Tenant shall pay to Landlord, upon transfer of each Cooperative Apartment or Unit to a bona fide purchaser ("Transaction Payment"), a payment in an amount equal to one percent of the Gross Sales Price of such Apartment or Unit. To secure Tenant's obligation to make the Transaction Payment, Tenant shall deliver to Landlord such Security as shall be reasonably satisfactory to Landlord to secure Tenant's obligations for the payment of Transaction Payments.

8. ***Insurance:*** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss or damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years. In the event Tenant's leasehold estate shall be submitted to condominium ownership, however, then such replacement cost determination shall be made annually. All policies shall name the Tenant as the insured, the Landlord, and Master Landlord as additional insureds' to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided that such Mortgagee irrevocably agrees in writing for the benefit of Landlord that all proceeds of such insurance shall be applied in accordance with the Lease. Mortgagee may be named as an additional insured policies in accordance with the provisions of the Lease: All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds, if in excess of one million dollars shall be paid to Depository to be applied to Rental Payments until such Restoration by Tenant is completed. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All

proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee, as their interests may appear.

9. ***Restoration:*** If all or any part of the Building as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, restore the Building. Except as hereinafter set forth, Tenant shall restore the premises in the event all or any part of the premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the premises existing immediately prior to such occurrence, and if such casualty occurs within the first ten years of the Term, then restoration shall be performed in accordance with the Construction Documents as defined in the Lease. If any loss, damage or destruction occurs, and the cost of restoration of which equals or exceeds \$1,000,000. (as adjusted), Tenant shall furnish to the Landlord complete plans and specifications for such restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of restoration exceeding such amount, and required insurance policies. Notwithstanding anything in the Lease to the contrary, to the extent that any portion of the restoration involves work on the exterior of the building or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord a complete set of plans and specifications for the restoration. . The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total substantial or partial destruction of, the Building by reason of the untenantability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind.

If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligations under Article 8 of the Lease shall be the obligation of the Condominium.

10. ***Condemnation:*** If the whole or substantially all of the premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under this Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as encumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or

Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of forty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified therein to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of forty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to restore any remaining part of the building. The entire award for or attributable to the Land taken and the fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of restoration.

If the temporary use of the whole or any part of the premises shall be taken, the term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental, and Tenant shall be entitled to receive for itself any award or payments for such use, in accordance with the provisions of Section 9.5(i)(ii) of the Lease.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises; furthermore,

11. ***Assignment, Subletting:*** Except as otherwise provided, prior to Substantial Completion of the Building, or at any time after Substantial Completion of the Building that the conditions set forth in Section 10.01(b) of the Lease are not satisfied, neither the Lease nor any interest of Tenant in the Lease shall be sold, assigned, or otherwise transferred, whether by operation of law or otherwise, including without limitation an assignment to an Apartment Corporation in connection with a Cooperative Plan or partial assignment in connection with Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, but excluding transfers of individual condominium units following the submission by Tenant of its leasehold estate in the Premises to a condominium form of ownership pursuant to Article 41 and Exhibit F (Provisions Regarding the Conversion To Condominium Form of Ownership), of the Lease, or (ii) in connection with the issuance or transfer of proprietary leases following the submission of Tenant of its leasehold estate in the Premises to an Apartment Corporation in connection with a Cooperative Plan nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company any partnership interest in any partnership or any equity interest in any Person, in each case, which is Tenant or owns a direct or indirect interest in Tenant be sold assigned, transferred pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of Tenant as held by the members thereof as of the Commencement Date, or there be any change in the right to direct the management of any Person that is Tenant or owns a direct or indirect interest in Tenant, nor shall Tenant sublet the Premises as

an entirety or substantially as an entirety, without the consent of Landlord in each case. Notwithstanding the foregoing, prior to Substantial Completion of the Building Landlord's consent shall not be required with respect to any Transfer that satisfies the conditions as set forth in Section 10.01(a) of the Lease.

From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to any transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenant has complied with the requirements under Article 10 of the Lease. Landlord's consent shall not be required in the event Tenant assigns its interest in this Lease to the Apartment Corporation pursuant to a Cooperative Plan, provided no Default then exists and is continuing; however, Tenant shall not, at any time during the Term, assign its interest in the Lease in whole or in part pursuant to any plan to submit Tenant's leasehold estate in the Premises to condominium ownership except pursuant to the provisions of Article 41 and Exhibit F of the Lease.

Tenant may, without Landlord's consent, but subject to the provisions of last sentence of Section 10.01(c) enter into agreements for the rental of residential and non-residential space in the Building or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases"). Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the premises included therein for residential purposes only. After an Event of Default by Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenant sets over to Landlord all of Tenant's right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the Lease. All Subleases shall provide that they are subject to the Lease and to the Master Lease, and at Landlord's option on the termination of the Lease; the Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, the Landlord and a Subtenant shall execute an agreement wherein the Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the Lease.

12. **Mortgage:** Tenant shall have the right to mortgage Tenant's interest in this Lease to a Mortgagee, and shall give Landlord prompt notice of such mortgage, and the Landlord shall give to such mortgagee a copy of each notice of default and such Mortgagee may remedy the default and Landlord shall accept performance with the same force and effect as though performed by Tenant. Except as provided in Section 10.10(b) of the Lease, no Mortgagee shall become liable under the provisions of this Lease unless and until such time as it becomes and remains, the owner of the leasehold estate created hereby. Landlord shall not be obligated to execute and deliver a new lease of the Premises pursuant to Section 10.11(a) at any time which is more than twenty-one years after the death of the last to die of the parties so named in Section 10.11(e) of the Lease. The provisions of Section 10.10 and 10.11 shall be of no further force and effect in the event Tenant shall have subjected Tenant's leasehold interest in the Premises to a condominium form of ownership. In the case of termination of the Lease upon default, Landlord shall give notice thereof to each Mortgagee and on written request shall promptly execute and deliver a new lease of the premises covered by the mortgage, to the Mortgagee, for the remainder of the Term, provided that such Mortgagee shall pay all rental due and all expenses incurred by the Landlord and cure

all defaults. The Landlord shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Landlord or Depository which Tenant would have been entitled. If there is more than one mortgage, the Landlord shall only recognize the Mortgagee whose mortgage is most senior in lien and which has requested a new lease of the premises.

13. ***Repairs:*** Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the premises and shall put, keep and maintain the building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the premises. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with all governmental authorities as defined in Section 12.01 of the Lease. Should the Premises be submitted to the condominium form of ownership, in accordance with the Lease, the Condominium Board shall assume the obligations under Section 12.01.

14. ***Compliance with Requirements:*** Tenant promptly must comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the premises and shall have the right to contest the validity of any such requirements or the application thereof in accordance with the provisions of the Lease.

15. ***Capital Improvements:*** Tenant shall not demolish, replace or materially alter the building, or make any addition thereto, unless Tenant has procured from all governmental authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the premises; the improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to Landlord original insurance policies acceptable to Landlord. If the estimated cost of any proposed capital improvement exceeds \$500,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the capital improvement involves work which affects the structural elements of the building or work involving the exterior or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenant.

16. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

17. ***Discharge of Liens:*** Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the premises and shall

not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

18. ***Landlord's Right to Perform:*** If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf.

19. ***Events of Default:*** The Lease provides that if certain defaults shall occur, the Landlord shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. The following events shall be Events of Default under the Lease: (a) failure of Tenant to pay any item of Rental for 10 days after notice from the Landlord to Tenant; (b) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by Landlord; (c) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days and (d) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Landlord's approval to the extent required which transaction has not been made to comply or voided ab initio within 30 days after notice thereof from Landlord; (e) to the extent permitted by law, if Tenant shall admit, in writing, that it is unable to pay its debts as such become due, or if Tenant should make an assignment for the benefit of creditors. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the event of a default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event the Lease shall terminate due to an Event of Default and in accordance with the provisions of the Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No termination of this Lease pursuant to Section 24.03(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.03(b) or 24.04(b) of the Lease shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting. Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

20. ***Civic Facilities:*** The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenant acknowledges that other than those certain facilities enumerated in Article 26 of the Lease, Landlord has completed the Civic Facilities improvements. Tenant has the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated civic facilities in accordance with the Lease Tenant shall have the right but not the obligation to undertake Landlord's Maintenance Obligations as defined in the Lease ("Self-Help"). In the event Tenant undertakes Self-Help, then Tenant shall have the right to offset against the next installment of Civic Facilities Payments an

amount equal to the reasonable expenses thereby incurred or paid by Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by Tenant. Landlord shall incur no penalty or liability, and Tenant shall have no remedies or rights other than as expressly provided in the Lease, it being agreed by the parties that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Lease.

21. **No Subordination:** The Landlord's interest in this Lease shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenant's interest in this Lease or any other liens or encumbrances hereafter affecting Tenant's interest in this Lease, including without limitation any Unit Mortgage, or any other liens or encumbrances hereafter affecting Tenant's interest in the Lease including without limitation a lien filed pursuant to Section 339-z and 339-aa of the Real Property Law. Master Landlord and Tenant executed that certain Master Landlord Non-Disturbance and Recognition Agreement which shall be in the form exhibited to the Lease, and which is binding on Master Landlord's successors and assigns and benefits Tenant's successors and assigns, and provides that if the master Lease is terminated then Landlord will recognize Tenant under the Lease and Tenant will attorn to Landlord and will recognize such holder as Tenant's landlord under the Lease.

22. **Condominium Ownership:** The Landlord permitted the submission of Tenant's leasehold estate in the premises under the Lease to the condominium form of ownership pursuant to the Condominium Act and the terms and provisions of Exhibit F of the Lease. The Lease shall, after the condominium Date, remain in full force and effect, provided that to the extent that after the Condominium Date any of the provisions of Exhibit F of the Lease conflict with other Lease provisions, the terms of Exhibit F shall prevail.

23. **Limitations on Landlord's Liability:** The liability of Landlord, as set forth in the Lease, shall be limited to Landlord's interest in the Premises, including the rents and profits therefrom, the proceeds of any insurance policies covering the relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof and any other rights, privileges, or other interests appurtenant to the Premises. Neither Landlord nor any such Person nor any of the members, directors, officers, employees, agents or servants of either shall have any liability hereunder beyond Landlord's interest in the Premises, including, without limitation, the rents and profits therefrom and such other proceeds and awards as set forth in the Lease appurtenant to the Premises, and no other property or asset of Landlord or any such Person shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

24. **Tenant's Liability:** Except as to Recourse Claims as defined in the Lease, the liability of Tenant shall be limited to Tenant's interest in the Premises, including without limitation, the rents and profits from the Premises, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof, any security provided hereunder and amount deposited hereunder with Landlord, Depository or a Mortgagee, or other interest or sums appurtenant to the Premises. Except as to Recourse Claims, Tenant shall have no liability hereunder beyond Tenant's interest in the Premises, and no other property or asset of Tenant shall be subject to

levy, execution or other enforcement procedure for the satisfaction of Landlord's remedies hereunder.

25. ***Subsurface Vaults:*** The Tenant has Leased from Landlord the "East Subsurface Vault" and the "West Subsurface Vault," both as more particularly described in the Lease (the East Subsurface Vault and the West Subsurface Vault hereinafter collectively the "Subsurface Vaults"). The Subsurface Vaults are included in the Premises and demised to Tenant. All of Tenant's rights and obligations under the Lease apply with respect to the Subsurface Vaults. Tenant has, by virtue of a certain revocable license granted to Tenant by Landlord under the Lease, the right to use and occupy that certain Licensed Subsurface Vault as more particularly defined in the Lease. Tenant's rights with respect to the Licensed Subsurface Vaults is limited solely to the privilege to use and occupy same for the term granted under the Lease as a revocable license upon the terms and conditions so stipulated in the Lease only.

SUBLEASE FOR SITE 16/17

The following is a description of the major provisions of the Lease between Battery Park City Authority, as landlord ("Authority" and/or "Landlord"), and Site 16/17 Development, LLC, as tenant ("Tenant"), made as of March 31, 2005, for Parcel 16/17. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of its provisions.

1. ***Term:*** The term of the Lease commenced on December 29, 2005 ("Commencement Date"), and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the term.

2. ***Rental:*** The primary components of rent under the Lease are the Upfront Lease Payment, Base Rent, payments in lieu of real estate taxes ("PILOT"), Civic Facilities Payments, Percentage Rent, and Transaction Payments. The following is a description of each such component of rent:

(a) ***Upfront Lease Payment:*** Upon the Commencement Date, Tenant is obligated to pay an Upfront Lease Payment in the amount of sixty million dollars (\$60,000,000.) which payment is fully earned and non-refundable under any circumstances.

(b) ***Base Rent:*** The Lease obligates Tenant to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the term to the Landlord, without notice or demand, the sums hereinafter described:

(i) ***First Period:*** For each of the first twenty five, twelve month periods ("First Period") beginning on the earlier of the January 1st or July 1st first following the Commencement Date, and each succeeding twelve month period or portion thereof during the Term to, but not including the First Appraisal Date, as hereinafter defined, and following the First Appraisal Date, the twelve month period beginning on such date and each succeeding twelve month period or portion thereof during the Term ("Lease Year"), the amounts as follows: (i) Year 1 at \$1,100,000.00; Year 2 at \$1,155,000.00; Year 3 at \$1,212,750.00; Year 4 at \$1,273,388.00; Year 5 at \$1,337,057.00; Year 6 at \$1,403,910.00; Year 7 at \$1,474,105.00; Year 8 at \$1,547,810.00; Year 9 at \$1,625,201.00; Year 10 at \$1,706,461.00; Year 11 at

\$1,791,784.00; Year 12 at \$1,881,373.00; Year 13 at \$1,975,442.00; Year 14 at \$2,074,214.00; Year 15 at \$2,177,925.00; Year 16 at \$2,286,821.00; Year 17 at \$2,401,162.00; Year 18 at \$2,521,220.00; Year 19 at \$2,647,281.00; Year 20 at \$2,779,645.00; Year 21 at \$2,918,627.00; Year 22 at \$3,064,559.00; Year 23 at \$3,217,787.00; Year 24 at \$3,378,676.00; and Year 25 at \$3,547,610.00.

(ii) Second Period: For each Lease Year commencing on December 29, 2030 (“First Appraisal Date”), and continuing for a period of fifteen Lease Years thereafter (“Second Period”), an amount per annum equal to the Base Rent Floor , as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with the Lease, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord’s Civic Facilities and other site improvements made by Landlord, or the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined (“Base Rent Floor “). Base Rent for the Second Period shall escalate on December 29, 2035 and again December 29, 2040 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period. (i.e. December, 2030 and again December, 2035).

(iii) Third Period: For each Lease Year commencing on December 29, 2045 and continuing for a period of fifteen (15) Lease Years thereafter (“Third Period”) an amount per annum equal to the Base Rent Floor as determined on the first day of the Third Period, as escalated on December 29, 2050 and again December 29, 2055 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period (i.e. December, 2045 and again December, 2050).

(iv) Fourth Period: For each Lease Year commencing on December 29, 2060 and continuing thereafter until the Expiration Date (“Fourth Period”) an amount per annum equal to the Base Rent Floor as determined as of the first day of the Fourth Period, as escalated on December 29, 2065 and again December 29, 2070 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period (i.e. December, 2060 and again December, 2065).

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

(c) **PILOT**: For each tax year or portion thereof within the Term, Tenant shall pay to the Landlord, without notice or demand, an annual sum (“PILOT”). For each Tax Year or portion thereof during the First Period, PILOT shall equal the greater of (x) actual Taxes for such Tax Year, or (y) the Minimum PILOT set forth as follows: (i) Year 1 at \$4,279,066;

Year 2 at \$4,407,438; Year 3 at \$4,539,661; Year 4 at \$4,675,851; Year 5 at \$4,816,126; Year 6 at \$4,960,610; Year 7 at \$5,109,429; Year 8 at \$5,262,711; Year 9 at \$5,420,593; Year 10 at \$5,583,211; Year 11 at \$5,750,707; Year 12 at \$5,923,228; Year 13 at \$6,100,925; Year 14 at \$6,283,953; Year 15 at \$6,472,471; Year 16 at \$6,666,645; Year 17 at \$6,866,645; Year 18 at \$7,072,644; Year 19 at \$7,284,823; Year 20 at \$7,503,368; Year 21 at \$7,728,469; Year 22 at \$7,960,323; Year 23 at \$8,199,133; Year 24 at \$8,445,107; and Year 25 at \$8,698,460, payable in equal semi-annual installments during such Tax Year; and (ii) for each Tax Year or portion thereof occurring after the First Period, PILOT shall equal actual Taxes for such Tax Year, in each case payable, in advance, on the first day of each of January and July; and (iii) PILOT for the period from the Commencement Date until the first day of the first Lease Year shall be the greater of (x) Minimum PILOT payable for the first Lease Year as set forth above, and (y) actual Taxes for the Tax Year during which such period occurs, apportioned for such period.

(d) **Civic Facilities Payment:** As its allocable share of the cost of operating and maintaining certain Civic Facilities including curbs, street trees, open spaces and parks as described in the Lease, Tenant, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the Building (“Initial Occupancy Date”) and ending on the last day of the Term an annual sum (“Civic Facilities Payment”) as follows:

- (i) For the period commencing on the Initial Occupancy Date and ending on the last day of the Lease Year in which the Initial Occupancy Date occurs (“First CFP Period”) an amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$500.00 dollars and (B) the product derived by multiplying \$.50 by the gross square feet of non-residential floor area, but excluding therefrom the common areas described in the Lease, in the Building (ii) by a fraction the numerator of which shall be the number of days between the Initial Occupancy Date occurs and the denominator of which is three hundred sixty five (365);
- (ii) For each of the next two Lease Years succeeding the First CFP period (“Second CFP Period”), an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$500.00 dollars and (B) the product derived by multiplying \$.50 by the gross square feet of non-residential floor area, but excluding therefrom the common areas, the space occupied by Landlord, but including any garage, described in the Lease, in the Building;
- (iii) For each of the next three Lease Years succeeding the Second CFP Period (“Third CFP Period”), an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the Building by \$550.00 dollars and (B) the product derived by multiplying \$.55 by the gross square feet of non-residential floor area, but excluding therefrom the common areas, the space occupied by Landlord, but including any garage, described in the Lease, in the Building;

(iv) For each succeeding Lease Year after the Third CFP Period, an amount equal to one hundred ten percent (110%) of the product of: (a) the Parks Budget¹ for each Lease Year or portion thereof (“Payment Period”), succeeding the Third CFP Period multiplied by (B) a fraction, the numerator of which shall be the maximum permissible number of Zoning Floor Area in all residential buildings including the Building, less amounts (x) payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases entered into prior to the Commencement Date; and (y) computed on the basis of operating costs for a particular neighborhood within the Project Area rather than for Operating Costs for the entire Project Area; Landlord at its sole option, and at any time, may establish an alternative method of determining Tenant’s allocable share of the Operating Costs and the amount of the Civic Facilities Payment as may be equitable with respect to all tenants of landlord within the Project Area.

Notwithstanding the foregoing, the amount of Tenant’s Civic Facilities payment for any Lease Year referred to therein shall not be greater than one hundred twenty-five percent (125%) of Tenant’s Civic Facilities payment for the prior Lease Year and the amount of capital costs included in the Operating Costs shall not exceed ten percent (10%) of the Operating Costs for any one year.

Tenant shall pay to Landlord the Civic Facilities Payment due in respect of each such Payment Period in equal monthly installments payable in advance on the first day of each month that occurs within a Payment Period in equal monthly installments.

(v) In the event that Landlord’s Civic Facilities or portion thereof shall be destroyed by fire or other casualty, or taken by the exercise of the right of condemnation or eminent domain or similar proceeding, and the reasonable costs associated with the Restoration or reconstruction of all or any portion of the Landlord Civic Facilities exceed the proceeds of an award, proceeds of insurance and/or the Civic Facilities reserve fund established, then Tenant shall pay to Landlord an amount equal to the product obtained by multiplying such excess by (A) the Parks Budget³ for each Lease Year or portion thereof (“Payment Period”), succeeding the Third CFP Period multiplied by (B) a fraction, the numerator of which shall be the maximum permissible number of Zoning Floor Area in all residential buildings including the Building, less amounts (x) payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases entered into prior to the Commencement Date; and (y) computed on the basis of operating costs for a particular neighborhood within the Project Area rather than for Operating Costs for the entire Project Area; reduced by the amount, if any, of sums payable by such other tenants;

¹ Parks Budget being defined as an estimate of the cost of operating, maintaining, repairing, restoring, replacing and upgrading the Parks, any other parks and open spaces within or adjacent to the Project Area, the curbs, street trees and similar civic facilities or any part thereof, including the costs to create and maintain a reserve fund and of insuring the Civic Facilities, excluding therefrom certain enumerated areas as described in the Lease for each Payment Period or portion thereof.

(e) **Percentage Rent:** (i) For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue², as hereinafter defined (the “Percentage Rent Commencement Date”), ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the term, Tenant shall pay to Landlord an amount equal to 10% of the Gross Non-Residential Revenue during each such calendar year or portion thereof (“Percentage Rent”). Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 10% of the Gross Non-Residential Revenue as a partial payment. Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

(ii) For the period commencing on the Percentage Rent Commencement Date and ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year or partial calendar year thereafter during the Term, Tenant shall pay to Landlord, an amount equal to one hundred percent (100%) of the Net Non-Residential Revenue³ collected by Tenant during such calendar year, or portion thereof. Tenant shall deliver to Landlord as soon as practicable after the end of each calendar year, but in no event later than one hundred twenty (120) days thereafter, a separate statement for such year showing the Net Non-Residential Revenue, together with the Net Non-Residential Rent due for such year. In the event of an underpayment of the Net Non-Residential Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

² Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which includes all revenue received by Tenant or an Affiliate of Tenant arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, including without limitation, base rent, fixed rent, percentage rent, additional rent, and all other income, sums and charges, whether payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, but such gross non-residential revenue shall not include certain sums enumerated in the Lease, and by way of example, include but are not limited to management fees, security deposits affecting non-residential space, payments by residential tenants of the Building for laundry, cleaning services, et seq., refinancing proceeds, transfers between Tenants and Affiliates of Tenants, sums paid to Tenant or an Affiliate of Tenant for movie and television filming rights, or the right to provide the Building with garbage collection or cable television services, et seq., sums received by Tenant or an Affiliate in payment for construction work beyond the building standard then performed by landlords for non-residential tenants in the Project Area generally, up to the fair market value of the work or services, and amounts otherwise included in computing gross non-residential revenue, but ultimately credited or refunded to Tenant or Tenant Affiliate to any Person, all of which are detailed with specificity in the Lease.

³ Net Non-Residential Revenue being the revenue attributable to the Café Space, comprised of approximately 1,400 square feet of space located on the ground floor of the easterly elevation of the Building, less the actual bona fide out-of-pocket operating expenses paid by Tenant to independent third parties, calculated consistently with GAAP, in connection with the Café Space during such period, but excluding: (i) debt service payable on any loan, including any loan secured by a Mortgage or Unit Mortgage; (ii) capital reserves; (iii) management fees in excess of 5% of Gross Non-Residential Revenue attributable to the Café Space; and (iv) capital expenditures, except such capital expenditures amortized over the then remaining term of any lease for the Café Space necessitated by the provisions of any lease for the Café Space and subject to Landlord approval. In the event any such operating expenses for the Building are partially attributable to the Café Space, the portion of such expenses allocable to the Café Space shall be in an amount equal to the product derived by multiplying such expenses by a fraction, the numerator of which is the gross square footage of the Café Space and the denominator of which is the gross square footage of the Building.

In the event Tenant's leasehold estate in the Premises shall be submitted to a condominium form of ownership, then "Tenant" shall be deemed to mean the unit owner of each commercial unit of such condominium, including, without limitation the Café Space Unit Owner, it being the agreement of Landlord and Tenant that such unit owner, and/or Unit Owner of Café Space shall pay Net Non-Residential Rent directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against such Unit Owner of the Café Space.

(f) ***Additional Payments:*** (i) **Transaction Payments**. In the event Tenant shall submit Tenant's Leasehold estate in the Premises to a condominium form of ownership in accordance with the Lease, Tenant shall pay to Landlord, upon transfer of each Unit to a bona fide purchaser ("Transaction Payment"), a payment in an amount equal to three percent (3%) of the all amounts received as consideration for the transfer of such Unit, including (A) all cash or cash equivalent proceeds; (B) the outstanding principal amount of any debt, and any interest accrued thereon, assumed by the purchaser in such sale or to which such sale is made subject; (C) the fair market value of any property received by or on behalf of Tenant as consideration; (D) the amount of any installments of the purchase price for such Unit payable subsequent to the closing of such sale, whether pursuant to a purchase money promissory note or otherwise; and (E) any other amounts received as consideration ("Gross Sales Price") of such Apartment or Unit. To secure its obligations under the Lease to pay the Transaction Payments, Tenant shall also deposit with Landlord an irrevocable letter of credit in favor of Landlord, in form and content acceptable Landlord, having a term of not less than one year, shall be in the initial amount of nine million seven hundred thousand two hundred dollars (\$9,700,200), subject to such approved reduction as provided in the Lease, and shall remain in effect through the final payment in full of the Transaction Payments.

(ii) **Additional Transaction Payments**. In the event the Gross Sales Prices from the initial sale of the residential Units, divided by the amount of the square footage of all such residential Units ("Average Per Square Foot Gross Sales Price") exceeds eight hundred seventy five dollars (\$875) per square foot, Tenant shall pay Landlord an amount ("Additional Transaction Payment") on the earlier to occur of: (i) the transfer of the last residential Unit to a bona fide purchaser; and (ii) the fourth anniversary of the transfer of the first residential Unit to a bona fide purchaser ("Payment Date"), in an amount equal to twenty percent (20%) of the amount equal to the product of: (x) the amount by which the Average Per Square Foot Gross Sales Price exceeds eight hundred fifty dollars (\$850) per square foot; and (y) the aggregate square footage of all of the residential Units. If on the fourth anniversary of the transfer of the first residential Unit to a bona fide purchaser there remains any unsold residential Units, the Average Per Square Foot Gross Sales Price of all residential Units theretofore transferred to bona fide purchasers or then under contract to bona fide purchasers shall be utilized to determine the Additional Transaction Payment, but such payment shall be calculated as if all of the residential Units had heretofore been sold to bona fide purchasers. The square footage of a residential Unit shall be the square footage of such Unit as set forth in the Condominium Plan for purposes of calculating the Additional Transaction Payment. To secure the obligations to pay the Additional Transaction Payments, if any described above, Tenant shall deliver a Guaranty of Payment as described in the Lease, in the amounts, and upon the terms set forth in the Lease upon the Lease execution, and shall fund the escrow account, with an approved

escrow agent, in the prescribed amounts, and upon the terms as contained in the Lease; such escrow deposits to be held in such escrow account and payable on the Payment Date in the manner prescribed in the Lease, if due.

(iii) Flip Tax Payments. Tenant shall pay to Landlord upon the transfer of each residential Unit after the initial transfer of such Unit an amount (“Flip Tax Payment”) equal to one percent (1%) of the Gross Sales Price of such Unit directly to Landlord. The Condominium Plan shall condition any such transfer of a residential Unit upon payment of the Transaction Payment, Flip Tax, and/or the Additional Transaction Payment Escrow Amount, if any, described above. If such payments are not paid when due, such transfer shall be null and void.

3. ***Insurance:*** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss or damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years. In the event Tenant’s leasehold estate shall be submitted to condominium ownership, however, then such replacement cost determination shall be made annually; (ii) commercial general liability insurance against liability for bodily injury, death and property damage in an amount as may be reasonably required by Landlord upon thirty (30) days notice, but not less than twenty five million dollars combined single limit; and (iii) such other insurance enumerated in the Lease approved by Landlord, and such other insurance in such amounts as may be reasonably required by Landlord. All policies shall name the Tenant as the insured, the Landlord, and Master Landlord as additional insureds’ to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided that such Mortgagee irrevocably agrees in writing for the benefit of Landlord that all proceeds of such insurance shall be applied in accordance with the Lease. All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds, if in excess of one million dollars shall be paid to Depository to be applied to Rental Payments until such Restoration by Tenant is completed. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee, as their interests may appear.

4. ***Restoration:*** If all or any part of the Building as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, Restore the Building. Except as hereinafter set forth, Tenant shall Restore the Premises in the event all or any part of the Premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the Premises existing immediately prior to such occurrence, and if such casualty occurs within ten years after the date the Building has been Substantially Completed, then Restoration shall be performed in accordance with the Construction Documents as defined in the Lease. If any loss, damage or

destruction occurs, and the cost of Restoration of which equals or exceeds \$1,000,000 (as adjusted), Tenant shall furnish to the Landlord complete plans and specifications for such Restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of Restoration exceeding such amount, and required insurance policies. Notwithstanding anything in the Lease to the contrary, to the extent that any portion of the Restoration involves work on the exterior of the Building or a change in the height, bulk or setback of the Building, Tenant shall furnish to the Landlord a complete set of plans and specifications for the Restoration. The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total substantial or partial destruction of, the Building by reason of the untenability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the Premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind.

If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligations under Article 8 of the Lease shall be the obligation of the Condominium Board.

5. ***Condemnation:*** If the whole or substantially all of the Premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under the Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, the Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as unencumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of thirty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified thereon to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of thirty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the Premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to Restore any remaining part of the Building. The entire award for or attributable to the Land taken and the

fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of Restoration.

If the temporary use of the whole or any part of the Premises shall be taken, the Term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental, and Tenant shall be entitled to receive for itself any award or payments for such use, in accordance with the provisions of Section 9.05(i) and (ii) of the Lease.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises.

6. ***Assignment, Subletting:*** Except as otherwise provided, and with specified exceptions regarding transfers among initial investors in the project, prior to Substantial Completion of the Building, or at any time after Substantial Completion of the Building that the conditions set forth in Section 10.01(b) of the Lease are not satisfied, neither the Lease nor any interest of Tenant in the Lease shall be sold, assigned, or otherwise transferred, whether by operation of law or otherwise, including without limitation an assignment in connection with a Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company any partnership interest in any partnership or any equity interest in any Person, in each case, which is Tenant or owns a direct or indirect interest in Tenant be sold assigned, transferred pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of Tenant as held by the members thereof as of the Commencement Date, or there be any change in the right to direct the management of any Person that is Tenant or owns a direct or indirect interest in Tenant, nor shall Tenant sublet the Premises as an entirety or substantially as an entirety, without the consent of Landlord in each case. Notwithstanding the foregoing, prior to Substantial Completion of the Building Landlord's consent shall not be required with respect to any Transfer that satisfies the conditions as set forth in Section 10.01(a) of the Lease.

From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to any Transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenant has complied with the requirements under Article 10 of the Lease. Landlord's consent shall not be required in the event Tenant assigns its interest in the Lease or subletting of the Premises as an entirety or substantially as an entirety, provided no Default then exists and is continuing; however, Tenant shall not, at any time during the Term, assign its interest in the Lease in whole or in part pursuant to any plan to submit Tenant's leasehold estate in the Premises to condominium ownership except in accordance with the applicable provisions of Article 10 above, and which assignment shall be governed by the provisions of Sections 23.01, Section 40 and Exhibit F of the Lease.

Tenant, including any Unit Owner, may, without Landlord's consent, but subject to the provisions of last sentence of Section 10.01(c) enter into agreements for the rental of residential and non-residential space in the Building or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases").

Notwithstanding the foregoing, the identity of the tenant and/or operator of the Café Space and the parking garage identified in the Lease shall be subject to the prior written approval of the Landlord, which shall not be unreasonably withheld. Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the Premises included therein for residential purposes only. After an Event of Default by Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenant sets over to Landlord all of Tenant's right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the Lease. All Subleases shall provide that they are subject to the Lease and to the Master Lease, and at Landlord's option on the termination of the Lease; the Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, and upon the terms enumerated in the Lease, the Landlord and a Subtenant shall execute an agreement wherein the Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the Lease.

7. ***Mortgage:*** Tenant shall have the right to mortgage Tenant's interest in the Lease to a Mortgagee, and shall give Landlord prompt notice of such mortgage, and the Landlord shall give to such mortgagee a copy of each notice of Default and such Mortgagee may remedy the Default and Landlord shall accept performance with the same force and effect as though performed by Tenant. Except as provided in Section 10.10(b) of the Lease, no Mortgagee shall become liable under the provisions of the Lease unless and until such time as it becomes and remains, the owner of the leasehold estate created hereby. Landlord shall not be obligated to execute and deliver a new lease of the Premises pursuant to Section 10.11 except in accordance with the terms and as otherwise provided in the Lease. The provisions of Section 10.10 and 10.11 shall be of no further force and effect in the event Tenant shall have subjected Tenant's leasehold interest in the Premises to a condominium form of ownership. In the case of termination of the Lease upon Default, Landlord shall give notice thereof to each Mortgagee and on written request shall promptly execute and deliver a new lease of the premises covered by the mortgage, to the Mortgagee, for the remainder of the Term, provided that such Mortgagee shall pay all rental due and all expenses incurred by the Landlord and cure all Defaults. The Landlord shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Landlord or Depository which Tenant would have been entitled. If there is more than one mortgage, the Landlord shall only recognize the Mortgagee whose mortgage is most senior in lien and which has requested a new lease of the premises.

8. ***Repairs:*** Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the Premises and shall put, keep and maintain the Building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the Premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the Premises. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with all Governmental Authorities as defined in Section 12.01 of the Lease. Should the Premises be submitted to the condominium form of ownership, in accordance with the Lease, the Condominium Board shall assume the obligations under Section 12.01.

9. ***Compliance with Requirements:*** Tenant promptly must comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the Premises and shall have the right to contest the validity of any such requirements or the application thereof in accordance with the provisions of the Lease.

10. ***Capital Improvements:*** Tenant shall not demolish, replace or materially alter the Building, or make any addition thereto, unless Tenant has procured from all Governmental Authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the Premises; the Capital Improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to Landlord certificates of insurance acceptable to Landlord. If the estimated cost of any proposed capital improvement exceeds \$500,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the Capital Improvement involves work which affects the structural elements of the Building or work involving the exterior or a change in the height, bulk or setback of the Building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenant.

11. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

12. ***Discharge of Liens:*** Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the Premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the Premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the Premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

13. ***Landlord's Right to Perform:*** If Tenant at any time shall be in Default, after notice thereof and after applicable grace periods, if any, provided under the Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in the Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf.

14. ***Events of Default:*** The Lease provides that if certain Defaults shall occur, the Landlord shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. The following events shall be Events of Default under the Lease: (i) failure of Tenant to pay any item of Rental for 10 days after notice from the Landlord to Tenant; (ii) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in the Lease which failure continues for a period of 30 days after notice thereof by Landlord; (iii) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar

relief under the bankruptcy code that shall not have been dismissed within 90 days and (iv) assignment of the Lease, sublease, or Transfer of certain interests in Tenant, without the Landlord's approval to the extent required which transaction has not been made to comply or voided ab initio within 30 days after notice thereof from Landlord; (v) to the extent permitted by law, if Tenant shall admit, in writing, that it is unable to pay its debts as such become due, or if Tenant should make an assignment for the benefit of creditors. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the Event of Default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event the Lease shall terminate due to an Event of Default and in accordance with the provisions of the Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No termination of the Lease pursuant to Section 24.03(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.03(b) or 24.04(b) of the Lease shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting. Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of the Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

15. ***Civic Facilities:*** The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenant acknowledges that other than those certain facilities enumerated in Article 26 of the Lease, Landlord has completed the Civic Facilities improvements. Tenant has the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated civic facilities in accordance with the Lease Tenant shall have the right but not the obligation to undertake Landlord's Maintenance Obligations as defined in the Lease ("Self-Help," as defined in the Lease). In the event Tenant undertakes Self-Help, then Tenant shall have the right to offset against the next installment of Civic Facilities Payments an amount equal to the reasonable expenses thereby incurred or paid by Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by Tenant. Landlord shall incur no penalty or liability, and Tenant shall have no remedies or rights other than as expressly provided in the Lease, it being agreed by the parties that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Lease.

16. ***No Subordination:*** The Landlord's interest in the Lease shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenant's interest in the Lease or any other liens or encumbrances hereafter affecting Tenant's interest in the Lease, including without limitation any Unit Mortgage, or any other liens or encumbrances hereafter affecting Tenant's interest in the Lease including without limitation a lien filed pursuant to Section 339-z and 339-aa of the Real Property Law. Master Landlord and Tenant executed that certain Master Landlord Non-Disturbance and Recognition Agreement which shall be in the form exhibited to the Lease, and which is binding on Master Landlord's successors and assigns and benefits Tenant's successors and assigns, and provides that if the master Lease is terminated then Landlord will recognize Tenant under the Lease and Tenant will attorn to Landlord and will recognize such holder as Tenant's landlord under the Lease.

17. ***Condominium Ownership:*** The Landlord permitted the submission of Tenant's leasehold estate in the Premises under the Lease to the condominium form of ownership pursuant to the Condominium Act and the terms and provisions of Exhibit F of the Lease. The Lease shall, after the condominium Date, remain in full force and effect, provided that to the extent that after the Condominium Date any of the provisions of Exhibit F of the Lease conflict with other Lease provisions, the terms of Exhibit F shall prevail.

18. ***Limitations on Landlord's Liability:*** The liability of Landlord, as set forth in the Lease, shall be limited to Landlord's interest in the Premises, including the rents and profits therefrom, the proceeds of any insurance policies covering the relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof and any other rights, privileges, or other interests appurtenant to the Premises. Neither Landlord nor any such Person nor any of the members, directors, officers, employees, agents or servants of either shall have nay liability hereunder beyond Landlord's interest in the Premises, including, without limitation, the rents and profits therefrom and such other proceeds and awards as set forth in the Lease appurtenant to the Premises, and no other property or asset of Landlord or any such Person shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

19. ***Tenant's Liability:*** Except as to Recourse Claims as defined in the Lease, the liability of Tenant shall be limited to Tenant's interest in the Premises, including without limitation, the rents and profits from the Premises, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof, any security provided hereunder and amount deposited hereunder with Landlord, Depository or a Mortgagee, or other interest or sums appurtenant to the Premises. Except as to Recourse Claims, Tenant shall have no liability hereunder beyond Tenant's interest in the Premises, and no other property or asset of Tenant shall be subject to levy, execution or other enforcement procedure for the satisfaction of Landlord's remedies hereunder.

LEASE FOR PARCEL 19B

The following is a description of the major provisions of the Lease between Battery Park City Authority, as landlord ("Authority" and/or "Landlord"), and BPC Green, L.L.C., as tenant ("Tenant"), made as of December 18, 2003, for Parcel 19B. Capitalized terms used herein and not defined herein have the meanings ascribed to them in the Lease. The description contained herein does not purport to be complete and reference is made to the Lease for full and complete statements of their provisions.

1. ***Term:*** The term of the Lease commenced on December 18, 2003 ("Commencement Date"), and expires, unless sooner terminated, on June 17, 2069. The Lease does not contain any right on the part of Tenant to renew or otherwise extend the term.

2. ***Rental:*** The primary components of rent under the Lease are Base Rent, payments in lieu of real estate taxes ("PILOT"), Civic Facilities Payments, Percentage Rent, and Transaction Payments. The following is a description of each such component of rent:

(a) ***Base Rent:*** The Lease obligates Tenant to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the term to the Landlord, without notice or demand, the sums hereinafter described:

(i) **First Period:** For each of the first twenty five, twelve month periods ("First Period") beginning on the earlier of the January 1st or July 1st first following the Commencement Date, and each succeeding twelve month period or portion thereof during the Term to, but not including the First Appraisal Date, as hereinafter defined, and following the First Appraisal Date, the twelve month period beginning on such date and each succeeding twelve month period or portion thereof during the Term ("Lease Year"), an amount equal to the amount which is the difference between (x) the Aggregate Rent as herein listed for such Lease Year less (y) PILOT payable for such Lease Year pursuant to the Lease, it being understood that, provided PILOT does not exceed the Aggregate Rent, the sum of Base Rent plus PILOT for the first twenty-five Lease Years shall be the Aggregate Rent as follows: (i) Year 1 at \$850,544.00; Year 2 at \$859,544.00; Year 3 at \$868,724.00; Year 4 at \$878,088.00; Year 5 at \$887,638.00; Year 6 at \$897,380.00; Year 7 at \$907,317.00; Year 8 at \$917,453.00; Year 9 at \$927,791.00; Year 10 at \$938,336.00; Year 11 at \$949,091.00; Year 12 at \$960,062.00; Year 13 at \$971,253.00; Year 14 at \$982,667.00; Year 15 at \$994,309.00; Year 16 at \$2,088,898.00; Year 17 at \$2,124,267.00; Year 18 at \$3,290,034.00; Year 19 at \$3,351,028.00; Year 20 at \$4,591,808.00; Year 21 at \$4,680,440.00; Year 22 at \$6,000,262.00; Year 23 at \$6,118,665.00; Year 24 at \$7,521,758.00; and Year 25 at \$7,672,193.00.

(ii) **Second Period:** For each Lease Year commencing on January 1, 2029 ("First Appraisal Date"), and continuing for a period of fifteen Lease Years thereafter ("Second Period"), an amount per annum equal to (x) the Base Floor Rent, as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with the Lease, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord's Civic Facilities and other site improvements made by Landlord, or the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined ("Base Floor Rent"). Base Rent for the Second Period shall escalate on February 22, 2035 and again February 22, 2040 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period. Base Rent for the Second Period shall escalate on January 1, 2034 and again January 1, 2039 by the greater of (x) 15% of the Base Rent set for the prior five Lease Years or (y) the percentage of increase, of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iii) **Third Period:** For each Lease Year commencing on January 1, 2044 and continuing for a period of fifteen (15) Lease Years thereafter ("Third Period") an amount per annum equal to the Base Rent Floor as determined on the first day of the Third Period, as escalated on January 1, 2049 and again January 1, 2054 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the

Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

(iv) **Fourth Period:** For each Lease Year commencing on January 1, 2059 continuing thereafter until the Expiration Date (“Fourth Period”) an amount per annum equal to the Base Rent Floor as determined as of the first day of the Fourth Period, as escalated on January 1, 2064 and again January 1, 2069 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five Lease Year period.

The Base Rent shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

(b) ***PILOT:*** For each tax year or portion thereof within the Term, Tenant shall pay to the Landlord, without notice or demand, an annual sum (“PILOT”). For each Tax Year or portion thereof during the First Period, PILOT shall equal the greater of (x) actual Taxes for such Tax Year, irrespective of whether same shall exceed the Aggregate Rent set forth above or (y) the Minimum PILOT set forth as follows: (i) Year 1 through to and including Year 15 at \$400,544.00; Year 16 at \$1,483,257.00; Year 17 at \$1,506,513.00; Year 18 at \$2,659,925.00; Year 19 at \$2,708,317.00; Year 20 at \$3,936,243.00; Year 21 at \$4,011,764.00; Year 22 at \$5,318,212.00; Year 23 at \$5,422,974.00; Year 24 at \$6,812,153.00; and Year 25 at \$6,948,396.00, payable in equal semi-annual installments during such Tax Year; and (ii) for each Tax Year or portion thereof occurring after the First Period, PILOT shall equal actual Taxes for such Tax Year, in each case payable, in advance, on the first day of each of January and July; and (iii) PILOT for the period from the Commencement Date until the first day of the first Lease Year shall be the greater of (x) Minimum PILOT payable for the first Lease Year as set forth above, and (y) actual Taxes for the Tax Year during which such period occurs, apportioned for such period.

Civic Facilities Payment: As its allocable share of the cost of operating and maintaining certain Civic Facilities as described in the Lease as the North Neighborhood Residential Parks, the North Neighborhood Esplanade, the Vesey Street Area, the Murray Street Triangle, the Median Parks and any other parks or open spaces within or adjacent to the North Residential Neighborhood (“Operating Costs”), Tenant, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the Building (“Initial Occupancy Date”) and ending on the last day of the Term an annual sum (“Civic Facilities Payment”) as follows:

(i) For the period commencing on the Initial Occupancy Date and for each of the next two full Lease Years an annual amount equal to the sum of (1) the product obtained by multiplying the number of residential units in the Building by \$300.00 dollars and (2) the product derived by multiplying \$.30 by the gross square feet of non-residential floor area, but excluding therefrom the common areas described in the Lease, in the Building;

(ii) For each of the next three Lease Years an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in the

Building by \$350.00 dollars and (B) the product derived by multiplying \$.35 by the gross square feet of non-residential floor area, but excluding therefrom the common areas described in the Lease, in the Building;

(iii) For the next succeeding Lease Year and for each Lease Year thereafter with respect to the North Neighborhood Residential Parks, an amount equal to the product of (A) the North Neighborhood Residential Parks Budget as defined below, less any portion thereof attributable to the Open Space, as defined in the Lease, multiplied by (B) .09017; and for the period referred to in the preceding clause, with respect to the North Neighborhood Esplanade, an amount equal to the product of (A) the North Neighborhood Esplanade Budget, defined below, multiplied by (B) .09017, except that Landlord, at its sole option and at any time, may establish as an alternative method for determining such allocable share of the Operating Costs and the amount of the Civic Facilities Payment that Tenant would pay as its share, an amount equal to the product of (x) the sum of the Parks Budget, as hereinafter defined and the Residential Esplanade Budget, less amounts payable toward such Budgets by other tenants of Landlord in the Project Area under leases which were originally entered into prior to January 1, 1988, multiplied by (y) .06339. Notwithstanding the provisions of the foregoing clause (iii), the amount of tenant's Civic Facilities Payment for any Lease Year referred to in the Lease shall not be greater than one hundred twenty-five percent of Tenant's Civic Facilities Payment for the prior Lease Year and the amount of capital costs included in Operating Costs for any year shall not exceed ten percent of the Operating Costs for such year.

(iv) For each Lease Year commencing with the Lease Year referred to in item (iii) above, Landlord shall submit to Tenant (i) an estimate of Operating Costs for the North Neighborhood Residential Parks, for such Payment Period ("North Neighborhood Residential Parks Budget"), and (ii) an estimate of the Operating Costs for the North Neighborhood Esplanade for such Payment Period ("Civic Facilities Budget") and (iii) an estimate of the Operating Costs for the Residential Esplanade ("Residential Esplanade Budget").

The North Neighborhood Esplanade Budget defined as an amount computed by multiplying (A) the estimated Operating Costs of the entire Esplanade in the Project Area other than such portion of the Esplanade described in the Lease and defined as the Residential Esplanade by (B) a fraction, the numerator of which is the number of linear feet of the North Neighborhood Esplanade and the denominator of which is the total number of linear feet of the Residential Esplanade. Tenant shall pay to Landlord the Civic Facilities Payment due in respect of each such Payment Period in equal monthly installments payable in advance on the first day of each month

Percentage Rent: For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue (the "Percentage Rent Commencement Date"), which Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, payable

to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which Gross Non-Residential Revenue is more particularly defined in the Lease, and ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the term, Tenant shall pay to Landlord an amount equal to 10% of the Gross Non-Residential Revenue during each such calendar year or portion thereof ("Percentage Rent"). Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 5% of the Gross Non-Residential Revenue as a partial payment. Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

In the event Tenant's leasehold estate in the Premises shall be submitted to a condominium for of ownership, then "Tenant" shall be deemed to mean the unit owner of each commercial unit of such condominium, it being the agreement of Landlord and Tenant that each such unit owner shall pay Percentage Rent directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against each such unit owner.

Transaction Payments: In the event Tenant shall submit Tenant's Leasehold estate in the Premises to either a cooperative or condominium form of ownership in accordance with this Lease, Tenant shall pay to Landlord, upon transfer of each Cooperative Apartment or Unit to a bona fide purchaser ("Transaction Payment"), a payment in an amount equal to one percent of the Gross Sales Price of such Apartment or Unit. To secure Tenant's obligation to make the Transaction Payment, Tenant shall deliver to Landlord such Security as shall be reasonably satisfactory to Landlord to secure Tenant's obligations for the payment of Transaction Payments.

3. ***Insurance:*** Tenant shall, after Substantial Completion of the Building, and thereafter for the full Term of the Lease, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss o damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years. In the event Tenant's leasehold estate shall be submitted to condominium ownership, however, then such replacement cost determination shall be made annually. All policies shall name the Tenant as the insured, the Landlord, and Master Landlord as additional insureds' to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided that such Mortgagee irrevocably agrees in writing for the benefit of Landlord that all proceeds of such insurance shall be applied in accordance with the Lease. Mortgagee may be an additional insured under the following policies: All Risk of Physical Loss, commercial general liability, sprinkler leakage, boiler and machinery, and automobile liability policies of insurance; All Rent Insurance shall be for the benefit of Landlord and Tenant, but the proceeds, if in excess of one million dollars shall be paid to Depository to be applied to

Rental Payments until such Restoration by Tenant is completed. The Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Lease, shall name as loss payees Landlord, Tenant and Mortgagee, as their interests may appear.

4. ***Restoration:*** If all or any part of the Building as defined in the Lease, shall be destroyed or damaged in whole or in part by fire or other casualty Tenant shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, restore the Building. Except as hereinafter set forth, Tenant shall restore the premises in the event all or any part of the premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the premises existing immediately prior to such occurrence, and if such casualty occurs within the first ten years of the Term, then restoration shall be performed in accordance with the Construction Documents as defined in the Lease. If any loss, damage or destruction occurs, and the cost of restoration of which equals or exceeds \$1,000,000. (as adjusted), Tenant shall furnish to the Landlord complete plans and specifications for such restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of restoration exceeding such amount, and required insurance policies. Notwithstanding anything in the Lease to the contrary, to the extent that any portion of the restoration involves work on the exterior of the building or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord a complete set of plans and specifications for the restoration. . The Lease shall not terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total substantial or partial destruction of, the Building by reason of the untenantability of the same for, or due to, any reason or cause whatsoever, and Tenant, notwithstanding any law or statute, waives any and all rights to quit or surrender the premises. Tenant expressly agrees that its obligations hereunder, including, without limitation, the payment of Rental, shall continue as though the Building had not been damaged or destroyed without abatement, suspension, or diminution of any kind.

If Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of Tenant's obligations under Article 8 of the Lease shall be the obligation of the Condominium.

5. ***Condemnation:*** If the whole or substantially all of the premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under this Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, this Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as encumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease

under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of forty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified therein to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of forty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations hereunder. Tenant shall proceed diligently to restore any remaining part of the building. The entire award for or attributable to the Land taken and the fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of restoration.

If the temporary use of the whole or any part of the premises shall be taken, the term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rental, and Tenant shall be entitled to receive for itself any award or payments for such use, in accordance with the provisions of Section 9.5(i)(ii) of the Lease.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises; furthermore, Landlord hereby covenants and agrees that it shall never institute any taking or condemnation of all or any portion of the Premises without the prior written consent of Tenant. **Assignment**,

6. **Subletting:** Except as otherwise provided, prior to Substantial Completion of the Building, or at any time after Substantial Completion of the Building that the conditions set forth in Section 10.01(b) of the Lease are not satisfied, neither the Lease nor any interest of Tenant in the Lease shall be sold, assigned, or otherwise transferred, whether by operation of law or otherwise, including without limitation an assignment to an Apartment Corporation in connection with a Cooperative Plan or partial assignment in connection with Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, but excluding transfers of individual condominium units following the submission by Tenant of its leasehold estate in the Premises to a condominium form of ownership pursuant to Article 40 and Exhibit F (Provisions Regarding the Conversion To Condominium Form of Ownership), of the Lease, or (ii) in connection with the issuance or transfer of proprietary leases following the submission of Tenant of its leasehold estate in the Premises to an Apartment Corporation in connection with a Cooperative Plan nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company any partnership interest in any partnership or any equity interest in any Person, in

each case, which is Tenant or owns a direct or indirect interest in Tenant be sold assigned, transferred pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of Tenant as held by the members thereof as of September 26, 2003, or there be any change in the right to direct the management of any Person that is Tenant or owns a direct or indirect interest in Tenant, nor shall Tenant sublet the Premises as an entirety or substantially as an entirety, without the consent of Landlord in each case. Notwithstanding the foregoing, prior to Substantial Completion of the Building Landlord's consent shall not be required with respect to any Transfer that satisfies the conditions as set forth in Section 10.01(a) of the Lease.

From and after the Substantial Completion of the Building, Landlord's consent shall not be required prior to any transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenant has complied with the requirements under Article 10 of the Lease. Landlord's consent shall not be required in the event Tenant assigns its interest in this Lease to the Apartment Corporation pursuant to a Cooperative Plan, provided no Default then exists and is continuing; however, Tenant shall not, at any time during the Term, assign its interest in the Lease in whole or in part pursuant to any plan to submit Tenant's leasehold estate in the Premises to condominium ownership except pursuant to the provisions of Article 40 and Exhibit F of the Lease.

Tenant may, without Landlord's consent, but subject to the provisions of last sentence of Section 10.01(c) enter into agreements for the rental of residential and non-residential space in the Building or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases"). Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the premises included therein for residential purposes only. After an Event of Default by Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenant sets over to Landlord all of Tenant's right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the Lease. All Subleases shall provide that they are subject to the Lease and to the Master Lease, and at Landlord's option on the termination of the Lease; the Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, the Landlord and a Subtenant shall execute an agreement wherein the Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the Lease.

7. **Mortgage:** Tenant shall have the right to mortgage Tenant's interest in this Lease to a Mortgagee, and shall give Landlord prompt notice of such mortgage, and the Landlord shall give to such mortgagee a copy of each notice of default and such Mortgagee may remedy the default and Landlord shall accept performance with the same force and effect as though performed by Tenant. Except as provided in Section 10.10(b) of the Lease, no Mortgagee shall become liable under the provisions of this Lease unless and until such time as it becomes and remains, the owner of the leasehold estate created hereby. Each Mortgagee shall, as a precondition to filing any mortgage execute Mortgagee Subordination and Recognition Agreement in substantially the form attached as an exhibit to the Lease. Notwithstanding the foregoing, from and after the Condominium Date the rights recognition and privileges afforded a Mortgagee under the Lease shall consist solely of those rights, recognition and privileges afforded under Exhibit F and any applicable Construction Mortgage Subordination and

Recognition Agreement or applicable Unit Mortgagee Subordination and Recognition Agreement. In the case of termination of this Lease upon default, Landlord shall give notice thereof to each Mortgagee and on written request shall promptly execute and deliver a new lease of the premises covered by the mortgage, to the Mortgagee, for the remainder of the Term, provided that such Mortgagee shall pay all rental due and all expenses incurred by the Landlord and cure all defaults. The Landlord shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Landlord or Depository which Tenant would have been entitled. If there is more than one mortgage, the Landlord shall only recognize the Mortgagee whose mortgage is most senior in lien and which has requested a new lease of the premises.

8. ***Repairs:*** Tenant shall, unless otherwise provided, at its sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the premises and shall put, keep and maintain the building in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the premises. Tenant assumes the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the premises. All repairs made by Tenant shall be at least equal in quality and class to the original work and shall be made in compliance with all governmental authorities as defined in Section 12.01 of the Lease.

9. ***Compliance with Requirements:*** Tenant promptly must comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the premises and shall have the right to contest the validity of any such requirements or the application thereof in accordance with the provisions of the Lease.

10. ***Capital Improvements:*** Tenant shall not demolish, replace or materially alter the building, or make any addition thereto, unless Tenant has procured from all governmental authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the premises; the improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenant has delivered to Landlord original insurance policies acceptable to Landlord. If the estimated cost of any proposed capital improvement exceeds \$500,000 (as adjusted), Tenant shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the capital improvement involves work which affects the structural elements of the building or work involving the exterior or a change in the height, bulk or setback of the building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Building shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenant.

11. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenant shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

12. ***Discharge of Liens:*** Subject to the provisions of the Lease, Tenant shall not create or permit to be created any lien, encumbrance or charge upon the premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the premises might be impaired. Tenant may finance any Equipment. If any lien at any time shall be filed against the premises, Tenant shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

13. ***Landlord's Right to Perform:*** If Tenant at any time shall be in default, after notice thereof and after applicable grace periods, if any, provided under this Lease for Tenant or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may (but shall be under no obligation to) perform such obligation on Tenant's behalf.

14. ***Events of Default:*** The Lease provides that if certain defaults shall occur, the Landlord shall have the right to terminate the Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. The following events shall be Events of Default under the Lease: (a) failure of Tenant to pay any item of Rental for 10 days after notice from the Landlord to Tenant; (b) failure by Tenant to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by Landlord; (c) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days and (d) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Landlord's approval to the extent required which transaction has not been made to comply or voided ab initio within 30 days after notice thereof from Landlord. As previously stated, the Lease grants a mortgagee certain rights intended to provide protection in the event of a default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event the Lease shall terminate due to an Event of Default and in accordance with the provisions of the Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No termination of this Lease pursuant to Section 24.03(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.03(b) or 24.04(b) of the Lease shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting. Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

15. ***Civic Facilities:*** The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenant acknowledges that other than those certain facilities enumerated in Article 26 of the Lease, Landlord has completed the Civic Facilities improvements. Tenant has the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated civic facilities in accordance with the Lease Tenant shall have the right but not the obligation to undertake Landlord's Maintenance Obligations as defined in the Lease ("Self-Help"). In the event Tenant undertakes Self-Help, then Tenant

shall have the right to offset against the next installment of Civic Facilities Payments an amount equal to the reasonable expenses thereby incurred or paid by Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by Tenant. Landlord shall incur no penalty or liability, and Tenant shall have no remedies or rights other than as expressly provided in the Lease, it being agreed by the parties that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Lease.

16. **No Subordination:** The Landlord's interest in this Lease shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenant's interest in this Lease or any other liens or encumbrances hereafter affecting Tenant's interest in this Lease, including without limitation any Unit Mortgage, or any other liens or encumbrances hereafter affecting Tenant's interest in the Lease including without limitation a lien filed pursuant to Section 339-z and 339-aa of the Real Property Law. Master Landlord and Tenant executed that certain Master Landlord Non-Disturbance and Recognition Agreement which shall be in the form exhibited to the Lease, and which is binding on Master Landlord's successors and assigns and benefits Tenant's successors and assigns, and provides that if the master Lease is terminated then Landlord will recognize Tenant under the Lease and Tenant will attorn to Landlord and will recognize such holder as Tenant's landlord under the Lease.

17. **Condominium Ownership:** The Landlord permitted the submission of Tenant's leasehold estate in the premises under the Lease to the condominium form of ownership pursuant to the Condominium Act and the terms and provisions of Exhibit F of the Lease. The Lease shall, after the condominium Date, remain in full force and effect, provided that to the extent that after the Condominium Date any of the provisions of Exhibit F of the Lease conflict with other Lease provisions, the terms of Exhibit F shall prevail.

18. **Limitations on Landlord's Liability:** The liability of Landlord, as set forth in the Lease, shall be limited to Landlord's interest in the Premises, including the rents and profits therefrom, the proceeds of any insurance policies covering the relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof and any other rights, privileges, or other interests appurtenant to the Premises. Neither Landlord nor any such Person nor any of the members, directors, officers, employees, agents or servants of either shall have nay liability hereunder beyond Landlord's interest in the Premises, including, without limitation, the rents and profits therefrom and such other proceeds and awards as set forth in the Lease appurtenant to the Premises, and no other property or asset of Landlord or any such Person shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies hereunder.

19. **Tenant's Liability:** Except as to Recourse Claims as defined in the Lease, the liability of Tenant shall be limited to Tenant's interest in the Premises, including without limitation, the rents and profits from the Premises, the proceeds of any insurance policies covering or relating to the Premises, any awards payable in connection with any condemnation of the Premises or any part thereof, any security provided hereunder and amount deposited hereunder with Landlord, Depository or a Mortgagee, or other interest or sums appurtenant to the Premises. Except as to Recourse Claims, Tenant shall have no liability hereunder beyond Tenant's interest in the Premises, and no other property or asset of Tenant shall be subject to

levy, execution or other enforcement procedure for the satisfaction of Landlord's remedies hereunder.

SUBLEASES FOR SITES 23 AND 24

The following is a description of the major provisions of that certain Original Lease dated October 31, 2006, as to Site 24, and placed into escrow as of the date thereof, as fully Amended and Restated in its entirety by two separate Amended and Restated Agreements of Lease entered into between Battery Park City Authority, as landlord ("Authority" and/or "Landlord"), and MP FREEDOM LLC, as tenant ("Freedom Tenant"), as to Site 23, under separate Amended and Restated Agreement of Lease ("Freedom Lease"), and MP LIBERTY LLC ("Liberty Tenant"), as to Site 24, under separate Amended and Restated Agreement of Lease ("Liberty Lease") (each of Freedom Tenant and Liberty Tenant hereinafter sometimes individually and collectively referred to as "Tenant" or "Tenants"). Each separate Amended and Restated Agreement of Lease being entered into on November 15, 2007, respectively (each of the Freedom Lease and the Liberty Lease, hereinafter sometimes individually or collectively referred to as the "Lease" or "Leases"). Capitalized terms used herein and not defined herein have the meanings ascribed to them in each of the respective Leases. The description contained herein does not purport to be complete and reference is made to the Leases for full and complete statements of their provisions.

1. **Term:** The term of the Leases commenced on November 15, 2007 ("Commencement Date"), and expires, unless sooner terminated, on June 17, 2069. The Leases do not contain any right on the part of Tenants to renew or otherwise extend the Term.

2. **Rental:** The primary components of rent under the Leases are the Upfront Lease Payment, Base Rent, payments in lieu of real estate taxes ("PILOT"), Civic Facilities Payments, Percentage Rent, Transaction Payments, and Deferred Lease Payments. The following is a description of each such component of rent:

(a) **Upfront Lease Payment:** Upon the Commencement Date, Tenants are obligated to pay an Upfront Lease Payment together with interest for the actual days elapsed based on a 360 day year at the fixed rate of 6% per annum, calculated from August 1, 2007, through the Commencement Date, which payment is fully earned and non-refundable under any circumstances as follows:

(i) Freedom Tenant shall pay an amount of twenty two million five hundred three thousand eight hundred eighty seven dollars (\$22,503,887).

(ii) Liberty Tenant shall pay an amount of thirty three million nine hundred forty six thousand one hundred thirteen dollars (\$33,946,113).

In addition, and as a condition precedent to Landlord's obligations under the Leases, Tenants are jointly and severally obligated to construct the public improvements defined in the Leases as the Center and the BM Facility at the sole cost and expense of Tenants in accordance with the terms and provisions of the Leases.

(b) ***Base Rent:*** The Leases obligate Tenants to pay, in the manner hereinafter defined, beginning upon the Commencement Date, and continuing thereafter throughout the Term to the Landlord, without notice or demand, the sums hereinafter described:

(i) First Period: For each of the first twenty five, twelve month periods (“First Period”) beginning on the January 1 first following the Commencement Date, and each succeeding twelve month period or portion thereof during the Term to, but not including the First Appraisal Date, as hereinafter defined, and following the First Appraisal Date, the twelve month period beginning on such date and each succeeding twelve month period or portion thereof during the Term (“Lease Year”), the amounts as follows:

As to Freedom Tenant: (i) Year 1 at \$590,004(commences January 1, 2008); Year 2 at \$607,705; Year 3 at \$625,936; Year 4 at \$644,714; Year 5 at \$664,055; Year 6 at \$683,977; Year 7 at \$704,496; Year 8 at \$725,631; Year 9 at \$747,400; Year 10 at \$769,822; Year 11 at \$792,917; Year 12 at \$816,704; Year 13 at \$841,205; Year 14 at \$866,441; Year 15 at \$892,435; Year 16 at \$919,208; Year 17 at \$946,784; Year 18 at \$975,187; Year 19 at \$1,004,443; Year 20 at \$1,034,576; Year 21 at \$1,065,614; Year 22 at \$1,097,582; Year 23 at \$1,130,510; Year 24 at \$1,164,425; and Year 25 at \$1,199,358..

As to Liberty Tenant: (i) Year 1 at \$889,996 (commences January 1, 2008); Year 2 at \$916,695; Year 3 at \$944,196; Year 4 at \$972,522; Year 5 at \$1,001,698; Year 6 at \$1,031,749; Year 7 at \$1,062,701; Year 8 at \$1,094,582; Year 9 at \$1,127,420; Year 10 at \$1,161,242; Year 11 at \$1,196,079; Year 12 at \$1,231,962; Year 13 at \$1,268,921; Year 14 at \$1,306,989; Year 15 at \$1,346,198; Year 16 at \$1,386,584; Year 17 at \$1,428,182; Year 18 at \$1,471,027; Year 19 at \$1,515,158; Year 20 at \$1,560,613; Year 21 at \$1,607,431; Year 22 at \$1,655,654; Year 23 at \$1,705,323; Year 24 at \$1,756,483; and Year 25 at \$1,806,177.

(ii) Second Period: For each Lease Year commencing on November 1, 2032 (“First Appraisal Date”), and continuing for a period of fifteen Lease Years thereafter (“Second Period”), each of Liberty Tenant and Freedom Tenant shall pay an amount per annum equal to the Base Rent Floor, as defined below, as determined on the First Appraisal Date which is the first day of the Second Period, equal to the greater of 6% of the fair market value of the Land, determined in accordance with each of the Liberty Lease and Freedom Lease, respectively, considered as unencumbered by the Lease and the Master Lease and as unimproved, except for Landlord’s Civic Facilities and other site improvements made by or on behalf of Landlord, or the Base Rent payable in the Lease Year immediately prior to the period for which such Base Rent Floor was determined (“Base Rent Floor”). Base Rent for the Second Period shall escalate on November 1, 2037 and again on November 1, 2042 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period under each Lease (i.e. November, 2032 and again November, 2037, respectively).

(ii) Third Period: For each Lease Year commencing on November 1, 2047 and continuing for a period of fifteen (15) Lease Years thereafter ("Third Period") each Tenant shall pay an amount per annum equal to the Base Rent Floor as determined as of the first day of the Third Period, as escalated on November 1, 2052 and again November 1, 2057 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period under each Lease (i.e. November, 2047 and again November, 2052, respectively).

(iii) Fourth Period: For each Lease Year commencing on November 1, 2062 and continuing thereafter until the Expiration Date ("Fourth Period") each Tenant shall pay an amount per annum equal to the Base Rent Floor as determined as of the first day of the Fourth Period, as escalated on November 1, 2067 by the greater of 15% of the Base Rent set for the prior five Lease Years or the percentage of increase of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the first month of the prior five Lease Year period under each Lease (i.e. November, 2062).

The Base Rent for each Tenant shall each be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term.

(c) **PILOT**: For each tax year or portion thereof within the Term, Tenants shall pay to the Landlord, without notice or demand, an annual sum ("PILOT"). For each Tax Year or portion thereof during the First Period, PILOT shall equal the greater of (x) actual Taxes for such Tax Year, or (y) the Minimum PILOT set forth as follows:

As to Freedom Tenant: (i) Year 1 at \$355,801; Year 2 at \$359,359; Year 3 at \$362,952; Year 4 at \$366,582; Year 5 at \$370,248; Year 6 at \$373,950; Year 7 at \$641,860; Year 8 at \$915,501; Year 9 at \$1,206,495; Year 10 at \$1,503,699; Year 11 at \$1,819,228; Year 12 at \$2,141,475; Year 13 at \$2,483,067; Year 14 at \$3,144,928; Year 15 at \$3,486,756; Year 16 at \$3,521,737; Year 17 at \$3,557,098; Year 18 at \$3,596,387; Year 19 at \$3,645,125; Year 20 at \$3,699,984; Year 21 at \$3,755,668; Year 22 at \$3,812,191; Year 23 at \$3,869,565; Year 24 at \$3,927,802; and Year 25 at \$3,986,915.

As to Liberty Tenant: (i) Year 1 at \$536,709; Year 2 at \$542,076; Year 3 at \$547,498; Year 4 at \$552,972; Year 5 at \$558,502; Year 6 at \$564,087; Year 7 at \$968,218; Year 8 at \$1,380,992; Year 9 at \$1,819,945; Year 10 at \$2,268,264; Year 11 at \$2,744,225; Year 12 at \$3,230,319; Year 13 at \$3,745,597; Year 14 at \$4,743,983; Year 15 at \$5,259,616; Year 16 at \$5,312,383; Year 17 at \$5,365,724; Year 18 at \$5,424,990; Year 19 at \$5,498,508; Year 20 at \$5,581,261; Year 21 at \$5,665,259; Year 22 at \$5,750,521; Year 23 at \$5,837,066; Year 24 at \$5,924,914; and Year 25 at \$6,014,084.

Each and all of the above being payable in equal semi-annual installments during such Tax Year as to each Tenant, respectively; (ii) for each Tax Year or portion thereof occurring after the First Period, PILOT shall equal actual Taxes for such Tax

Year, in each case payable in equal semi-annual installments during such Tax Year, in advance, on the first day of each of January and July; and (iii) PILOT for the period from the Commencement Date until the first January 1 or July 1 first following the Commencement Date shall be the greater of (x) Minimum PILOT payable for the first Lease Year as set forth above, and (y) actual Taxes for the Tax Year during which such period occurs, apportioned for such period, as to each Tenant.

(d) **Civic Facilities Payment:** As their allocable share of the cost of operating and maintaining certain Civic Facilities including curbs, street trees, open spaces and parks as described in the Leases, Tenants, for each Lease Year, or portion thereof, shall pay to the Landlord commencing on the date on which a temporary Certificate of Occupancy shall be issued for any dwelling unit in the respective Tenant's Building ("Initial Occupancy Date") and ending on the last day of the Term of the Leases an annual sum ("Civic Facilities Payment") to be paid by each Tenant as follows:

- (i) For the period commencing on the Initial Occupancy Date and ending on the last day of the Lease Year in which the Initial Occupancy Date occurs, an amount equal to the sum of (A) the product obtained by multiplying the number of residential units in each of the Buildings by \$500.00 dollars and (B) the product derived by multiplying \$.50 by the gross square feet of non-residential floor area, but excluding therefrom the common areas described in the Leases multiplied by a fraction, the numerator of which shall be the number of days between the Initial Occupancy Date and the last day of the Lease Year in which the Initial Occupancy Date occurs and the denominator of which is three hundred sixty five (365);
- (ii) For each of the next two Lease Years after (i) above, an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in each of the Buildings by \$500.00 dollars and (B) the product derived by multiplying \$.50 by the gross square feet of non-residential floor area, but excluding therefrom the common areas, the space occupied by Landlord, but including any garage, as described in the Leases;
- (iii) For each of the next three Lease Years succeeding (ii) above, an annual amount equal to the sum of (A) the product obtained by multiplying the number of residential units in each of the Buildings by \$550.00 dollars and (B) the product derived by multiplying \$.55 by the gross square feet of non-residential floor area, but excluding therefrom the common areas and the Community Space, but including any garage, as described in the Leases;
- (iv) For the next succeeding Lease Year after (iii) above, and for each succeeding Lease Year thereafter, an amount equal to the product of: (A) the Parks Budget¹ less amounts (x) payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases entered into prior to the Commencement Date; and (y) computed on the basis of operating costs for a particular neighborhood within the

¹ Parks Budget being defined as an estimate of the cost of operating, maintaining, repairing, restoring, replacing and upgrading the Parks, any other parks and open spaces within or adjacent to the Project Area, the curbs, street trees and similar civic facilities or any part thereof, including the costs to create and maintain a reserve fund and of insuring the Civic Facilities, excluding therefrom certain enumerated areas as described in the Lease for each Payment Period or portion thereof.

Project Area rather than for Operating Costs for the entire Project Area, multiplied by (B) a fraction, the numerator of which shall be the maximum permissible number of Zoning Floor Area in each Building, excluding the Community Space, and the denominator of which shall be the maximum permissible Zoning Floor Area in all residential buildings, excluding those described in (x) and (y) above, including each Building, excluding the Community Space, when computing its respective sum. Landlord at its sole option, and at any time, may establish an alternative method of determining Tenants' allocable share of the Operating Costs and the amount of the Civic Facilities Payment as may be equitable with respect to all tenants of landlord within the Project Area.

Notwithstanding the foregoing, the amount of each Tenant's Civic Facilities Payment, for any Lease Year referred to in the Leases shall not be greater than one hundred twenty-five percent (125%) of each of Tenant's Civic Facilities Payment for the prior Lease Year and the amount of capital costs included in the Operating Costs shall not exceed one hundred ten percent (110%) of the Operating Costs for any one year.

Tenants shall pay to Landlord the Civic Facilities Payments due in respect of each such Payment Period in equal monthly installments payable in advance on the first day of each month that occurs within a Payment Period.

(v) In the event that Landlord's Civic Facilities or portion thereof shall be destroyed by fire or other casualty, or taken by the exercise of the right of condemnation or eminent domain or similar proceeding, and the reasonable costs associated with the Restoration or reconstruction of all or any portion of the Landlord Civic Facilities exceed the proceeds of an award, proceeds of insurance and/or the Civic Facilities reserve fund established, then Tenants shall pay to Landlord an amount equal to the product obtained by multiplying such excess by (A) the Parks Budget for each Lease Year or portion thereof ("Payment Period"), succeeding the period in (iii) above, multiplied by (B) a fraction, the numerator of which shall be the maximum permissible number of Zoning Floor Area in all residential buildings including each of the respective Buildings, less amounts (x) payable toward such Parks Budget by other tenants of Landlord in the Project Area under leases entered into prior to the Commencement Date; and (y) computed on the basis of operating costs for a particular neighborhood within the Project Area rather than for Operating Costs for the entire Project Area; reduced by the amount, if any, payable by such other tenants.

(e) **Percentage Rent:** (i) For the period commencing on the date Tenant shall first collect any Gross Non-Residential Revenue², as hereinafter defined (the "Percentage Rent

² Gross Non-Residential Revenue includes, but is not limited to all revenue received by Tenant or an Affiliate of Tenant from, in connection with, or arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, and which includes all revenue received by Tenant or an Affiliate of Tenant arising out of the use and occupancy of space in the Building which is being used for any non-residential purpose, including without limitation, base rent, fixed rent, percentage rent, additional rent, and all other income, sums and charges, whether payable to Tenant or any Affiliate of Tenant under a Sublease or otherwise, but such gross non-residential revenue shall not include certain sums enumerated in the Lease, and by way of example, include but are not limited to security deposits affecting non-residential space, payments by residential tenants of the Building for laundry, cleaning services, et seq., refinancing proceeds, transfers between Tenants and Affiliates of Tenants, sums paid to Tenant or an Affiliate of Tenant for movie and television filming rights, or the right to provide the Building with garbage collection or cable television services, et seq., sums received by Tenant or an Affiliate in payment for construction work beyond the Building standard then performed by landlords for non-residential tenants in the Project Area generally, up to the fair market value of the work or services, and amounts otherwise included in computing gross non-residential revenue, but ultimately credited or refunded to Tenant or Tenant Affiliate to any Person, all of which are detailed with specificity in the Lease.

Commencement Date”), ending on December 31 of the calendar year in which the Percentage Rent Commencement Date occurs, and for each calendar year thereafter during the Term, each Tenant shall pay to Landlord an amount equal to 10% of its Gross Non-Residential Revenue during each such calendar year or portion thereof (“Percentage Rent”). Percentage Rent shall be computed quarterly, in the manner specified in the Lease, and within thirty days after the end of each calendar quarter Tenant shall submit in reasonable detail the Gross Non-Residential Revenue from the prior quarter and based upon said submission pay Landlord 10% of its Gross Non-Residential Revenue as a partial payment. Each Tenant shall deliver to Landlord as soon as is practicable after the end of each calendar year, but not later than 120 days after the end of such calendar year, a separate statement for such year showing the Gross Non-Residential Revenue, together with the Percentage Rent due for such year. In the event of an underpayment of the Percentage Rent for the period, Tenant shall pay to Landlord the deficiency upon submission of the annual statement. In the event of an overpayment for such year, Tenant may offset said excess sum, without interest, against subsequent payment of Percentage Rent.

In the event Tenant’s leasehold estate in the Premises shall be submitted to a condominium form of ownership, then that Tenant’s obligations with respect to Percentage Rent shall be the direct obligation of the Unit Owners of each such commercial Unit, it being the agreement of Landlord and Tenant that such Unit Owner, shall pay Percentage Rent directly to Landlord and that Landlord may pursue any rights granted to Landlord hereunder directly against such Unit Owner, and any interest in the non-residential portion of the Buildings that does not so provide shall be void and of no force and effect; however on or after the Conversion Date under each Lease, no rental shall be calculated or due in respect of the Center.

(f) ***Additional Payments:*** (i) **Transaction Payments**. Upon a Tenant’s submission of its leasehold estate in the Premises to a condominium form of ownership in accordance with the Leases, that Tenant shall pay to Landlord, upon the first transfer of each Unit to a bona fide purchaser (“Transaction Payment”), a payment in an amount equal to three and one-quarter percent (3.25%) of the all amounts received as consideration for the transfer of such Unit, including (A) all cash or cash equivalent proceeds; (B) the outstanding principal amount of any debt, and any interest accrued thereon, assumed by the purchaser in such sale or to which such sale is made subject; (C) the fair market value of any property received by or on behalf of Tenant as consideration; (D) the amount of any installments of the purchase price for such Unit payable subsequent to the closing of such sale, whether pursuant to a purchase money promissory note or otherwise; and (E) any other amounts received as consideration (“Gross Sales Price”) of such Apartment or Unit. To secure its obligations under the Leases to pay the Transaction Payments, each Tenant shall also deliver to Landlord a Guaranty of Transaction Payments in favor of Landlord, in form and content as set forth in the respective Leases, and shall remain in effect through the final payment in full of the Transaction Payments.

(ii) **Additional Transaction Payments**. If either Tenant fails to conduct a Bona Fide Sale Process and if, in accordance with the terms of the Leases, by December 31, 2014 (“Guarantee Date”), the net present value of Transaction Payments received by Landlord under the Leases (“Actual NPV Amount”) is less than six million two hundred fifty thousand dollars (\$6,250,000) (the “Guaranteed NPV Amount”),

Liberty Tenant and/or Freedom Tenant shall, on or before January 31, 2015, make a prepayment of Transaction Payments in an amount equal to the difference between the Guaranteed NPV Amount and the Actual NPV Amount. If either Tenant fails to conduct a Bona Fide Sales Process and if by December 31, 2019 (the “Second Guarantee Date”), the net present value of Transaction Payments received by Landlord under the Leases, including any prepayments (“2nd Actual NPV Amount”) is less than nine million five hundred thousand dollars (\$9,500,000) (the “2nd Guaranteed NPV Amount”), Liberty Tenant and/or Freedom Tenant shall, on or before January 31, 2020, make a prepayment of Transaction Payments in an amount equal to the difference between the 2nd Guaranteed NPV Amount and the 2nd Actual NPV Amount. Net present value amounts shall be calculated for the period beginning on the Commencement Date and ending on either the Guarantee Date or the 2nd Guarantee Date, or such other date as appropriate for the calculation, and shall assume a discount rate of 6% and monthly discounting of cash flows. Landlord shall have no further entitlement to Transaction Payments after it has received cumulative Transaction Payments, including prepayments with a net present value of twelve million five hundred thousand dollars (\$12,500,000).

(iii) Deferred Lease Payments. Tenants shall pay to Landlord, no later than five (5) Business Days after the issuance of the initial temporary Certificate of Occupancy for any part of their respective Buildings, deferred lease payments as follows:

As to Freedom Tenant: Two hundred fifty three thousand nine hundred thirty two dollars (\$253,932) together with interest on such sum accruing at a fixed rate of six percent (6%) per annum from the Commencement Date through the date such payment is actually made (based upon actual days elapsed and a 360 day year); and the Fuel Cell Adjustment³, if applicable.

As to Liberty Tenant: Three hundred seventy seven thousand two hundred sixty eight dollars (\$377,268) together with interest on such sum accruing at a fixed rate of six percent (6%) per annum from the Commencement Date through the date such payment is actually made (based upon actual days elapsed and a 360 day year); and the Fuel Cell Adjustment, if applicable.

3. ***Insurance***: Tenants shall, after Substantial Completion of each respective Building, and thereafter for the full Term of each of the Leases, keep in full force and effect (i) an All Risk of Physical Loss policy of insurance, including without limitation loss or damage by water, flood, subsidence and earthquake, on an Agreed Amount basis with full replacement cost; as such shall be determined from time to time, but not less frequently than required by the insurer and in any event at least once every three (3) years (in the event either Tenant’s leasehold estate shall be submitted to condominium ownership, such replacement cost determination shall be made annually); (ii) commercial general liability insurance against liability for bodily injury, death and property damage in an amount as may be reasonably required by Landlord upon thirty (30) days notice, but not less than twenty five million dollars combined single limit under each

³ Fuel Cell Adjustment being equal to (i) \$586,800 minus (ii) all reasonable non-recoverable out-of-pocket expenses and costs incurred by Tenants in connection with the design and planning of the fuel cell technology-based generating plant by either of the Liberty Tenant and Freedom Tenant as described in Section 11.16 of each of the Liberty Lease and the Freedom Lease.

respective Lease; and (iii) such other insurance enumerated in the Leases approved by Landlord, and such other insurance in such amounts as may be reasonably required by Landlord. All policies shall name each Tenant under each Lease as the insured, the Landlord, and Master Landlord as additional insureds to the extent, where applicable, of their respective insurable interests in the Premises, and shall be primary with respect to any other coverage which Landlord and Master Landlord may obtain as additional insured. Any Mortgagee may be named an additional insured under a standard mortgagee endorsement, provided that such Mortgagee irrevocably agrees in writing for the benefit of Landlord that all proceeds of such insurance shall be applied in accordance with the applicable Lease. All Rent Insurance shall provide that any adjustments for claims in excess of such Insurance required by Landlord be for the benefit of Landlord and Tenants. Each Lease provides in substance that all adjustments for claims with the insurers shall be made with the Landlord and Tenant. All proceeds of loss under the policies in excess of one million dollars which such floor as may be increased from time to time as provided for in the Leases, shall name as loss payees Landlord, Tenant and Mortgagee, as their interests may appear.

4. ***Restoration:*** If all or any part of the Buildings as defined in the Leases, shall be destroyed or damaged in whole or in part by fire or other casualty, Tenants shall, whether or not such damage or destruction shall have been insured, and whether or not insurance, if any, shall be sufficient for the purpose of such Restoration, Restore the Buildings. Except as hereinafter set forth, Tenants shall Restore the Premises in the event all or any part of the Premises shall be destroyed or damaged in whole or in part by fire or other casualty, at least to the extent of the value and as nearly as possible to the condition, quality and class of the Premises existing immediately prior to such occurrence, and if such casualty occurs within ten years after the date the Building has been Substantially Completed, then Restoration shall be performed in accordance with the Construction Documents as defined in the respective Leases. If any loss, damage or destruction occurs, and the cost of Restoration of which equals or exceeds \$1,000,000 (as adjusted), Tenants shall furnish to the Landlord complete plans and specifications for such Restoration, a contract or construction management agreement, payment and performance bonds in forms reasonably satisfactory to the Landlord for the cost of Restoration exceeding such amount, and required insurance policies, neither Lease shall terminate or be forfeited or be affected in any manner, and there shall be no reduction or abatement of the Rental payable thereunder by reason of damage to, or total, substantial or partial destruction of the Building by reason of the untenantability of the same for, or due to, any reason or cause whatsoever, and Tenants, notwithstanding any law or statute, waive any and all rights to quit or surrender the respective Premises, except in accordance with the provisions as set forth in each of the respective Leases. Tenants expressly agree that their obligations thereunder, including, without limitation, the payment of Rental, shall continue as though the Buildings had not been damaged or destroyed without abatement, suspension, or diminution of any kind, except in accordance with the respective Leases. Notwithstanding anything in the Leases to the contrary, to the extent that any portion of the Restoration involves work on the exterior of the Buildings or a change in the height, bulk or setback of the Buildings, Tenants shall furnish to the Landlord a complete set of plans and specifications for the Restoration of such Building. If such casualty occurs within the last three (3) years of either Lease Term, and materially damages all or substantially all of the Premises, then at the respective Tenant's option, to be exercised within ninety (90) days of such casualty, either Tenant may terminate its respective Lease on the date so specified by Tenant, but no later than the date that is thirty (30) days following Tenant's exercise of such option, and

provided Tenant shall have secured the Premises and put in a safe condition and Depository shall have paid over to Landlord all Restoration proceeds, as defined in the respective Leases.

If either Tenant's leasehold interest in the Premises is submitted to the condominium form of ownership, all of such Tenant's obligations under Article 8 of the Lease shall be the obligation of the Condominium Board.

5. **Condemnation:** If the whole or substantially all of the Premises shall be taken, excluding a taking of the fee interest in the Premises, or any leasehold interest superior to that of the Tenant's, if after such taking Tenant's rights under its Lease are not affected, for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement among the Landlord, Tenant and those authorized to exercise such right, the Lease and the Term shall terminate and expire on the date of such taking and the rental payable by Tenant shall be equitably apportioned as of the date of such taking. The condemnation awards shall be apportioned: (i) first to the Landlord for or attributable to the value of the Land so taken, considered as unencumbered by the Lease and the Master Lease and as unimproved, and the Landlord's Civic Facilities and other site improvements made by Landlord taken in any proceeding with respect to such taking; (ii) next to the mortgagee which holds a first lien on Tenant's interest in the Lease under a Single Asset Mortgage or to Unit Mortgagees under Single Asset Unit Mortgages constituting first liens against the mortgaged Units, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by such Single Asset Mortgage or Single Asset Unit Mortgage with interest thereon at the rate specified therein to the date of payment; (iii) for a period of forty years from the Scheduled Completion Date, there shall next be paid to each additional Mortgagee under a Single Asset Mortgage, so much of the balance of such award as shall equal the unpaid principal indebtedness secured by its Single Asset Mortgage with interest thereon at the rate specified therein to the date of payment; (iv) next to Landlord so much of the award which is for or attributable to the value of Landlord's reversionary interest in that part of the Building taken in such proceeding, it being understood that for the period of forty years from the Scheduled Completion Date the value of Landlord's reversionary interest shall be zero; and (v) subject to the rights of any Mortgagees or Unit Mortgagees, Tenant shall receive the balance, if any, of the award. If less than substantially all of the Premises shall be so taken, the Lease shall continue as to the portion of the Premises remaining without abatement of the rent or diminution of any of Tenant's obligations. Tenant shall proceed diligently to Restore any remaining part of the Building. The entire award for or attributable to the Land taken and the fair market value of the Landlord's Civic Facilities shall be first paid to the Landlord, and the balance, if any, shall be paid to Depository, except that if such balance shall be less than \$1,000,000 (as adjusted in accordance with the Lease), such balance shall be payable, in trust, to Tenant for application to the cost of Restoration.

If the temporary use of the whole or any part of the Premises shall be taken, the term shall not be reduced or affected in any way and Tenants shall continue to pay in full the Rental, and Tenants shall be entitled to receive any award or payments for such use, in accordance with the provisions of Section 9.05(i) and (ii) of the Leases.

Landlord, Tenant and any Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceedings. Landlord represents that under current law it has no power to condemn all or any part of the Premises, and Landlord covenants and

agrees that without the prior written consent of the respective Tenant, it shall never institute any taking or condemnation of all or any portion of the Premises.

6. ***Assignment, Subletting:*** Except as otherwise provided, and with specified exceptions regarding transfers among initial investors in the project, prior to Substantial Completion of the Buildings, or at any time after Substantial Completion of the Buildings that the conditions set forth in Section 10.01(b) of each of the Leases are not satisfied, neither the Leases nor any interest of Tenants in the Leases shall be sold, assigned, or otherwise transferred, whether by operation of law or otherwise, including without limitation an assignment in connection with either Tenant's submission of its leasehold estate in the Premises to a condominium form of ownership, but excluding transfers of individual residential apartment Units following the submission by Tenant of its respective leasehold estate in the Premises to a condominium form of ownership pursuant to Article 40 and Exhibit G (Provisions Regarding the Conversion To Condominium Form of Ownership), of the Leases, nor shall any of the issued or outstanding capital stock of any corporation, any membership interest in any limited liability company, any partnership interest in any partnership or any equity interest in any Person, in each case, a respective Tenant, or owns a direct or indirect interest in the respective Tenant, be sold, assigned, transferred, pledged or encumbered, whether by operation of law or otherwise, if such would result in a change of the Controlling membership ownership of such Tenant as held by the members thereof as of the Commencement Date, or there be any change in the right to direct the management of any Person that is a respective Tenant or owns a direct or indirect interest in such respective Tenant, nor shall either Tenant sublet the Premises as an entirety or substantially as an entirety, without the consent of Landlord in each case.

From and after the Substantial Completion of the Buildings, Landlord's consent shall not be required prior to any Transfer, assignment, or subletting of the Premises provided no Default as to which notice shall have been given shall have occurred and then be continuing, and Tenants have complied with the requirements under Article 10 of the Leases. Landlord's consent shall not be required in the event either Tenant assigns its interests in the Leases or subletting of the Premises as an entirety or substantially as an entirety, provided no Default then exists and is continuing; however, Tenants shall not, at any time during the Term, assign their interest in the Leases in whole or in part pursuant to any plan to submit Tenants' leasehold estate in the Premises to condominium ownership except in accordance with the applicable provisions of Article 10 above, and which assignment shall be governed by the provisions of Sections 23.01, Section 40 and Exhibit G of the Leases.

Tenants, including any Unit Owner, may, without Landlord's consent, but subject to the provisions of the last sentence of Section 10.01(c) enter into agreements for the rental of residential and non-residential space in the Buildings or the occupancy of such space for periods shorter than or equal to the remainder of the Term at the time of such agreements ("Subleases"). Each residential Sublease shall obligate the Subtenant pursuant thereto to occupy and use the Premises included therein for residential purposes only. After an Event of Default by either Tenant, Landlord may, subject to the rights of any Mortgagee which is an Institutional Lender, collect subrent and all other sums due under Subleases and apply the net amount collected to Rental, but no such collection shall be deemed to be a waiver of any agreement, term, covenant or condition under the Lease. Tenants set over to Landlord all of Tenants' right title and interest in and to all Subleases, subject to the rights of any qualifying Mortgagee in accordance with the respective Lease. All Subleases shall provide that they are subject to the Leases and to the Master Lease, and at Landlord's option on the termination of the respective Lease; the

Subtenants will attorn to or enter into a direct lease with Landlord. With respect to certain Subleases, and upon the terms enumerated in the Leases, the Landlord and a Subtenant shall execute an agreement wherein the Landlord agrees to recognize such Subtenant as a direct Tenant of Landlord under its Sublease upon termination of the respective Leases.

7. ***Mortgage:*** Tenants shall have the right to mortgage their respective interests in the Leases to a Mortgagee, and shall give Landlord prompt notice of such mortgage, and the Landlord shall give to such mortgagee a copy of each notice of Default and such Mortgagee may remedy the Default and Landlord shall accept performance with the same force and effect as though performed by Tenants. Except as provided in Section 10.10(b) of the Leases, no Mortgagee shall become liable under the provisions of the Leases unless and until such time as it becomes and remains, the owner of the respective leasehold estate created thereby. Landlord shall not be obligated to execute and deliver a new lease of the Premises pursuant to Section 10.11 except in accordance with the terms and as otherwise provided in the Leases. The provisions of Section 10.10 and 10.11 shall be of no further force and effect in the event Tenants shall have subjected Tenants' leasehold interests in the Premises to a condominium form of ownership. In the case of termination of the Leases upon Default, Landlord shall give notice thereof to each Mortgagee and on written request shall promptly execute and deliver a new lease of the respective premises covered by the mortgage, to the Mortgagee, for the remainder of the Term, provided that such Mortgagee shall pay all rental due and all expenses incurred by the Landlord and cure all Defaults. The Landlord shall assign to the tenant all of its right, title and interest in and to moneys then held by or payable to the Landlord or Depository which such Tenant would have been entitled. If there is more than one mortgage, the Landlord shall only recognize the Mortgagee whose mortgage is most senior in lien and which has requested a new lease of such premises.

8. ***Repairs:*** Tenants shall, unless otherwise provided, at their sole cost and expense, put and keep, or shall cause to be put and kept, in good condition and repair the premises and shall put, keep and maintain the Buildings in good and safe order and condition, and make all repairs to keep the same in good and safe order and condition. Tenants shall not commit or suffer, and shall use all reasonable precaution to prevent, waste, damage or injury to the Premises. Tenants assume the full and sole responsibility for the condition, operation, repair, alteration, improvement, replacement, maintenance and management of the Premises. All repairs made by Tenants shall be at least equal in quality and class to the original work and shall be made in compliance with all Governmental Authorities, as defined in Section 12.01 of the Leases. Tenants shall be responsible for the maintenance and repair of the structural elements of the core and shell as referred to in Section 11.02(n) of the Leases for the Community Space. Landlord shall be responsible for the construction, maintenance and repair of the interior of the Community Space, including the Landlord's Installation as defined in the Leases. When Tenants submit their respective Leases to a condominium form of ownership in accordance with Article 40 and Exhibit G of the Leases, then the obligations hereinabove described shall be assumed by such Condominium Board.

9. ***Compliance with Requirements:*** Tenant must promptly comply with any and all applicable present and future laws, rules, orders, ordinances, etc. affecting the Premises and shall have the right to contest the validity of any such requirements or the application thereof in accordance with the provisions of the Lease.

10. ***Capital Improvements:*** Tenants shall not demolish, replace or materially alter the Buildings, or make any addition thereto, unless Tenants have procured from all Governmental Authorities and paid for all permits, consents, certificates and approvals; the improvements will not materially reduce the value of the Premises; the Capital Improvements are made with diligence, in a good and workmanlike manner and in compliance with all requirements; and Tenants have delivered to Landlord certificates of insurance acceptable to Landlord. If the estimated cost of any proposed Capital Improvement exceeds \$1,000,000 (as adjusted), Tenants shall pay the fees and expenses of any architect or engineer selected by the Landlord and furnish: complete plans and specifications; a contract or construction management agreement; payment and performance bonds or other security. To the extent that any portion of the Capital Improvement involves work which affects the structural elements of the Building or work involving the exterior or a change in the height, bulk or setback of such Building, Tenant shall furnish to the Landlord complete plans and specifications and any other item at the Landlord's request. Title to all additions, alterations, improvements and replacements made to the Buildings shall forthwith vest in Landlord, without any obligation by Landlord to pay any compensation therefor to Tenants.

11. ***Equipment:*** All equipment shall be and shall remain the property of the Landlord. Tenants shall not have the right, power or authority to, and shall not, remove any Equipment from the Premises without the consent of Landlord, which consent shall not be unreasonably withheld.

12. ***Discharge of Liens:*** Subject to the provisions of the respective Leases, Tenants shall not create or permit to be created any lien, encumbrance or charge upon the Premises and shall not suffer any other matter or thing whereby the estate, right and interest of the Landlord in the Premises might be impaired. Tenants may finance any Equipment. If any lien at any time shall be filed against the Premises, Tenants shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise.

13. ***Landlord's Right to Perform:*** If Tenants at any time shall be in Default, after notice thereof and after applicable grace periods, if any, provided under the Leases for Tenants or a Mortgagee, respectively, to cure or commence to cure same, the Landlord, without waiving or releasing Tenants from any of their obligations contained in the Leases, may (but shall be under no obligation to) perform such obligation on Tenants' behalf.

14. ***Events of Default:*** The Leases provide that if certain Defaults shall occur, the Landlord shall have the right to terminate the respective Lease. See, however, "Condominium Ownership" below for a discussion of certain limitations on such remedy. Events of Default under the Leases include but are not limited to: (i) failure of Tenants to pay any item of Rental for 10 days after notice from the Landlord to such Tenant; (ii) failure by Tenants to observe or perform one or more of the terms, conditions, covenants or agreements contained in this Lease which failure continues for a period of 30 days after notice thereof by Landlord; (iii) filing of a bankruptcy petition or the commencement of any proceeding against Tenant seeking dissolution or similar relief under the bankruptcy code that shall not have been dismissed within 90 days; (iv) assignment of the Lease, sublease, or transfer of certain interests in Tenant, without the Landlord's approval to the extent required and which transaction has not been made to comply or voided ab initio within 30 days after notice thereof from Landlord; and (v) to the extent permitted by law, if Tenant shall admit, in writing, that it is unable to pay its debts as such

become due, or if Tenant should make an assignment for the benefit of creditors. As previously stated, the Leases grant a mortgagee certain rights intended to provide protection in the Event of Default by Tenant, including a right to notice and cure and a right to enter into a new lease with the landlord directly. In the event either Lease shall terminate due to an Event of Default and in accordance with the provisions of such Lease, then Tenant, Tenant as debtor-in-possession and/or Trustee shall immediately quit and surrender the Premises. No Lease termination pursuant to Section 24.03(a) or taking possession of or re-letting the Premises or any part thereof, pursuant to Sections 24.03(b) or 24.04(b) of the Lease shall relieve Tenant of its liabilities and obligations thereunder, all of which shall survive such expiration, termination, repossession or re-letting. Each Tenant shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant, and Tenant shall pay to Landlord all costs and expenses, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred in any action brought by Landlord against Tenant on account of the provisions thereof.

15. ***Civic Facilities:*** The Landlord has the obligation to construct certain enumerated Civic Facilities. Tenants acknowledge that other than those certain facilities enumerated in Article 26 of the Leases, Landlord has completed the Civic Facilities improvements. Tenants have the obligation to maintain certain of the enumerated Civic Facilities, and Landlord the obligation to maintain the balance of the enumerated Civic Facilities. In the event Landlord fails to so maintain the enumerated Civic Facilities in accordance with the Leases, Tenants shall have the right but not the obligation to undertake Landlord's Maintenance Obligations ("Self-Help," as defined in the Leases). In the event Tenants undertake Self-Help, then Tenants shall have the right to offset against the next installment of Civic Facilities Payments an amount equal to the reasonable expenses thereby incurred or paid by each respective Tenant together with interest thereon at the Involuntary Rate computed with respect to each payment made by such Tenant. Landlord shall incur no penalty or liability, and Tenants shall have no remedies or rights other than as expressly provided in the respective Lease, it being agreed that Landlord's failure to perform Landlord's Maintenance Obligations shall not be deemed a failure by Landlord to perform a substantial obligation on Landlord's part to be performed under the Leases.

16. ***No Subordination:*** The Landlord's interest in the Leases shall not be subject or subordinate to any mortgage now or hereafter placed upon Tenants' interests in the Leases or any other liens or encumbrances hereafter affecting Tenants' interests in the Leases, including without limitation any Unit Mortgage, or any other liens or encumbrances hereafter affecting Tenants' interests in their respective Leases including without limitation a lien filed pursuant to Section 339-z and 339-aa of the Real Property Law. Master Landlord and Tenants executed that certain Master Landlord Non-Disturbance and Recognition Agreement which shall be in the form exhibited to each of the Leases, and which is binding on Master Landlord's successors and assigns and benefits Tenants' successors and assigns, and provides that if the Master Lease is terminated then Landlord will recognize Tenants under the Leases and Tenants will attorn to Landlord and will recognize such holder as Tenants' landlord under the Leases.

17. ***Condominium Ownership:*** Tenants shall, within ninety (90) days after Substantial Completion of each respective Building, submit Tenants' leasehold estate in the Premises to condominium ownership pursuant to Article 40 and Exhibit G of the Leases. The Condominium Plans shall provide that the Community Space will comprise a separate Unit or

Units. On the later of completion of Tenants' work to construct the core and shell of the Community Space or the Condominium Date, Tenants shall convey the Units comprising the Community Space to Landlord. No Common Charges or maintenance fees shall be allocated to the Units comprising the Community Space. The documents governing the Community Space as a component of a condominium corporation and Landlord's rights and interests shall be subject to Landlord's approval, which shall not be unreasonably withheld or delayed. From and after the Condominium Date, Landlord and Tenant agree that Landlord shall not have the right to terminate the Leases pursuant to Section 24.03(a) or to repossess the respective Premises or dispossess Tenants pursuant to Section 24.03(b), except as expressly permitted in the Leases and in accordance with the terms covenants and conditions thereunder.

18. ***Limitations on Landlord's Liability:*** The liability of Landlord, as set forth in the Leases, shall be limited to Landlord's interest in the Premises, including the rents and profits therefrom, the proceeds of any insurance policies covering the Premises, any awards payable in connection with any condemnation of such Premises or any part thereof and any other rights, privileges, or other interests appurtenant to such Premises. None of Landlord, any such Person or any of the members, directors, officers, employees, agents or servants of either Tenant shall have any liability hereunder beyond Landlord's interest in such Premises, including, without limitation, the rents and profits therefrom and such other proceeds and awards as set forth in the respective Leases appurtenant to such Premises, and no other property or asset of Landlord or any such Person shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenants' remedies thereunder.

19. ***Tenant's Liability:*** Except as to Recourse Claims as defined in the Leases, the liability of Tenants shall be limited to Tenants' interests in the respective Premises, including without limitation, the rents and profits from such Premises, the proceeds of any insurance policies covering or relating to such Premises, any awards payable in connection with any condemnation of such Premises or any part thereof, any security provided hereunder and amount deposited hereunder with Landlord, Depository or a Mortgagee, or other interest or sums appurtenant to such Premises. Except as to Recourse Claims, Tenants shall have no liability thereunder beyond Tenants' interests in such Premises, and no other property or asset of Tenants shall be subject to levy, execution or other enforcement procedure for the satisfaction of Landlord's remedies hereunder.

20. ***Subsurface Vaults:*** The Tenants have Leased from Landlord the "East Subsurface Vault" and the "West Subsurface Vault," both as more particularly described in the respective Leases (the East Subsurface Vault and the West Subsurface Vault hereinafter collectively the "Subsurface Vaults"). The Subsurface Vaults are included in the Premises and demised to each respective Tenant. All of Tenants' rights and obligations under the Leases apply with respect to the Subsurface Vaults. Tenants have, by virtue of a certain revocable license granted to Tenants by Landlord under the Leases, the right to use and occupy the Licensed Subsurface Vaults as more particularly defined in the Leases. Tenants' rights with respect to the Licensed Subsurface Vaults are limited solely to the privilege to use and occupy same for the Term granted under the respective Leases as a revocable license upon the terms and conditions so stipulated in the Leases only.

ANCILLARY AND OTHER AGREEMENTS

In connection with the development, maintenance and operation of the World Financial Center, the Authority, Olympia & York and American Express Company and certain of its affiliates (with respect to the Project Operating Agreement) have entered into certain ancillary agreements. The Authority is also a party to other agreements governing construction of infrastructure improvements and the construction, operation and maintenance of parks and open spaces in the Project Area.

Subsequent to the confirmation of a bankruptcy plan in September 1996, (see "CERTAIN FACTORS AFFECTING REVENUES FROM SPECIFIED SUBLEASES – Other Factors – Bankruptcy"), Brookfield has succeeded to the interests of Olympia & York Battery Park Company in the agreement set forth below and manages the common areas of the World Financial Center.

Civic Facilities Maintenance Agreement

Pursuant to an agreement dated as of September 1, 1981, between the Authority and Olympia & York Battery Park Company ("Olympia & York" or the "Contractor"), as amended by an amendment dated as of June 15, 1983, between the Authority and the Contractor (the "Civic Facilities Maintenance Agreement"), the Contractor agreed, upon the terms and conditions therein provided, to operate, maintain and repair certain civic facilities (the "WFC Civil Facilities") for the Authority. Unless sooner terminated, the Civic Facilities Maintenance Agreement extends until the earlier of June 17, 2069, the date New York City becomes the fee owner of the Premises, or until dedication of the Civic Facilities to New York City, or acceptance by the appropriate utility company or by a tenant under a WFC Severance Lease or assumption by the Management Committee pursuant to the Project Operating Agreement of the maintenance responsibilities therefor, or December 31 of the calendar year in which the Contractor or a Permitted Assignee ceases to be the holder of tenant's interest under any WFC Severance Lease.

The Contractor shall submit to the Authority, for its approval, a budget of the costs and expenses which, it expects to incur in connection with the performance of its duties. The Authority shall either approve such budget or give the Contractor a notice of objections in reasonable detail. If the Authority shall have objected to the budget and the parties are thereafter unable to agree, the Authority shall solicit bids for the operation, maintenance and repair of the WFC Civic Facilities and shall award a contract to the lowest qualified bidder. If the lowest qualified bid shall be other than the Contractor, the Civic Facilities Maintenance Agreement shall be terminated. If the Authority fails to perform its obligations under the Civic Facilities Maintenance Agreement, the Contractor may exercise any remedy to which it is entitled at law or in equity.

The liability of the Authority for damages or otherwise shall be limited to the Authority's interest in the WFC Civic Facilities, the Premises and the WFC Severance Leases, including, without limitation, the rents, issues and profits therefrom, the proceeds of any insurance policies covering or relating to the WFC Civic Facilities and the Premises, and any awards payable in connection with any condemnation of the WFC Civic Facilities, the Premises and the WFC Severance Leases. Neither the Authority nor any of its directors, officers, employees, agents or servants shall have any liability (personal or otherwise) beyond the Authority's interest in the

WFC Civic Facilities, the Premises and the WFC Severance Leases, and no other property or assets of the Authority or any of its directors, officers, employees, agents or servants shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Contractor's remedies thereunder.

The Authority is obligated to reimburse the Contractor for its Actual Costs, which include Extra Budget Amounts (which includes Actual Costs necessitated by any Casualty, Taking, defects in original construction except for a Warranty Repair, conditions other than those arising by reason of wear and tear and obsolescence, or additional repair or change of the Plaza or Esplanade because of specific events). Any offsets taken by a tenant under the WFC Severance Leases on account of amounts owed by the Authority to the Contractor under the Civic Facilities Construction Agreement shall be deemed to constitute payment by the Authority to the Contractor of such sums.

Project Operating Agreement

The Authority, Olympia & York and American Express Company and certain of its affiliates entered into a project operating agreement dated as of June 15, 1983, as amended by an amendment dated as of November 21, 1996 between the Authority, American Express Company and certain of its related entities and Brookfield (the "Project Operating Agreement"). The purpose of the Project Operating Agreement is to provide for the use, management, repair and restoration and cost sharing of certain areas and facilities (collectively, the "Common Areas") which, although located solely or principally in one of the Parcels, are for the use or benefit of, or provide utilities or other necessary services to, all or more than one of the Parcels and tenants and subtenants thereof. The Common Areas include the glass-enclosed Winter Garden, the Liberty Street Bridge, the Central Plant, the Loading Dock, the Courtyard, the Utility Lines and Conduit, the Security and Fire Control Center, the Pedestrian Ways, the Landscaped Areas, the Driveway, and, until the dedication thereof to New York City for public use, those WFC Civic Facilities with respect to which the Management Committee elects or a tenant under a WFC Severance Lease elects to assume responsibility for the operation, maintenance, repair and restoration (the "Elected Civic Facilities"). The Project Operating Agreement commenced on June 15, 1983, is intended to run with the land to apply to and bind the successors and assigns of the respective parties (including the Authority as successor in interest to a tenant or The City of New York), and expires on June 17, 2069. Tenant of each Parcel for itself, its successors and assigns, agrees that it will not amend its WFC Severance Lease or the Easement and Restrictive Covenant Agreement in any manner which would adversely affect the rights of any other tenant, or impair or derogate its obligations, under the Project Operating Agreement.

The Project Operating Agreement provides for the establishment of a tenants' committee (the "Management Committee") comprised of representatives of tenants under the WFC Severance Leases. The Project Operating Agreement imposes monetary and other obligations on the part of tenants under the WFC Severance Leases. In the event the Authority shall have terminated a WFC Severance Lease, the Authority shall assume such obligations of tenant under the terminated WFC Severance Lease. The parties to the Project Operating Agreement acknowledge that, under each WFC Severance Lease, the Authority has agreed that tenants, acting jointly through the Management Committee, shall have the right of self-help if the Authority, as landlord under the WFC Severance Leases, fails to perform its obligations to operate, maintain and repair the WFC Civic Facilities. If the Management Committee, on behalf

of tenants, shall obtain a judgment (beyond right of appeal) holding that such tenants rightfully undertook to perform or cause the performance of such obligations of the Authority, then each tenant under a WFC Severance Lease (other than the Authority if it shall have succeeded to the interest of a tenant under the Project Operating Agreement) may offset from the next installments of Base Rent, Percentage Rent, Retail Rent, Other Rent and PILOT due the Authority such tenant's pro rata share of the amount of the final judgment (together with interest).

The Authority may dedicate to the City for public use those portions of the WFC Civic Facilities consisting of the Pedestrian Bridges and the Plaza or Esplanade, or any portion thereof. The Authority has, however, agreed to give tenants notice of its intention to dedicate such WFC Civic Facilities, and if the Management Committee (excluding the Authority if it is a tenant) elects by notice to the Authority on behalf of tenants to assume the Authority's obligations to operate, maintain, repair and restore such WFC Civic Facilities, the Authority shall not dedicate such WFC Civic Facilities or the portion thereof in question. In such event, tenants (other than the Authority) jointly shall be obligated to each other and to the Authority to operate, maintain, repair and restore such WFC Civic Facilities or such portion thereof, until dedication to New York City. In the event the Management Committee shall not have elected to block such dedication, the Authority has agreed to give tenant under the WFC Severance Lease for One World Financial Center the right to block such dedication and individually assume such obligations with respect to the Southern Pedestrian Bridge, and tenant under the WFC Severance Lease for Two World Financial Center the right to block such dedication and individually assume such obligations with respect to the Northern Pedestrian Bridge, the Plaza and the Esplanade. If neither tenant shall have elected to do so, the Authority has agreed that tenant under the WFC Severance Lease for Three World Financial Center shall have such rights.

Additional Ancillary Agreements

1. On October 27, 1987, the Authority entered into an agreement with successors in interest to Olympia & York ("O&Y WFC") and its affiliates (the "O&Y WFC Settlement Agreement") in which the parties agreed that a payment of \$625,000 by the Authority to O&Y WFC would constitute a full settlement of the Authority's obligation to make payments to O&Y WFC for the costs, past, present and future, incurred by O&Y WFC in performing the maintenance and other obligations with respect to the WFC Civic Facilities under the Civic Facilities Maintenance Agreement. O&Y WFC's acceptance of such payment was subject to (i) an agreement being entered into between the Authority, American Express Company and certain of its affiliates and Merrill Lynch & Co. and certain of its affiliates pursuant to which the Management Committee, at its expense, under the Project Operating Agreement would perform the maintenance obligations for the WFC Civic Facilities and the Authority would not dedicate the WFC Civic Facilities to The City of New York, and (ii) American Express Company and Merrill Lynch & Co. each agreeing in a new civic facilities agreement to pay a respective portion of the cost of these maintenance obligations. Although such agreement has not been finalized or executed as of this date, the Authority has made the \$625,000 payment to O&Y WFC and the Management Committee has been maintaining the WFC Civic Facilities at its expense. There can be no assurance, however, that the Management Committee will continue to do so. See "Civic Facilities Maintenance Agreement" and "Project Operating Agreement" above for a discussion of the rights and obligations of the Authority, Olympia & York, as Contractor, and the tenants under the WFC Severance Leases with respect to the WFC Civic Facilities. Brookfield has succeeded to the interest of O&Y WFC.

2. With regard to the operation and maintenance of the Plaza, the Authority and WFP Retail Co. L.P. (“WFP Retail”), successor in interest to Olympia & York WFC Retail Company (“O&Y Retail”) are parties to an agreement, dated as of July 27, 1988, which provided for the Authority’s assignment to O&Y Retail of its rights to license vendors in certain areas in or adjacent to the Plaza. The agreement provides that WFP Retail may sub-license vendors in accordance with criteria and rules developed by O&Y Retail (or which might be developed by WFP Retail) subject to the reasonable approval of the Authority.

3. In an agreement between the Authority, WFC Tower A Company, Olympia & York Tower B Company, and WFC Tower D Company, dated as of July 27, 1988, the Authority agreed not to grant the operator of the North Cove Yacht Harbor (the “Marina operator”) any exclusive easement across or through the WFC Civic Facilities and to require the operator to bear the incremental costs of operating, maintaining, repairing, providing security for and restoring the WFC Civic Facilities resulting from the operation of the Marina. The Agreement makes the Authority liable to the Management Committee and tenants under the WFC Severance Leases for any such costs which the Marina operator fails to pay. The agreement further provides that the insured entities as defined in the agreement shall not be liable for, and the Authority shall, or shall cause the Marina operator to indemnify, defend and hold harmless such insured entities from and against, any losses, costs, expenses, damages and claims arising out of, resulting from or in connection with the construction of the Marina and the negligent or wrongful actions of the Marina operator in connection with the operation of the Marina. The Authority is liable to the Management Committee and tenants under the WFC Severance Leases to the extent that the Marina operator fails to fulfill certain obligations specified in the agreement.

By assignments on November 21, 1996, WFP Tower A Co. L.P., WFP Tower B Co. L.P., and WFP Tower D Co. L.P. have succeeded to the interests, respectively, of WFC Tower A Company, Olympia & York Tower B Company, and WFC Tower D Company.

4. The Authority and WFP Retail, as successor in interest to O&Y Retail, are also parties to an agreement, dated as of July 27, 1988, concerning the license of certain limited portions of the World Financial Center Plaza adjacent to Two World Financial Center and Four World Financial Center for use as spillover seating by restaurant subtenants located in each such building.

Other Agreements

In connection with matters relating to other portions of the Project Area (not limited to the World Financial Center), the Authority has entered into three mapping agreements with the City: (a) dated as of April 23, 1982, relating to the streets and parks in the Rector Place and Battery Place residential areas and to the southernmost of two pedestrian bridges which cross West Street and are connected to the World Financial Center (BPC Development Corporation, a subsidiary of the UDC and the Authority’s predecessor in interest as fee owner of the Project Area, was also a signatory), (b) dated as of March 15, 1983, relating to the northernmost of two pedestrian bridges which cross West Street and are connected to the World Financial Center area and (c) dated as of October 3, 1991, relating to the streets and parks in the portion of the Project Area north of Liberty Street (the “North Neighborhood”). Together these agreements provide for the Authority’s construction, conveyance to the City and dedication for public use (and the City’s acceptance of such dedication) of the streets, water and sewer facilities and certain related

infrastructure improvements (not including parks) of Battery Park City. Provision is also made in these agreements for the parks of Battery Park City, including the Plaza at the World Financial Center.

These agreements, among other things, allow the Authority to retain ownership of these mapped parks (subject to certain limitations described below), require the Authority to consult with the New York City Department of Parks and Recreation concerning rules and regulations for the parks and require the Authority to develop and maintain the parks. These agreements also permit the Plaza at the World Financial Center and the North Cove to be developed, operated and maintained by the tenants under the WFC Severance Leases and by the North Cove lessee, respectively. These agreements further provide for the funding mechanism for the operation and maintenance of the parks adjacent to the residential area of the Project Area which is reflected in the Civic Facilities Payment provisions of the Rector Place Subleases and the Battery Place Subleases.

The mapping agreement for the Rector Place and Battery Place residential areas provides that prior to the City's exercise of its option to acquire all of the Project Area, upon the request of the City, the Authority shall dedicate to the City by deed or deeds of cession the parks in such area. The mapping agreement for the North Neighborhood provides that prior to the City's exercise of its option to acquire all of the Project Area, (a) if the Authority shall fail in a material way to comply with its obligations with respect to the parklands or (b) if the New York City Department of Parks and Recreation shall determine to acquire the parks at any time after December 31, 1999, upon notice from the Parks Department, the Authority shall dedicate to the City by deed or deeds of cession the parks in such North Neighborhood (except for the World Financial Center Plaza).

Upon the exercise of the City's option to acquire all of Battery Park City, title to the parks will be held by the City, except that title to the parklands in the North Neighborhood shall be subject to certain then existing agreements with respect to the Plaza at the World Financial Center, the North Cove and the operating agreement for such North Neighborhood parklands.

APPENDIX E

Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement (this “Agreement”) dated October __, 2013 is by and among Battery Park City Authority (“BPCA”), The Bank of New York Mellon, New York, New York, as trustee (the “Trustee”), and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive disclosure dissemination agent, pursuant to the Series 2013A Bonds Resolution and the Series 2013B Bonds Resolution, each adopted by BPCA on July 20, 2013 (collectively with the General Bond Resolution of BPCA adopted on September 9, 2003, the “Resolution”). This Agreement is executed and delivered in connection with the issuance by BPCA of its Senior Revenue Bonds, Series 2013A (Tax-Exempt Bonds), and Senior Revenue Bonds, Series 2013B (Federally Taxable Bonds) (collectively, the “2013 Bonds”).

The services provided under this Agreement solely relate to the execution of instructions received from the parties hereto through use of the Disclosure Dissemination Agent’s system and are not intended to constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). The Disclosure Dissemination Agent will not provide any advice or recommendation to BPCA or anyone on BPCA’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Agreement shall be interpreted to the contrary.

The parties hereto, in consideration of the mutual covenants herein contained, and other good and lawful consideration, hereby agree, as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. Any capitalized terms not otherwise defined in Section 1.1 of this Agreement shall have the respective meanings set forth in the Resolution. The following terms used in this Agreement shall have the following respective meanings:

“Annual Filing Date” means the date set forth in Section 2.2(a) by which the Annual Financial Information is to be filed with the MSRB.

“Annual Financial Information” means, collectively, (1) information of the type set forth in those tables included in the Official Statement and entitled: “Table 1 - Summary of Pledged Sublease Revenues and Operating Expenses,” “Table 2 - Summary of Billable Assessed Values of 200 Liberty Street, 225 Liberty Street, 200 Vesey Street, 250 Vesey Street, NYMEX Building, 200 West Street, Residential and Hotel Buildings,” and “Table 3 - City Real Property Tax Rates,” (2) financial information or operation data applicable to BPCA’s most recent Fiscal Year (currently, each Fiscal Year would end on October 31), of the types included in Appendix B to the Official Statement entitled “Authority Financial Statements and Supplementary Schedules,” (3) the information regarding amendments to this Agreement required pursuant to Sections 4.2(c) and (d) of this Agreement and (4) the Audited Financial Statements, if available, or Unaudited Financial Statements.

“Audited Financial Statements” means annual financial statements, if any, of BPCA, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP applied on a consistent basis; provided, however, that BPCA may from time to time, in order to comply with federal or State legal requirements, modify the basis on which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB through and in accordance with EMMA, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

“Beneficial Owner” means a beneficial owner of the 2013 Bonds, as determined pursuant to the Rule.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Financial Information, the Audited Financial Statements, the Listed Event Notice or the Voluntary Disclosure delivered to the Disclosure Dissemination Agent is the Annual Financial Information, the Audited Financial Statements or the Listed Event Notice that is required to be submitted to the MSRB under this Agreement. A Certification shall accompany each such document or notification submitted to the Disclosure Dissemination Agent by BPCA and include the full name of the 2013 Bonds (and any other of BPCA’s bonds) and the 9-digit CUSIP numbers for all such 2013 Bonds (and other BPCA bonds) to which the document or notification applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Representative” means the Chief Financial Officer of BPCA or his or her designee, or such other person as BPCA shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“EMMA” means the MSRB’s Electronic Municipal Market Access system.

“Exchange Act” means the Securities and Exchange Act of 1934, as amended.

“Failure to File Event” means BPCA’s failure to file the Annual Financial Information on or before the Annual Filing Date.

“Fiscal Year” means that period established by BPCA with respect to which, as applicable, its Audited Financial Statements or Unaudited Financial Statements are prepared. As of the date of this Agreement, BPCA’s Fiscal Year begins on November 1 and ends on October 31 of the next calendar year.

“Force Majeure Event” means: (i) an act of God, war or terrorist action; (ii) the failure or the shutdown of EMMA; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, an interruption in telecommunications or utilities services, a failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, a computer virus, an interruption in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affects Internet users generally, or in the local area in which the Disclosure Dissemination

Agent or the MSRB is located, or an act of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performing its obligations under this Agreement.

“GAAP” means accounting principles generally accepted in the United States of America from time to time by the Financial Accounting Standards Board and the Government Accounting Standards Board.

“Holders” means the registered owners of the 2013 Bonds.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any), any Listed Event Notice and any Failure to File Event Notice.

“Listed Event” means any of the following events with respect to the 2013 Bonds:

- (1) principal or interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserve reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determination with respect to the tax status of the 2013 Bonds, or other material events affecting the tax status of any 2013 Bonds;
- (7) modifications to rights of Holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the 2013 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of BPCA;
- (13) the consummation of a merger, consolidation or acquisition involving BPCA or the sale of all or substantially all of the assets of BPCA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (15) failure of BPCA to comply with the requirements of Section 2.2(a) of this Agreement.

“Listed Event Notice” means written or electronic notice of a Listed Event.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

“Notice” means written notice, sent for overnight delivery via the United States Postal Service or a private delivery service which prove evidence of delivery.

“Notice Address” means

- (i) with respect to BPCA:

Battery Park City Authority
One World Financial Center, 24th Floor
New York, New York 10281-1097
Attention: Chief Financial Officer

with a copy to: General Counsel

- (ii) with respect to the Disclosure Dissemination Agent:

Digital Assurance Certification, L.L.C.
390 North Orange Avenue, Suite 1750
Orlando, Florida 32801
Attention: Diana O’Brien

“Official Statement” means the Official Statement, dated October 17, 2013, of BPCA with respect to the 2013 Bonds.

“Rule” means the applicable provisions of Rule 15c2-12 promulgated by the SEC under the Exchange Act (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

“SEC” means the United States Securities and Exchange Commission.

“Securities Counsel” means legal counsel expert in federal securities law.

“Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

“Underwriters” means the underwriters in connection with the primary offering of the 2013 Bonds.

“Voluntary Disclosure” means information delivered by BPCA to the Disclosure Dissemination Agent that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 2.6(a) of this Agreement.

ARTICLE II THE UNDERTAKING

Section 2.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the Holders and the Beneficial Owners, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information.

(a) BPCA shall provide an electronic copy of Annual Financial Information with respect to each Fiscal Year and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, no later than 180 days after the end of such Fiscal Year. Promptly upon receipt of an electronic copy of the Annual Financial Information and the Certification, the Disclosure Dissemination Agent shall provide the Annual Financial Information to the MSRB through EMMA for municipal securities disclosures.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Financial Information and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by email) to remind BPCA of its undertaking to provide the Annual Financial Information pursuant to Section 2.2(a) hereof. Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information and the Certification or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that BPCA will not be able to file the Annual Financial Information within the time required under this Agreement, state the date by which the Annual Financial Information for such year will be provided and instruct the Disclosure Dissemination Agent that, subject to Section 2.2(d) hereof, a Listed Event as described in clause (15) of the definition of “Listed Event” will have occurred as of the Annual Filing Date and that a Listed Event Notice in respect thereof should be sent on the Annual Filing Date to the MSRB in substantially the form attached hereto as Exhibit A.

(c) BPCA may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(d) If the Disclosure Dissemination Agent has not received the Annual Financial Information and Certification by 6:00 p.m. (Eastern time) on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Financial Information, a Failure to File Event shall have occurred and BPCA irrevocably directs the Disclosure Dissemination Agent to immediately send a Notice to the MSRB in substantially the form attached hereto as Exhibit A without reference to the anticipated filing date for the Annual Financial Information, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit B attached hereto.

Section 2.3. Audited Financial Statements. If Audited Financial Statements are not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof, BPCA shall provide an electronic copy of the Audited Financial Statements, when and if available, and a Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, and the Disclosure Dissemination Agent shall promptly provide the Audited Financial Statements to the MSRB through EMMA.

Section 2.4. Listed Event Notice.

(a) BPCA shall provide, within ten (10) days of the occurrence of a Listed Event, a Listed Event Notice to the Disclosure Dissemination Agent and the Trustee. In addition, BPCA shall provide a Certification to accompany such notification to the Disclosure Dissemination Agent. Such notification or Certification shall identify the Listed Event that has occurred, include the text of the disclosure that BPCA desires to make, the written authorization of BPCA for the Disclosure Dissemination Agent to disseminate such information, and identify the date BPCA desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth (10th) business day after the occurrence of the Listed Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify BPCA or the Disclosure Representative of an event that may constitute a Listed Event. In the event the Disclosure Dissemination Agent so notifies BPCA or the Disclosure Representative, such notified party will within two (2) business days of receipt of such Notice (but in any event not later than the tenth (10th) business day after the occurrence of the Listed Event, if BPCA determines that a Listed Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 2.4, together with a Certification. Such Certification shall identify the Listed Event that has occurred, include the text of the disclosure that BPCA desires to make, contain the written authorization of BPCA for the Disclosure Dissemination Agent to disseminate such information, and identify the date BPCA desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth (10th) business day after the occurrence of the Listed Event).

(c) If the Disclosure Dissemination Agent has been instructed by BPCA as prescribed in subsection (a) or subsection (b) of this Section 2.4 to report the occurrence of a Listed Event, the Disclosure Dissemination Agent shall promptly file a Notice of such occurrence with the MSRB, in accordance with Section 2.5(d) hereof. This Notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit B attached hereto.

(d) The Trustee shall promptly give Notice to BPCA at its Notice Address and the Disclosure Dissemination Agent at its Notice Address whenever in the course of performing its duties as Trustee under the Resolution, the Trustee identifies a Listed Event; *provided, however,* that the failure of the Trustee so to advise BPCA shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 2.5. Disclosure Dissemination Agent's Obligations.

The Disclosure Dissemination Agent shall:

- (a) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (b) upon receipt, promptly file Annual Financial Information received pursuant to Section 2.2(a) hereof with the MSRB;
- (c) upon receipt, promptly file each Audited Financial Statement received pursuant to Section 2.3 hereof with the MSRB;
- (d) upon receipt, promptly file the text of each Listed Event received pursuant to Section 2.4(a) hereof with the MSRB, identifying the Listed Event;
- (e) upon receipt (or irrevocable direction pursuant to Section 2.2(c) of this Agreement, as applicable), promptly file a completed copy of Exhibit A and Exhibit B to this Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2.2(b)(ii) or Section 2.2(c) hereof;
- (f) upon receipt, promptly file each Voluntary Disclosure received pursuant to Section 2.7(a) hereof with the MSRB; and
- (g) provide to BPCA evidence of the filings of each of the above when made, which shall be by means of DAC's system, for so long as DAC is the Disclosure Dissemination Agent under this Agreement.

Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. (Eastern time) on any business day that it is required to file with the MSRB pursuant to the terms of this Agreement and that is accompanied by a Certification and all other information required by the terms of this Agreement will be filed by the Disclosure Dissemination Agent with the MSRB by no later than 11:59 p.m. (Eastern time) on the same business day; provided, however, that the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

Section 2.6. Voluntary Disclosure.

(a) BPCA may instruct the Disclosure Dissemination Agent to file a Voluntary Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the event or information to be disclosed, include the text of the disclosure that BPCA desires to make and identify the date on which BPCA desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by BPCA to file a Voluntary Disclosure, then the Disclosure Dissemination Agent shall promptly file such Voluntary Disclosure with the MSRB in accordance with Section 2.5(f) hereof.

(b) The parties hereto acknowledge that BPCA is obligated pursuant to the terms of this Agreement to file any Voluntary Disclosure pursuant to Section 2.6(a) hereof.

(c) Nothing in this Agreement shall be deemed to prevent BPCA from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 2.6, or including any other information in the Annual Financial Information, any Listed Event Notice or any notice of Failure to File Event in addition to that which is specifically required by this Agreement. If BPCA chooses to include any information in the Annual Financial Information, any Listed Event Notice, any notice of Failure to File Event or any Voluntary Disclosure, BPCA shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information, Listed Event Notice, notice of Failure to File Event or Voluntary Disclosure.

Section 2.7. Disclosure Dissemination Agent. BPCA has appointed DAC as exclusive Disclosure Dissemination Agent under this Agreement. BPCA may, upon thirty (30) days' written Notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, BPCA agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Agreement for the benefits of the Holders. BPCA shall provide written notice of any termination of an existing Disclosure Dissemination Agent and any appointment of a successor Disclosure Dissemination Agent to the Trustee.

Section 2.8. Additional Disclosure Obligations. BPCA acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933 and Rule 10b-5 promulgated under the Exchange Act, may apply to BPCA, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Agreement do not extend to providing legal advice regarding such laws. BPCA acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Agreement.

ARTICLE III OPERATING RULES

Section 3.1. Incorporation by Reference. It shall be sufficient for purposes of Section 2.2 hereof if BPCA provides Annual Financial Information by specific reference to documents previously filed with the MSRB through EMMA.

Section 3.2. Submission of Information. Annual Financial Information may be provided by BPCA to the Disclosure Dissemination Agent in one document or multiple documents, and at one time or in part from time to time.

ARTICLE IV TERMINATION, AMENDMENT AND ENFORCEMENT

Section 4.1. Termination.

(a) BPCA's, the Disclosure Dissemination Agent's and the Trustee's obligations under this Agreement with respect to 2013 Bonds shall terminate upon the legal defeasance pursuant to the Resolution, prior redemption, or payment in full of all of the 2013 Bonds. BPCA shall give notice of any such termination to the MSRB through EMMA.

(b) This Agreement, or any provision hereof, shall be null and void, to the extent set forth in the opinion of Securities Counsel described in the following clause (1), in the event that BPCA (1) delivers an opinion of Securities Counsel, addressed to BPCA, the Disclosure Dissemination Agent and the Trustee, to the effect than those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to any or all of the 2013 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion and (2) delivers notice to such effect to the MSRB through EMMA.

Section 4.2. Amendment.

(a) This Agreement may be amended by written agreement of the parties, and any provision of this Agreement may be waived in writing, in either case without the consent of the Holders or Beneficial Owners, except to the extent required pursuant to clause 4(ii) below, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of BPCA or the type of business conducted thereby, (2) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) BPCA shall have delivered to the Disclosure Dissemination Agent and the Trustee an opinion of Securities Counsel, addressed to BPCA, the Disclosure Dissemination Agent and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) a party unaffiliated with BPCA (such as the Trustee or bond counsel), acceptable to BPCA, the Disclosure Dissemination Agent and the Trustee, has determined that the amendment or waiver does not materially impair the interests of the Beneficial Owners, or (ii) the Holders consent to the amendment or waiver of this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of Holders, and (5) BPCA shall have provided an electronic copy of such amendment or waiver to the Disclosure Dissemination Agent, and the Disclosure Dissemination Agent shall have promptly provided such amendment or waiver to the MSRB through EMMA.

(b) In addition to clause (a) above, this Agreement may be amended by written agreement of the parties, and any provision of this Agreement may be waived in writing, in either case without the consent of the Holders or Beneficial Owners, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement, and is applicable to this Agreement, (2) the Trustee shall have received an opinion of Securities Counsel, addressed to BPCA, the Disclosure Dissemination Agent and the Trustee, to the effect that the execution, performance and effect of such amendment or waiver would not, in and of themselves, result in a violation of the Rule, taking into account any subsequent change in or official interpretation of the Rule, and (3) BPCA shall have provided an electronic copy of such amendment or waiver to the Disclosure Dissemination Agent, and the Disclosure Dissemination Agent shall have promptly provided such amendment or waiver to the MSRB through EMMA.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual

Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 4.3 Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall inure solely to the benefit of the parties hereto, the underwriters of the 2013 Bonds and the Holders from time to time; *except* that Beneficial Owners shall be third-party beneficiaries of this Agreement.

(b) *Except* as provided in this subsection (b), the provisions of this Agreement shall create no rights in any other person or entity. Except as limited by the two succeeding sentences, the obligation of BPCA to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Beneficial Owner of Outstanding 2013 Bonds, or by the Trustee on behalf of the Holders of Outstanding 2013 Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding 2013 Bonds or by any Beneficial Owner. A Beneficial Owner may not take any enforcement action pursuant to clause (ii) without the consent of the Holders of not less than a majority in aggregate principal amount of the 2013 Bonds at the time Outstanding. The Trustee shall not be required to take any enforcement action *except* at the direction of the Holders of not less than a majority in aggregate principal amount of the 2013 Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity.

(c) The Beneficial Owners', the Holders', the Disclosure Dissemination Agent's and the Trustee's right to enforce the provisions of this Agreement shall be limited to a right, by action in mandamus or for specific performance, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, to compel performance of BPCA's obligations under this Agreement. Any failure by BPCA, the Disclosure Dissemination Agent or the Trustee to perform in accordance with this Agreement shall not constitute a default or any Event of Default under the Resolution, and the rights and remedies provided by the General Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

ARTICLE V MISCELLANEOUS

Section 5.1. Duties, Immunities and Liabilities of Trustee. The Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement, and BPCA agrees to indemnify and save, but solely from Pledged Sublease Revenues, the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities

which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or misconduct in the performance of its duties hereunder.

Section 5.2. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent BPCA has provided such information to the Disclosure Dissemination Agent as provided in this Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by BPCA and shall not be deemed to be acting in any fiduciary capacity for BPCA, the Holders or any other party. The Disclosure Dissemination Agent shall have no responsibility for BPCA's failure to notify it of a Listed Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether BPCA has complied with this Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of BPCA at all times.

BPCA AGREES TO INDEMNIFY AND SAVE, BUT SOLELY FROM PLEDGED SUBLEASE REVENUES, THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of BPCA under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the 2013 Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by BPCA, but solely from Pledged Sublease Revenues.

(c) All documents, reports, Notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

Section 5.3. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.4. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of New York, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

BATTERY PARK CITY AUTHORITY

By: _____
Authorized Representative

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Authorized Officer

**DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent**

By: _____
Name:
Title:

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APPENDIX F

Form of Opinion of Bond Counsel

October __, 2013

Battery Park City Authority
New York, New York

Ladies and Gentlemen:

As Bond Counsel to the Battery Park City Authority (the “Authority”), we have examined the Constitution and laws of the State of New York (the “State”) and a record of proceedings relating to the issuance by the Authority of \$356,085,000 aggregate principal amount of Senior Revenue Bonds, Series 2013A (Tax-Exempt Bonds) (the “2013A Bonds”), and \$6,700,000 aggregate principal amount of Senior Revenue Bonds, Series 2013B (Federally Taxable Bonds) (the “2013B Bonds”). The Authority is a body corporate and politic, constituting a public benefit corporation, created by the Battery Park City Authority Act, Title 12 of Article 8 of the Public Authorities Law (constituting Chapter 43-a of the Consolidated Laws of the State of New York), as added by Chapter 343 of the Laws of New York, 1968, as amended (the “Act”), and existing pursuant to the Act and the laws of the State.

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2013A Bonds and the 2013B Bonds (collectively, the “2013 Bonds”) are authorized to be issued pursuant to the Act and pursuant to the 2003 General Bond Resolution adopted by the Authority on September 9, 2003 (the “General Resolution”), as supplemented by two Series Resolutions adopted by the Authority on July 30, 2013 (collectively, the “2013 Series Resolutions”), and by two related Series Certificates (the “Series Certificates”) and by resolutions adopted by the Authority on August 20, 2013 and October 7, 2013. The General Resolution and the 2013 Series Resolutions are collectively referred to herein as the “Resolution.”

Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Resolution.

The 2013 Bonds are dated, mature, are payable, bear interest and are subject to redemption or purchase as provided in the Resolution and the respective Series Certificates. The Authority has reserved the right to issue additional Bonds on the terms and conditions stated in the Resolution.

We undertake no responsibility for the accuracy, completeness or fairness of any Official Statement or other offering material relating to the 2013 Bonds and we express no opinion with respect thereto.

Subject to the foregoing, we are of the following opinion:

1. Under the Constitution and the laws of the State, the Authority has been duly created and validly exists as a body corporate and politic, constituting a public benefit corporation, with good right and lawful authority, among other things, to issue the 2013 Bonds, to pledge the Collateral as security for the 2013 Bonds, and to perform its obligations under the Resolution.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and valid and binding upon the Authority, and is enforceable against the Authority in accordance with its terms. The Series Certificates have been duly executed and delivered by an Authorized Officer of the Authority.

3. The 2013 Bonds have been authorized and issued by the Authority in accordance with the Resolution and the laws of the State, including the Act.

4. The 2013 Bonds are valid and binding special obligations of the Authority, payable solely from the Collateral pledged therefor pursuant to the Resolution, and are enforceable in accordance with their terms and the terms of the Resolution.

5. The 2013 Bonds are Senior Bonds, secured by a pledge in the manner and to the extent provided in the Resolution. The Resolution creates the valid pledge of the Collateral that it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment or setting apart thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

6. Pursuant to the Act, the 2013 Bonds are not a debt of the State, and the State is not liable with respect to the 2013 Bonds. The 2013 Bonds are not payable out of any funds other than those pledged by the Authority for the payment thereof.

7. Under existing statutes and court decisions, (i) interest on the 2013A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2013A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

8. Interest on the 2013B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. This opinion is not intended or provided by us to be used, and cannot be used by an owner of the 2013B Bonds, for the purpose of avoiding Federal taxpayer penalties that may be imposed on such owner. The opinion set forth in this paragraph is provided to support the promotion or marketing of the 2013B Bonds. Each owner of 2013B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

9. For any 2013A Bonds having original issue discount, original issue discount that has accrued and is properly allocable to the owners of such 2013A Bonds

under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on such 2013A Bonds.

10. Under existing statutes, interest on the 2013 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

In rendering the opinions in paragraphs 7 and 9 above, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others in connection with the 2013A Bonds and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2013A Bonds from gross income under Section 103 of the Code. Under the Code, failure to comply with such requirements may cause the interest on the 2013A Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the 2013A Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

Except as stated in paragraphs 7, 8, 9 and 10 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the 2013 Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2013A Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2013 Bonds and the Resolution may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

This opinion is rendered as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to the effect of any action hereafter taken or not taken, or as to any facts or circumstances or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

We have examined an executed 2013A Bond and an executed 2013B Bond and, in our opinion, the forms thereof and their execution are regular and proper.

Very truly yours,

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APPENDIX G

Book-Entry-Only System

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2013 Senior Bonds. The Series 2013 Senior Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each principal amount of Series 2013 Senior Bonds of each series maturing on a specific date and bearing interest at a specific interest rate, each in the aggregate principal amount of such quantity of Security, and will be deposited with DTC. Purchasers may own beneficial ownership interests in the Series 2013 Senior Bonds held in the United States through DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2013 Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Senior Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2013 Senior Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Senior Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 Senior Bonds, except in the event that use of the book-entry system for the Series 2013 Senior Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Senior Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013 Senior Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any

change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2013 Senior Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Senior Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2013 Senior Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Senior Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2013 Senior Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Underwriter, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2013 Senior Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2013 Senior Bonds by causing the Direct Participant to transfer the Participant's interest in such Series 2013 Senior Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2013 Senior Bonds in connection with mandatory purchase will be deemed satisfied when the ownership rights in the Series 2013 Senior Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2013 Senior Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Senior Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriter believe to be reliable, but neither the Authority nor the Underwriter takes responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or the Indirect Participants.

Each person for whom a Participant acquires an interest in the Series 2013 Senior Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY, THE UNDERWRITER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2013 SENIOR BONDS.

So long as Cede & Co. is the registered owner of the Series 2013 Senior Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2013 Senior Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2013 Senior Bonds.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2013 Senior Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2013 Senior Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2013 Senior Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2013 Senior Bond certificates will be delivered as described in the Resolution.

Notwithstanding any other provision of the Resolution to the contrary, so long as any Series 2013 Senior Bond is held in book-entry form, such Series 2013 Senior Bond need not be delivered in connection with any mandatory tender of Series 2013 Senior Bonds described under "DESCRIPTION OF THE SERIES 2013 SENIOR BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such Series 2013 Senior Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and, notwithstanding the description of mandatory tender of Series 2013 Senior Bonds contained under "DESCRIPTION OF THE SERIES 2013 SENIOR BONDS," transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

NONE OF THE AUTHORITY, THE UNDERWRITER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2013 SENIOR BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2013 SENIOR BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2013 SENIOR BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2013 SENIOR BONDS; OR (VI) ANY OTHER MATTER.



HUGH L. CAREY
BATTERY PARK
CITY AUTHORITY

