CONSULTING ASSIGNMENT REGARDING:

St. Paul's Academy
Garden City, NY

For:

Mr. Gary Fishberg
Cullen and Dyckman LLP
100 Quentin Roosevelt Boulevard
Garden City, NY 11530-4850

By:

Grubb & Ellis Consulting Services Company
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VALUATION & ADVISORY SERVICES

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March 3, 2008

Mr. Gary Fishberg. Esq.
Cullen and Dykman LLP
100 Quentin Roosevelt Boulevard
Garden City, NY 11530-4850

Re: St. Paul's Academy
Garden City, NY 11530-4850

Dear Mr. Fishberg:

Pursuant to your request, Grubb & Ellis Valuation and Advisory Group (Grubb & Ellis) has prepared a consulting assignment regarding the proposed redevelopment of the St. Paul's Academy in Garden City, New York.

This assignment involves a 7-acre parcel improved with two structures. The main building, which is the subject of this assignment, is an architecturally significant, Gothic Revival structure of 125,000 square feet that was constructed in 1888 as the St. Paul's School for Boys. The building has been vacant for 15 years and is in deteriorated, but generally structurally sound, condition. The second building, Ellis Hall, is a 16,000 square foot building constructed in the 1960s that is contaminated with asbestos.

The subject site is presently part of a larger 48-acre parcel that includes ball fields and other recreational uses. The entire parcel, including the subject property, was acquired by the Village of Garden City as a "public trust" and is designated as parkland. Therefore, pursuant to current land use restrictions, the subject property's improvements may only be used for public recreational purposes.

The Village is interested in redeveloping the subject property site as a residential property, and to that end, the Village will pursue "Home Rule" legislation to remove the parkland designation. We understand that securing Home Rule legislation will be required for a private development permitting the Main Building to be preserved and its exterior restored. We assume development will not commence until the proper approvals and legislation are enacted. In consideration of the risks, we believe a developer would put up a reasonable "good faith" security deposit for a significant sum (i.e. $500,000) that would be refundable if the project ultimately cannot be realized in a reasonable amount of time. As the subject property is currently zoned for single family homes, the Village also expects to rezone it to permit the reuse of the Main Building for multifamily residential purposes. The purpose of this assignment addresses several questions on the feasibility of the redevelopment of the Main Building and the subject site as a whole as a residential rental apartment complex.

Several assumptions are pertinent to this assignment. Based upon information provided by the Village, we understand securing Home Rule legislation will require an additional 12-24 months before construction can commence. We have assumed an estimate of 18 months in our analysis. We understand that securing Home Rule legislation for the subject site will be the responsibility of the Village. If there is a requirement that displaced parkland must be relocated elsewhere within the village, this cost will be borne by the Village. However, any additional costs will be the responsibility of the developer. We have assumed that the development budget provided by AvalonBay (the developer), as detailed later in this report, implicitly includes these costs. We have tested the reasonableness of the construction budget with data provided by Marshall & Swift, a major publisher of construction cost data.

Several other pertinent assumptions apply to this assignment, and are detailed as follows:

- The Village will convey a 99-year lease
- Use of the property will be limited to residential and possible ancillary community uses
- The exterior of the Main Building must be restored to a standard sufficient to enable the use of federal historical preservation tax credits and our valuation has considered the cash value of selling these credits.
- Ellis Hall must be demolished
- Required parking must be entirely accommodated on the subject property, below grade to the maximum extent possible.
- No additional development is permitted on the site
- The developer is entitled to reasonable returns commensurate with the risk of rehabilitation and adaptive reuse of an historic structure

In consideration of the previously described assumptions, the purpose of this assignment is as follows:

1. Provide an "as is" value of the subject property in two components, a fee simple and leasehold value. To that end, we have:
    a. Outlined what IRR and cap rates should be used for this development project and why. We have assumed the Village will be successful in removing the parkland and rezoning risks from the property, and considered this as a factor in our rate analysis.
    b. For the valuation of the leasehold estate, we have provided the terms of such leasehold including ground rent, escalation, and other material terms based on current market conditions.
2. If the value of the leasehold in #1 is negative, we will quantify the amount of additional development floor area that the Village must permit after utilizing the developer's rate of return so that the value of the leasehold interest is zero. We have provided two analyses including market rate taxes versus a Payment in Lieu of Taxes based on a 25-year schedule (detailed later in this report)
3. We have additionally provided a valuation of the leasehold interest assuming that the Village permits the development of 58,900 square feet of rentable building area located in newly constructed annex connected to the main building. This annex is scheduled to include 46 apartments with an average rentable size of 1,280 square feet per unit. Per your request, we have provided additional iterations with an annex inclusive of 50, 60, or 70 additional apartments utilizing the same average unit size. To highlight the effects of increasing the allowable additional rentable building area with ever greater increments, we have processed additional iterations through 110 additional units.

As detailed in this report, we have concluded that the renovation of the existing Main Building as a rental apartment building is not in and of itself feasible, and does not provide sufficient return to a developer to justify its renovation. In terms of the proposed 46-unit annex with market rate taxes, the projected equity yield rate is slightly below the 20% threshold we have considered reasonable in this analysis. For this reason, no residual land value is projected to be associated with this development plan. We have processed several iterations of our development analysis and considered additional scenarios with increasing number of units as described in #3 above. In this analysis, residual land value, and thus the potential for ground lease payments, is not realized until at minimum 342,000 square feet of additional rentable building area is provided. With the PILOT program however, the renovation of the Main Building along with the construction of the 46-unit proposed annex is considered feasible with the equity return projected to exceed 20%.

This report is prepared in conformity with, and is subject to the Code of Professional Ethics and Standards of Professional Appraisal Practice, as set forth by the Appraisal Institute. In addition, the consulting assignment is made in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP). This consulting assignment report complies with the reporting requirements set forth under the Standards Rule 5-2(a) of the Uniform Standards of Professional Appraisal Practice for a consulting assignment report. This report is made subject to the assumptions and limiting conditions and certificate appearing in the Addenda of the consulting assignment report and does not address any environmental factors that may be present on the property.

Respectfully submitted,

Robert Von Ancken, MAI, CRE, FRICS
Executive Managing Director
NYS Certification #46000001797

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Address:	295 Stewart Avenue Garden City, New York. 11530
Nassau County Tax Map	Section 33, Block 92, Lot 65
Site Size:	289,800 square feet (7 acres +/-)
Purpose of Assignment:	Detailed in the Cover Letter
Effective Date of Value:	March 3, 2008
Site Description:	The subject parcel (approximately 7 acres) runs 579 feet northwest from the intersection of Stewart and Rockaway Avenues, then 319 feet west, then 151 feet south, then 87 feet west, then 180 feet south, then 101 feet southwest, then 164 feet south-southwest, and then 706 feet east to the point of beginning.
Improvements:	The site is improved with a four-story brick and limestone-trimmed structure with a mansard roof containing classrooms, a chapel, meeting rooms, and dormitory rooms, along with the adjacent Ellis Hall. We have been provided with a plan that will involve demolishing Ellis Hall and redeveloping the primary brick and limestone structure as a rental apartment building with 70,452 square feet of rentable area with 62 apartments, in addition to the construction of an annex with 46 apartments having 58,900 square feet of rentable area.
Zoning:	The site is currently zoned R-20 which permits, among other uses, residential development with single family homes on 20,000 square foot lots. The site is also currently designated as park land, which precludes residential development. This assignment assumes a change in zoning to allow\ for multifamily apartment house use, as well as the removal of any restrictions upon the use of the site for residential purposes. The 7-acre +/- site, as if vacant, would accommodate 252 multifamily units.

Conclusions:

We have determined that renovating the Main Building alone is not financially feasible, and that additional floor area would have to be constructed to make the project feasible. Our analysis has determined that the minimum floor area required to justify the redevelopment of the property as a residential apartment building is 342,000 square feet if no tax benefits are granted and 48,000 square feet if the proposed PILOT schedule (as detailed in this report) is utilized.

We have found that the 46-unit proposed annex results in a positive residual land value with the PILOT schedule. A positive value does NOT result with market oriented taxes until at least 340,000 square feet of additional square feet of rentable building area (approximately 267 units). The results of our analysis of the various development scenarios with additional rentable building area are presented in the following table:

MATRIX OF CONCLUSIONS FOR DEVELOPMENT SCENARIOS
WITH PILOT SCHEDULE

Add'l Units	Equity Yield Rate	% Increase in IRR w/ Add'l Units	Stabilized NOI/ Construction Costs	Implied Residual Land Value @ 20%	Prospective Ground Rent @ 6% Rate	Prospective Ground Rent @ 8% Rate
46	20.33%	0.00%	10.05%	$212,996	$12,780	$17,040
50	20.67%	1.70%	10.15%	$453,542	$27,213	$36,283
60	21.44%	3.73%	10.39%	$1,057,250	$63,435	$84,580
70	22.10%	3.07%	10.60%	$1,660,977	$99,659	$132,878
80	22.67%	2.57%	10.78%	$2,264,705	$135,882	$181,176
90	23.17%	2.19%	10.94%	$2,868,413	$172,105	$229,473
100	23.60%	1.89%	11.09%	$3,472,140	$208,328	$277,771
110	23.99%	1.65%	11.22%	$4,075,848	$244,551	$326,068

MATRIX OF CONCLUSIONS FOR DEVELOPMENT SCENARIOS
WITH MARKET DERIVED REAL ESTATE TAXES

Add'l Units	Equity Yield Rate	% Increase in IRR w/ Add'l Units	Stabilized NOI/ Construction Costs	Implied Residual Land Value @ 20%	Prospective Ground Rent @ 6% Rate	Prospective Ground Rent @ 8% Rate
46	13.22%	0.00%	7.97%	($3,965,973)	($237,958)	($317,278)
50	13.55%	2.45%	8.05%	($3,910,002)	($234,600)	($312,800)
60	14.27%	5.34%	8.24%	($3,769,543)	($226,173)	($301,563)
70	14.89%	4.32%	8.40%	($3,629,064)	($217,744)	($290,325)
80	15.42%	3.57%	8.54%	($3,488,585)	($209,315)	($279,087)
90	15.88%	3.00%	8.67%	($3,348,126)	($200,888)	($267,850)
100	16.29%	2.57%	8.78%	($3,207,647)	($192,459)	($256,612)
110	16.65%	2.22%	8.88%	($3,067,188)	($184,031)	($245,375)

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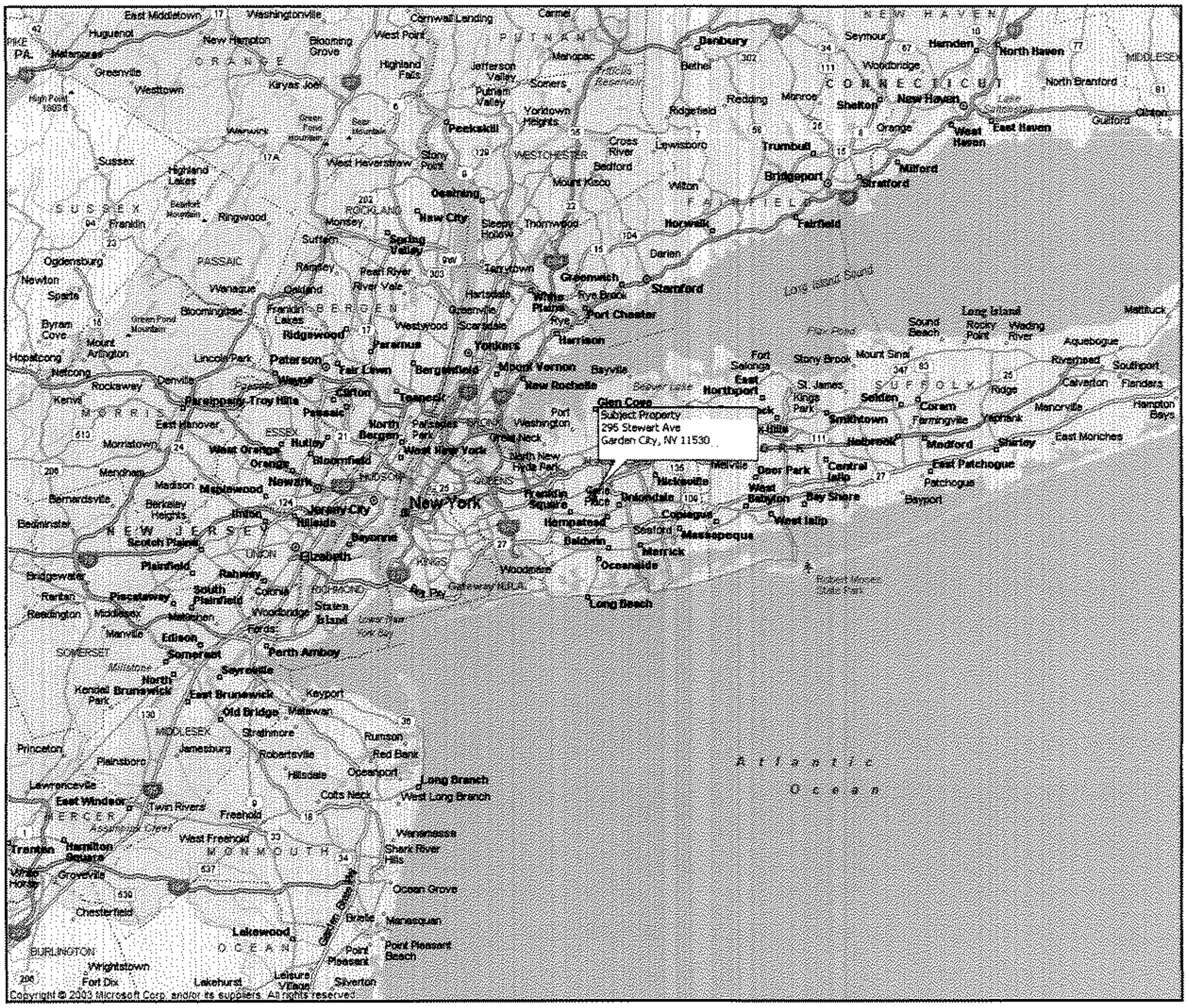
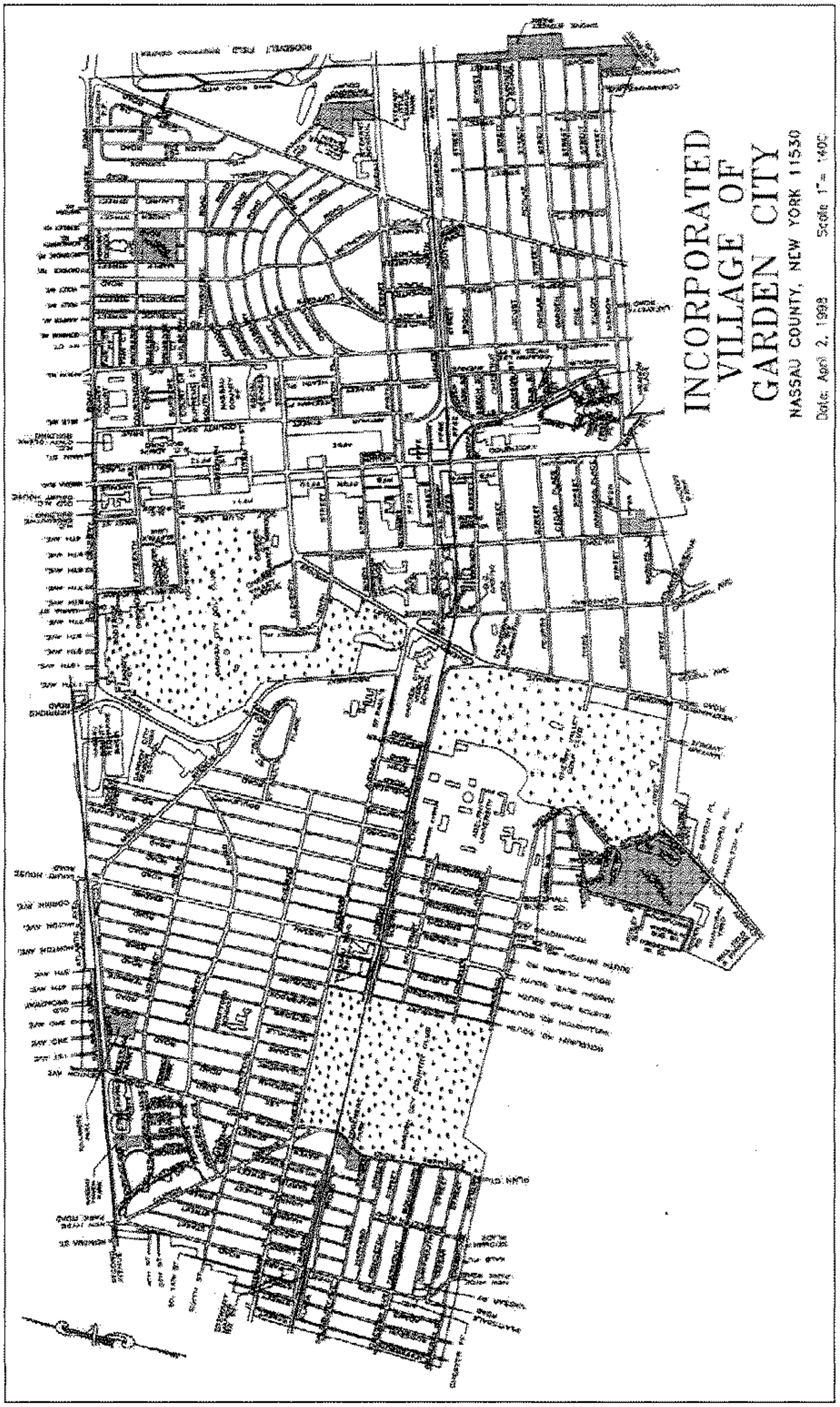
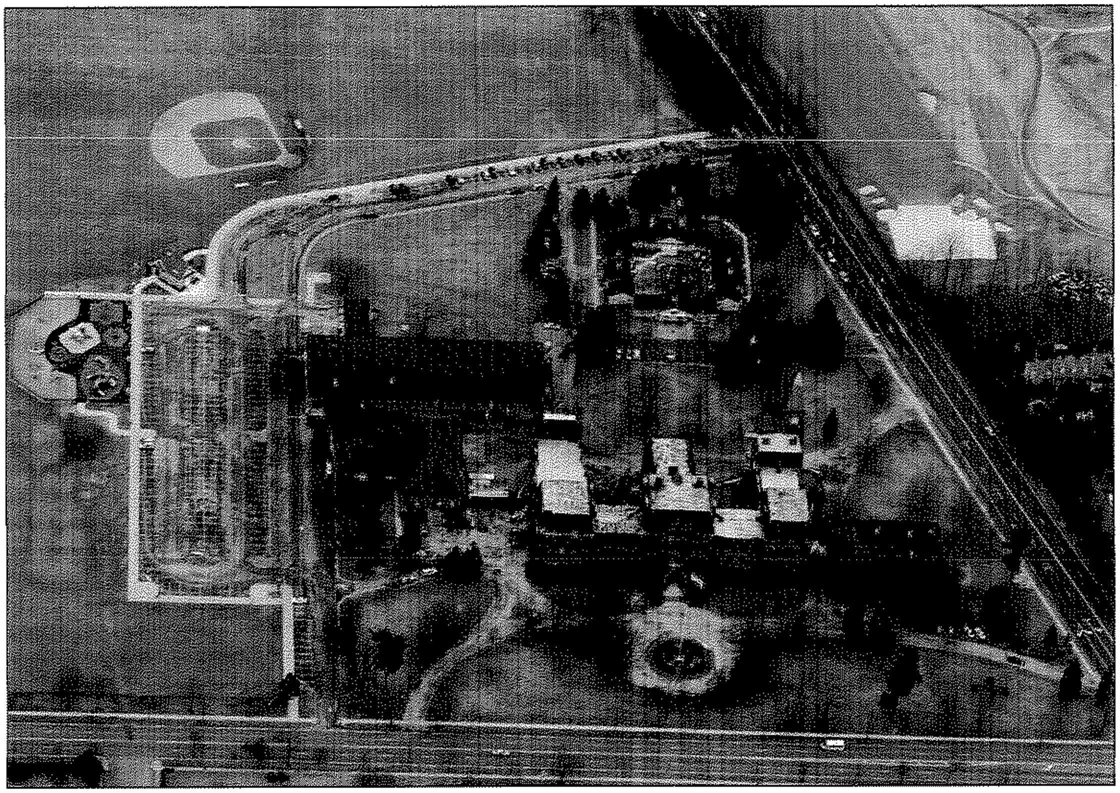
LOCATION MAP

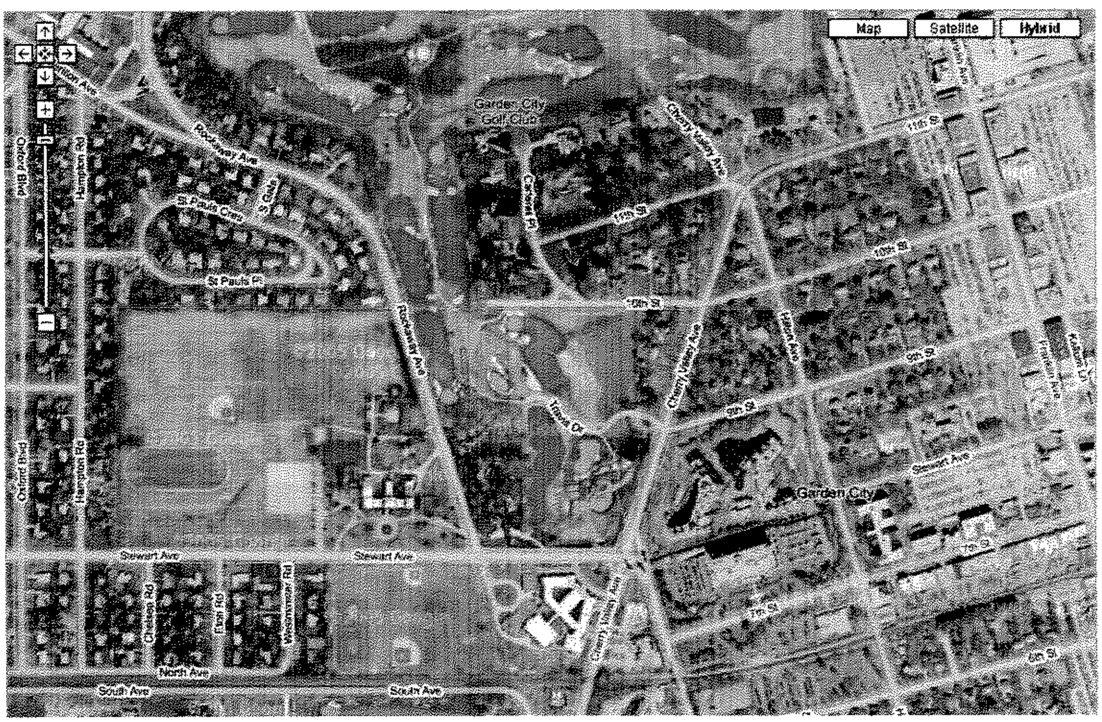


MAP OF GARDEN CITY

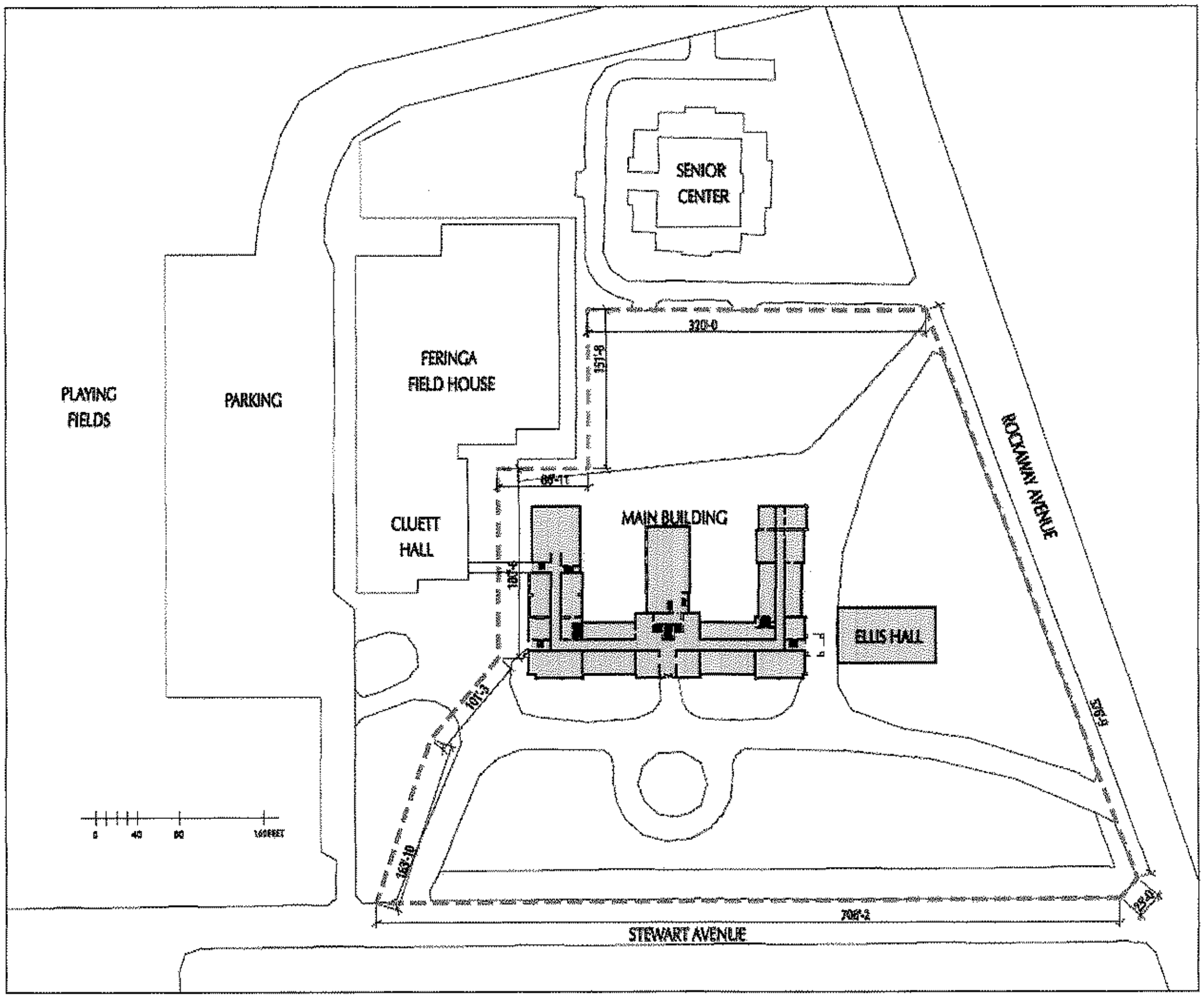


AERIAL VIEWS





SITE PLAN


SENIOR CENTER
320'-0
151'-8
FERINGA FIELD HOUSE
PLAYING FIELDS
PARKING
ROCKAWAY AVENUE
CLUETT HALL
MAIN BUILDING
ELLIS HALL
101'-3
163'-10
708'-2
STEWART AVENUE

INTRODUCTION

PROPERTY IDENTIFICATION

The subject parcel (approximately 7 acres) extends 579 feet northwest from the intersection of Stewart and Rockaway Avenues, then 319 feet west, then 151 feet south, then 87 feet west, then 180 feet south, then 101 feet southwest, then 164 feet south-southwest, and then 706 feet east to the point of beginning (see Site Plan). It is known as Nassau County Section 33, Block 92, Lot 65, or 295 Stewart Avenue. The site is improved with a four-story brick and limestone-trimmed structure with a mansard roof containing classrooms, a chapel, meeting rooms, and dormitory rooms, along with the adjacent Ellis Hall. The two buildings comprise approximately 107,000 gross square feet excluding basement areas. Both buildings have been vacant for many years.

PURPOSE AND FUNCTION OF ASSIGNMENT

Several assumptions are pertinent to this assignment. Based upon information provided by the Village, we understand securing Home Rule legislation will require an additional 12-24 months before construction can commence. We have assumed an estimate of 18 months in our analysis. We understand that securing Home Rule legislation for the subject site will be the responsibility of the Village. If there is a requirement that displaced parkland must be relocated elsewhere within the village, this cost will be borne by the Village. However, any additional costs will be the responsibility of the developer. We have assumed that the development budget provided by AvalonBay (the developer), as detailed later in this report, implicitly includes these costs. We have tested the reasonableness of the construction budget with data provided by Marshall & Swift, a major publisher of construction cost data.

Several other pertinent assumptions apply to this assignment, and are detailed as follows:

- The Village will convey a 99-year lease
- Use of the property will be limited to residential and possible ancillary community uses
- The exterior of the Main Building must be restored to a standard sufficient to enable the use of federal historical preservation tax credits and our valuation has considered the cash value of selling these credits.
- Ellis Hall must be demolished
- Required parking must be entirely accommodated on the subject property, below grade to the maximum extent possible.
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In consideration of the previously described assumptions, the purpose of this assignment is as follows:

1. Provide an "as is" value of the subject property in two components, a fee simple and leasehold value. To that end, we have:
    a. Outlined what IRR and cap rates should be used for this development project and why. We have assumed the Village will be successful in

removing the parkland and rezoning risks from the property, and considered this as a factor in our rate analysis.

b. For the valuation of the leasehold estate, we have provided the terms of such leasehold including ground rent, escalation, and other material terms based on current market conditions.

2. If the value of the leasehold in #1 is negative, we will quantify the amount of additional development floor area that the Village must permit after utilizing the developer's rate of return so that the value of the leasehold interest is zero. We have provided two analyses including market rate taxes versus a Payment in Lieu of Taxes based on a 25-year schedule (detailed later in this report)

3. We have additionally provided a valuation of the leasehold interest assuming that the Village permits the development of 58,900 square feet of rentable building area located in newly constructed annex connected to the main building. This annex is scheduled to include 46 apartments with an average rentable size of 1,280 square feet per unit. Per your request, we have provided additional iterations with an annex inclusive of 50, 60, or 70 additional apartments utilizing the same average unit size. To highlight the effects of increasing the allowable additional rentable building area with ever greater increments, we have processed additional iterations through 110 additional units.

The report is prepared for Mr. Gary Fishberg. Esq. of Cullen and Dykman LLP for internal analysis.

PROPERTY RIGHTS APPRAISED

The property rights appraised for the subject property are those embodied in the fee simple estate and the leasehold estate.

The Fee Simple Interest is defined by the Appraisal Institute in The Dictionary of Real Estate Appraisal, Appraisal Institute, Chicago, IL, 2003, as: "Absolute ownership unencumbered by any interest or estate, subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, and escheat."

The Leasehold Interest is defined as "The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions."

DATE OF VALUE

We have valued the subject property as of March 3, 2008

PROPERTY OWNERSHIP

In 1993, the Village acquired by condemnation the 48 acre St. Paul's campus from the Episcopal Diocese of Long Island, which acquisition was financed by the issuance of municipal bonds, bond anticipation notes and an appropriation from general funds. Approximately 41 of the 48 acres along with Cluett Hall and Feringa Field House are now and will remain in active recreational use by the Village in accordance with the *St. Paul's School Open Space Plan* adopted in 1994. The remaining property, containing approximately 7 acres along with the Main Building and the adjacent Ellis Hall, the two buildings together comprising approximately 107,000 gross square feet excluding basement areas, comprise the subject of this assignment. The property has not changed ownership since 1993.

INSPECTION

Robert Von Ancken inspected the property on March 3, 2008.

Reasonable Exposure Time

Reasonable exposure time is the estimated length of time the property being appraised would have been offered on the market prior to the consummation of a sale and at the market value appraised. Exposure time is always presumed to occur prior to the effective date of the assignment. A reasonable exposure time for a sale of the subject property as of the date our opinion of value applies is approximately three months to nine months.

DESCRIPTION OF PLANNED DEVELOPMENT

Only minimal information has been provided regarding the proposed redevelopment of the St. Paul's Academy site. This section outlines the development plan by the developer AvalonBay.

Overview

According to the provided information, the existing Main Building is proposed to be converted into a multifamily apartment building with 62 apartments and approximately 70,452 square feet of rentable area. The proposed unit mix will include (20) 1-bedroom apartments, (37) 2-bedroom apartments, and (5) 3-bedroom duplex apartments. In comparison with other high-end luxury apartment facilities in suburban locations near New York City, the proposed unit mix is considered suitable for their intended use and will likely be well received by the appropriate market segments.

Along with the renovation of the existing school facility, an additional development scenario will allow for the construction of 46 additional apartments in an attached 4-story apartment building with 58,900 square feet of rentable building area.

Similar to other luxury apartment facilities developed by AvalonBay, a significant common area component will be part of the development. The floor plans for the proposed development indicate that the property is proposed to be improved with a 3,500+ square foot gym (health club), a similar sized community room, and a club room/leasing office.

We have been provided with information that indicates the subject property is to include 51 garaged parking spaces and 181 surface parking spaces.

Proposed Construction Budget & Historic Preservation Tax Credits

We have been provided with the following construction budget for the proposed improvements. This construction budget includes estimates of the actual value of historic preservation tax credits that are applicable to the proposed renovations of the subject property. Site development and soft costs have been allocated pro rata, based on square footage. We assume this estimate to be accurate, with the understanding that such an estimate can only be prepared by a qualified architect.

While these tax credits do not benefit the developer AvalonBay due to their REIT status, they can be transferred to third parties and thus have cash value. Our survey of syndication firms involved with the trading of such tax credits indicates they typically sell for 80% of the face value. We have reflected the value of these tax credits in this assignment by assuming their discounted value directly reduces the construction costs, and thus effectively reduces the required equity for this development project. The following table presents the development budget:

ST. PAUL'S ACADEMY – PROPOSED RENOVATION BUDGET

Cost Category	Budget	Per Unit	Per GSF	Main Building 70,452 SF 62.00%	Proposed Annex 58,900 SF 38.00%
Hard Costs					
Structures	$28,323,000	$262,250	$136.20	$21,093,095	$7,229,905
Parking & Carports	$4,588,515	$42,486	$22.07	$2,844,879	$1,743,636
Site Development	$2,119,537	$19,625	$10.19	$1,314,113	$805,424
Offsite	$275,000	$2,546	$1.32	$170,500	$104,500
Clubhouse & Amenities	$1,185,000	$10,972	$5.70	$734,700	$450,300
General Conditions	$2,857,050	$26,454	$13.74	$1,771,371	$1,085,679
AvalonBay Costs	$2,513,682	$23,275	$12.09	$1,943,261	$570,421
Construction Contingency	$2,360,886	$21,860	$11.35	$1,463,749	$897,137
Development Contingency	$1,573,924	$14,573	$7.57	$975,833	$598,091
subtotal:	$45,796,594	$424,041	$220.23	$32,311,501	$13,485,093
Soft Costs					
Legal & Closing	$985,000	$9,120	$4.74	$610,700	$374,300
Architecture & Engineering	$2,450,000	$22,685	$11.78	$1,519,000	$931,000
Permits, Fees & Taxes	$595,000	$5,509	$2.86	$368,900	$226,100
Marketing	$540,000	$5,000	$2.60	$334,800	$205,200
Development Overhead	$900,000	$8,333	$4.33	$558,000	$342,000
Soft Cost Contingency	$350,000	$3,241	$1.68	$217,000	$133,000
subtotal:	$5,820,000	$53,888	$27.99	$3,608,400	$2,211,600
			Subtotal:	$35,919,901	$15,696,693
			Historic Preservation Tax Credit:	$5,415,836	
			Discount Percentage:	20%	
			Discounted Tax Credit Value:	$4,332,669	$0
			Subtotal Construction Costs with Tax Credit:	$31,587,232	$15,696,693
			Cost/Rentable SF:	$448	$266
			Total Construction Costs with Tax Credit:	$47,283,925	
			Cost/Rentable SF	$366	

We have assumed an 18-month construction time to complete the proposed development, in addition to the 18-month time required to secure "Home Rule" legislation to allow development of the subject site. We have further assumed that these projected costs satisfy all of the assumptions previously described that form the basis of this assignment.

As described, the cost to renovate the Main Building is $448 per square foot of rentable building area. The cost to construct the proposed Annex is $266 per square foot of RBA. Within our analysis, we have utilized a construction cost estimate of $270 per square foot for the annex given the speculative nature of our analysis, which considers many possible sizes of the annex. This amount is supported by construction cost data published by Marshall and Swift, a major publisher of construction cost data in the United States.

SECTION ONE – PERTINENT ASSUMPTIONS AND PROJECTIONS

Summary of Assumptions

The following table summarizes the assumptions utilized in the various analyses presented in this report:

Gross Income per Sq. Ft of RBA	$40	Overall Discount Rate	7%
Vacancy and Collection Loss Factor	5%	Minimum Equity Yield	20%
Variable Operating Expenses per Sq. Ft. of RBA	$6.00	Terminal Capitalization Rate	7%
Projected Real Estate Taxes per Sq. Ft. of RBA	$6.75		
Loan to Cost Ratio	75%	Loan Period	25 Years
Debt Service Interest Rate	5.75%	Balloon Payment	10th Year

Projection of Market Rent

In order to determine the appropriate rent level for the subject's proposed renovation, we have surveyed other similar luxury apartment buildings operated by AvalonBay. The results of our survey are presented in the following table:

Unit Type	Unit Size (SF)	Monthly Rent	Annual Rent/SF
Avalon Glen Cove North			
100 Glenn Street, Glen Cove, NY			
1BR	764	$1,705	$26.78
1BR	855	$1,890	$26.53
1BR	855	$1,905	$26.74
1BR	764	$1,928	$30.28
1BR	782	$1,940	$29.77
1BR	990	$2,220	$26.91
1BR	1,142	$2,240	$23.54
1BR	972	$2,280	$28.15
1BR	812	$2,295	$33.92
1BR	1,087	$2,335	$25.78
1BR	1,030	$2,335	$27.20
1BR	1,056	$2,390	$27.16
1BR	913	$2,400	$31.54
1BR	1,315	$2,865	$26.14
2BR	1,387	$3,055	$26.43
		Avg:	$27.79
Alavon at Glen Cove			
1100 Avalon Square, Glen Cove, NY			
1BR/1BA	780	$1,800	$27.69
1BR/1BA	866	$1,800	$24.94
1BR/2BA	1,048	$2,155	$24.68
1BR/2BA	1,052	$2,190	$24.98
1BR/1BA	1,012	$2,200	$26.09
1BR/2BA	1,055	$2,250	$25.59
1BR/1BA	1,055	$2,280	$25.93
1BR/2BA	1,112	$2,305	$24.87
1BR/1BA	1,012	$2,330	$27.63
1BR/2BA	1,055	$2,330	$26.50
1BR/1BA	1,062	$2,690	$30.40
2BR/2BA	1,140	$2,300	$24.21
2BR/2BA	1,254	$2,350	$22.49
2BR/2BA	1,092	$2,350	$25.82
2BR/2BA	1,065	$2,415	$27.21
2BR/2BA	1,176	$2,510	$25.61
2BR/2BA	1,215	$2,565	$25.33
2BR/2BA	1,210	$2,565	$25.44
2BR/2BA	1,340	$2,765	$24.76
2BR/2BA	1,377	$2,785	$24.27
2BR/2BA	1,436	$3,065	$25.61
2BR/2BA PH	1,624	$4,395	$32.48
2BR/2BA PH	1,672	$5,555	$39.87
		Avg:	$26.63

Unit Type	Unit Size (SF)	Monthly Rent	Annual Rent/SF
The Avalon			
125 Parkway Blvd, Bronxville, NY			
1BR/1BA	750	$2,550	$40.80
1BR/1BA	800	$2,725	$40.88
2BR/2BA	1,100	$3,700	$40.36
2BR/2BA	1,196	$3,780	$37.93
2BR/1BA	1,152	$3,850	$40.10
2BR/2BA	1,479	$4,540	$36.84
2BR/2BA	1,167	$4,640	$47.71
3BR/2BA	2,066	$5,845	$33.95
3BR/2BA	2,051	$5,870	$34.34
		Avg:	$39.21
Avalon Towers			
10 West Broadway, Long Beach, NY			
1BR/2BA	956	$2,450	$30.75
1BR/2BA	837	$2,830	$40.57
1BR/2BA	1,069	$2,905	$32.61
1BR/2BA	1,046	$3,050	$34.99
1BR/2BA	868	$3,220	$44.52
2BR/2BA	1,227	$3,625	$35.45
2BR/2BA	1,446	$4,595	$38.13
3BR/2BA	1,906	$5,540	$34.88
		Avg:	$36.49
Avalon on the Sound			
255 Huguenot Street, New Rochelle, NY			
1BR/1BA	678	$1,539	$27.24
1BR/1BA	682	$1,603	$28.21
1BR/1BA	680	$1,614	$28.48
1BR/1BA	717	$1,800	$30.13
2BR/2BA	954	$1,890	$23.77
2BR/2BA	1,014	$2,187	$25.88
2BR/2BA	1,058	$2,190	$24.84
2BR/2BA	1,060	$2,219	$25.12
2BR/2BA	1,188	$2,305	$23.28
2BR/2BA	1,123	$2,353	$25.14
2BR/2BA	1,308	$2,400	$22.02
2BR/2BA	1,344	$2,420	$21.61
		Avg:	$25.48

Unit Type	Unit Size (SF)	Monthly Rent	Annual Rent/SF
Avalon on the Sound East			
27 Division Street, New Rochelle, NY			
1BR/1BA	746	$1,803	$29.00
1BR/1BA	747	$1,825	$29.32
1BR/1BA	783	$1,838	$28.17
1BR/1BA	653	$1,850	$34.00
1BR/1BA	755	$1,898	$30.17
1BR/1BA	792	$1,912	$28.97
1BR/1BA	798	$1,925	$28.95
1BR/1BA	801	$1,932	$28.94
1BR/1BA	691	$2,190	$38.03
1BR/1BA	749	$2,295	$36.77
2BR/2BA	972	$2,088	$25.78
2BR/2BA	1,083	$2,513	$27.84
2BR/2BA	1,095	$2,863	$31.38
2BR/2BA	1,335	$2,883	$25.91
2BR/2BA	1,092	$2,898	$31.85
2BR/2BA	1,095	$2,913	$31.92
2BR/2BA	1,092	$2,923	$32.12
2BR/2BA	1,129	$3,008	$31.97
2BR/2BA	1,335	$3,168	$28.48
2BR/2BA	1,129	$3,658	$38.88
3BR/2BA	1,315	$2,739	$24.99
3BR/2BA	1,339	$2,791	$25.01
3BR/2BA	1,381	$2,958	$25.70
3BR/2BA	1,408	$3,030	$25.82
3BR/2BA	1,312	$3,033	$27.74
3BR/2BA	1,525	$3,761	$29.59
		Avg:	$29.90

The selected comparable rentals are of other luxury AvalonBay apartment building developments located in the metropolitan New York area. In general, we consider the comparable property in Bronxville to be the most similar to the subject property in terms of community type and location. Both sites are proximate to train stations and are located in small villages that are wealthy and moderately developed in terms of possessing amenities that cater to upper income segments. In general, both Garden City and Bronxville are upper income small villages with commensurate retail and educational facilities found nearby.

The remaining comparables demonstrate lower average rentals, with most of the difference attributable to the inferior income demographics of those communities. Glen Cove, Long Beach, and New Rochelle all have similar average household income well below the six-figure average demonstrated in Bronxville and Garden City. The AvalonBay property in Long Beach is considered to garner a premium rental rate due to its beachfront location, as well as its proximity to the Long Island Railroad station found therein. The Glen Cove and New Rochelle properties primarily benefit from their access to local train stations.

Overall, we believe the subject property will be able to achieve the market rents demonstrated in Bronxville and Long Beach. We consider a market rent of $40.00 per square foot appropriate. We have modeled this rental rate as the starting rent in our analysis.

It should be noted that a few rental properties are found in Garden City. The Archstone property is garden apartment complex composed of several buildings that was brought online in 2004. It is the only apartment development to have been constructed in Garden City in over 50 years. Since its opening, it has been plagued by a variety of problems related to its poor construction, including mold and fungal infestation. The property was ordered closed in 2007 and is scheduled to be brought offline April 1, 2008 when it will be gut renovated. This property would typically be an excellent comparable, but the notoriety of the problems associated with it make it impossible to determine the extent its functional obsolescence has impacted rents. For this reason, we have not considered relatively recent rents from this property.

The remaining comparable rents were constructed approximately from the 1920s until the early 1950s, with most being very basic and typical of housing constructed in the 1940s. These properties typically rent from $25 to $30 per square foot. We do not consider these older rental properties comparable due to their antiquated layout, limited modern amenities, inferior services, and actual age. AvalonBay properties routinely command significant premiums over older, nearby apartment buildings all over the tri-state area given the strong demand for modern, high quality rental apartments proximate to employment centers. The historic façade of the subject will enhance the desirability of the property as well.

Projection of Operating Expenses

In terms of operating expenses, we have consulted with AvalonBay and other developers regarding a prospective budget for the proposed development. We understand that the renovation will result in a residential apartment building with an operating expense profile not much different than other newly built luxury apartment buildings, and will have modern apartments and support systems. Consistent with many historic apartment buildings in New York City that have been well maintained or gut renovated, we do not anticipate the age of the structure's façade and structure to impact the proposed development's operating expense profile.

In our experience, luxury rental apartment buildings demonstrate variable operating expenses of approximately $6.00 per square foot of rentable area, while the fixed operating expenses, of real estate taxes, are estimated to be $6.75 per square foot. In order to estimate the real estate taxes, we have surveyed three other high-end rental apartment buildings in Nassau County. We have excluded other rental apartment buildings in Garden City due to the fact the older apartment buildings are not comparable for the reasons discussed previously. The Village and County assessors also indicate the properties have not received a market oriented valuation in decades, with current assessed values representing the results of legal challenges. Therefore, we have broadened our survey to other properties located in the county. The results of our survey are presented in the following table:

Property Address	Year Built	Total Assessed Value	Gross Rentable Area (SF)	Assessed Value per Sq. Ft.
2 Pratt Boulevard, Glen Cove, NY	2003	$505,245	303,549	$1.66
10 Broadway, Long Beach, NY	1991	$195,546	148,950	$1.31
200 Edwards St, Roslyn Heights, NY	1968	$206,497	151,622	$1.36

The comparables located in Glen Cove and Long Beach are both modern luxury rental apartment buildings operated by AvalonBay. We consider the property in Glen Cove to be most similar to the subject property given its recent construction. Based upon the comparables, we have selected a projected assessed value indicator of $1.70 per square foot of rentable building area. Taxes in Garden City are paid directly to the Village as well as the County. Garden City taxes were reported to be 36.98%. School taxes paid to Nassau County were reported to be 294.248%, and general county taxes were reported to be 70.39%, indicating a total tax liability of 401.62% of assessed value. Utilizing the current tax rates, the taxes per rentable square foot are calculated to be $6.83 per square foot of rentable building area.

We have processed a tax projection of $6.75 per square foot of rentable building area.

In terms of growth projections, we estimate that both current market rents and our operating expense projection will mirror the standard rate of inflation, or 3% per year.

Selection of Rates and Discounted Cash Flow Analysis

In order to determine the appropriate discount rate and terminal capitalization rate used in our discounted cash flow development analysis, we have primarily relied upon the Korpacz Real Estate Investors Survey of various rates published by PriceWaterhouseCoopers. According the Fourth Quarter 2007 edition of the survey, apartment buildings typically demonstrate discount rates ranging from 6.0% to 10.50%, averaging 8.17%. In consideration of the relatively limited risk of developing luxury apartment product such as we have projected to be built at the subject property, the low vacancy and relative paucity of apartment product in the Village and Nassau County, plus the desirability of Garden City in particular, we believe a discount rate at the lower end of the range is appropriate. We consider some risk to be associated with the uncertainty of redeveloping a historic building, and have assigned a small premium for this reason. Therefore, we believe a discount rate of 7% is appropriate.

The Korpacz survey indicates terminal capitalization rates ranging from 4.50% to 8.50%. Given the projected good quality of the renovation of the subject property, and in consideration of the strength of the Nassau County apartment market, we believe there will be only minimal risk in the future. Therefore, we have utilized a terminal capitalization rate of 7%. In the calculation of our reversionary value, we have deducted a cost of sale factor of 3%.

The timing for our discounted cash flow analysis is based upon the assumption that it will require 18 months to obtain "Home Rule" legislation in order to allow for the redevelopment of the subject property to commence. Following this 18-month period, an additional 18-month construction time is expected. Our analysis of the area apartment market indicates strong demand for rental property, particularly given the scarcity of such product in Nassau County, and the current uncertainties in capital markets forcing many would-be buyers into rental apartments. In consideration of this, we believe the subject property will lease-up within 1 year of the completion of construction. To reflect this, we have pro-rated the variable operating expenses and the gross income estimate by 50% in the first year of operations. We project stabilized occupancy will be achieved in Year 5 of our analysis.

Based upon the previously described assumptions, the market value of the fee simple interest in the Main Building of the subject property, assuming it is redeveloped in accordance with the AvalonBay plan submitted for our review, has been determined to be:

Period	1	2	3	4	5	Reversion
Gross Income @ $40/RBA				$1,585,887	$3,266,927	
Vacancy and Collection Loss (5%)				($79,294)	($163,346)	
Variable Operating Expenses @ $6/RBA				($237,883)	($490,039)	
Real Estate Taxes @ $6.75/RBA				($535,237)	($551,294)	
Construction Costs (Main Building)		($10,529,077)	($21,058,155)			
Entrepreneurial Incentive (20%)		($2,105,815)	($4,211,631)			
Net Operating Income	$0	($12,634,893)	($25,269,786)	$733,473	$2,062,248	$28,576,861

Net Present Value @ 7%	($9,258,653)
Internal Rate of Return	-7.89%

As is evident, the high construction cost estimate associated with the redevelopment of the subject property results in a significant negative residual land value.

Analysis of Equity Yield Rate (Equity IRR)

In terms of an equity yield rate, a developer would likely require at minimum a 20% return. In order to analyze the feasibility of the various development scenarios that form the basis of the following sections, we have considered only the equity yield rate in determining that feasibility. We have derived this rate of return by consulting with members of several prominent developers, including the Brodsky Organization, Axel Stawski, and the Cohen Land group. This rate of return is also supported by the Korpacz Real Estate Investor's Survey, which indicates a equity yield rate range from 10% to 25% in the Fourth Quarter of 2007. We have further highlighted the unfeasibility of the renovation plan of the main building by analyzing this IRR.

Given the current and most likely future turmoil in the credit markets, we have assumed that any developer of the subject site would likely utilize a 25-year mortgage with a 10-year balloon, with an equity requirement of 25% of construction costs. A probable interest rate is approximately 5.75%, or 275 basis points above 10-year treasury notes as of the effective date of this assignment. These financing terms were determined by surveying the Singer and Bassuk Organization, the Island Financial Group, a major commercial mortgage broker on Long Island, and Carlton Business Finance. Given the extended duration of the proposed project, and that the current credit crisis that has only recently begun to unfold, we believe a rate of 5.75% is appropriate. Data regarding debt coverage ratios was somewhat inconsistent, but we believe the 25% equity requirement is reasonable.

Similar to the previous analysis, we have processed one-third of the construction costs in Year 2 of our analysis and two-thirds of the construction costs in Year 3 of our analysis. To accommodate the 10-year balloon, we have modeled this analysis over an 11-year holding period, with the reversion calculated from the 12th year's income.

It should be noted all calculations demonstrate the equity contribution. This figure is the difference between the projected construction costs and the actual loan amount. The equity contribution is 25% of the construction costs.

SECTION TWO – VALUATION OF THE FEE AND LEASEHOLD

In order to value the fee simple interest in the proposed renovation, we have utilized a discounted cash flow analysis that details the projected holding costs, construction costs, operating expenses, and projected income until stabilization is achieved. The income, expense, and rates previously described have been utilized in this analysis. This section assumes no additional development rights are permitted, beyond the renovation of the Main Building. The proposed annex building is not part of this analysis, therefore this analysis assumes only 70,452 square feet of rentable building area.

For the development project using market oriented taxes, the implied equity yield rate (IRR) under the previous development scenario is 7.15% indicating that if the residual land value were zero, the developer would not achieve a reasonable rate of return. When using the PILOT schedule, the implied equity yield rate (IRR) is 13.77%, also a figure significantly below what would be required to provide the developer with a minimum satisfactory return. This scenario under a long term net lease would be the same. By itself, the renovation of the existing building does not provide any return to the developer. The following page details this analysis:

FEE SIMPLE ANALYSIS - NO PILOT - MAIN BUILDING ONLY

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$1,585,887	$3,266,927	$3,364,935	$3,465,883	$3,569,859	$3,676,955	$3,787,264	$3,900,882	$4,017,908
Mortgage Loan Income		$7,896,808	$15,793,616									
Vacancy and Collection Loss (5%)				($79,294)	($163,346)	($168,247)	($173,294)	($178,493)	($183,848)	($189,363)	($195,044)	($200,895)
Variable Operating Expenses @ $6/RBA				($237,883)	($490,039)	($504,740)	($519,882)	($535,479)	($551,543)	($568,090)	($585,132)	($602,686)
Real Estate Taxes @$6.75/RBA				($535,237)	($551,294)	($567,833)	($584,868)	($602,414)	($620,486)	($639,101)	($658,274)	($678,022)
Construction Costs		($10,529,077)	($21,058,155)									
Net Operating Income	$0	($2,632,269)	($5,264,539)	$733,473	$2,062,248	$2,124,115	$2,187,839	$2,253,474	$2,321,078	$2,390,710	$2,462,432	$36,232,923
Debt Service		($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($17,947,511)
Equity		($4,420,725)	($7,052,995)	($1,054,983)	$273,792	$335,659	$399,383	$465,018	$532,622	$602,254	$673,976	$18,285,412

Equity Yield Rate (IRR): 7.15% **Ratio of Stabilized NOI to Construction Costs: 6.53%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $7,896,808

FEE SIMPLE ANALYSIS - WITH PILOT - MAIN BUILDING ONLY

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$1,585,887	$3,266,927	$3,364,935	$3,465,883	$3,569,859	$3,676,955	$3,787,264	$3,900,882	$4,017,908
Mortgage Loan Income		$7,896,808	$15,793,616									
Vacancy and Collection Loss (5%)				($79,294)	($163,346)	($168,247)	($173,294)	($178,493)	($183,848)	($189,363)	($195,044)	($200,895)
Variable Operating Expenses @ $6/RBA				($237,883)	($490,039)	($504,740)	($519,882)	($535,479)	($551,543)	($568,090)	($585,132)	($602,686)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($10,529,077)	($21,058,155)									
Net Operating Income	$0	($2,632,269)	($5,264,539)	$1,243,710	$2,586,667	$2,663,057	$2,741,649	$2,823,898	$2,908,615	$2,995,874	$2,905,705	$42,755,380
Debt Service		($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($1,788,456)	($17,947,511)
Equity		($4,420,725)	($7,052,995)	($544,746)	$798,211	$874,601	$953,193	$1,035,442	$1,120,159	$1,207,418	$1,117,249	$24,807,869

Equity Yield Rate (IRR): 13.77% **Ratio of Stabilized NOI to Construction Costs: 8.19%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $7,896,808

SECTION THREE–REQUIRED MINIMUM ADDITIONAL FLOOR AREA

A leasehold position would have no value under the previously described scenario. The purpose of this section is to determine how much additional development area must be provided to achieve an equity return sufficient to compensate a developer for the risk of undertaking the proposed renovation of the Main Building. As described previously, we consider an equity yield rate of 20% to be the minimum required to reach a level where the implied land value is zero. All other assumptions regarding income, expenses, and rates utilized in Section One have been utilized in this analysis.

PILOT SCHEDULE

Period	Annual Payment	Annual Increase
0	$0.00	
1	$0.00	
2	$0.00	
3	$25,000	
4	$26,875	7.50%
5	$28,891	7.50%
6	$31,057	7.50%
7	$31,989	3.00%
8	$32,949	3.00%
9	$33,937	3.00%
10	$215,000	533.52%
11	$221,450	3.00%
12	$228,094	3.00%
13	$240,000	5.22%
14	$247,200	3.00%
15	$254,616	3.00%
16	$262,254	3.00%
17	$270,122	3.00%
18	$300,000	11.06%
19	$309,000	3.00%
20	$318,270	3.00%
21	$327,818	3.00%
22	$350,000	6.77%
23	$400,000	14.29%
24	$450,000	12.50%
25	$500,000	11.11%
26	$550,000	10.00%
27	$600,000	9.09%

The required additional rentable area required to reach the minimum 20% equity yield rate with market oriented taxes has been determined to be 342,000 square feet. This amount would result in the land value being approximately zero. Allowing additional rentable are beyond this amount would generate additional cash flow that could conceivably be allocated to paying a ground lease.

When the PILOT schedule provided to the left is utilized in our analysis, the reduced tax burden allows for significantly less rentable area to be utilized in order to reach a land value of zero. Utilizing the PILOT schedule, the calculated minimum additional rentable area required to achieve a land value of zero has been determined to be 48,000 square feet. It should be noted the PILOT schedule has moderate increases until Year 10, when a 533% increase takes place. We have modeled the PILOT schedule as it has been provided, with the spike occurring in Year 12 of our analysis, and therefore has been considered in our reversionary value. Our cash flows are presented on the following page:

MINIMUM ADDITIONAL FLOOR AREA - NO PILOT

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$9,284,367	$19,125,796	$19,699,570	$20,290,557	$20,899,274	$21,526,252	$22,172,040	$22,837,201	$23,522,317
Mortgage Loan Income		$30,981,808	$61,963,616									
Vacancy and Collection Loss (5%)				($464,218)	($956,290)	($984,979)	($1,014,528)	($1,044,964)	($1,076,313)	($1,108,602)	($1,141,860)	($1,176,116)
Variable Operating Expenses @ $6/RBA				($1,392,655)	($2,868,869)	($2,954,936)	($3,043,584)	($3,134,891)	($3,228,938)	($3,325,806)	($3,425,580)	($3,528,348)
Real Estate Taxes @$6.75/RBA				($3,133,474)	($3,227,478)	($3,324,302)	($3,424,032)	($3,526,753)	($3,632,555)	($3,741,532)	($3,853,778)	($3,969,391)
Construction Costs		($41,309,077)	($82,618,155)									
Net Operating Income	$0	($10,327,269)	($20,654,539)	$4,294,020	$12,073,159	$12,435,354	$12,808,414	$13,192,667	$13,588,447	$13,996,100	$14,415,983	$212,120,896
Debt Service		($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($7,016,712)	($70,414,017)
Equity		($17,343,981)	($27,671,251)	($2,722,692)	$5,056,447	$5,418,642	$5,791,702	$6,175,955	$6,571,735	$6,979,388	$7,399,271	$141,706,879

Equity Yield Rate (IRR): 20.00% 342,000 Sq. Ft. Additional RBA **Ratio of Stabilized NOI to Construction Costs: 9.74%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $30,981,808

MINIMUM ADDITIONAL FLOOR AREA - WITH PILOT

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$2,666,375	$5,492,733	$5,657,515	$5,827,241	$6,002,058	$6,182,120	$6,367,583	$6,558,611	$6,755,369
Mortgage Loan Income		$11,136,808	$22,273,616									
Vacancy and Collection Loss (5%)				($133,319)	($274,637)	($282,876)	($291,362)	($300,103)	($309,106)	($318,379)	($327,931)	($337,768)
Variable Operating Expenses @ $6/RBA				($399,956)	($823,910)	($848,627)	($874,086)	($900,309)	($927,318)	($955,137)	($983,792)	($1,013,305)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($14,849,077)	($29,698,155)									
Net Operating Income	$0	($3,712,269)	($7,424,539)	$2,108,100	$4,367,312	$4,497,122	$4,630,735	$4,769,657	$4,912,747	$5,060,129	$5,031,889	$74,040,647
Debt Service		($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($2,522,244)	($25,311,262)
Equity		($6,234,513)	($9,946,783)	($414,144)	$1,845,068	$1,974,878	$2,108,491	$2,247,413	$2,390,503	$2,537,885	$2,509,645	$48,729,385

Equity Yield Rate (IRR): 20.00% 48,000 Sq. Ft. Additional RBA **Ratio of Stabilized NOI to Construction Costs: 9.80%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $11,136,808

SECTION FOUR - ANALYSIS OF PROPOSED ANNEX

As described previously, a development plan has been submitted that calls for an annex to be constructed in addition to renovating the subject property. The initial analysis considers the construction of a 46-unit annex connected to the subject property, as described previously. All other income, expense, and rates are the same as utilized in the other analyses. In addition to the 46-unit annex scenario, we have processed additional scenarios for development of 50 units through 110 units at 10-unit increments.

We have analyzed the various unit configurations with and without the PILOT schedule.

As with the other scenarios, we consider a 20% equity yield rate to be the minimum necessary to attract development. This 20% IRR is the benchmark test of reasonableness for each of the development scenarios. For scenarios with an equity yield rate less than 20%, the scenario is not considered reasonable. When the equity yield rate exceeds 20%, the project is considered to provide positive residual land value, which ultimately could translate into a ground lease payment.

The following pages include the cash flows for these various scenarios:

MAIN BUILDING WITH PROPOSED ANNEX (46 UNITS) — 58,900 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$2,911,736	$5,998,177	$6,178,122	$6,363,466	$6,554,370	$6,751,001	$6,953,531	$7,162,137	$7,377,001
Mortgage Loan Income		$11,872,558	$23,745,116									
Vacancy and Collection Loss (5%)				($145,587)	($299,909)	($308,906)	($318,173)	($327,718)	($337,550)	($347,677)	($358,107)	($368,850)
Variable Operating Expenses @ $6/RBA				($436,760)	($899,727)	($926,718)	($954,520)	($983,155)	($1,012,650)	($1,043,030)	($1,074,321)	($1,106,550)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($15,830,077)	($31,660,155)									
Net Operating Income	$0	($3,957,519)	($7,915,039)	$2,304,389	$4,771,666	$4,913,607	$5,059,715	$5,211,507	$5,367,852	$5,528,887	$5,514,709	$78,710,660
Debt Service		($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($26,983,434)
Equity		($6,646,395)	($10,603,915)	($384,487)	$2,082,790	$2,224,731	$2,370,839	$2,522,631	$2,678,976	$2,840,011	$2,825,833	$51,727,226

Equity Yield Rate (IRR): 20.33% **Residual Land Value @ 20% Discount Rate: $212,996** **Ratio of Stabilized NOI to Construction Costs: 10.05%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $11,872,558

MAIN BUILDING WITH 50 ADDITIONAL UNITS — 64,000 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$3,026,538	$6,234,669	$6,421,709	$6,614,360	$6,812,791	$7,017,175	$7,227,690	$7,444,520	$7,667,856
Mortgage Loan Income		$12,216,808	$24,433,616									
Vacancy and Collection Loss (5%)				($151,327)	($311,733)	($321,085)	($330,718)	($340,640)	($350,859)	($361,384)	($372,226)	($383,393)
Variable Operating Expenses @ $6/RBA				($453,981)	($935,200)	($963,256)	($992,154)	($1,021,919)	($1,052,576)	($1,084,153)	($1,116,678)	($1,150,178)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($16,289,077)	($32,578,155)									
Net Operating Income	$0	($4,072,269)	($8,144,539)	$2,396,231	$4,960,860	$5,108,476	$5,260,431	$5,418,244	$5,580,791	$5,748,215	$5,740,616	$81,934,998
Debt Service		($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($27,765,846)
Equity		($6,839,109)	($10,911,379)	($370,609)	$2,194,020	$2,341,636	$2,493,591	$2,651,404	$2,813,951	$2,981,375	$2,973,776	$54,169,152

Equity Yield Rate (IRR): 20.67% **Residual Land Value @ 20% Discount Rate: $453,542** **Ratio of Stabilized NOI to Construction Costs: 10.15%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $12,216,808

MAIN BUILDING WITH 60 ADDITIONAL UNITS — 76,800 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$3,314,668	$6,828,217	$7,033,064	$7,244,055	$7,461,377	$7,685,218	$7,915,775	$8,153,248	$8,397,846
Mortgage Loan Income		$13,080,808	$26,161,616									
Vacancy and Collection Loss (5%)				($165,733)	($341,411)	($351,653)	($362,203)	($373,069)	($384,261)	($395,789)	($407,662)	($419,892)
Variable Operating Expenses @ $6/RBA				($497,200)	($1,024,233)	($1,054,960)	($1,086,608)	($1,119,207)	($1,152,783)	($1,187,366)	($1,222,987)	($1,259,677)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($17,441,077)	($34,882,155)									
Net Operating Income	$0	($4,360,269)	($8,720,539)	$2,626,735	$5,435,699	$5,597,560	$5,764,187	$5,937,113	$6,115,226	$6,298,683	$6,307,599	$90,027,454
Debt Service		($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($29,729,416)
Equity		($7,322,793)	($11,683,063)	($335,789)	$2,473,175	$2,635,036	$2,801,663	$2,974,589	$3,152,702	$3,336,159	$3,345,075	$60,298,038

Equity Yield Rate (IRR): 21.44% **Residual Land Value @ 20% Discount Rate: $1,057,250** **Ratio of Stabilized NOI to Construction Costs: 10.39%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $13,080,808

MAIN BUILDING WITH 70 ADDITIONAL UNITS				89,600 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$3,602,799	$7,421,765	$7,644,418	$7,873,751	$8,109,963	$8,353,262	$8,603,860	$8,861,976	$9,127,835
Mortgage Loan Income		$13,944,808	$27,889,616									
Vacancy and Collection Loss (5%)				($180,140)	($371,088)	($382,221)	($393,688)	($405,498)	($417,663)	($430,193)	($443,099)	($456,392)
Variable Operating Expenses @ $6/RBA				($540,420)	($1,113,265)	($1,146,663)	($1,181,063)	($1,216,495)	($1,252,989)	($1,290,579)	($1,329,296)	($1,369,175)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($18,593,077)	($37,186,155)									
Net Operating Income	$0	($4,648,269)	($9,296,539)	$2,857,239	$5,910,537	$6,086,644	$6,267,943	$6,455,982	$6,649,661	$6,849,151	$6,874,581	$98,119,909
Debt Service		($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($31,693,148)
Equity		($7,806,465)	($12,454,735)	($300,957)	$2,752,341	$2,928,448	$3,109,747	$3,297,786	$3,491,465	$3,690,955	$3,716,385	$66,426,761

Equity Yield Rate (IRR): 22.10% **Residual Land Value @ 20% Discount Rate: $1,660,977** **Ratio of Stabilized NOI to Construction Costs: 10.60%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $13,944,808

MAIN BUILDING WITH 80 ADDITIONAL UNITS				102,400 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$3,890,929	$8,015,314	$8,255,773	$8,503,446	$8,758,550	$9,021,306	$9,291,945	$9,570,704	$9,857,825
Mortgage Loan Income		$14,808,808	$29,617,616									
Vacancy and Collection Loss (5%)				($194,546)	($400,766)	($412,789)	($425,172)	($437,927)	($451,065)	($464,597)	($478,535)	($492,891)
Variable Operating Expenses @ $6/RBA				($583,639)	($1,202,297)	($1,238,366)	($1,275,517)	($1,313,782)	($1,353,196)	($1,393,792)	($1,435,606)	($1,478,674)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($19,745,077)	($39,490,155)									
Net Operating Income	$0	($4,936,269)	($9,872,539)	$3,087,743	$6,385,376	$6,575,728	$6,771,700	$6,974,851	$7,184,096	$7,399,619	$7,441,563	$106,212,365
Debt Service		($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($33,656,879)
Equity		($8,290,137)	($13,226,407)	($266,125)	$3,031,508	$3,221,860	$3,417,832	$3,620,983	$3,830,228	$4,045,751	$4,087,695	$72,555,486

Equity Yield Rate (IRR): 22.67% **Residual Land Value @ 20% Discount Rate: $2,264,705** **Ratio of Stabilized NOI to Construction Costs: 10.78%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $14,808,808

MAIN BUILDING WITH 90 ADDITIONAL UNITS				115,200 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$4,179,059	$8,608,862	$8,867,128	$9,133,142	$9,407,136	$9,689,350	$9,980,031	$10,279,431	$10,587,814
Mortgage Loan Income		$15,672,808	$31,345,616									
Vacancy and Collection Loss (5%)				($208,953)	($430,443)	($443,356)	($456,657)	($470,357)	($484,468)	($499,002)	($513,972)	($529,391)
Variable Operating Expenses @ $6/RBA				($626,859)	($1,291,329)	($1,330,069)	($1,369,971)	($1,411,070)	($1,453,403)	($1,497,005)	($1,541,915)	($1,588,172)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($20,897,077)	($41,794,155)									
Net Operating Income	$0	($5,224,269)	($10,448,539)	$3,318,247	$6,860,215	$7,064,812	$7,275,456	$7,493,720	$7,718,531	$7,950,087	$8,008,545	$114,304,821
Debt Service		($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($35,620,449)
Equity		($8,773,821)	($13,998,091)	($231,305)	$3,310,663	$3,515,260	$3,725,904	$3,944,168	$4,168,979	$4,400,535	$4,458,993	$78,684,372

Equity Yield Rate (IRR): 23.17% **Residual Land Value @ 20% Discount Rate: $2,868,413** **Ratio of Stabilized NOI to Construction Costs: 10.94%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate — The equity contribution is calculated to be: $15,672,808

MAIN BUILDING WITH 100 ADDITIONAL UNITS				128,000 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$4,467,189	$9,202,410	$9,478,483	$9,762,837	$10,055,722	$10,357,394	$10,668,116	$10,988,159	$11,317,804
Mortgage Loan Income		$16,536,808	$33,073,616									
Vacancy and Collection Loss (5%)				($223,359)	($460,121)	($473,924)	($488,142)	($502,786)	($517,870)	($533,406)	($549,408)	($565,890)
Variable Operating Expenses @ $6/RBA				($670,078)	($1,380,362)	($1,421,772)	($1,464,426)	($1,508,358)	($1,553,609)	($1,600,217)	($1,648,224)	($1,697,671)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($22,049,077)	($44,098,155)									
Net Operating Income	$0	($5,512,269)	($11,024,539)	$3,548,752	$7,335,053	$7,553,895	$7,779,212	$8,012,589	$8,252,966	$8,500,555	$8,575,527	$122,397,277
Debt Service		($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($37,584,181)
Equity		($9,257,493)	($14,769,763)	($196,472)	$3,589,829	$3,808,671	$4,033,988	$4,267,365	$4,507,742	$4,755,331	$4,830,303	$84,813,096

Equity Yield Rate (IRR): 23.60% **Residual Land Value @ 20% Discount Rate: $3,472,140** **Ratio of Stabilized NOI to Construction Costs: 11.09%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate The equity contribution is calculated to be: $16,536,808

MAIN BUILDING WITH 110 ADDITIONAL UNITS				140,800 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$4,755,320	$9,795,959	$10,089,837	$10,392,533	$10,704,309	$11,025,438	$11,356,201	$11,696,887	$12,047,794
Mortgage Loan Income		$17,400,808	$34,801,616									
Vacancy and Collection Loss (5%)				($237,766)	($489,798)	($504,492)	($519,627)	($535,215)	($551,272)	($567,810)	($584,844)	($602,390)
Variable Operating Expenses @ $6/RBA				($713,298)	($1,469,394)	($1,513,476)	($1,558,880)	($1,605,646)	($1,653,816)	($1,703,430)	($1,754,533)	($1,807,169)
Real Estate Taxes (PILOT)				($25,000)	($26,875)	($28,891)	($31,057)	($31,989)	($32,949)	($33,937)	($215,000)	($221,450)
Construction Costs		($23,201,077)	($46,402,155)									
Net Operating Income	$0	($5,800,269)	($11,600,539)	$3,779,256	$7,809,892	$8,042,979	$8,282,969	$8,531,458	$8,787,401	$9,051,023	$9,142,510	$130,489,733
Debt Service		($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($39,547,751)
Equity		($9,741,177)	($15,541,447)	($161,652)	$3,868,984	$4,102,071	$4,342,061	$4,590,550	$4,846,493	$5,110,115	$5,201,602	$90,941,982

Equity Yield Rate (IRR): 23.99% **Residual Land Value @ 20% Discount Rate: $4,075,848** **Ratio of Stabilized NOI to Construction Costs: 11.22%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate The equity contribution is calculated to be: $17,400,808

MAIN BUILDING WITH PROPOSED ANNEX (46 UNITS)				58,900 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$2,911,736	$5,998,177	$6,178,122	$6,363,466	$6,554,370	$6,751,001	$6,953,531	$7,162,137	$7,377,001
Mortgage Loan Income		$11,872,558	$23,745,116									
Vacancy and Collection Loss (5%)				($145,587)	($299,909)	($308,906)	($318,173)	($327,718)	($337,550)	($347,677)	($358,107)	($368,850)
Variable Operating Expenses @ $6/RBA				($436,760)	($899,727)	($926,718)	($954,520)	($983,155)	($1,012,650)	($1,043,030)	($1,074,321)	($1,106,550)
Real Estate Taxes @ $6.75/RBA				($982,711)	($1,012,192)	($1,042,558)	($1,073,835)	($1,106,050)	($1,139,231)	($1,173,408)	($1,208,611)	($1,244,869)
Construction Costs		($15,830,077)	($31,660,155)									
Net Operating Income	$0	($3,957,519)	($7,915,039)	$1,346,678	$3,786,349	$3,899,940	$4,016,938	$4,137,446	$4,261,569	$4,389,416	$4,521,099	$64,528,998
Debt Service		($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($2,688,876)	($26,983,434)
Equity		($6,646,395)	($10,603,915)	($1,342,198)	$1,097,473	$1,211,064	$1,328,062	$1,448,570	$1,572,693	$1,700,540	$1,832,223	$37,545,564

Equity Yield Rate (IRR): 13.22% **Residual Land Value @ 20% Discount Rate: ($3,965,973)** **Ratio of Stabilized NOI to Construction Costs: 7.97%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost Ratio, 5.75% Interest Rate The equity contribution is calculated to be: $11,872,558

MAIN BUILDING WITH 50 ADDITIONAL UNITS				64,000 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$3,026,538	$6,234,669	$6,421,709	$6,614,360	$6,812,791	$7,017,175	$7,227,690	$7,444,520	$7,667,856
Mortgage Loan Income		$12,216,808	$24,433,616									
Vacancy and Collection Loss (5%)				($151,327)	($311,733)	($321,085)	($330,718)	($340,640)	($350,859)	($361,384)	($372,226)	($383,393)
Variable Operating Expenses @ $6/RBA				($453,981)	($935,200)	($963,256)	($992,154)	($1,021,919)	($1,052,576)	($1,084,153)	($1,116,678)	($1,150,178)
Real Estate Taxes @ $6.75/RBA				($1,021,457)	($1,052,100)	($1,083,663)	($1,116,173)	($1,149,658)	($1,184,148)	($1,219,673)	($1,256,263)	($1,293,951)
Construction Costs		($16,289,077)	($32,578,155)									
Net Operating Income	$0	($4,072,269)	($8,144,539)	$1,399,774	$3,935,635	$4,053,704	$4,175,315	$4,300,574	$4,429,591	$4,562,479	$4,699,354	$67,073,202
Debt Service		($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($2,766,840)	($27,765,846)
Equity		($6,839,109)	($10,911,379)	($1,367,066)	$1,168,795	$1,286,864	$1,408,475	$1,533,734	$1,662,751	$1,795,639	$1,932,514	$39,307,356

Equity Yield Rate (IRR): 13.55% **Residual Land Value @ 20% Discount Rate: ($3,910,002)** **Ratio of Stabilized NOI to Construction Costs: 8.05%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $12,216,808

MAIN BUILDING WITH 60 ADDITIONAL UNITS				76,800 ADDITIONAL SQUARE FEET								Reversion
Period	1	2	3	4	5	6	7	8	9	10	11	12
Gross Income @ $40/RBA				$3,314,668	$6,828,217	$7,033,064	$7,244,055	$7,461,377	$7,685,218	$7,915,775	$8,153,248	$8,397,846
Mortgage Loan Income		$13,080,808	$26,161,616									
Vacancy and Collection Loss (5%)				($165,733)	($341,411)	($351,653)	($362,203)	($373,069)	($384,261)	($395,789)	($407,662)	($419,892)
Variable Operating Expenses @ $6/RBA				($497,200)	($1,024,233)	($1,054,960)	($1,086,608)	($1,119,207)	($1,152,783)	($1,187,366)	($1,222,987)	($1,259,677)
Real Estate Taxes @ $6.75/RBA				($1,118,701)	($1,152,262)	($1,186,829)	($1,222,434)	($1,259,107)	($1,296,881)	($1,335,787)	($1,375,861)	($1,417,136)
Construction Costs		($17,441,077)	($34,882,155)									
Net Operating Income	$0	($4,360,269)	($8,720,539)	$1,533,034	$4,310,312	$4,439,621	$4,572,810	$4,709,994	$4,851,294	$4,996,833	$5,146,738	$73,458,656
Debt Service		($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($2,962,524)	($29,729,416)
Equity		($7,322,793)	($11,683,063)	($1,429,490)	$1,347,788	$1,477,097	$1,610,286	$1,747,470	$1,888,770	$2,034,309	$2,184,214	$43,729,240

Equity Yield Rate (IRR): 14.27% **Residual Land Value @ 20% Discount Rate: ($3,769,543)** **Ratio of Stabilized NOI to Construction Costs: 8.24%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $13,080,808

MAIN BUILDING WITH 70 ADDITIONAL UNITS — 89,600 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$3,602,799	$7,421,765	$7,644,418	$7,873,751	$8,109,963	$8,353,262	$8,603,860	$8,861,976	$9,127,835
Mortgage Loan Income		$13,944,808	$27,889,616									
Vacancy and Collection Loss (5%)				($180,140)	($371,088)	($382,221)	($393,688)	($405,498)	($417,663)	($430,193)	($443,099)	($456,392)
Variable Operating Expenses @ $6/RBA				($540,420)	($1,113,265)	($1,146,663)	($1,181,063)	($1,216,495)	($1,252,989)	($1,290,579)	($1,329,296)	($1,369,175)
Real Estate Taxes @ $6.75/RBA				($1,215,945)	($1,252,423)	($1,289,996)	($1,328,695)	($1,368,556)	($1,409,613)	($1,451,901)	($1,495,458)	($1,540,322)
Construction Costs		($18,593,077)	($37,186,155)									
Net Operating Income	$0	($4,648,269)	($9,296,539)	$1,666,294	$4,684,989	$4,825,539	$4,970,305	$5,119,414	$5,272,997	$5,431,187	$5,594,122	$79,844,109
Debt Service		($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($3,158,196)	($31,693,148)
Equity		($7,806,465)	($12,454,735)	($1,491,902)	$1,526,793	$1,667,343	$1,812,109	$1,961,218	$2,114,801	$2,272,991	$2,435,926	$48,150,961

Equity Yield Rate (IRR): 14.89% Residual Land Value @ 20% Discount Rate: ($3,629,064) Ratio of Stabilized NOI to Construction Costs: 8.40%

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $13,944,808

MAIN BUILDING WITH 80 ADDITIONAL UNITS — 102,400 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$3,890,929	$8,015,314	$8,255,773	$8,503,446	$8,758,550	$9,021,306	$9,291,945	$9,570,704	$9,857,825
Mortgage Loan Income		$14,808,808	$29,617,616									
Vacancy and Collection Loss (5%)				($194,546)	($400,766)	($412,789)	($425,172)	($437,927)	($451,065)	($464,597)	($478,535)	($492,891)
Variable Operating Expenses @ $6/RBA				($583,639)	($1,202,297)	($1,238,366)	($1,275,517)	($1,313,782)	($1,353,196)	($1,393,792)	($1,435,606)	($1,478,674)
Real Estate Taxes @ $6.75/RBA				($1,313,189)	($1,352,584)	($1,393,162)	($1,434,957)	($1,478,005)	($1,522,345)	($1,568,016)	($1,615,056)	($1,663,508)
Construction Costs		($19,745,077)	($39,490,155)									
Net Operating Income	$0	($4,936,269)	($9,872,539)	$1,799,555	$5,059,667	$5,211,457	$5,367,800	$5,528,834	$5,694,700	$5,865,541	$6,041,507	$86,229,562
Debt Service		($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($3,353,868)	($33,656,879)
Equity		($8,290,137)	($13,226,407)	($1,554,313)	$1,705,799	$1,857,589	$2,013,932	$2,174,966	$2,340,832	$2,511,673	$2,687,639	$52,572,683

Equity Yield Rate (IRR): 15.42% Residual Land Value @ 20% Discount Rate: ($3,488,585) Ratio of Stabilized NOI to Construction Costs: 8.54%

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $14,808,808

MAIN BUILDING WITH 90 ADDITIONAL UNITS — 115,200 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$4,179,059	$8,608,862	$8,867,128	$9,133,142	$9,407,136	$9,689,350	$9,980,031	$10,279,431	$10,587,814
Mortgage Loan Income		$15,672,808	$31,345,616									
Vacancy and Collection Loss (5%)				($208,953)	($430,443)	($443,356)	($456,657)	($470,357)	($484,468)	($499,002)	($513,972)	($529,391)
Variable Operating Expenses @ $6/RBA				($626,859)	($1,291,329)	($1,330,069)	($1,369,971)	($1,411,070)	($1,453,403)	($1,497,005)	($1,541,915)	($1,588,172)
Real Estate Taxes @ $6.75/RBA				($1,410,432)	($1,452,745)	($1,496,328)	($1,541,218)	($1,587,454)	($1,635,078)	($1,684,130)	($1,734,654)	($1,786,694)
Construction Costs		($20,897,077)	($41,794,155)									
Net Operating Income	$0	($5,224,269)	($10,448,539)	$1,932,815	$5,434,344	$5,597,374	$5,765,296	$5,938,255	$6,116,402	$6,299,894	$6,488,891	$92,615,016
Debt Service		($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($3,549,552)	($35,620,449)
Equity		($8,773,821)	($13,998,091)	($1,616,737)	$1,884,792	$2,047,822	$2,215,744	$2,388,703	$2,566,850	$2,750,342	$2,939,339	$56,994,567

Equity Yield Rate (IRR): 15.88% Residual Land Value @ 20% Discount Rate: ($3,348,126) Ratio of Stabilized NOI to Construction Costs: 8.67%

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $15,672,808

MAIN BUILDING WITH 100 ADDITIONAL UNITS — 128,000 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$4,467,189	$9,202,410	$9,478,483	$9,762,837	$10,055,722	$10,357,394	$10,668,116	$10,988,159	$11,317,804
Mortgage Loan Income		$16,536,808	$33,073,616									
Vacancy and Collection Loss (5%)				($223,359)	($460,121)	($473,924)	($488,142)	($502,786)	($517,870)	($533,406)	($549,408)	($565,890)
Variable Operating Expenses @ $6/RBA				($670,078)	($1,380,362)	($1,421,772)	($1,464,426)	($1,508,358)	($1,553,609)	($1,600,217)	($1,648,224)	($1,697,671)
Real Estate Taxes @ $6.75/RBA				($1,507,676)	($1,552,907)	($1,599,494)	($1,647,479)	($1,696,903)	($1,747,810)	($1,800,245)	($1,854,252)	($1,909,879)
Construction Costs		($22,049,077)	($44,098,155)									
Net Operating Income	$0	($5,512,269)	($11,024,539)	$2,066,075	$5,809,022	$5,983,292	$6,162,791	$6,347,675	$6,538,105	$6,734,248	$6,936,275	$99,000,469
Debt Service		($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($3,745,224)	($37,584,181)
Equity		($9,257,493)	($14,769,763)	($1,679,149)	$2,063,798	$2,238,068	$2,417,567	$2,602,451	$2,792,881	$2,989,024	$3,191,051	$61,416,288

Equity Yield Rate (IRR): 16.29% **Residual Land Value @ 20% Discount Rate: ($3,207,647)** **Ratio of Stabilized NOI to Construction Costs: 8.78%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $16,536,808

MAIN BUILDING WITH 110 ADDITIONAL UNITS — 140,800 ADDITIONAL SQUARE FEET

Period	1	2	3	4	5	6	7	8	9	10	11	Reversion 12
Gross Income @ $40/RBA				$4,755,320	$9,795,959	$10,089,837	$10,392,533	$10,704,309	$11,025,438	$11,356,201	$11,696,887	$12,047,794
Mortgage Loan Income		$17,400,808	$34,801,616									
Vacancy and Collection Loss (5%)				($237,766)	($489,798)	($504,492)	($519,627)	($535,215)	($551,272)	($567,810)	($584,844)	($602,390)
Variable Operating Expenses @ $6/RBA				($713,298)	($1,469,394)	($1,513,476)	($1,558,880)	($1,605,646)	($1,653,816)	($1,703,430)	($1,754,533)	($1,807,169)
Real Estate Taxes @ $6.75/RBA				($1,604,920)	($1,653,068)	($1,702,660)	($1,753,740)	($1,806,352)	($1,860,543)	($1,916,359)	($1,973,850)	($2,033,065)
Construction Costs		($23,201,077)	($46,402,155)									
Net Operating Income	$0	($5,800,269)	($11,600,539)	$2,199,335	$6,183,699	$6,369,210	$6,560,286	$6,757,095	$6,959,808	$7,168,602	$7,383,660	$105,385,923
Debt Service		($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($3,940,908)	($39,547,751)
Equity		($9,741,177)	($15,541,447)	($1,741,573)	$2,242,791	$2,428,302	$2,619,378	$2,816,187	$3,018,900	$3,227,694	$3,442,752	$65,838,172

Equity Yield Rate (IRR): 16.65% **Residual Land Value @ 20% Discount Rate: ($3,067,188)** **Ratio of Stabilized NOI to Construction Costs: 8.88%**

Debt Service is based on a 25-year loan term, 75% Loan to Cost, and 5.75% interest rate. The equity contribution is calculated to be: $17,400,808

Conclusions

For each of the previously detailed development scenarios, we have produced a table that summarizes the various rate and value conclusions. The table includes the previously described internal rate of return calculations for the equity component, the residual land value (if positive) of the cash flows utilizing a 20% equity discount rate, and ground rent projections.

In general, most ground leases in the New York metropolitan area are negotiated such that the stabilized net lease payment is 6% to 8% of the land value. In the case of this analysis, this factor is applied against the implied residual land value. Our analysis presents stabilized ground lease payments for both rates. Market terms for ground leases negotiated with these rates typically call for 5% increases every five years, with the land value being renegotiated every 10 years via a new appraisal.

Lastly, per your request, we have processed a rate that demonstrates the relationship between the first year of stabilized net operating income (NOI) and the cost of construction.

MATRIX OF CONCLUSIONS FOR DEVELOPMENT SCENARIOS
WITH PILOT SCHEDULE

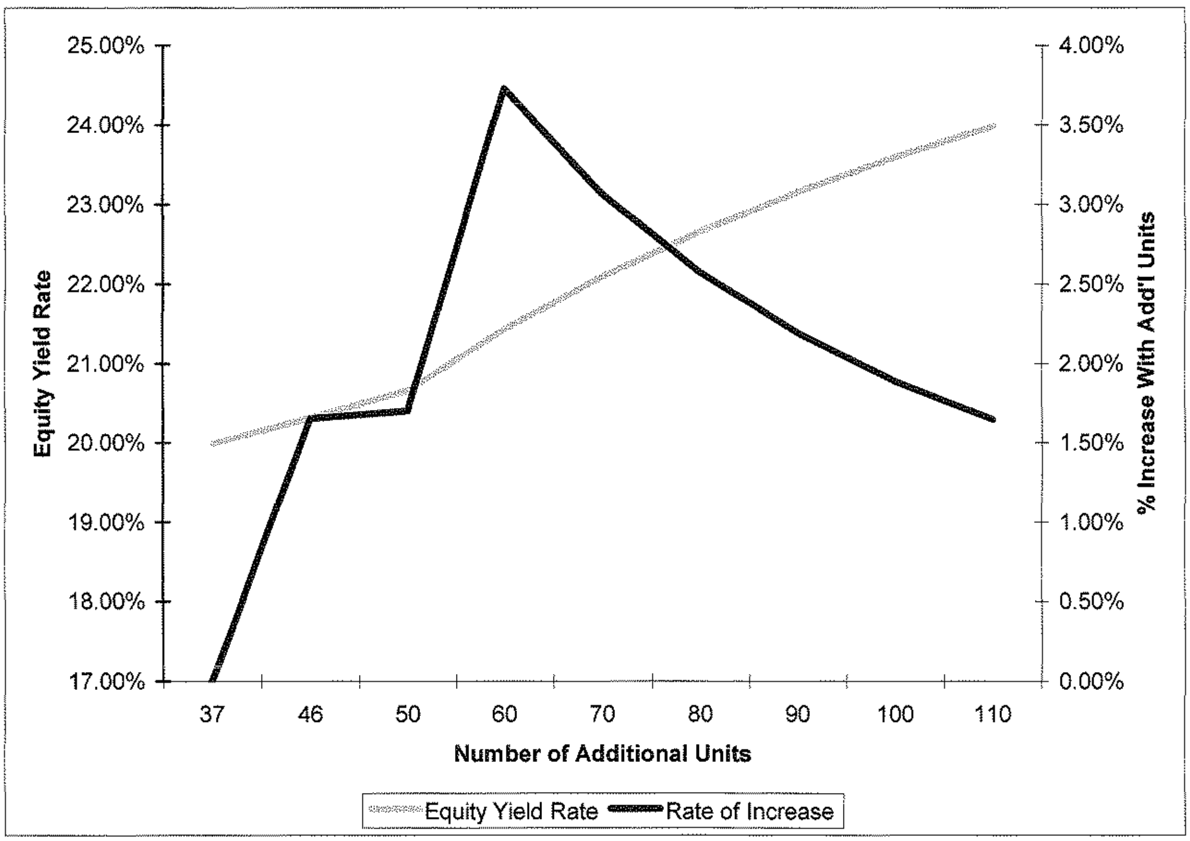
Add'l Units	Equity Yield Rate	% Increase in IRR w/ Add'l Units	Stabilized NOI/ Construction Costs	Implied Residual Land Value @ 20%	Prospective Ground Rent @ 6% Rate	Prospective Ground Rent @ 8% Rate
37	20.00%	0.00%	9.80%	$0	$0	$0
46	20.33%	1.65%	10.05%	$212,996	$12,780	$17,040
50	20.67%	1.70%	10.15%	$453,542	$27,213	$36,283
60	21.44%	3.73%	10.39%	$1,057,250	$63,435	$84,580
70	22.10%	3.07%	10.60%	$1,660,977	$99,659	$132,878
80	22.67%	2.57%	10.78%	$2,264,705	$135,882	$181,176
90	23.17%	2.19%	10.94%	$2,868,413	$172,105	$229,473
100	23.60%	1.89%	11.09%	$3,472,140	$208,328	$277,771
110	23.99%	1.65%	11.22%	$4,075,848	$244,551	$326,068

MATRIX OF CONCLUSIONS FOR DEVELOPMENT SCENARIOS
WITH MARKET DERIVED REAL ESTATE TAXES

Add'l Units	Equity Yield Rate	% Increase in IRR w/ Add'l Units	Stabilized NOI/ Construction Costs	Implied Residual Land Value @ 20%	Prospective Ground Rent @ 6% Rate	Prospective Ground Rent @ 8% Rate
46	13.22%	0.00%	7.97%	($3,965,973)	($237,958)	($317,278)
50	13.55%	2.45%	8.05%	($3,910,002)	($234,600)	($312,800)
60	14.27%	5.34%	8.24%	($3,769,543)	($226,173)	($301,563)
70	14.89%	4.32%	8.40%	($3,629,064)	($217,744)	($290,325)
80	15.42%	3.57%	8.54%	($3,488,585)	($209,315)	($279,087)
90	15.88%	3.00%	8.67%	($3,348,126)	($200,888)	($267,850)
100	16.29%	2.57%	8.78%	($3,207,647)	($192,459)	($256,612)
110	16.65%	2.22%	8.88%	($3,067,188)	($184,031)	($245,375)

Based upon the following data, it appears the proposed 46-unit annex exceeds the minimum developer return with the proposed PILOT. Increasing the number of available units results in significantly greater implied residual land value that can translate into ground lease payments. While using market taxes however, positive return is not achieved until over 300,000 square feet of additional rentable building area is constructed (as detailed in Section 3).

As previously discussed in Section 3, the minimum number of additional units that can be constructed to make the redevelopment of the subject property feasible was determined to be 37 units. As noted on the previous page, the developer's provided 46-unit configuration provides only a small increase in residual land value. This is primarily due to the excess profit generated by the construction of the annex being offset by the unusually high cost of construction associated with the redevelopment of the Main Building. The following graph highlights the trends that result from each iteration of additional units allowed at the proposed annex with the PILOT schedule in effect:



As is demonstrated, the rate of increase in the equity yield rate is fairly significant until 60 units are constructed as part of the project, with rate of increase steadily decreasing afterwards.

Grubb&Ellis
Property Solutions Worldwide

CERTIFICATE OF CONSULTING ASSIGNMENT

Re: St. Paul's Academy – Rental Development Analysis

We, **Robert Von Ancken and R. Benjamin Zapp,** certify that, to the best of our knowledge and belief:

THAT the statements of fact contained in this report are true and correct;

THAT the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;

THAT we have no present or prospective interest in the property that is the subject of his report;

THAT we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

THAT our compensation for completing this assignment is not contingent upon 1) the development or reporting of a predetermined conclusion that favors the cause of the client; 2) the level of feasibility opinion; 3) the attainment of a stipulated result; 4) or the occurrence of a subsequent event directly related to the intended use of this consulting assignment;

THAT the our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;

THAT the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

THAT as of the date of this report, we are currently certified under the voluntary continuing education program of the Appraisal Institute;

THAT we have made a personal inspection of the property that is the subject of this report;

THAT in the preparation of this consulting assignment report others assisted in the gathering of information, inspection of the property, etc. However, no one other than the undersigned prepared the analyses, conclusions and opinions concerning the value of the real estate set forth in this consulting assignment report.

DATE: March 3, 2008

Robert Von Ancken, MAI, CRE, FRICS
NYS Certification #46000001797

R. Benjamin Zapp
NYS Certification # 46000048382

STATEMENT OF BASIC ASSUMPTIONS AND LIMITING CONDITIONS

The consultants assume:

1. This is a narrative Consulting Report which is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice.

2. Supporting documentation concerning some of the data, reasoning, and analyses is retained in the consulting assignment file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The consultant is not responsible for unauthorized use of this report.

3. The legal description used in this report is assumed to be correct.

4. No survey of the property has been made by the consultant and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.

5. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable.

6. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the consultant.

7. All mortgages, liens, encumbrances, leases and servitude have been disregarded unless so specified within the report. The property is analyzed as though under responsible ownership and competent management.

8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.

9. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the consulting assignment report.

10. It is assumed that all applicable zoning, use and building code regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the consulting assignment report.

11. It is assumed that the utilization of the land and improvements is within the boundaries of property lines of the property described and there is no encroachment or trespass unless noted within the report.

12. The consultant is not an engineer. No engineering survey of the improvements described herein has been made, or made available. Any comments by the consultant as to the general condition of the improvements or the condition of any of the building components are opinions based on the consultant's real estate market experience and are not intended to be relied upon in lieu of a complete engineering study.

13. We assume there is no material amount of asbestos in the building, nor does the report take into consideration the possibility of the existence of radon gas, PCP transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks containing hazardous material. The report does not consider the cost of encapsulation treatment of removal of such materials. We take no responsibility for identifying the level of contaminants such as these or any others, if any are indeed found. We are not qualified to detect toxins or estimate any cost of removal or other treatment. If the client/property owner has a concern about the existence of such hazardous conditions, the consultants consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.

14. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. The consultant has not made a specific compliance survey and analysis of this property to determine whether or not is in conformity with the various detailed requirements of the ADA. Once developed, 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 in non-compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the consultant has no direct evidence relating to this issue, possible non-compliance with the requirements of the ADA has not been considered in estimating the value of the property.

15. The projections of income and expenses are not predictions of the future. Rather, they are the consultant's best estimates of current market thinking on future income and expenses. The consultant and Grubb & Ellis make no warranty or representation that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the consultant's task to predict or in any way warrant the conditions of a future real estate market; the consultant can only reflect what the investment community, as of the date of the consulting assignment, envisions for the future in terms of rental rates, expenses, supply and demand.

The following Limiting Conditions are submitted with this report:

1. All of the facts, conclusions and observations contained herein are consistent with information available as of the date of the report. The feasibility of real estate is affected by many related and unrelated economic conditions, local and national. We, therefore, assume no liability for any unforeseen changes in the economy.

2. The consultant will not be required to give testimony or appear in court because of having made this consulting assignment, with reference to the property in question, unless arrangements have been previously made therefore.

3. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the consultant, and in any event, only with proper written qualification and only in its entirety.

4. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Consulting assignment Institute. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media without written consent and approval of the consultant. Nor shall

the consultant, firm, or professional organization of which the consultant is a member be identified without consent of the consultant.

5. The consultants have no present or contemplated interest in the property appraised.

6. Employment in this consulting assignment and compensation for the report is in no way contingent on the matter involved.

7. This consulting assignment has been made in conformity to the Standards of Practice of the Appraisal Institute, and represents the best judgment of the consultants.

8. No responsibility is taken for changes in market conditions after the date of analysis.

9. Further, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts and other management actions upon which actual results will depend.

10. Grubb & Ellis has not, as part of its analysis, performed an audit or review of any of the financial information used and, therefore, does not express an opinion or any other form of assurance with regard to same. Under the terms of this engagement, we have no obligations to revise this report or the financial result to reflect events or conditions which occur subsequent to the date of the report.

11. Acceptance and/or use of this consulting assignment report by the client and/or any third party constitutes acceptance of the stated limiting conditions and assumptions. The consultants' and/or reviewers' responsibility and liability extends only to the stated client, not to subsequent parties or users, and is limited to the amount of the fee received by the consultants in conjunction with performance of this consulting assignment and related consulting and/or court preparation, deposition, and testimony.