

**METROPOLITAN VALUATION SERVICES**  
REAL ESTATE CONSULTING AND APPRAISAL

FEASIBILITY ANALYSIS CONSULTING REPORT

FOR

[REDACTED]  
NEW YORK, NY [REDACTED]

PREPARED FOR

The Board of Directors on Behalf of Shareholders of [REDACTED]

[REDACTED]  
New York, NY [REDACTED]

MVS FILE NO. [REDACTED]

METROPOLITAN VALUATION SERVICES, INC.  
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**METROPOLITAN VALUATION SERVICES**  
REAL ESTATE CONSULTING AND APPRAISAL

June 7, 2016

Board of Directors on Behalf of Shareholders of [REDACTED]

New York, NY [REDACTED]

re: Feasibility Analysis Consulting Report for

[REDACTED]  
New York, NY [REDACTED]

Greetings:

Per your request, Metropolitan Valuation Services, Inc. ("MVS") has completed a feasibility consulting report for the above referenced property ("subject property"). The report is for the Board of Directors and Shareholders of [REDACTED] ("Cooperative" or [REDACTED]) to assist the Cooperative assess the various options for the subject property.

The subject property is a [REDACTED] story, [REDACTED] unit apartment building constructed in [REDACTED] as an income-restricted cooperative under Article XI of the Private Housing Finance Law and Section 402 of the business Corporation Law. Although the subject property continues to operate as a housing development fund corporation (HDFC), all regulatory agreements compelling such operation have since expired.

The purpose of the feasibility analysis is to analyze the following options for the Cooperative over a 20-year period:

**Option 1**

*Moderate Income Option (195% of Area Median Income (AMI))* - Continue operations as an income-restricted cooperative housing facility with apartment sale prices based on a household income limit of 195% of the AMI, both with and without consideration for a shelter rent tax;

**Option 2**

*HPD Offer (125% of AMI)* - Continue operations as an income-restricted cooperative housing facility with apartment sale prices based on a household income limit of 125% of the AMI but actual household income limited to 165% of the AMI, and assuming a shelter rent tax; and

**Option 3**

*Market Rate Option* - Convert to a market rate housing cooperative without restriction on household income or apartment sale prices.

The report is based on market conditions as of December 8, 2015. The analyses are projected to coincide with the Cooperative's historical July to June fiscal year basis.

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CONFIDENTIAL

New York, NY

June 7, 2016

Page 2

This appraisal report is made in conformity with, and subject to, requirements of the *Code of Professional Ethics and Standards of Appraisal Practice* of the Appraisal Institute, which incorporates the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation.

It has been a pleasure to be of service to you. Please do not hesitate to call with any questions you may have regarding our assumptions, observations or conclusion.

Sincerely,

**METROPOLITAN VALUATION SERVICES, INC.**



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## REPORT SUMMARY

### **Definitions**

#### *Area Median Income*

The median divides the income distribution into two equal parts: one-half of the household incomes falling below the median income and one-half above the median. HUD uses the median income for families in metropolitan and non-metropolitan areas to calculate income limits for eligibility in a variety of housing programs. HUD estimates the median family income for an area in the current year and adjusts that amount for different family sizes so that family incomes may be expressed as a percentage of the area median income. For example, a family's income may equal 80% of the area median income, a common maximum income level for participation in HUD programs.

In New York City, the area median income for calculating the subject property's possible sale prices is \$86,300.

#### *Debt Service*

Debt service is the cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt service is often calculated on a yearly basis.

#### *Flip Tax*

A flip tax is a fee paid by a seller or buyer on a housing co-op transaction typically in New York City. It is not a tax, and not deductible as a property tax. It is a transfer fee payable to the housing cooperative upon the sale of an apartment.

#### *Shelter Rent*

In lieu of real estate taxes, the amount payable as a shelter rent tax represents the total rents (maintenance charge) received from the occupants of a project less the cost of providing electricity, gas, heat and other utilities to the occupants.

Per the Cooperative's historical financial statements, "the shelter rent tax calculation was calculated at 5% of certain revenues less certain adjustments and expenditures." The shelter rent tax is a form of real estate tax exemption. In 2015, [REDACTED] shelter rent tax status was revoked by HPD and the New York City Department of Finance.

### **Risks/Concerns**

#### *Back Real Estate Taxes*

As a special risk, the Cooperative will likely be responsible for approximately \$4,500,000 in back real estate taxes if exiting from an affordability program. Assuming this would be financed at the same time as the other obligations at a market-oriented mortgage (at a 4.90% interest rate for a 30-year term), the impact on maintenance expenses would be an additional \$286,592 per year,

or on average \$127.04 per unit per month. This amount is included in the monthly maintenance charges estimates and is above that being levied on shareholders under current operating conditions.

*Future Real Estate Taxes*

In 2015, [REDACTED] shelter rent tax status was revoked by HPD and the New York City Department of Finance. In an effort to be as conservative as possible and to base projections on the worst case imposition of taxes, the study assumes payment of full real estate taxes where applicable. As the report discusses in following sections, the projected shelter rent for the 7/16 – 6/17 year is \$104,033 whereas the projected full real estate taxes for the 7/16 – 6/17 fiscal year are \$774,968.

*Near Term Repairs*

The subject property is in need of near term repairs estimated at \$2,000,000. As part of the HPD proposal to keep the property at below-market or affordable apartment sale pricing, a mortgage to cover the cost of these repairs will be provided at a 4.90% interest rate for a 30-year term. The terms appear to be consistent with that available for market-oriented financing.

*Property Description*

The subject property is a 19-story, 189-unit apartment building constructed in 1971 as an income-restricted housing cooperative under Article XI of the Private Housing Finance Law. Although the subject property continues to operate as an income-restricted cooperative, all regulatory agreements compelling such operation have since expired.

The property is located along the easterly blockfront of Columbus Avenue between West 89<sup>th</sup> and West 90<sup>th</sup> Streets in the Upper West Side of Manhattan. The building sits on a 27,735 square foot site identified as Block 1203, Lot 1 on the New York County tax map.

According to public record, the building contains 224,530 square feet of gross building area. This includes the 188 residential apartments, an employee unit, a 48-car self-park garage and two retail spaces containing 9,157 square feet. The majority of the retail area is occupied by an 8,457 square foot Duane Reade fronting along Columbus Avenue. The remainder of the retail space (700 square feet) is occupied by a dry cleaner along West 90<sup>th</sup> Street.

*Purpose of the Report*

The purpose of the feasibility analysis is to analyze the 3 options presented for the Cooperative. As part of the analysis, MVS was provided with several years of financial statements. That information forms the basis for our forecasting income and expenses for the Cooperative for the 7/16 – 6/17 year. A summary of the projections and impact begins on Page 5. A separate analysis of the projections begins on Page 9.

The report first provides a list of underlying assumptions that are used in creating 20-year projections for the 3 scenarios. These assumptions include a flip tax, which is a fee paid to the cooperative upon the sale of an apartment. The assumptions also include incremental expense growth rates for building operations and apartment turnover (re-sale) projections.

The report then summarizes the 3 options and provides the apartment sale price conclusions for each unit type under the 3 operating scenarios. We note that the Moderate Income scenario analyzes the potential sale prices both with the shelter rent real estate tax exemption benefit and with full real estate taxes (without the shelter rent tax benefit)

**Underlying Assumptions** The analysis makes the following assumptions:

|                                |   |
|--------------------------------|---|
| <i>Initial Flip Tax</i>        | 25.0%   |
| <i>Subsequent Flip Tax</i>     | 2.5%  |
| <i>Sale Price Growth Rate</i>  | 4.0% per year   |
| <i>Revenue/Expense Growth</i>  | 3.0% per year   |
| <i>Year-1 Turnover</i>         | 5.0% (original shareholder sales to outsiders)              |
| <i>Year-2 Initial Turnover</i> | 3.0% (original shareholder sales to outsiders)              |
| <i>Subsequent Turnover</i>     | 1.0% per year (original shareholder sales to outsiders)     |
| <i>Resale Start Year</i>       | 3 (non-original shareholder sales to outsiders)             |
| <i>Resale Turnover</i>         | 1.0% per year (non-original shareholder sales to outsiders) |

**Note Regarding Flip Taxes** The initial flip tax is levied against the first sale by a current (original) resident/shareholder to an outsider. Subsequent flip taxes are levied against subsequent sales of that apartment (non-original shareholder to another buyer). The substantially lower subsequent flip tax is reasonable as a higher rate would negatively impact the initial apartment sale prices given the resale challenges. The selected 2.5% subsequent flip tax rate is consistent with that so imposed by other buildings.

**Note Regarding Turnover** The turnover (re-sale) represents the assumed pace of apartment sales. The turnover estimates are based on historical data with consideration for a number of factors unique to the subject property. A review of two similar former income-restricted cooperatives indicate apartment turnover ranging from 3.1% to 7.3% per year in the first two years, while apartment buildings with a longer period of post-conversion operation are typically selling about 2.0% to 3.0% of inventory in any given year.

**Options**

The feasibility analysis includes 3 options for the Cooperative, summarized as follows:

*Option 1*

*195% Area Median Income (AMI)  
(Moderate Income)*

Option 1 addresses the outcomes assuming continued operations as an income-restricted cooperative housing facility with apartment affordability sale prices based on a household income limit of 195% of the area median income (AMI), with and without consideration for a shelter rent tax. (Shelter rent tax vs. full real estate taxes)

*Option 2*

*125% AMI  
Current HPD Offer*

Option 2 addresses the outcome assuming continued operations as an income-restricted cooperative housing facility with apartment affordability sale prices based on a household income limit of 125% of the AMI, but actual household income limited to 165% of the AMI, and, assuming a shelter rent tax benefit. It is noted that the HPD offer requires a \$1,000 initial deposit from each shareholder upon the Cooperative accepting this offer.

*Option 3*

*Market Rate*

Option 3 addresses the market sale pricing were the Cooperative to convert to a market rate housing cooperative without affordability restriction on household income or apartment sale prices. This scenario assumes the Cooperative would not have a shelter rent real estate tax exemption benefit and be responsible for full real estate taxes.

**Conclusions of Potential Sale Pricing**

The following summarizes the conclusions on sale prices under the 3 operating scenarios, including the conclusions of apartment market sale pricing. The calculation determining the potential apartment sale pricing is located on later pages.

**SUMMARY OF APARTMENT SALE PRICES**

| Unit Type | No. of Units | Option 1<br>Mod. Income<br>w/Shelter<br>Rent Tax | Option 1<br>Mod. Income<br>w/Full<br>RE Taxes | Option 2<br>HPD Offer<br>w/Shelter<br>Rent Tax | Option 3<br>Market<br>Rate |
|-----------|--------------|--|---|--|----------------------------|
| Studio    | 9            | \$450,000  | \$416,160                                     | \$258,697                                      | \$450,000                  |
| 1-Bedroom | 45           | \$528,559  | \$480,453                                     | \$299,034                                      | \$645,000                  |
| 2-Bedroom | 89           | \$570,250  | \$508,327                                     | \$315,369                                      | \$860,000                  |
| 3-Bedroom | 36           | \$645,190  | \$569,858                                     | \$352,273                                      | \$1,075,000                |
| 4-Bedroom | 9            | \$705,733  | \$617,096                                     | \$380,989                                      | \$1,230,000                |
| Average   |              | \$575,350  | \$514,232                                     | \$318,954                                      | \$847,793                  |

Source: Estimates and calculations by MVS

**Summary of Maintenance Charges**

The following table summarizes the impact on the average monthly maintenance charges based on the various operating scenarios, assuming that a flip tax is used to subsidize the monthly apartment maintenance charge, with this variable directly impacting the maintenance charge requirements depending on the operating scenario. The other variable in the maintenance charge that makes the largest difference between the scenarios is whether the property will qualify for shelter rent tax benefits or be responsible for full real estate taxes. With the exception of the HPD offer, the maintenance charge includes debt service to pay \$4.5 million in back real estate taxes.

**AVERAGE MONTHLY MAINTENANCE CHARGES WITH FLIP TAX REVENUE**

| Impact                            | Studio | 1-Bed | 2-Bed   | 3-Bed   | 4-Bed   |
|-----------------------------------|--------|-------|---------|---------|---------|
| Currently                         | \$556  | \$652 | \$779   | \$920   | \$1,030 |
| Moderate Income - w/Shelter Rent  | \$537  | \$601 | \$774   | \$941   | \$1,108 |
| Moderate Income - w/Full RE Taxes | \$758  | \$848 | \$1,092 | \$1,328 | \$1,562 |
| HPD Offer - w/Shelter Rent        | \$503  | \$563 | \$724   | \$881   | \$1,037 |
| Market Rate - w/Full RE Taxes     | \$687  | \$769 | \$990   | \$1,204 | \$1,417 |

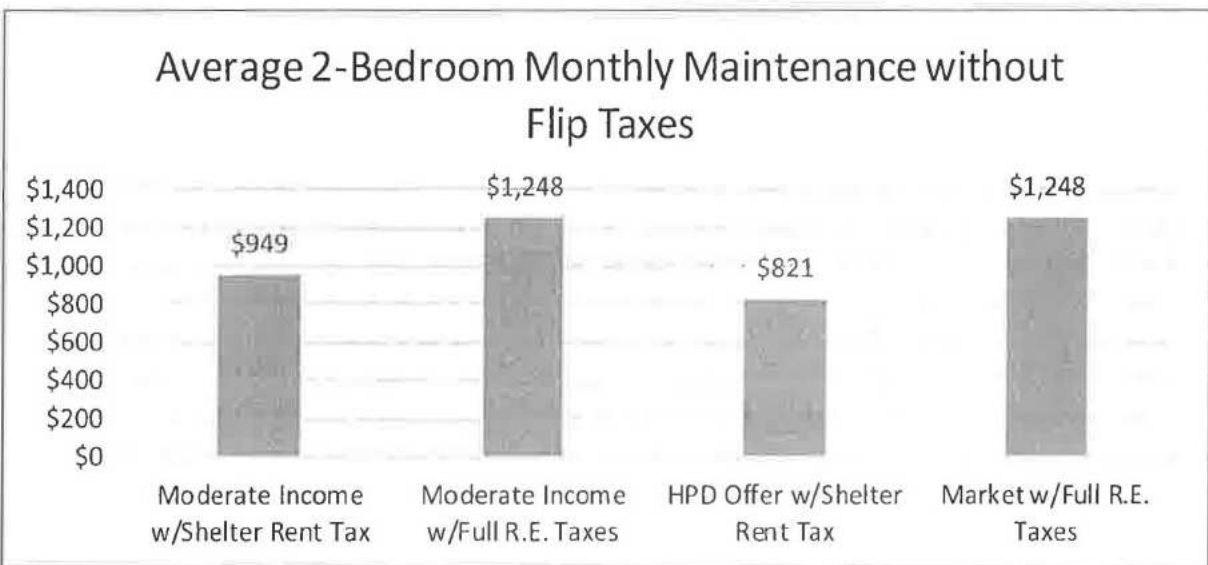
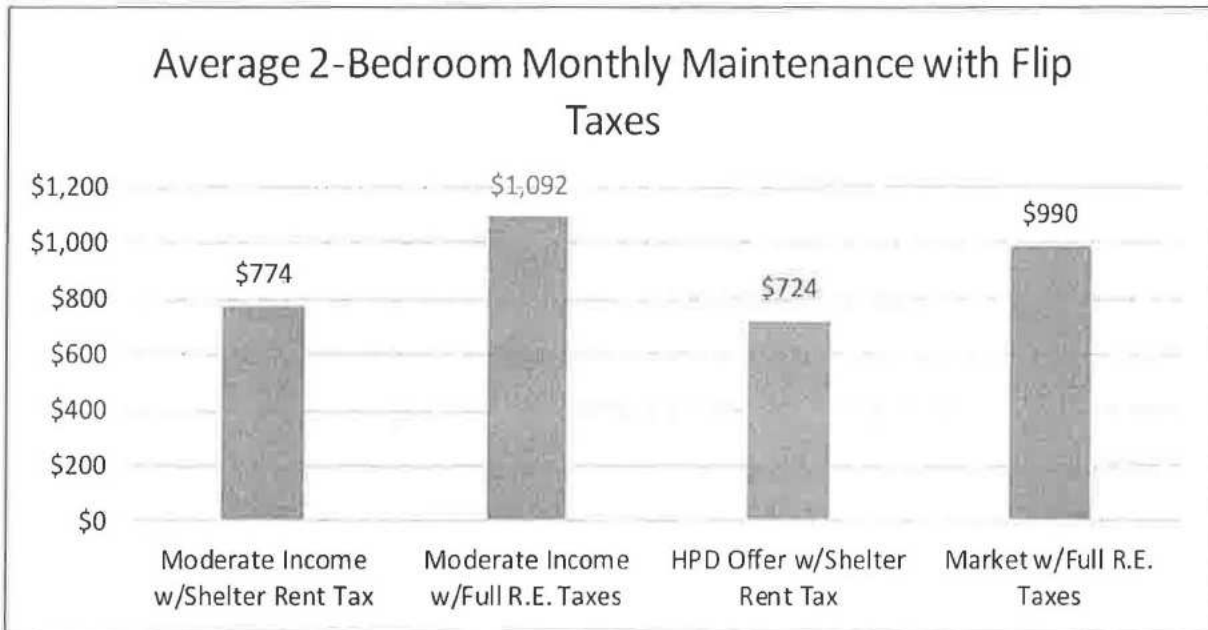
Source: Estimates by MVS; Current maintenance includes the special assessment

Note: Includes amounts for debt service to pay down the existing mortgage and cover renovation costs; as well as to pay down \$4.5 million in back real estate taxes for all scenarios except the HPD offer

Note: The current maintenance charges are an average for each unit type. The charge includes the current special assessment and is based on the May 17, 2016 maintenance roll.



The following summarizes the average per unit monthly maintenance expenses with and without consideration for the flip tax.



\*Shelter Rent Tax – assumes real estate tax exemption benefit program participation

\*Full R.E. Taxes – assumes Cooperative is obligated to pay the actual real estate taxes levied by the City assuming no exemption

## ANALYSIS OF FIXED REVENUE AND OPERATING EXPENSES

### Sources of Income

The subject property currently has several sources of income, including air conditioning surcharges, laundry rental income, monthly parking space rentals and retail/commercial rental income, as well as shareholder fees. The income sources are used to offset the building's operating expenses. The following table summarizes the historical income sources, as well as projections for the 7/16 – 6/17 fiscal year. As this analysis is used to determine the appropriate maintenance charges under the various scenarios, the table intentionally excludes maintenance income as a revenue source.

The projections assume a 3.0% annual growth, compounded, for the air conditioning, laundry and commercial income. The commercial leases currently have similar annual increases, with Duane Reade contract rent increases based on CPI data and the dry cleaner contract rent increases at 3.0% per year. The parking income projection is based on \$150 per space per month and is consistent with the Cooperative's current pricing.

### FIXED REVENUE SOURCES

| Year Ending       | Actual<br>Jun-11 | Actual<br>Jun-12 | Actual<br>Jun-13 | Actual<br>Jun-14 | Actual<br>Jun-15 | Projection<br>Jun-17 |
|-------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| Air Conditioning  | \$88,900         | \$88,525         | \$87,075         | \$86,300         | \$86,722         | \$92,003             |
| Laundry Income    | 29,400           | 29,400           | 29,400           | 29,400           | 29,400           | 31,190               |
| Parking Income    | 55,200           | 54,500           | 57,400           | 57,650           | 69,250           | 86,400               |
| Commercial Income | 268,464          | 270,916          | 295,121          | 299,628          | 302,591          | 321,019              |
| Other Income      | 11,935           | 17,229           | 13,367           | 25,133           | 28,720           | 25,000               |
| Total             | \$453,899        | \$460,570        | \$482,363        | \$498,111        | \$516,683        | \$555,612            |

Source: Client-provided material; MVS projections

Note: Year-to-date income and expenses were not provided for the 7/15 – 6/16 fiscal year. As the projections are for the 7/16 – 6/17 fiscal year, forecasting income and expenses for the 7/15 – 6/16 fiscal year is not necessary.

### Operating Expenses

The following table summarizes the operating expense projections for the upcoming 7/16 – 6/17 year. Overall, the subject property's operating expenses have been consistent over the past five years, with the exception of professional fees, which vary from \$196,394 to \$418,735.

The analyses applies a stabilized professional fees projection of \$283,500. Each of the remaining expenses reflect the prior year grown to the 7/16 – 6/17 fiscal year at 3.0% per year.

## OPERATING EXPENSE PROJECTIONS

| Year Ending                | Actual<br>Jun-11   | Actual<br>Jun-12   | Actual<br>Jun-13   | Actual<br>Jun-14   | Actual<br>Jun-15   | Projection<br>Jun-17 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Total</b>               |                    |                    |                    |                    |                    |                      |
| Payroll & Security         | \$454,537          | \$467,613          | \$487,370          | \$495,483          | \$513,455          | \$544,724            |
| Fuel (Steam)               | 328,890            | 270,232            | 361,300            | 335,557            | 347,554            | 368,720              |
| Utilities (Gas & Electric) | 250,651            | 234,527            | 215,279            | 235,733            | 237,668            | 252,142              |
| Water & Sewer              | 131,098            | 135,833            | 153,638            | 192,804            | 159,399            | 169,106              |
| Repairs & Maintenance      | 132,629            | 133,727            | 109,696            | 100,224            | 170,733            | 181,131              |
| Management                 | 80,425             | 82,158             | 84,209             | 86,205             | 90,225             | 95,720               |
| Administrative             | 22,033             | 28,300             | 39,584             | 32,058             | 28,829             | 30,585               |
| Professional Fees          | 329,661            | 196,394            | 329,209            | 418,735            | 412,213            | 283,500              |
| Insurance                  | 64,974             | 65,439             | 67,847             | 71,795             | 76,696             | 81,367               |
| <b>Total</b>               | <b>\$1,794,898</b> | <b>\$1,614,223</b> | <b>\$1,848,132</b> | <b>\$1,968,594</b> | <b>\$2,036,772</b> | <b>\$2,006,995</b>   |

Source: Client-provided material; MVS projections

**Shelter Rent Tax**

The subject property previously paid a shelter rent tax, which is a much lower amount than the fully assessed real estate taxes. Based on the historical data, the following table summarizes the shelter rent tax payment projection assuming a 3.0% annual growth rate from the prior recorded payment.

## SHELTER RENT TAX PAYMENTS

| Year Ending      | Actual<br>Jun-11 | Actual<br>Jun-12 | Actual<br>Jun-13 | Actual<br>Jun-14 | Actual<br>Jun-15 | Projection<br>Jun-17 |
|------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| Shelter Rent Tax | \$83,976         | \$86,841         | \$79,756         | \$94,317         | \$98,061         | \$104,033            |

Source: Client-provided material; MVS projections

**Debt Service**

The subject property has a \$2,500,000 underlying mortgage with a 7.0% interest only payment for an annual debt service of \$175,000 (\$2,500,000 mortgage × 7.0% interest rate). The analysis assumes this expense will be paid off through a refinancing, as the following paragraph discusses.

In addition to the preceding, the subject property is in need of \$2,000,000 in near term repairs. As part of the HPD proposal to keep the property at below-market or affordable apartment sale pricing, a mortgage will be provided at a 4.90% interest rate for a 30-year term. The terms appear to be consistent with that available for market-oriented financing. Coupled with the \$2,500,000 underlying mortgage to be refinanced and the \$4,500,000 to pay down back real estate taxes, the resulting new mortgage amount is \$9,000,000. Assuming the 4.90% interest rate for a self-amortizing 30-year term, the total annual debt service on the new mortgage would be \$573,184 for the Cooperative, or on average \$254.07 per unit per month.

## **CALCULATION OF APARTMENT SALE PRICES**

### *Apartment Pricing*

Household income limitations are determined based on the area median income (AMI) as determined by the Department of Housing and Urban Development (HUD). Each year, HUD adjusts the AMI based on a variety of factors such as the area economy and household growth.

Per HUD standards, housing cost may not exceed 30% of the household income. The housing costs include monthly maintenance expenses, utilities, and home owner's insurance, with the remaining to service a purchase mortgage of the apartment.

This affects Options 1 and 2. The market rate option is not bound by these affordability limits.

The following steps summarize the calculation of apartment sale price:

- Multiply the AMI percentage, the household factor (a predetermined factor provided by HPD to stabilize variations in household size) and the AMI. In New York City, the prevailing AMI for calculating the apartment sale pricing is \$86,300. This determines the maximum household income for the unit type as of a current date.
- Apply 30% of the maximum household income to determine total annual housing costs.
- Divide the annual housing costs by 12 to determine the total monthly housing costs.
- Deduct amounts for maintenance charges, utilities and home owner's insurance. The appraisal uses maintenance expenses, as calculated in this report. The utility expenses are based on estimates provided by the New York City Housing Authority. The home owner's insurance are MVS estimates.
- The indicated maximum homeowner monthly mortgage payment is the result of the monthly gross housing costs less the previous expenses.

#### SUMMARY OF MAXIMUM MORTGAGE AMOUNT CALCULATION

|   |   |
|---|---|
|   | % AMI Affordability                             |
| x | Household Factor                                |
| x | Area Median Income                              |
| = | <u>Maximum Household Income to Housing Cost</u> |
| x | 30%   |
| = | <u>Total Annual Gross Housing Cost</u>          |
| ÷ | <u>12 Months</u>                                |
| = | Total Monthly Gross Housing Cost                |
| - | <u>Other Housing Costs*</u>                     |
| = | Maximum Monthly Mortgage Payment                |

\*Other housing costs include monthly maintenance expenses, utilities, and home owner's insurance

Source: Calculations by MVS

- The homeowner mortgage amount is determined by a present value calculation based on the indicated maximum monthly mortgage payment assuming a 5.0% interest rate for a 30-year self-amortizing loan. The interest rate and mortgage term are consistent with prevailing offerings for cooperative apartment homeownership.
- An HPD required homeowner 10% down payment is then added to determine the apartment sale price.

SUMMARY OF APARTMENT SALE PRICES - (MODERATE INCOME SALES PRICING WITH SHELTER RENT)

| Unit Type | % of AMI Affordability | House-Hold Factor | Maximum AMI | Maximum HH Income | Total Monthly Gross Housing Cost | Less Monthly Maintenance | Less Utilities Costs | Less Home Owner's Insurance | Monthly Mortgage Payment | Maximum Mortgage Amount | Minimum Down Payment | Sales Price |
|-----------|------------------------|-------------------|-------------|-------------------|----------------------------------|--------------------------|----------------------|-----------------------------|--------------------------|-------------------------|----------------------|-------------|
| Studio    | 195%                   | 0.70              | \$86,300    | \$117,800         | \$2,945                          | (\$667)                  | (\$40)               | (\$20)                      | \$2,218                  | \$413,233               | \$36,767             | \$450,000   |
| 1-Bedroom | 195%                   | 0.80              | \$86,300    | \$134,628         | \$3,366                          | (\$746)                  | (\$41)               | (\$25)                      | \$2,554                  | \$475,703               | \$52,856             | \$528,559   |
| 2-Bedroom | 195%                   | 0.90              | \$86,300    | \$151,457         | \$3,786                          | (\$960)                  | (\$41)               | (\$30)                      | \$2,755                  | \$513,225               | \$57,025             | \$570,250   |
| 3-Bedroom | 195%                   | 1.04              | \$86,300    | \$175,016         | \$4,375                          | (\$1,168)                | (\$55)               | (\$35)                      | \$3,117                  | \$580,671               | \$64,519             | \$645,190   |
| 4-Bedroom | 195%                   | 1.16              | \$86,300    | \$195,211         | \$4,880                          | (\$1,375)                | (\$56)               | (\$40)                      | \$3,410                  | \$635,160               | \$70,573             | \$705,733   |

Source: Calculations and Estimates by MVS

SUMMARY OF APARTMENT SALE PRICES (MODERATE INCOME PRICING WITH FULL REAL ESTATE TAXES)

| Unit Type | % of AMI Affordability | House-Hold Factor | Maximum AMI | Maximum HH Income | Total Monthly Gross Housing Cost | Less Monthly Maintenance | Less Utilities Costs | Less Home Owner's Insurance | Monthly Mortgage Payment | Maximum Mortgage Amount | Minimum Down Payment | Sales Price |
|-----------|------------------------|-------------------|-------------|-------------------|----------------------------------|--------------------------|----------------------|-----------------------------|--------------------------|-------------------------|----------------------|-------------|
| Studio    | 195%                   | 0.70              | \$86,300    | \$117,800         | \$2,945                          | (\$874)                  | (\$40)               | (\$20)                      | \$2,011                  | \$374,544               | \$41,616             | \$416,160   |
| 1-Bedroom | 195%                   | 0.80              | \$86,300    | \$134,628         | \$3,366                          | (\$978)                  | (\$41)               | (\$25)                      | \$2,321                  | \$432,408               | \$48,045             | \$480,453   |
| 2-Bedroom | 195%                   | 0.90              | \$86,300    | \$151,457         | \$3,786                          | (\$1,259)                | (\$41)               | (\$30)                      | \$2,456                  | \$457,494               | \$50,833             | \$508,327   |
| 3-Bedroom | 195%                   | 1.04              | \$86,300    | \$175,016         | \$4,375                          | (\$1,532)                | (\$55)               | (\$35)                      | \$2,753                  | \$512,872               | \$56,986             | \$569,858   |
| 4-Bedroom | 195%                   | 1.16              | \$86,300    | \$195,211         | \$4,880                          | (\$1,803)                | (\$56)               | (\$40)                      | \$2,981                  | \$555,386               | \$61,710             | \$617,096   |

Source: Calculations and Estimates by MVS

SUMMARY OF APARTMENT SALE PRICES (HPD OFFER SALES PRICING WITH SHELTER RENT)

| Unit Type | % of AMI Affordability | House-Hold Factor | Maximum AMI | Maximum HH Income | Total Monthly Gross Housing Cost | Less Monthly Maintenance | Less Utilities Costs | Less Home Owner's Insurance | Monthly Mortgage Payment | Maximum Mortgage Amount | Minimum Down Payment | Sales Price |
|-----------|------------------------|-------------------|-------------|-------------------|----------------------------------|--------------------------|----------------------|-----------------------------|--------------------------|-------------------------|----------------------|-------------|
| Studio    | 125%                   | 0.70              | \$86,300    | \$75,513          | \$1,888                          | (\$578)                  | (\$40)               | (\$20)                      | \$1,250                  | \$232,827               | \$25,870             | \$258,697   |
| 1-Bedroom | 125%                   | 0.80              | \$86,300    | \$86,300          | \$2,158                          | (\$647)                  | (\$41)               | (\$25)                      | \$1,445                  | \$269,131               | \$29,903             | \$299,034   |
| 2-Bedroom | 125%                   | 0.90              | \$86,300    | \$97,088          | \$2,427                          | (\$833)                  | (\$41)               | (\$30)                      | \$1,524                  | \$283,832               | \$31,537             | \$315,369   |
| 3-Bedroom | 125%                   | 1.04              | \$86,300    | \$112,190         | \$2,805                          | (\$1,013)                | (\$55)               | (\$35)                      | \$1,702                  | \$317,046               | \$35,227             | \$352,273   |
| 4-Bedroom | 125%                   | 1.16              | \$86,300    | \$125,135         | \$3,128                          | (\$1,192)                | (\$56)               | (\$40)                      | \$1,841                  | \$342,890               | \$38,099             | \$380,989   |

Source: Calculations and Estimates by MVS

Note: The above monthly maintenance expenses are prior to consideration for generation of flip tax revenues.

*Market Pricing*

The following addresses the potential apartment sale pricing without affordability restriction on household income or sale prices. The analysis considers four comparable cooperatively-owned properties in determining the potential apartment sale pricing at the subject property. Most emphasis is placed on the recent sales at Southbridge Towers in Lower Manhattan.

The common unit of comparison is the sales price per room. The number of rooms includes each bedroom, the living/dining area and the kitchen. Bathrooms are not included. Additionally, the number of rooms refers to the original room count of an apartment and is not adjusted for tenant-specific renovations, such as the removal or addition of walls.

Southbridge Towers is a private cooperative as of September 2015 but was originally constructed in 1971 as part of the New York State Mitchell-Lama affordable housing program. The complex is south of the entrance ramp to the Brooklyn Bridge and is bounded by Pearl, Frankfort, Gold and Fulton Streets. Initial apartment pricing ranges from \$149,333 to \$249,750 per room, averaging \$213,886 per room. The monthly apartment maintenance charges are generally comparable to that projected for the subject property.

Secondary emphasis is placed on Ruppert and Yorkville Towers. Also constructed under the Mitchell-Lama affordable housing program, this comparable was converted to condominium use in 2003. Located in the Upper East Side along the easterly side of Third Avenue from East 90<sup>th</sup> to East 92<sup>nd</sup> Streets, the development consists of 1,258 apartments within towers ranging from 24 to 42 stories in height. Recent sales range from \$185,000 to \$325,000 per room, averaging \$271,458 per room. This comparable offers a superior option than the subject property given its superior height, amenities and finishes, as well as the longer history of operations as a market rate facility. The combination of the monthly common charges and real estate taxes are assumed comparable to that projected for the subject property.

Two additional comparables located in the Upper West Side include Columbus Park Tower and 100 West 93<sup>rd</sup> Street.

Columbus Park demonstrates apartment sales from \$206,667 to \$300,000 per room, averaging \$236,448 per room. This 162-unit cooperative formerly operated as an income-restricted cooperative housing development but exited the program in 2010. This was a second attempt after voting to privatize in the late 1980s before being stopped by HPD. The monthly apartment maintenance

charges are assumed comparable to that projected for the subject property.

100 West 93<sup>rd</sup> Street demonstrates apartment sales from \$262,333 to \$392,000 per room, averaging \$349,246 per room. A 29-story former rental apartment building built in 1973, the property converted to condominium use in 2006. Relative to the subject property, this comparable benefits from superior finishes, amenities and views, as well as a superior condominium ownership structure. The combination of the monthly common charges and real estate taxes are assumed comparable to that project for the subject property.

Overall, based on the preceding apartment sales, the appraisal adopts the following market apartment sale price assumptions for the subject property. Please see Pages 32-36 for more details on the comparables.

#### SUMMARY OF MARKET-ORIENTED APARTMENT SALE PRICES

|           | Rooms | Price per Room | Average Sale Price |
|-----------|-------|----------------|--------------------|
| Studio    | 2.0   | \$225,000      | \$450,000          |
| 1-Bedroom | 3.0   | \$215,000      | \$645,000          |
| 2-Bedroom | 4.0   | \$215,000      | \$860,000          |
| 3-Bedroom | 5.0   | \$215,000      | \$1,075,000        |
| 4-Bedroom | 6.0   | \$205,000      | \$1,230,000        |

Source: Estimates by MVS

The following demonstrates the average price per room for the subject property in relation to the comparable properties.





This scenario assumes the Cooperative would not have a shelter rent real estate tax benefit and would be responsible for full real estate taxes.

*Average Sale Prices*

The following table summarizes the average apartment sale pricing for each scenario.

AVERAGE APARTMENT SALE PRICES

| Unit Type | No. of Units | Option 1                       | Option 1                    | Option 2                     | Option 3           |
|-----------|--------------|--------------------------------|-----------------------------|------------------------------|--------------------|
|           |              | Mod. Income w/Shelter Rent Tax | Mod. Income w/Full RE Taxes | HPD Offer w/Shelter Rent Tax | Market Rate        |
| Studio    | 9            | \$450,000                      | \$416,160                   | \$258,697                    | \$450,000          |
| 1-Bedroom | 45           | \$528,559                      | \$480,453                   | \$299,034                    | \$645,000          |
| 2-Bedroom | 89           | \$570,250                      | \$508,327                   | \$315,369                    | \$860,000          |
| 3-Bedroom | 36           | \$645,190                      | \$569,858                   | \$352,273                    | \$1,075,000        |
| 4-Bedroom | 9            | <u>\$705,733</u>               | <u>\$617,096</u>            | <u>\$380,989</u>             | <u>\$1,230,000</u> |
| Average   |              | \$575,350                      | \$514,232                   | \$318,954                    | \$847,793          |

Source: Estimates by MVS

*Cash Flow Model*

The cash flow models demonstrate the opportunity to reduce overall maintenance charges to the shareholders through the implementation of a flip tax, providing a significant reduction in maintenance expenses and/or to provide an emergency fund to support residents in need of financial assistance. Additionally, the funds could be reinvested in the property to address capital needs and enhance the value of the apartments.

The models are based on the previously discussed underlying assumptions (page 5) and is summarized as follows:

- The cash flow is based on the average apartment sale price, with the apartment sale price increasing at an annual inflation factor of 4.0% per year.
- The initial sales represents the sale of apartments by current tenants, with the first year representing 5.0% of the total apartments, the second year representing 3.0% of the total apartments. Subsequent years are based on 1.0% of the total apartments. Therefore, the first year assumes an average 9.4 apartments sell from current shareholders and the second year assumes an average 5.6 apartments sell from current shareholders. Subsequent years assume 1.9 apartments sell from current shareholders.

- The resales are the sale of apartments by residents that do not currently live at the property. The model assumes 1.0% of the apartments will sell each year starting in year-3 of the model, which equates to an average of 1.9 apartments per year.
- The flip tax is calculated by applying the applicable flip tax percentage to the apartments sales using the following formula [(average sale price × initial sales × initial flip tax percentage) + (average sale price × resales × resale flip tax percentage)].
- The actual maintenance expense is calculated in the addenda.
- The reduction from flip taxes represents a reasonable first year allocation of flip taxes to reduce maintenance charges, with subsequent allocations to the stabilized flip tax based on the prior year grown by 3.0% annually.
- The adjusted maintenance expense reflects the actual maintenance after adjusting for the potential stabilized flip tax.
- The remaining flip tax revenue not used towards reducing maintenance expenses during any given year will be set-aside in a reserve fund (flip tax pool) and used to reduce subsequent year maintenance expenses, reinvested in the property, or to support residents in need of financial assistance. The flip tax pool represents the sum of total flip taxes collected to date less the sum of stabilized flip taxes used to reduce maintenance expenses. In all situations, the flip tax pool zeros out in year-19.

**OPTION 1 CASH FLOW (MODERATE INCOME SALES PRICING WITH SHELTER RENT)**

| Year                       | 1           | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$575,350   | \$598,364   | \$622,299   | \$647,191   | \$673,078   | \$700,002   | \$728,002   | \$757,122   | \$787,407   | \$818,903   |
| Initial Sales (Units)      | 9.4         | 5.6         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 0.0         | 0.0         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$1,352,073 | \$843,694   | \$321,728   | \$334,598   | \$347,982   | \$361,901   | \$376,377   | \$391,432   | \$407,089   | \$423,373   |
| Actual Maintenance         | \$2,128,600 | \$2,192,458 | \$2,258,232 | \$2,325,979 | \$2,395,758 | \$2,467,631 | \$2,541,660 | \$2,617,910 | \$2,696,447 | \$2,777,340 |
| Reduction from Flip Taxes  | \$393,424   | \$405,227   | \$417,384   | \$429,906   | \$442,803   | \$456,087   | \$469,769   | \$483,862   | \$498,378   | \$513,330   |
| Adjusted Maintenance       | \$1,735,176 | \$1,787,231 | \$1,840,848 | \$1,896,073 | \$1,952,955 | \$2,011,544 | \$2,071,890 | \$2,134,047 | \$2,198,068 | \$2,264,011 |
| Flip Tax Pool (Cumulative) | \$958,649   | \$1,397,115 | \$1,301,459 | \$1,206,151 | \$1,111,330 | \$1,017,144 | \$923,752   | \$831,321   | \$740,032   | \$650,075   |

Source: Calculations and Estimates by MVS

**OPTION 1 CASH FLOW (MODERATE INCOME SALES PRICING WITH SHELTER RENT) - CONTINUED**

| Year                       | 11          | 12          | 13          | 14          | 15          | 16          | 17          | 18          | 19          | 20          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$851,659   | \$885,725   | \$921,154   | \$958,000   | \$996,320   | \$1,036,173 | \$1,077,620 | \$1,120,725 | \$1,165,554 | \$1,212,176 |
| Initial Sales (Units)      | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$440,308   | \$457,920   | \$476,237   | \$495,286   | \$515,098   | \$535,702   | \$557,130   | \$579,415   | \$602,591   | \$626,695   |
| Actual Maintenance         | \$2,860,660 | \$2,946,480 | \$3,034,875 | \$3,125,921 | \$3,219,698 | \$3,316,289 | \$3,415,778 | \$3,518,251 | \$3,623,799 | \$3,732,513 |
| Reduction from Flip Taxes  | \$528,730   | \$544,591   | \$560,929   | \$577,757   | \$595,090   | \$612,942   | \$631,331   | \$650,271   | \$608,120   | \$626,695   |
| Adjusted Maintenance       | \$2,331,931 | \$2,401,889 | \$2,473,945 | \$2,548,164 | \$2,624,609 | \$2,703,347 | \$2,784,447 | \$2,867,981 | \$3,015,679 | \$3,105,818 |
| Flip Tax Pool (Cumulative) | \$561,653   | \$474,982   | \$390,289   | \$307,818   | \$227,826   | \$150,585   | \$76,384    | \$5,528     | \$0         | \$0         |

Source: Calculations and Estimates by MVS

Note: The flip tax pool in any given period is the sum of all Flip Taxes collected through that period less the sum of all flip taxes paid to reduce maintenance (Reduction from Flip Taxes)

**OPTION 1 (MODERATE INCOME SALES PRICING WITH FULL REAL ESTATE TAXES)**

| Year                       | 1           | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$514,232   | \$534,802   | \$556,194   | \$578,441   | \$601,579   | \$625,642   | \$650,668   | \$676,695   | \$703,762   | \$731,913   |
| Initial Sales (Units)      | 9.4         | 5.6         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 0.0         | 0.0         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$1,208,446 | \$754,070   | \$287,552   | \$299,054   | \$311,016   | \$323,457   | \$336,395   | \$349,851   | \$363,845   | \$378,399   |
| Actual Maintenance         | \$2,799,535 | \$2,883,521 | \$2,970,027 | \$3,059,127 | \$3,150,901 | \$3,245,428 | \$3,342,791 | \$3,443,075 | \$3,546,367 | \$3,652,758 |
| Reduction from Flip Taxes  | \$351,632   | \$362,181   | \$373,046   | \$384,238   | \$395,765   | \$407,638   | \$419,867   | \$432,463   | \$445,437   | \$458,800   |
| Adjusted Maintenance       | \$2,447,903 | \$2,521,340 | \$2,596,980 | \$2,674,890 | \$2,755,136 | \$2,837,790 | \$2,922,924 | \$3,010,612 | \$3,100,930 | \$3,193,958 |
| Flip Tax Pool (Cumulative) | \$856,814   | \$1,248,703 | \$1,163,209 | \$1,078,025 | \$993,277   | \$909,096   | \$825,624   | \$743,012   | \$661,420   | \$581,019   |

Source: Calculations and Estimates by MVS

**OPTION 1 (MODERATE INCOME SALES PRICING WITH FULL REAL ESTATE TAXES) - CONTINUED**

| Year                       | 11          | 12          | 13          | 14          | 15          | 16          | 17          | 18          | 19          | 20          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$761,189   | \$791,637   | \$823,303   | \$856,235   | \$890,484   | \$926,103   | \$963,148   | \$1,001,673 | \$1,041,740 | \$1,083,410 |
| Initial Sales (Units)      | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$393,535   | \$409,276   | \$425,647   | \$442,673   | \$460,380   | \$478,795   | \$497,947   | \$517,865   | \$538,580   | \$560,123   |
| Actual Maintenance         | \$3,762,341 | \$3,875,211 | \$3,991,468 | \$4,111,212 | \$4,234,548 | \$4,361,584 | \$4,492,432 | \$4,627,205 | \$4,766,021 | \$4,909,002 |
| Reduction from Flip Taxes  | \$472,564   | \$486,741   | \$501,343   | \$516,384   | \$531,875   | \$547,831   | \$564,266   | \$581,194   | \$543,521   | \$560,123   |
| Adjusted Maintenance       | \$3,289,777 | \$3,388,470 | \$3,490,124 | \$3,594,828 | \$3,702,673 | \$3,813,753 | \$3,928,166 | \$4,046,011 | \$4,222,500 | \$4,348,879 |
| Flip Tax Pool (Cumulative) | \$501,990   | \$424,526   | \$348,830   | \$275,120   | \$203,625   | \$134,589   | \$68,270    | \$4,941     | \$0         | \$0         |

Source: Calculations and Estimates by MVS

OPTION 2 (HPD OFFER SALES PRICING WITH SHELTER RENT)

| Year                       | 1           | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$318,954   | \$331,712   | \$344,981   | \$358,780   | \$373,131   | \$388,056   | \$403,579   | \$419,722   | \$436,511   | \$453,971   |
| Initial Sales (Units)      | 9.4         | 5.6         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 0.0         | 0.0         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$749,542   | \$467,714   | \$178,355   | \$185,489   | \$192,909   | \$200,625   | \$208,650   | \$216,996   | \$225,676   | \$234,703   |
| Actual Maintenance         | \$1,842,008 | \$1,897,268 | \$1,954,186 | \$2,012,812 | \$2,073,196 | \$2,135,392 | \$2,199,454 | \$2,265,437 | \$2,333,401 | \$2,403,403 |
| Reduction from Flip Taxes  | \$218,101   | \$224,644   | \$231,383   | \$238,325   | \$245,474   | \$252,839   | \$260,424   | \$268,236   | \$276,284   | \$284,572   |
| Adjusted Maintenance       | \$1,623,907 | \$1,672,624 | \$1,722,803 | \$1,774,487 | \$1,827,722 | \$1,882,554 | \$1,939,030 | \$1,997,201 | \$2,057,117 | \$2,118,831 |
| Flip Tax Pool (Cumulative) | \$531,441   | \$774,512   | \$721,484   | \$668,648   | \$616,083   | \$563,869   | \$512,096   | \$460,855   | \$410,248   | \$360,379   |

Source: Calculations and Estimates by MVS

OPTION 2 (HPD OFFER SALES PRICING WITH SHELTER RENT) - CONTINUED

| Year                       | 11          | 12          | 13          | 14          | 15          | 16          | 17          | 18          | 19          | 20          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$472,130   | \$491,015   | \$510,656   | \$531,082   | \$552,325   | \$574,418   | \$597,395   | \$621,291   | \$646,143   | \$671,988   |
| Initial Sales (Units)      | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$244,091   | \$253,855   | \$264,009   | \$274,569   | \$285,552   | \$296,974   | \$308,853   | \$321,207   | \$334,056   | \$347,418   |
| Actual Maintenance         | \$2,475,505 | \$2,549,770 | \$2,626,263 | \$2,705,051 | \$2,786,202 | \$2,869,788 | \$2,955,882 | \$3,044,559 | \$3,135,895 | \$3,229,972 |
| Reduction from Flip Taxes  | \$293,109   | \$301,903   | \$310,960   | \$320,288   | \$329,897   | \$339,794   | \$349,988   | \$360,487   | \$337,120   | \$347,418   |
| Adjusted Maintenance       | \$2,182,395 | \$2,247,867 | \$2,315,303 | \$2,384,762 | \$2,456,305 | \$2,529,994 | \$2,605,894 | \$2,684,071 | \$2,798,775 | \$2,882,554 |
| Flip Tax Pool (Cumulative) | \$311,361   | \$263,313   | \$216,363   | \$170,644   | \$126,299   | \$83,479    | \$42,345    | \$3,065     | \$0         | \$0         |

Source: Calculations and Estimates by MVS

OPTION 3 (MARKET RATE PRICING WITH FULL REAL ESTATE TAXES)


| Year                       | 1           | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$847,793   | \$881,704   | \$916,972   | \$953,651   | \$991,797   | \$1,031,469 | \$1,072,728 | \$1,115,637 | \$1,160,263 | \$1,206,673 |
| Initial Sales (Units)      | 9.4         | 5.6         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 0.0         | 0.0         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$1,992,313 | \$1,243,203 | \$474,075   | \$493,038   | \$512,759   | \$533,270   | \$554,600   | \$576,784   | \$599,856   | \$623,850   |
| Actual Maintenance         | \$2,799,535 | \$2,883,521 | \$2,970,027 | \$3,059,127 | \$3,150,901 | \$3,245,428 | \$3,342,791 | \$3,443,075 | \$3,546,367 | \$3,652,758 |
| Reduction from Flip Taxes  | \$579,721   | \$597,112   | \$615,025   | \$633,476   | \$652,481   | \$672,055   | \$692,217   | \$712,983   | \$734,373   | \$756,404   |
| Adjusted Maintenance       | \$2,219,814 | \$2,286,409 | \$2,355,001 | \$2,425,651 | \$2,498,421 | \$2,573,373 | \$2,650,575 | \$2,730,092 | \$2,811,995 | \$2,896,354 |
| Flip Tax Pool (Cumulative) | \$1,412,592 | \$2,058,683 | \$1,917,732 | \$1,777,294 | \$1,637,572 | \$1,498,787 | \$1,361,171 | \$1,224,972 | \$1,090,455 | \$957,901   |

Source: Calculations and Estimates by MVS

OPTION 3 (MARKET RATE PRICING WITH FULL REAL ESTATE TAXES) - CONTINUED

| Year                       | 11          | 12          | 13          | 14          | 15          | 16          | 17          | 18          | 19          | 20          |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Sale Price         | \$1,254,940 | \$1,305,138 | \$1,357,343 | \$1,411,637 | \$1,468,102 | \$1,526,826 | \$1,587,900 | \$1,651,416 | \$1,717,472 | \$1,786,171 |
| Initial Sales (Units)      | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Resales (Units)            | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         | 1.9         |
| Flip Tax                   | \$648,804   | \$674,756   | \$701,746   | \$729,816   | \$759,009   | \$789,369   | \$820,944   | \$853,782   | \$887,933   | \$923,450   |
| Actual Maintenance         | \$3,762,341 | \$3,875,211 | \$3,991,468 | \$4,111,212 | \$4,234,548 | \$4,361,584 | \$4,492,432 | \$4,627,205 | \$4,766,021 | \$4,909,002 |
| Reduction from Flip Taxes  | \$779,096   | \$802,469   | \$826,543   | \$851,339   | \$876,879   | \$903,186   | \$930,281   | \$958,190   | \$896,079   | \$923,450   |
| Adjusted Maintenance       | \$2,983,245 | \$3,072,742 | \$3,164,925 | \$3,259,872 | \$3,357,669 | \$3,458,399 | \$3,562,151 | \$3,669,015 | \$3,869,942 | \$3,985,551 |
| Flip Tax Pool (Cumulative) | \$627,610   | \$699,897   | \$575,101   | \$453,578   | \$335,707   | \$221,891   | \$112,554   | \$8,146     | \$0         | \$0         |

Source: Calculations and Estimates by MVS

  
New York, NY  
June 7, 2016  
Page 22

*ADDENDA*

[REDACTED]

New York, NY

June 7, 2016

Page 23

**SUMMARY OF REQUIRED MAINTENANCE CHARGES**



**SUMMARY OF REQUIRED MAINTENANCE CHARGES**

*Summary*

The following table summarizes the projected maintenance expenses for the 7/16 – 6/17 fiscal year. Building operating expenses are off-set by revenue sources with the shareholders carrying the burden of meeting the resulting building operation expenses in the form of monthly maintenance fees. Any off-setting revenue from income sources makes for lower monthly maintenance fees for the shareholders.

**PROJECTION OF FIXED INCOME AND FIXED EXPENSES**

|  | Annual             |                |
|--|--------------------|----------------|
|  | Total              | Per Share      |
| <u>2016 Income Sources</u>                         |                    |                |
| Air Conditioning                                   | \$92,003           | \$0.81         |
| Laundry Income                                     | 31,190             | 0.28           |
| Parking Income                                     | 86,400             | 0.76           |
| Commercial Income                                  | 321,019            | 2.84           |
| Other Income                                       | <u>25,000</u>      | <u>0.22</u>    |
| <b>Total [A]</b>                                   | <b>\$555,612</b>   | <b>\$4.69</b>  |
| <u>2016 Expenses w/Shelter Rent</u>                |                    |                |
| Operating Expenses                                 | \$2,006,995        | \$17.75        |
| Shelter Rent Tax                                   | 104,033            | 0.92           |
| Debt Service                                       | <u>573,184</u>     | <u>5.07</u>    |
| <b>Total [B]</b>                                   | <b>\$2,684,212</b> | <b>\$23.74</b> |
| <u>2016 Expenses w/ Full Taxes</u>                 |                    |                |
| Operating Expenses                                 | \$2,006,995        | \$17.75        |
| Plus Full RE Taxes                                 | 774,968            | 6.85           |
| Debt Service                                       | <u>573,184</u>     | <u>5.07</u>    |
| <b>Total [C]</b>                                   | <b>\$3,355,147</b> | <b>\$29.67</b> |
| <b>Required Maintenance w/Shelter Rent [B - A]</b> | <b>\$2,128,600</b> | <b>\$19.05</b> |
| <b>Required Maintenance w/ Full Taxes [C - A]</b>  | <b>\$2,799,535</b> | <b>\$24.98</b> |

Source: Estimates by MVS

Note: As the above table calculates the required total maintenance revenue the Cooperative would need to collect from shareholders to cover operating expenses after consideration for incremental revenue sources. The debt services includes amounts to pay down the existing mortgage and cover renovation costs; as well as to pay down \$4.5 million in back real estate taxes.

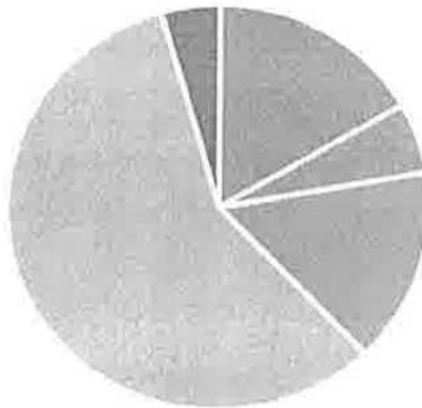
As the HPD Offer does not require payment of back real estate taxes, the table on the following page illustrates the required maintenance without consideration for the debt service associated with the back real estate taxes.

(HPD OFFER)  
PROJECTION OF FIXED INCOME AND FIXED EXPENSES

|   | Total              | Annual<br>Per Share |
|---|--------------------|---------------------|
| Required Maintenance w/Shelter Rent         | \$2,128,600        | \$18.83             |
| Debt Service Allocated to Back Taxes        | <u>286,592</u>     | <u>2.53</u>         |
| <b>Required Maintenance under HPD Offer</b> | <b>\$1,842,008</b> | <b>\$21.36</b>      |

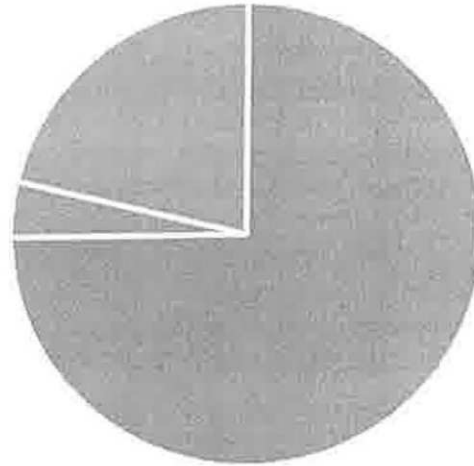
Source: Estimates by MVS

2016 Income Sources



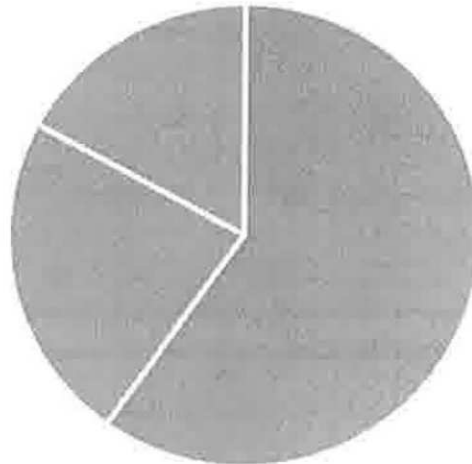
- Air Conditioning
- Laundry Income
- Parking Income
- Commercial Income
- Other Income

### 2016 Fixed Expenses with Shelter Rent



■ Operating Expenses ■ Shelter Rent Tax ■ Debt Service

### 2016 Fixed Expenses with Full Taxes



■ Operating Expenses ■ Plus Full RE Taxes ■ Debt Service

**SUMMARY OF 20-YEAR MAINTENANCE PROJECTIONS  
BY UNIT TYPE WITH CONSIDERATION FOR FLIP TAX  
REVENUE**

**20-YEAR MONTHLY MAINTENANCE PROJECTIONS BY UNIT TYPE (YEARS 1-10)**

| Year                        | 1           | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Adjusted Maintenance</u> |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$1,735,176 | \$1,787,231 | \$1,840,848 | \$1,896,073 | \$1,952,955 | \$2,011,544 | \$2,071,890 | \$2,134,047 | \$2,198,068 | \$2,264,011 |
| MI Option with Full Taxes   | \$2,447,903 | \$2,521,340 | \$2,596,980 | \$2,674,890 | \$2,755,136 | \$2,837,790 | \$2,922,924 | \$3,010,612 | \$3,100,930 | \$3,193,958 |
| HPD Offer                   | \$1,623,907 | \$1,672,624 | \$1,722,803 | \$1,774,487 | \$1,827,722 | \$1,882,554 | \$1,939,030 | \$1,997,201 | \$2,057,117 | \$2,118,831 |
| Market Rate Option          | \$2,219,814 | \$2,286,409 | \$2,355,001 | \$2,425,651 | \$2,498,421 | \$2,573,373 | \$2,650,575 | \$2,730,092 | \$2,811,995 | \$2,896,354 |
| <u>Studio</u>               |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$537       | \$553       | \$570       | \$587       | \$605       | \$623       | \$641       | \$661       | \$680       | \$701       |
| MI Option with Full Taxes   | \$758       | \$780       | \$804       | \$828       | \$853       | \$878       | \$905       | \$932       | \$960       | \$989       |
| HPD Offer                   | \$503       | \$518       | \$533       | \$549       | \$566       | \$583       | \$600       | \$618       | \$637       | \$656       |
| Market Rate Option          | \$687       | \$708       | \$729       | \$751       | \$773       | \$797       | \$821       | \$845       | \$870       | \$897       |
| <u>1-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$601       | \$619       | \$638       | \$657       | \$677       | \$697       | \$718       | \$739       | \$761       | \$784       |
| MI Option with Full Taxes   | \$848       | \$873       | \$900       | \$927       | \$954       | \$983       | \$1,013     | \$1,043     | \$1,074     | \$1,106     |
| HPD Offer                   | \$563       | \$579       | \$597       | \$615       | \$633       | \$652       | \$672       | \$692       | \$713       | \$734       |
| Market Rate Option          | \$769       | \$792       | \$816       | \$840       | \$865       | \$891       | \$918       | \$946       | \$974       | \$1,003     |
| <u>2-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$774       | \$797       | \$821       | \$845       | \$871       | \$897       | \$924       | \$952       | \$980       | \$1,010     |
| MI Option with Full Taxes   | \$1,092     | \$1,124     | \$1,158     | \$1,193     | \$1,229     | \$1,265     | \$1,303     | \$1,342     | \$1,383     | \$1,424     |
| HPD Offer                   | \$724       | \$746       | \$768       | \$791       | \$815       | \$839       | \$865       | \$891       | \$917       | \$945       |
| Market Rate Option          | \$990       | \$1,020     | \$1,050     | \$1,082     | \$1,114     | \$1,147     | \$1,182     | \$1,217     | \$1,254     | \$1,292     |
| <u>3-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$941       | \$970       | \$999       | \$1,029     | \$1,059     | \$1,091     | \$1,124     | \$1,158     | \$1,192     | \$1,228     |
| MI Option with Full Taxes   | \$1,328     | \$1,368     | \$1,409     | \$1,451     | \$1,495     | \$1,539     | \$1,586     | \$1,633     | \$1,682     | \$1,733     |
| HPD Offer                   | \$881       | \$907       | \$935       | \$963       | \$991       | \$1,021     | \$1,052     | \$1,083     | \$1,116     | \$1,149     |
| Market Rate Option          | \$1,204     | \$1,240     | \$1,277     | \$1,316     | \$1,355     | \$1,396     | \$1,438     | \$1,481     | \$1,525     | \$1,571     |
| <u>4-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$1,108     | \$1,141     | \$1,175     | \$1,210     | \$1,247     | \$1,284     | \$1,322     | \$1,362     | \$1,403     | \$1,445     |
| MI Option with Full Taxes   | \$1,562     | \$1,609     | \$1,658     | \$1,707     | \$1,759     | \$1,811     | \$1,866     | \$1,922     | \$1,979     | \$2,039     |
| HPD Offer                   | \$1,037     | \$1,068     | \$1,100     | \$1,133     | \$1,167     | \$1,202     | \$1,238     | \$1,275     | \$1,313     | \$1,352     |
| Market Rate Option          | \$1,417     | \$1,459     | \$1,503     | \$1,548     | \$1,595     | \$1,643     | \$1,692     | \$1,743     | \$1,795     | \$1,849     |

Source: Estimates by MVS

20-YEAR MONTHLY MAINTENANCE PROJECTIONS BY UNIT TYPE (YEARS 11-20)

| Year                        | 11          | 12          | 13          | 14          | 15          | 16          | 17          | 18          | 19          | 20          |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Adjusted Maintenance</u> |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$2,331,931 | \$2,401,889 | \$2,473,945 | \$2,548,164 | \$2,624,609 | \$2,703,347 | \$2,784,447 | \$2,867,981 | \$3,015,679 | \$3,105,818 |
| MI Option with Full Taxes   | \$3,289,777 | \$3,388,470 | \$3,490,124 | \$3,594,828 | \$3,702,673 | \$3,813,753 | \$3,928,166 | \$4,046,011 | \$4,222,500 | \$4,348,879 |
| HPD Offer                   | \$2,182,395 | \$2,247,867 | \$2,315,303 | \$2,384,762 | \$2,456,305 | \$2,529,994 | \$2,605,894 | \$2,684,071 | \$2,798,775 | \$2,882,554 |
| Market Rate Option          | \$2,983,245 | \$3,072,742 | \$3,164,925 | \$3,259,872 | \$3,357,669 | \$3,458,399 | \$3,562,151 | \$3,669,015 | \$3,869,942 | \$3,985,551 |
| <u>Studio</u>               |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$722       | \$744       | \$766       | \$789       | \$812       | \$837       | \$862       | \$888       | \$934       | \$961       |
| MI Option with Full Taxes   | \$1,018     | \$1,049     | \$1,080     | \$1,113     | \$1,146     | \$1,181     | \$1,216     | \$1,252     | \$1,307     | \$1,346     |
| HPD Offer                   | \$676       | \$696       | \$717       | \$738       | \$760       | \$783       | \$807       | \$831       | \$866       | \$892       |
| Market Rate Option          | \$923       | \$951       | \$980       | \$1,009     | \$1,039     | \$1,071     | \$1,103     | \$1,136     | \$1,198     | \$1,234     |
| <u>1-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$808       | \$832       | \$857       | \$883       | \$909       | \$936       | \$965       | \$993       | \$1,045     | \$1,076     |
| MI Option with Full Taxes   | \$1,140     | \$1,174     | \$1,209     | \$1,245     | \$1,283     | \$1,321     | \$1,361     | \$1,402     | \$1,463     | \$1,506     |
| HPD Offer                   | \$756       | \$779       | \$802       | \$826       | \$851       | \$876       | \$903       | \$930       | \$970       | \$999       |
| Market Rate Option          | \$1,033     | \$1,064     | \$1,096     | \$1,129     | \$1,163     | \$1,198     | \$1,234     | \$1,271     | \$1,341     | \$1,381     |
| <u>2-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$1,040     | \$1,071     | \$1,103     | \$1,136     | \$1,170     | \$1,205     | \$1,242     | \$1,279     | \$1,345     | \$1,385     |
| MI Option with Full Taxes   | \$1,467     | \$1,511     | \$1,556     | \$1,603     | \$1,651     | \$1,701     | \$1,752     | \$1,804     | \$1,883     | \$1,939     |
| HPD Offer                   | \$973       | \$1,002     | \$1,032     | \$1,063     | \$1,095     | \$1,128     | \$1,162     | \$1,197     | \$1,248     | \$1,285     |
| Market Rate Option          | \$1,330     | \$1,370     | \$1,411     | \$1,454     | \$1,497     | \$1,542     | \$1,588     | \$1,636     | \$1,726     | \$1,777     |
| <u>3-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$1,265     | \$1,303     | \$1,342     | \$1,382     | \$1,424     | \$1,466     | \$1,510     | \$1,556     | \$1,636     | \$1,685     |
| MI Option with Full Taxes   | \$1,785     | \$1,838     | \$1,893     | \$1,950     | \$2,009     | \$2,069     | \$2,131     | \$2,195     | \$2,291     | \$2,358     |
| HPD Offer                   | \$1,184     | \$1,219     | \$1,256     | \$1,294     | \$1,332     | \$1,372     | \$1,414     | \$1,456     | \$1,518     | \$1,564     |
| Market Rate Option          | \$1,618     | \$1,667     | \$1,717     | \$1,768     | \$1,821     | \$1,876     | \$1,932     | \$1,990     | \$2,099     | \$2,162     |
| <u>4-Bedroom</u>            |             |             |             |             |             |             |             |             |             |             |
| MI Option with Shelter Rent | \$1,488     | \$1,533     | \$1,579     | \$1,626     | \$1,675     | \$1,725     | \$1,777     | \$1,831     | \$1,925     | \$1,982     |
| MI Option with Full Taxes   | \$2,100     | \$2,163     | \$2,228     | \$2,294     | \$2,363     | \$2,434     | \$2,507     | \$2,582     | \$2,695     | \$2,776     |
| HPD Offer                   | \$1,393     | \$1,435     | \$1,478     | \$1,522     | \$1,568     | \$1,615     | \$1,663     | \$1,713     | \$1,786     | \$1,840     |
| Market Rate Option          | \$1,904     | \$1,961     | \$2,020     | \$2,081     | \$2,143     | \$2,207     | \$2,274     | \$2,342     | \$2,470     | \$2,544     |

Source: Estimates by MVS

REAL ESTATE ASSESSMENT AND TAX ANALYSIS

**REAL ESTATE ASSESSMENT AND TAX ANALYSIS**

*Real Estate Taxes*

The subject property is a Class II property (residential real property with 11 or more units). The following table illustrates historical New York City tax rate for Class II property. As the table illustrates, the 2015/16 fiscal tax year Class II tax rate is 12.883% (\$12.883 per \$100.00 of assessed value).

**HISTORICAL TAX RATES - CLASS II REAL PROPERTY**

| Fiscal Year | Tax Rate | Change from Prior Year |
|-------------|----------|------------------------|
| 1999/00     | 10.851%  | 1.0%                   |
| 2000/01     | 10.847%  | 0.0%                   |
| 2001/02     | 10.792%  | -0.5%                  |
| 2002/03     | 12.517%  | 16.0%                  |
| 2003/04     | 12.620%  | 0.8%                   |
| 2004/05     | 12.216%  | -3.2%                  |
| 2005/06     | 12.396%  | 1.5%                   |
| 2006/07     | 12.737%  | 2.8%                   |
| 2007/08     | 11.928%  | -6.4%                  |
| 2008/09     | 12.596%  | 5.6%                   |
| 2009/10     | 13.241%  | 5.1%                   |
| 2010/11     | 13.353%  | 0.8%                   |
| 2011/12     | 13.433%  | 0.6%                   |
| 2012/13     | 13.181%  | -1.9%                  |
| 2013/14     | 13.145%  | 1.0%                   |
| 2014/15     | 12.855%  | -2.2%                  |
| 2015/16     | 12.883%  | 0.2%                   |

Source: New York City Department of Finance

Over the last 15 years, the tax rates have not shown a consistent trend. The current Class II rate is slightly higher than the 2014 rate, but otherwise the lowest since 2008/09. Overall, the current rate is towards the middle of the range from 2002/03 to 2015/16. Given the lack of notable trend, the appraisal uses the 2015/16 tax rates in the analysis.

Real estate within the city of New York is taxed on a fiscal basis that begins July 1<sup>st</sup> and ends June 30<sup>th</sup> the following year. The 2015/16 fiscal tax year began July 1, 2015. The following table illustrates the subject property's recent historical assessments. New York City policy is to calculate the tax burden on the lower of the actual or transitional assessments.



RECENT ASSESSED VALUATION HISTORY

| Tax Year | Actual Land | Actual Total | % Change | Transitional Land | Transitional Total | % Change |
|----------|-------------|--------------|----------|-------------------|--------------------|----------|
| 2011/12  | \$3,514,500 | \$5,499,450  |          | \$3,514,500       | \$6,103,890        |          |
| 2012/13  | \$3,514,500 | \$6,258,600  | 13.8%    | \$3,514,500       | \$5,600,610        | -8.2%    |
| 2013/14  | \$3,514,500 | \$6,352,200  | 1.5%     | \$3,514,500       | \$5,737,050        | 2.4%     |
| 2014/15  | \$3,514,500 | \$5,826,150  | -8.3%    | \$3,514,500       | \$5,858,280        | 2.1%     |
| 2015/16  | \$3,514,500 | \$6,691,950  | 14.9%    | \$3,514,500       | \$6,015,430        | 2.7%     |

Source: New York City Department of Finance

Real Property Tax Law Section 581 requires that the Department of Finance assesses condominium and cooperative apartment buildings without regard to their form of ownership. Thus the City assesses condominium and cooperative apartment buildings as if they were rental properties and determines the actual assessment via the income capitalization approach, whereby an estimated net operating income is capitalized into market value by using a built-up capitalization rate. The capitalization rates are published in January and vary based on property-type, location and income characteristics. The actual assessment is based on an equalization rate of 45% of the property's market value as determined by the assessor.

The following table illustrates the subject property's full real estate tax liability as a percentage of the Department of Finance's imputed effective gross income (EGI) for the subject property. As the table illustrates, the historical tax liability, without consideration for the shelter rent exemption, demonstrates a tight range from 20.1% to 22.8% of EGI.

RECENT ASSESSED VALUATION HISTORY

| Tax Year | Taxable AV  | AV per Sq.Ft. | Tax Rate | Full RE Taxes | EGI         | EGI per Sq.Ft. | Taxes as % of EGI | Expenses    | NOI         |
|----------|-------------|---------------|----------|---------------|-------------|----------------|-------------------|-------------|-------------|
| 2011/12  | \$5,499,450 | \$24.49       | 13.433%  | \$738,741     | \$3,410,611 | \$15.19        | 21.7%             | \$1,632,333 | \$1,778,278 |
| 2012/13  | \$5,600,610 | \$24.94       | 13.181%  | \$738,216     | \$3,675,556 | \$16.37        | 20.1%             | \$1,654,786 | \$2,020,770 |
| 2013/14  | \$5,737,050 | \$25.55       | 13.145%  | \$754,135     | \$3,618,013 | \$16.11        | 20.8%             | \$1,572,637 | \$2,045,376 |
| 2014/15  | \$5,826,150 | \$25.95       | 12.855%  | \$748,952     | \$3,280,019 | \$14.61        | 22.8%             | \$1,347,950 | \$1,932,069 |
| 2015/16  | \$6,015,430 | \$26.79       | 12.883%  | \$774,968     | \$3,823,746 | \$17.03        | 20.3%             | \$1,762,561 | \$2,061,185 |

EGI = effective gross income; NOI = net operating income

Full Real Estate Taxes are the Tax Assessed Value x Tax Rate

Source: New York City Department of Finance

**COMPARABLE ASSESSMENTS AND REAL ESTATE TAX LIABILITIES**

| Address                 | Year Built | No. of Stories | No. of Units | GBA (Sq.Ft.) | GBA per Unit | 2015/16        |                     |                       | Effective Gross Income (EGI) | Class II Tax Rate | Real Estate Taxes | Taxes as % of EGI |
|-------------------------|------------|----------------|--------------|--------------|--------------|----------------|---------------------|-----------------------|------------------------------|-------------------|-------------------|-------------------|
|                         |            |                |              |              |              | Assessed Value | 2015/16 AV per Unit | 2015/16 AV per Sq Ft. |                              |                   |                   |                   |
| <b>Subject Property</b> | 1971       | 19             | 189          | 224,530      | 1,188        | \$6,015,430    | \$31,828            | \$26.79               | \$3,823,746                  | 12.883%           | \$774,968         | 20.3%             |
| 169-77 West 95th Street | 1971       | 27             | 229          | 235,426      | 1,028        | \$8,278,200    | \$36,149            | \$35.16               | \$4,354,492                  | 12.883%           | \$1,066,481       | 24.5%             |
| 181 West 97th Street    | 1965       | 16             | 140          | 204,468      | 1,460        | \$2,962,350    | \$21,160            | \$14.49               | \$2,340,043                  | 12.883%           | \$381,640         | 16.3%             |
| 790 Columbus Avenue     | 1963       | 16             | 287          | 257,760      | 898          | \$9,712,908    | \$33,843            | \$37.68               | \$5,732,552                  | 12.883%           | \$1,251,314       | 21.8%             |
| 705 Columbus Avenue     | 1968       | 26             | 246          | 371,000      | 1,508        | \$6,684,570    | \$27,173            | \$18.02               | \$5,410,561                  | 12.883%           | \$861,173         | 15.9%             |
| 28-68 West 97th Street  | 1969       | 14             | 243          | 342,540      | 1,410        | \$5,489,820    | \$22,592            | \$16.03               | \$4,282,610                  | 12.883%           | \$707,254         | 16.5%             |
|                         |            |                |              |              |              | Minimum:       | \$21,160            | \$14.49               |                              |                   |                   | 15.9%             |
|                         |            |                |              |              |              | Maximum:       | \$36,149            | \$37.68               |                              |                   |                   | 24.5%             |
|                         |            |                |              |              |              | Average:       | \$28,183            | \$24.28               |                              |                   |                   | 19.0%             |
|                         |            |                |              |              |              | Median:        | \$27,173            | \$18.02               |                              |                   |                   | 15.5%             |

Source: New York City Department of Finance

Note: Real estate taxes are the 2015/16 Assessed Value x Class II Tax Rate

[REDACTED]

New York, NY  
June 7, 2016  
Page 35

COMPARABLE APARTMENT SALES

COMPARABLE APARTMENT SALES (SOUTHBRIDGE TOWERS)

| Property Address    | Sale Date   | Unit | Sale Price | Beds   | Baths     | No. of Rooms | Price per Room |
|---------------------|-------------|------|------------|--------|-----------|--------------|----------------|
| 100 Beekman Street  | IN CONTRACT | #10J | \$629,000  | 1 bed  | 1 bath    | 3.0          | \$209,667      |
| 100 Beekman Street  | IN CONTRACT | #8M  | \$599,000  | 1 bed  | 1 bath    | 3.0          | \$199,667      |
| 100 Beekman Street  | IN CONTRACT | #10A | \$425,000  | studio | 1 bath    | 2.0          | \$212,500      |
| 299 Pearl Street    | IN CONTRACT | #2C  | \$950,000  | 2 beds | 1 bath    | 4.0          | \$237,500      |
| 299 Pearl Street    | IN CONTRACT | #5A  | \$899,000  | 2 beds | 1 bath    | 4.0          | \$224,750      |
| 333 Pearl Street    | IN CONTRACT | #27C | \$999,000  | 2 beds | 1 bath    | 4.0          | \$249,750      |
| 333 Pearl Street    | IN CONTRACT | #13J | \$599,000  | 1 bed  | 1 bath    | 3.0          | \$199,667      |
| 333 Pearl Street    | IN CONTRACT | #14A | \$449,000  | studio | 1 bath    | 2.0          | \$224,500      |
| 77 Fulton Street    | IN CONTRACT | #4D  | \$839,000  | 2 beds | 1 bath    | 4.0          | \$209,750      |
| 77 Fulton Street    | IN CONTRACT | #9B  | \$749,000  | 1 bed  | 1 bath    | 3.0          | \$249,667      |
| 77 Fulton Street    | IN CONTRACT | #16M | \$688,888  | 1 bed  | 1.5 baths | 3.5          | \$196,825      |
| 77 Fulton Street    | IN CONTRACT | #24F | \$650,000  | 1 bed  | 1 bath    | 3.0          | \$216,667      |
| 77 Fulton Street    | IN CONTRACT | #27H | \$649,000  | 1 bed  | 1 bath    | 3.0          | \$216,333      |
| 77 Fulton Street    | IN CONTRACT | #26J | \$639,000  | 1 bed  | 1 bath    | 3.0          | \$213,000      |
| 80 Beekman Street   | IN CONTRACT | #5E  | \$749,000  | 2 beds | 1 bath    | 4.0          | \$187,250      |
| 90 Gold Street      | IN CONTRACT | #5C  | \$899,000  | 2 beds | 1 bath    | 4.0          | \$224,750      |
| 90 Gold Street      | IN CONTRACT | #27L | \$749,000  | 2 beds | 1 bath    | 4.0          | \$187,250      |
| 90 Gold Street      | IN CONTRACT | #26H | \$720,000  | 1 bed  | 1 bath    | 3.0          | \$240,000      |
| 90 Gold Street      | IN CONTRACT | #19G | \$439,000  | studio | 1 bath    | 2.0          | \$219,500      |
| 333 Pearl Street    | 12/10/2015  | #22J | \$599,000  | 1 bed  | 1 bath    | 3.0          | \$199,667      |
| 100 Beekman Street  | 12/1/2015   | #3G  | \$448,000  | 1 bed  | 1 bath    | 3.0          | \$149,333      |
| 66 Frankfort Street | 11/28/2015  | #3B  | \$950,000  | 2 beds | 1 bath    | 4.0          | \$237,500      |
| Minimum             |             |      | \$425,000  |        |           |              | \$149,333      |
| Maximum             |             |      | \$999,000  |        |           |              | \$249,750      |
| Average             |             |      | \$696,222  |        |           |              | \$213,886      |
| Median              |             |      | \$669,444  |        |           |              | \$214,667      |
| Weighted Average    |             |      |            |        |           |              | \$214,222      |

Source: Streeteasy

COMPARABLE APARTMENT SALES (COLUMBUS PARK TOWER)


| Sale Date        | Unit | Sale Price  | Beds   | Baths     | No. of Rooms | Price per Room |
|------------------|------|-------------|--------|-----------|--------------|----------------|
| AVAILABLE        | #4F  | \$979,021   | 2 beds | 1 bath    | 4.0          | \$244,755      |
| AVAILABLE        | #3C  | \$630,000   | 1 bed  | 1 bath    | 3.0          | \$210,000      |
| AVAILABLE        | #6D  | \$620,000   | 1 bed  | 1 bath    | 3.0          | \$206,667      |
| 12/3/2015        | #8G  | \$1,750,000 | 3 beds | 2 baths   | 6.0          | \$291,667      |
| 8/21/2015        | #22A | \$1,650,000 | 3 beds | 1.5 baths | 5.5          | \$300,000      |
| 6/15/2015        | #4G  | \$1,220,000 | 3 beds | 1.5 baths | 5.5          | \$221,818      |
| 6/4/2015         | #3D  | \$650,000   | 1 bed  | 1 bath    | 3.0          | \$216,667      |
| 5/22/2015        | #14B | \$875,000   | 2 beds | 1 bath    | 4.0          | \$218,750      |
| 5/20/2015        | #9A  | \$1,250,000 | 3 beds | 1.5 baths | 5.5          | \$227,273      |
| 4/16/2015        | #16C | \$650,000   | 1 bed  | 1 bath    | 3.0          | \$216,667      |
| 3/2/2015         | #17D | \$740,000   | 1 bed  | 1 bath    | 3.0          | \$246,667      |
| Minimum          |      | \$620,000   |        |           |              | \$206,667      |
| Maximum          |      | \$1,750,000 |        |           |              | \$300,000      |
| Average          |      | \$1,001,275 |        |           |              | \$236,448      |
| Median           |      | \$875,000   |        |           |              | \$221,818      |
| Weighted Average |      |             |        |           |              | \$242,066      |

Source: Streeteasy

**COMPARABLE APARTMENT SALES (100 WEST 93<sup>rd</sup> STREET)**

| Sale Date        | Unit | Sale Price  | Beds   | Baths   | No. of Rooms | Price per Room |
|------------------|------|-------------|--------|---------|--------------|----------------|
| AVAILABLE        | #2F  | \$2,305,000 | 3 beds | 2 baths | 6.0          | \$384,167      |
| AVAILABLE        | #14J | \$1,538,000 | 2 beds | 1 bath  | 4.0          | \$384,500      |
| AVAILABLE        | #11J | \$1,517,000 | 2 beds | 1 bath  | 4.0          | \$379,250      |
| IN CONTRACT      | #12A | \$769,990   | studio | 1 bath  | 2.0          | \$384,995      |
| 12/14/2015       | #2D  | \$745,000   | studio | 1 bath  | 2.0          | \$372,500      |
| 12/9/2015        | #23B | \$1,150,000 | 1 bed  | 1 bath  | 3.0          | \$383,333      |
| 11/13/2015       | #2E  | \$725,000   | studio | 1 bath  | 2.0          | \$362,500      |
| 11/13/2015       | #8B  | \$1,110,000 | 1 bed  | 1 bath  | 3.0          | \$370,000      |
| 11/12/2015       | #5K  | \$960,000   | 1 bed  | 1 bath  | 3.0          | \$320,000      |
| 8/26/2015        | #7C  | \$927,500   | 1 bed  | 1 bath  | 3.0          | \$309,167      |
| 8/12/2015        | #2K  | \$925,000   | 1 bed  | 1 bath  | 3.0          | \$308,333      |
| 7/30/2015        | #20G | \$1,105,000 | 1 bed  | 1 bath  | 3.0          | \$368,333      |
| 7/22/2015        | #16C | \$1,110,000 | 1 bed  | 1 bath  | 3.0          | \$370,000      |
| 7/10/2015        | #27G | \$1,150,000 | 1 bed  | 1 bath  | 3.0          | \$383,333      |
| 6/30/2015        | #20J | \$1,445,000 | 2 beds | 1 bath  | 4.0          | \$361,250      |
| 5/15/2015        | #7A  | \$787,000   | 1 bed  | 1 bath  | 3.0          | \$262,333      |
| 5/4/2015         | #18A | \$839,000   | 1 bed  | 1 bath  | 3.0          | \$279,667      |
| 4/30/2015        | #29C | \$1,176,000 | 1 bed  | 1 bath  | 3.0          | \$392,000      |
| 4/22/2015        | #24A | \$873,372   | 1 bed  | 1 bath  | 3.0          | \$291,124      |
| 3/15/2015        | #18G | \$1,050,000 | 1 bed  | 1 bath  | 3.0          | \$350,000      |
| 2/20/2015        | #16E | \$630,000   | studio | 1 bath  | 2.0          | \$315,000      |
| 2/19/2015        | #19E | \$657,500   | studio | 1 bath  | 2.0          | \$328,750      |
| 1/30/2015        | #17K | \$1,119,020 | 1 bed  | 1 bath  | 3.0          | \$373,007      |
| 1/9/2015         | #11H | \$1,365,000 | 2 beds | 1 bath  | 4.0          | \$341,250      |
| 12/19/2014       | #6B  | \$995,000   | 1 bed  | 1 bath  | 3.0          | \$331,667      |
| 12/16/2014       | #21C | \$1,121,825 | 1 bed  | 1 bath  | 3.0          | \$373,942      |
| Minimum          |      | \$630,000   |        |         |              | \$262,333      |
| Maximum          |      | \$2,305,000 |        |         |              | \$392,000      |
| Average          |      | \$1,080,623 |        |         |              | \$349,246      |
| Median           |      | \$1,077,500 |        |         |              | \$365,417      |
| Weighted Average |      |             |        |         |              | \$351,203      |

Source: Streeteasy

  
New York, NY  
June 7, 2016  
Page 40

**CERTIFICATE OF APPRAISAL AND BASIC  
ASSUMPTIONS**


  
**METROPOLITAN VALUATION SERVICES**  
REAL ESTATE CONSULTING AND APPRAISAL


**CERTIFICATE OF APPRAISAL**

We, Steven J. Schleider, MAI and Peter C. Rastetter, MAI certify that to the best of our knowledge and belief that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the 3-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. Peter C. Rastetter, MAI has made a personal inspection of the property that is the subject of this report. Steven J. Schleider, MAI has not made a personal inspection of the property that is the subject of this report. Steven J. Schleider, MAI and Peter C. Rastetter, MAI have extensive experience in the appraisal of similar properties.
10. No one provided significant real property appraisal assistance to the persons signing this certification.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, Steven J. Schleider, MAI and Peter C. Rastetter, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
14. Steven J. Schleider has been duly certified to transact business as a Real Estate General Appraiser (New York State certification #46000016498). Peter C. Rastetter has been duly certified to transact business as a Real Estate General Appraiser (New York State certification #46000044737).

**METROPOLITAN VALUATION SERVICES, INC.**

By:  Steven J. Schleider, MAI  
President

By:  Peter C. Rastetter, MAI  
Senior Vice President



### ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal and report have been prepared under the following general assumptions and limiting conditions. These assumptions and limiting conditions are standard within appraisal practice and consistent with the general assumptions and limiting conditions included in all Metropolitan Valuation Services, Inc.'s reports.

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser.
2. Title to the property is assumed to be good and marketable and the property is assumed to be free and clear of all liens unless otherwise stated. All mortgages, liens and encumbrances have been disregarded unless so specified within this report.
3. The appraiser has made no legal survey nor have we commissioned one to be prepared. Therefore, reference to a sketch, plat, diagram or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.
4. The subject property is analyzed as though under responsible ownership and competent management with adequate financial resources to operate the property within market parameters.
5. It is assumed in this analysis that there were no hidden or unapparent conditions of the property, subsoil, or structures, including hazardous waste conditions, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
6. Information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Some information contained within this report may have been provided by the owner of the property, or by persons in the employ of the owner. Neither the appraiser nor Metropolitan Valuation Services, Inc. ("MVS") shall be responsible for the accuracy or completeness of such information. Should there be any material error in the information provided to or obtained by the appraiser; the results of this report are subject to review and revision.
7. The appraiser assumes that no hazardous wastes exist on or in the subject property unless otherwise stated in this report. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the subject property. The appraiser however, is not qualified to detect such substances or detrimental environmental conditions. The appraisers have inspected the subject property with the due diligence expected of a professional real estate appraiser. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The value estimate rendered in this report is predicated upon the assumption that there is no such material on or affecting the property which would cause a diminution in value. No responsibility is assumed by the appraiser for any such conditions, or for any expertise or environmental engineering knowledge required to discover same. The client is urged to retain an expert in this field if so desired.
8. The appraisers have inspected the subject property with the due diligence expected of a professional real estate appraiser. The physical condition of the improvements is based upon a visual inspection of the premises; MVS assumes no responsibility for the soundness the property's structural or mechanical systems and components. We accept no responsibility for considerations requiring expertise in other professional fields. Such considerations include, but are not limited to, soils and seismic stability, civil, mechanical, electrical, structural and other engineering and environmental matters.
9. It is assumed that there is full compliance with all applicable federal, state, and local land use laws and environmental regulations and unless non-compliance is noted, described, and considered herein.
10. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and/or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more elements of the ADA. If so, this fact could have a negative effect upon the value

of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible noncompliance with the requirements of the ADA in estimating the value of the subject property.

11. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
12. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraisers.
13. Unless prior arrangements have been made, the appraiser, by reason of this report, is not required to give further consultation or testimony, or to be in attendance in court with reference to the property that is the subject of this report.
14. Unless otherwise noted, this appraisal has not given any specific consideration to the contributory or separate value of any mineral and/or timber rights associated with the subject real estate.
15. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.
16. This appraisal has been made subject to current market terms of financing. The opinion of value is valid only as of the date of appraisal. Any changes that take place either within the property or the market subsequent to that date of value can have a significant impact on value.
17. Forecasted income and expenses that may be contained within this report may be based upon lease summaries and operating expense statements provided by the owner or third parties. MVS assumes no responsibility for the authenticity or completeness of such data.
18. This report is intended to be used in its entirety; if not presented in its entirety, the conclusions presented herein may be misleading. No part of this report may be used in conjunction with any other appraisal.
19. This appraisal report has been prepared for the exclusive benefit of the addressee (the client), its successors and/or assigns. It may not be used or relied upon by any other party. Any other parties who use or rely upon any information in this report without our written consent do so at their own risk. Any person or entity not authorized by MVS in writing to use or rely this report, agrees to indemnify and hold MVS and its respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorney fees, incurred in conjunction with defending any claim arising from or in any way connected to the use of, or reliance upon, the report by any such unauthorized person or entity.

#### ***Extraordinary Assumptions***

An extraordinary assumption is defined as an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

This appraisal employs no extraordinary conditions.

#### ***Hypothetical Conditions***

A hypothetical condition is defined as that which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

This appraisal employs no hypothetical conditions.

[REDACTED]

New York, NY  
June 7, 2016  
Page 44

*QUALIFICATIONS OF THE APPRAISERS*

**STEVEN J. SCHLEIDER, MAI, FRICS, LEED AP BD+C**  
PRESIDENT – METROPOLITAN VALUATION SERVICES

**STEVEN J. SCHLEIDER** Co-founded Metropolitan Valuation Services, Inc. to serve a broad-base of clients developed over his career in real estate.

As director for a national valuation and due diligence firm, the vast majority of appraisal assignments relating to the post-recession wave of major residential construction, development and re-adaptive use projects in the New York area were conducted under his supervision. Additionally, the significant large-scale multifamily complexes in the region for FannieMae and FreddieMac loan portfolios were appraised by his team.

Mr. Schleider's experience in real estate is broad and his assignments have included development strategies, valuation and/or feasibility studies for market-rate and subsidized rental facilities, nursing home, age-restricted and assisted-living residences, cooperative and condominium apartment buildings, development projects in various stages of approval; and, valuation modeling and consulting for various lower- and moderate-income housing programs involving LIHTCs and low floater rate tax exempt revenue bond financing. Mr. Schleider's experience with HUD-based programs includes numerous section 8 facilities, MAP, and rent comparability surveys. These activities have been conducted on behalf of investment firms, international and domestic pension funds, major industrial corporations, leading foreign and domestic financial institutions, individual investors and leading law firms. Additionally, Mr. Schleider has developed and conducted seminars relating to multifamily valuation issues for the New York City Housing Development Corporation and the New York State Housing Finance Agency.

Mr. Schleider is a designated member of the Appraisal Institute (MAI), a fellow of the Royal Institute of Chartered Surveyors (FRICS) and is certified by the State of New York and State of New Jersey as a real estate General Appraiser. Mr. Schleider is also a LEED Accredited Professional with specialty in building design and construction (Leadership in Energy and Environmental Design) of the United States Green Building Council (USGBC). Mr. Schleider received his Bachelor of Arts degree from Berklee College and has completed numerous graduate courses in finance and economics at the Bernard M. Baruch School of Business, City University of New York. Mr. Schleider served as the 2011 President of the Metropolitan New York Chapter of the Appraisal Institute. He had previously served as President of the Associate and Affiliate Members Organization of the Metropolitan New York Chapter of the Appraisal Institute, and has chaired both the Admissions and Education Committees of the chapter. Starting in 2003, Mayor Michael Bloomberg appointed and re-appointed Mr. Schleider 3 times to the New York City Rent Guidelines Board: where he served for 11 years. Mr. Schleider is a member of the Real Estate Board of New York and currently serves on its Housing Committee and has chaired its Appraisal Committee.

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**PETER C. RASTETTER, MAI**  
SENIOR VICE PRESIDENT - METROPOLITAN VALUATION SERVICES

**PETER C. RASTETTER** is a Senior Vice President with Metropolitan Valuation Services, Inc. (MVS). Mr. Rastetter is a Designated Member of the Appraisal Institute (MAI) and is certified by the States of New York and New Jersey as a real estate general appraiser. Additionally, Mr. Rastetter is an approved Supervisory Appraiser in the State of New York, working closely with a number of junior appraisers and associates.

Overall, Mr. Rastetter has 14 years of appraisal experience in a variety of income producing properties and has been with MVS since its inception in July 2003. Prior to joining MVS, Mr. Rastetter worked as an associate for a national appraisal firm, where he specialized in the appraisal of multifamily investment properties in the metropolitan New York area.

Mr. Rastetter's appraisal and consulting experience includes the valuation of numerous income-producing properties, including multifamily rental and for-sale apartment buildings, skilled nursing facilities, hotels, developable land and mixed-use properties incorporating retail, office, community facility, and garage components. Mr. Rastetter currently specializes in land and multifamily appraisals, with a concentration in complex appraisal problems. Samples of appraisal work include construction and permanent loans for HFA-type 80/20 rental apartment buildings incorporating real estate tax benefits and low floater rate tax-exempt bond financing, super-luxury condominium developments, the acquisition and rehabilitation of affordable housing properties partially funded through the generation of Low Income Housing Tax Credits and tax-exempt bond financing, and properties encumbered by long-term ground leases. A small sample of clients includes Wells Fargo Bank, JPMorgan Chase, Citibank, PNC Bank and Helaba Bank.

Mr. Rastetter has also done consulting for numerous local developers and property owners. The scope of work has included creating interactive modeling and providing highest and best use analysis regarding an ideal improvement based on a variety of legally permissible uses. Clients have included, among others, Rockrose Development Corporation, the Port Authority of New York and New Jersey and Brookfield Properties. Additional consulting work includes real estate studies and marketability analyses for local developers including the Moinian Group and the Related Companies.

Mr. Rastetter earned his Bachelor of Science degree with a major in Business Administration and a dual concentration in Finance and Management Information Systems from the State University of New York at Albany.

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| UNIQUE ID NUMBER<br>46000016498  | State of New York<br>Department of State<br>DIVISION OF LICENSING SERVICES | FOR OFFICE USE ONLY<br>Control No. 81252   |
| PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.   |  | EFFECTIVE DATE<br>MO   DAY   YR<br>12   13   14  |
| SCHLEIDER STEVEN J<br>C/O METROPOLITAN VALUATION SER<br>44 E 32ND ST 11TH FL<br>NEW YORK, NY 10016 |  | EXPIRATION DATE<br>MO   DAY   YR<br>12   12   16   |
| HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A<br>R. E. GENERAL APPRAISER                        |  | <small>In Witness Whereof, The Department of State has caused<br/>this notice to be prepared as follows:</small><br>CESAR A. PERALES<br>SECRETARY OF STATE |
| <small>DOB-1006 (Rev. 3/01)</small>  |  |  |

|  |  |  |
|--|--|--|
| UNIQUE ID NUMBER<br>46000044737  | State of New York<br>Department of State<br>DIVISION OF LICENSING SERVICES | FOR OFFICE USE ONLY<br>Control No. 81810   |
| PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS. |  | EFFECTIVE DATE<br>MO   DAY   YR<br>12   27   14  |
| RASTETTER PETER C<br>C/O METROPOLITAN VALUATION SER<br>44 E 32ND ST<br>NEW YORK, NY 10016        |  | EXPIRATION DATE<br>MO   DAY   YR<br>12   26   16   |
| HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A<br>R. E. GENERAL APPRAISER                      |  | <small>In Witness Whereof, The Department of State has caused<br/>this notice to be prepared as follows:</small><br>CESAR A. PERALES<br>SECRETARY OF STATE |
| <small>DOB-1006 (Rev. 3/01)</small>  |  |  |