



October 18, 2010

Hon. Jaclyn A. Brillling, Secretary
Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Case No.08-G-0071 – **Petition of The Brooklyn Union Gas Company d/b/a Keyspan Energy Delivery New York for Approval of the Transfer of Certain Property Located at 809-873 Neptune Ave., Brooklyn, NY to Steel Arrow, LLC** *(Letter seeking authority to transfer the Property at a reduced purchase price of said Property)*

Dear Secretary Brillling:

This letter is to update you as to the transfer of the 3.2 acre parcel located at 809-873 Neptune Ave., Brooklyn, New York (the "Property"), which transfer was the subject of the Commission's Order issued August 22, 2008 in the above-referenced proceeding (the "Order"). For the reasons discussed below, and pursuant to discussions with Staff counsel, The Brooklyn Union Gas Company d/b/a National Grid NY ("National Grid" or "Company") respectfully requests authority to transfer the property at a different purchase price from what was contemplated in the Staff memorandum approved by the Commission in the Order.

Background:

Until 2005, the Company used the Property as a service center and training facility, but because of the consolidation of personnel and facilities and the deteriorating condition of the building on the Property, National Grid decided that the building should be vacated and the Property should be sold. As the result of an open bidding process, the Company entered a Purchase and Sale Agreement ("PSA") with Steel Arrow, LLC ("Steel Arrow") on November 7, 2007 for the sale of the Property at a price of \$7.15 million. In the Order, the Commission approved a Staff memorandum that correctly summarized the history of the Company's use of, need for and efforts to transfer the Property, including a reference to the 2004 fair market appraisal of the property of \$5,030,000, and recommended Commission approval of the Company's petition pursuant to Public Service Law §70 to transfer the Property for a purchase price of \$7.15 million.

Upon receiving the Order, the Company asked Steel Arrow to schedule a closing within the 15 day time frame specified by the PSA. In response, Steel Arrow indicated that it was not prepared to proceed at that time as a result of deteriorating market conditions and lack of financing, and asked that the closing date be postponed for nine months. In an effort to gain a better perspective on the effects of the market decline on real property values the Company commissioned new, independent appraisals of the Property from Goodman-Marks Associates, Inc. ("Goodman") and Neglia Appraisals, Inc. ("Neglia"), both dated October 2009, copies of which are attached for your review.

According to these appraisals, the fair market value of the Property is estimated in the Neglia appraisal at \$4,600,000 and in the Goodman appraisal at \$5,000,000, both being well below the PSA purchase price of \$7.15 million and less than the 2004 appraisal of the Property's fair market value of \$5,030,000 referenced in the Staff memorandum adopted by the Order.

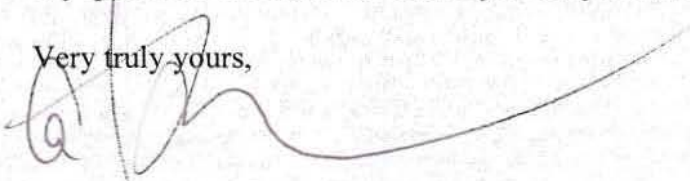
Authority to Transfer at Revised Purchase Price:

Following receipt of these new appraisals, in an effort to bring this transaction to closure in light of declining fair market values of real estate throughout the region, the Company in good faith negotiated with Steel Arrow a reduction in the purchase price of the Property from \$7.15 million to \$5.25 million with an outside closing date of March 31, 2011. These negotiations were difficult and protracted. Throughout this process, the Company has kept Staff apprised of these intervening events and negotiations. The terms of this agreed upon price reduction are reflected in the Amendment to Purchase and Sale Agreement entered into by Purchaser and Seller on September 16, 2010, a copy of which is included herewith.

In light of the negative impact the market collapse has had on real property values throughout the region and, as demonstrated in the new appraisals, on the value of the Property in particular, National Grid respectfully requests the Commission's authorization to transfer the Property for the renegotiated purchase price of \$5.25 million. A transfer at this reduced purchase price would mean that the net gain of \$3.7 million contemplated in the Commission's Order would be reduced by \$1.9 million. As stated, this renegotiated purchase price is effective only until March 31, 2011. Accordingly, the Company requests that the Commission act promptly to authorize the transfer of the Property pursuant to the Order, but at the renegotiated purchase price that reflects current market conditions.

Please contact me at catherine.nesser@us.ngrid.com or call me at 718-403-3073 should you have any questions or concerns. Thank you for your attention to this matter.

Very truly yours,



Catherine L. Nesser

SUMMARY APPRAISAL REPORT

**N/W/C Neptune Avenue and Shell Road
Block 7247, Lots 105, 113, 114 and 320
Coney Island, Brooklyn, New York**

PREPARED FOR:

**Ms. Kathleen A. Cannistra
Real Estate Transactions
National Grid
175 East Old Country Road
Hicksville, NY 11801-4280**

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GOODMAN-MARKS ASSOCIATES, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS

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Phone: (212) 324-2870 Fax: (212) 324-2879

October 22, 2009

Ms. Kathleen A. Cannistra
Real Estate Transactions
National Grid
175 East Old Country Road
Hicksville, New York 11801-4280

Re: N/W/C Neptune Avenue and Shell Road
Coney Island, Borough of Brooklyn, New York
Block 7247, Lots 105, 113, 114 and 320
Our File No. 09-937

Dear Ms. Cannistra:

At your request, we have inspected and appraised the above-captioned property, which is located on the northwest corner of Neptune Avenue and Shell Road in the community of Coney Island, Borough of Brooklyn, City and State of New York. The subject property is identified on the tax maps of the City of New York as Block 7247, Lots 105, 113, 114 and 320.

The subject property is an irregular-shaped corner parcel of M1-2 (Light Industrial) zoned land, comprising 139,665± square feet (3.206± acres) abutting the Coney Island Creek on its northern border. The subject property is currently improved with a one and part two-story industrial building.

The purpose of this summary appraisal report is to estimate the market value of the fee simple estate of the subject property as a parcel of land improved with a one and part two-story industrial building. The improvement located on the subject property is currently in poor overall condition and has been vacant for approximately 5 years. The subject building has deteriorated over time and requires an environmental clean-up program. We have considered that the subject building is not currently in a usable condition and that it does not add value to the land. Instead, due to the cost to abate and demolish the building, it is a detriment to the subject land when appraised at its highest and best use.

Market standards would require that either the subject property be delivered vacant in a clean condition or that the seller would take into consideration the costs necessary to yield a useable site. We have therefore estimated a market value of the subject property as a vacant parcel of land. Furthermore, our client has provided us with an estimated cost to abate and demolish the subject improvement and we have subtracted this cost from the indicated land value. This results in the market value of the fee simple estate of the subject property.

GOODMAN-MARKS ASSOCIATES, INC.
REAL ESTATE APPRAISERS AND CONSULTANTS

National Grid
Page 2
October 22, 2009

This summary appraisal report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

In arriving at the appraised value, we analyzed sales of comparable, industrial-zoned vacant land properties. We also considered those items influencing value, including the location of the subject property, existing and projected competition, continued demand, current and anticipated market conditions, current mortgage rates, government rules and regulations.

We did not investigate the subject property for contaminants or environmental hazards, because environmental audits must be conducted by professional environmental specialists. Should an environmental audit disclose the presence of contaminants on the subject site, this finding may affect our value estimate.

We are of the opinion that the market value of the fee simple estate of the subject property, as of August 31, 2009, *predicated upon the extraordinary assumptions and limiting conditions as defined within the body of this report*, is:

FIVE MILLION DOLLARS
(\$5,000,000.00)

A report of 76 pages is attached hereto and made part hereof, and the valuation is expressly made subject to the conditions and comments appearing herein.

Very truly yours,

GOODMAN-MARKS ASSOCIATES, INC.

Matthew J. Guzowski, MAI
Partner
Certified General Real Estate Appraiser
New York State Certificate #468986

Stephen Deutsch, IFA, CSA-G
Partner
Certified General Real Estate Appraiser
New York State Certificate #464638

Matthew F. Boylan
Staff Appraiser

CERTIFICATE OF APPRAISAL

Premises: N/W/C Neptune Avenue and Shell Road
Block 7247, Lot 105, 113, 114 and 320
Coney Island, Borough of Brooklyn, New York

We, Matthew J. Guzowski, Stephen Deutsch and Matthew F. Boylan, certify 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 our 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 this report, and we have no personal interest or bias with respect to the parties involved with this assignment;

THAT, our engagement in this assignment was not contingent upon developing or reporting predetermined results;

THAT, 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;

THAT, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice;

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

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

THAT, no other person provided significant real property appraisal assistance to the person(s) signing this certification, other than National Grid who provided us with an estimated cost to abate and demolish said building.

THAT, as of the date of this report, Matthew J. Guzowski has completed the continuing education program of the Appraisal Institute and that Stephen Deutsch is certified by the appraisal organizations with which he is affiliated.

DATE: October 22, 2009

Matthew J. Guzowski, MAI
Partner
Certified General Real Estate Appraiser
New York State Certificate #468986

Stephen Deutsch, IFA, CSA-G
Partner
Certified General Real Estate Appraiser
New York State Certificate #464638

Matthew F. Boylan
Staff Appraiser

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Location:	N/W/C Neptune Avenue and Shell Road Coney Island, Borough of Brooklyn City and State of New York
Tax Map Identification:	Block 7247, Lot 105, 113, 114 and 320
Current Owner of Record:	Keyspan Energy/Brooklyn Union Gas Co.
Property Rights Appraised:	Fee simple estate
Property Description:	Irregular-shaped, corner parcel of land currently improved with a vacant, one and part two-story industrial building in poor condition.
Land Area:	139,665± sq. ft. (3.206± acres)
Zoning:	M1-2 –Light Manufacturing District (City of New York)
Highest & Best Use:	<i>As Vacant</i> – Manufacturing or commercial use in compliance with the M1-2 zoning district. <i>As Improved</i> – Demolition of current improvements and construction of a new manufacturing or commercial use in compliance with the M1-2 zoning district.
Valuation Date:	August 31, 2009

VALUE CONCLUSIONS

Cost Approach:	N/A
Income Capitalization Approach:	N/A
Sales Comparison Approach:	\$5,000,000.00*
Final Estimate of Market Value:	\$5,000,000.00*

*Predicated upon the extraordinary assumptions and limiting conditions as defined within the body of this report.

UNDERLYING ASSUMPTIONS AND LIMITING & QUALIFYING CONDITIONS

1. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless stated otherwise in this report.
2. The property was appraised free and clear of any or all liens and encumbrances unless stated otherwise in this report.
3. Responsible ownership and competent property management are assumed unless stated otherwise in this report.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless stated otherwise in this report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in this report.
9. It is assumed that all required licenses, Certificates of Occupancy or other legislative or administrative authority from any local, state or national government or private entity have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
10. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless stated otherwise in this report. No survey has been made for the purpose of this report.
11. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass unless stated otherwise in this report.
12. We are unaware of any easements or encumbrances that substantially impact the subject property. However, we have not been provided with a title report and if in the event such report detailed the existence of an otherwise unknown easement or encumbrance, the value conclusion contained herein may be subject to change.

13. We are not qualified to detect hazardous waste and/or toxic materials. Any comment by us 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 presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. Our value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless stated otherwise in this report. No responsibility is assumed for any environmental conditions or any expertise or engineering knowledge required to discover them. Our descriptions and comments are the result of our routine observations made during the appraisal process.
14. Unless stated otherwise in this report, the subject property was appraised without a specific compliance survey having been conducted to determine whether the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability or utility.
15. Any proposed improvements are assumed to be completed in a good and workmanlike manner in accordance with the submitted plans and specifications.
16. Our value conclusions were based on the assumption that the subject property will continue to be adequately maintained and professionally managed to sustain its competitiveness in the marketplace.
17. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
18. 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 appraiser(s), and in any event, only with properly written qualification and only in its entirety.
19. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser(s) or the firm with which the appraiser(s) is/are connected) shall be disseminated to the public through advertising, public relations, news sales or other media without the prior written consent and approval of the appraiser(s).
20. On Friday, October 3, 2008 and subsequently, Congress passed a rescue plan to infuse \$700-billion into the financial community. Additional funds have been allocated to individual institutions and banks. Market research indicates that commercial transactions and construction starts have declined in many markets over the past year, and more specifically, within the past few months. Furthermore, due to the uncertainty of the current economic conditions, many investors are holding back until at least the next quarter to see in which direction the United States economy is headed. In the current market, financial institutions are demanding stricter lending criteria in order to obtain a loan, or in many cases, not lending at all. It would be speculative to forecast what economic conditions will exist within the next year until the full effects of the proposed rescue plan are evident in the economy. Therefore, investors, lenders and other market participants must proceed with caution within the foreseeable future, because positive historical trends concerning pricing, absorption, sales and rental activity may not continue into the future. Our valuation contained herein is based on the effective date of value only.

APPRAISAL DEFINITIONS

Market Value¹

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.)

Fee Simple Estate²

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.”

Intended Use³

“The use or uses of an appraiser’s reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.”

Intended User⁴

“The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.”

¹ *The Dictionary of Real Estate Appraisal – Fourth Edition*, Appraisal Institute, Chicago, IL, 2002, pp. 177 & 178.

² *Ibid.*, p. 113.

³ *Ibid.*, p. 148.

⁴ *Ibid.*, p. 148.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

The market value of the fee simple estate of the subject property is *predicated upon the following extraordinary assumptions and limiting conditions*, which have been relied on herein. Any evidence to the contrary may affect the value conclusion herein:

- 1) The valuation of the fee simple estate of the subject property is based our understanding that the subject building is not currently in a usable condition. As such, the improvement does not add value to the land, instead due to the cost to abate and demolish the building it is a detriment to the subject property. Market standards would require the subject property be delivered vacant in a clean condition. We have therefore estimated a market value of the subject property as a vacant parcel of land and subtracted the estimated cost to abate and demolish the building from the indicated land value. This results in the market value of the fee simple estate of the subject property.
- 2) We have been informed that if and when there is a transfer of the subject property, a future easement and deed restriction will be included in the contract of sale. We have not been provided with the specifics of the future easement and deed restriction, however, we have assumed that it will not substantially impact the value of the subject property.
- 3) The physical inspection did not include an environmental audit, because real estate appraisers are not qualified to perform that service. However, it is recommended that an environmental audit be performed by a qualified environmental professional, and if contamination is detected beyond what is currently known, the value estimates of this appraisal could be affected. This appraisal assumes that no adverse environmental conditions exist on the subject site.
- 4) We have assumed that the soil conditions on the subject site can support development.

EXPOSURE TIME⁵

Exposure time is defined as: “(1) The time a property remains on the market. (2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always assumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.”

The subject property consists of a 139,665±-square-foot parcel of M1-2 zoned, land improved with a one and part two-story industrial building in poor condition, located in the community of Coney Island, within the Borough of Brooklyn, New York. Were the subject property available for sale, we estimate that the marketing period would be approximately one year.

⁵ *The Dictionary of Real Estate Appraisal – Fourth Edition*, Appraisal Institute, Chicago, IL, 2002, p. 105.

VALUATION DATE

The date of valuation is August 31, 2009, the date of final inspection of the subject property.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide an estimate of the market value of the fee simple estate of the subject property to assist our client, National Grid, in understanding the value of the underlying asset for sale purposes, subject to the assumptions contained within the report.

INTENDED USE AND USERS OF THE APPRAISAL

The intended use of this appraisal is to assist the intended users in understanding the value of the subject property, predicated upon the assumptions contained within this report. The intended users of this appraisal are Ms. Kathleen Cannistra and those persons authorized by National Grid to utilize this report.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is an irregular-shaped, corner parcel of land improved with a one and part two-story industrial building currently in poor condition located on the northwest corner of Shell Road and Neptune Avenue, in Coney Island, Borough of Brooklyn, New York. The tax assessment identification is Block 7247, Lots 105, 113, 114 and 320.

SUBJECT PROPERTY OWNERSHIP HISTORY

The subject property is currently owned by Keyspan Energy/Brooklyn Union Gas Company. There have been no recorded transfers of the property in the past five years.

PHOTOGRAPHS OF THE SUBJECT PROPERTY



View of Subject Property from Shell Road



View of Subject Property from Corner of Shell Road and Neptune Avenue



Views of Subject Property from Neptune Avenue





Views of Subject Improvements





Street Scene Looking North on Shell Road (Subject at Left)



Street Scene Looking South on Shell Road (Subject at Right)



Street Scene Looking West on Neptune Avenue (Subject at Right)



Street Scene Looking East on Neptune Avenue (Subject at Left)

SCOPE OF THE APPRAISAL AND METHODS OF VALUATION

We have been requested to appraise the market value of an irregular-shaped, 139,105-square-foot parcel of land improved with a one and part two-story industrial building located on the northwest corner of Neptune Avenue and Shell Road, within the community of Coney Island, Borough of Brooklyn, City and State of New York.

There are three generally accepted methodologies in the valuation of real estate: the cost approach, income approach and sales comparison approach. In all valuation methods, local market data is sought, when appropriate, for sales and offerings of vacant lots and similar manufacturing properties, current prices of construction materials and labor, operating expenses over absorption periods and current rates of return on investments. From this data, value estimates may be developed for the land. The scope of this assignment included researching current sales, as well as surveying brokers, appraisers, lenders, building owners, managers and public records.

In estimating the market value of the subject property, we have considered the three approaches to value.

Cost Approach

This approach assumes that an informed purchaser would pay no more for a property than the cost of producing a similar investment. The approach entails estimating the value of the land as if vacant, which is then added to the depreciated value of the improvements. This is considered a valid indicator when a property is new and there are a sufficient number of land sales. We have not performed the cost approach in this appraisal, because the subject property has been valued as vacant land.

Income Capitalization Approach

The income capitalization approach values the future benefits (in the form of steady income) from an income-producing property by measuring the potential net income received. This approach is significant in determining the market value of a property where investors

purchase the income-producing real estate for its earning power. We did not use this method of valuation, because the subject property has been valued as vacant land.

Sales Comparison Approach

The major premise of the sales comparison approach is the principle of substitution, which states that an informed and knowledgeable purchaser would pay no more for a property than the cost of acquiring an existing property with similar investment features. We have been requested to estimate the market value of the fee simple estate of subject property. The subject property is an irregular-shaped corner parcel of M1-2 (Light Industrial) zoned land, comprising 139,665± square feet and is currently improved with a one and part two-story industrial building in poor overall condition. The subject improvement is not considered to be in a usable condition and requires an environmental clean-up program. Market standards would require that either the subject property be delivered vacant in a clean condition or that the seller would take into consideration the costs necessary to yield a useable site.

We have identified a number of meaningful transfers of industrial zoned vacant land parcels in Brooklyn and Queens. The process required us to individually analyze and compare each sale property to the subject and make adjustments to the per-square-foot values for market-sensitive differences between each sale and the subject property. For the purpose of analysis we have compared the comparable sales to the subject property as if the subject property was vacant, in a clean condition and ready for development. Our client has provided us with an estimated cost to abate and demolish the subject improvement and we have subtracted this cost from the indicated land value. This results in the market value of the fee simple estate of the subject property.

AREA MAP



AREA DESCRIPTION

Location

The subject property is located in the Borough of Brooklyn within the City of New York. Brooklyn, also identified as Kings County, one of New York City's five boroughs, covers an area of 81.8± square miles, has a 33±-mile waterfront and is geographically part of Long Island. The Borough of Brooklyn is bounded by the Borough of Queens to the north and east, the Atlantic Ocean to the south and the East River and Upper New York Bay to the west.

Brooklyn consists of many residential neighborhoods. Downtown Brooklyn, Brooklyn Heights, Cobble Hill, Red Hook, Park Slope, Carroll Gardens, Clinton Hill, Fort Greene, Greenpoint, Williamsburg, Borough Park, Bay Ridge and the neighborhoods surrounding Prospect Park, including Park Slope, Bedford-Stuyvesant and Wingate, have become attractive to those seeking to reside in sound, restored and new housing at more affordable rents than in Manhattan, but generally comparable with regard to urban amenities.

Population

Within a 500±-mile radius, Brooklyn has access to approximately 51% of the total population of both the U.S. and Canada. The U.S. Department of Commerce, Bureau of the Census ranks Kings County (Brooklyn) as the seventh most populous county in the United States.

According to the 2000 Census, Brooklyn's total population was 2,465,326, which accounted for 30.8% of the population of New York City and 13.0% of the total population of New York State. This represents an increase of 7.2% from the 1990 Census, which in turn recorded a 3.1% increase from 1980.

With an estimated 2007 population of 2,528,050,⁶ Brooklyn is ranked as the most populated of New York's five boroughs and is among the most densely populated counties in the United States. The following table presents Kings County population statistics from 1900 to 2007:

⁶ Source: U.S. Census Bureau.

Kings County Population Statistics ⁷

<u>Year</u>	<u>Population</u>	<u>Population Change</u>	<u>10-Year Percent Change</u>	<u>Annual Percent Change</u>
1900	1,166,582	—	—	—
1910	1,634,351	467,769	40.1%	—
1920	2,018,356	384,005	23.5%	—
1930	2,560,401	542,045	26.9%	—
1940	2,698,285	137,884	5.4%	—
1950	2,738,175	39,890	1.5%	—
1960	2,627,319	(110,856)	-4.0%	—
1970	2,602,012	(25,307)	-1.0%	—
1980	2,230,936	(371,076)	-14.3%	—
1990	2,300,664	69,728	3.1%	—
2000	2,465,326	164,662	7.2%	—
2001	2,473,844	8,518	—	0.3%
2002	2,475,555	1,711	—	0.1%
2003	2,483,164	7,609	—	0.3%
2004	2,497,859	14,695	—	0.6%
2005	2,511,408	13,549	—	0.5%
2006	2,523,047	11,639	—	0.5%
2007*	2,528,050	5,003	—	0.2%

*Estimated.

According to the U.S. Census Bureau, there were population declines from 1950, when the county reached a peak population of 2,738,175, through 1980. Losses during this period were attributable to a number of factors, including a suburban migration, a reduction in household size and a long-term decline in manufacturing jobs. The increases of the 1980s and 1990s reflect a large immigrant influx and a growing reliance on the service sector of the economy.

By age, the 2007 Kings County population was distributed as follows:

Distribution of Brooklyn Population by Age ⁸

<u>Under 19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-64</u>	<u>65+</u>
28%	7%	29%	24%	12%

⁷ Source: U.S. Census Bureau.

⁸ Source: U.S. Census Bureau.

The median age of residents in Kings County is 35.1 years, according to the 2007 U.S. Census Bureau estimate. This represents an increase from the 2000 Census median age of 33.1.

Households

There are an estimated 881,006 households in Brooklyn, or 29.1% of all New York City household, as compared with 3,022,477 in New York City, overall.⁹

Income

Household income distribution during 2007 adjusted for inflation was as follows:

Distribution of Brooklyn Households by Income¹⁰

<u>Under \$25,000</u>	<u>\$25,000- \$49,999</u>	<u>\$50,000- \$74,999</u>	<u>\$75,000- \$99,999</u>	<u>\$100,000- \$149,999</u>	<u>\$150,000 or More</u>
32.9%	24.5%	17.2%	9.7%	9.4%	6.4%

The estimated median household income in Brooklyn during 2007 was \$41,406.00; this represents an increase from the 2000 Census of \$32,135.

Family income distribution during 2007, adjusted for inflation, was as follows:

Distribution of Brooklyn Families by Income¹¹

<u>Under \$25,000</u>	<u>\$25,000- \$49,999</u>	<u>\$50,000- \$74,999</u>	<u>\$75,000- \$99,999</u>	<u>\$100,000- \$149,999</u>	<u>\$150,000 Or More</u>
27.0%	25.1%	18.5%	10.8%	11.1%	7.5%

The estimated median family income in Brooklyn during 2007 was \$47,761.00, which represents an increase of \$36,188.00 from the 2000 Census.

Education

Education in Brooklyn is provided by a vast number of public and private institutions. Public schools in the Borough are managed by the New York City Department of Education, the largest public school system in the nation.

⁹ Source: Ibid.

¹⁰ Source: Ibid.

¹¹ Source: Ibid.

Higher education can be pursued at one of the many institutes of higher learning found throughout the Borough. Brooklyn College is a senior college, and was the first public co-ed liberal arts college in New York City. Founded in 1970, Medgar Evers College is a senior college and is a few blocks east of Prospect Park in Crown Heights. Brooklyn Law School was founded in 1901 and is notable for its diverse student body. Women and African Americans were enrolled as early as 1909. Kingsborough Community College is a junior college that was recently named one of the top ten community colleges in the United States by the New York Times. All of these institutions are a part of the City University of New York (CUNY) system.

SUNY Downstate Medical Center, founded in 1860, is the oldest hospital-based medical school in the United States. Polytechnic University (New York), the United States' second oldest private technological university, founded in 1854, and CUNY's New York City College of Technology (City Tech), is the largest public college of technology in New York State and a national model for technological education.

Long Island University is a private university in Downtown Brooklyn with 6,417 undergraduate students. In Clinton Hill, the Pratt Institute is one of the leading art schools in the United States. Smaller liberal arts institutions, can also be found in Brooklyn, such as Saint Francis College in Brooklyn Heights, Saint Joseph's College, in Clinton Hill and Boricua College in Williamsburg.

An estimated 1,552,870 people in Kings County are 25± years old, and the education level of this population segment is estimated as follows:

Distribution of Population by Education Level¹²

<u>Less than 9th Grade</u>	<u>Some High School</u>	<u>High School Graduate</u>	<u>Some College</u>	<u>Associate Degree</u>	<u>Bachelor Degree</u>	<u>Graduate/ Professional Degree</u>
16.3%	14.8%	26.7%	14.5%	5.7%	13.0%	8.8%

¹² Source: U.S. Census Bureau.

Economic Base

According to Sales & Marketing Management's *2008 Survey of Buying Power*, Brooklyn's median household effective buying income (EBI) is \$33,382.00, as compared to the total New York City average of \$47,753.00. EBI is a measure of disposable income.

Although employment in the manufacturing sector has declined, the transformation of the Brooklyn Navy Yard, north of Fort Greene, and the 2,000,000±-square-foot Brooklyn Army Terminal, west of Sunset Park, has saved thousands of manufacturing jobs from leaving the Borough. The City has been able to convert these previously abandoned facilities into multi-tenant industrial parks. The Brooklyn Navy Yard boasts a number of start-up companies that have the potential of expanding and adding jobs. The quality and security of the Army Terminal are also attracting back-office and technical research organizations.

The South Brooklyn Marine Terminal an 88±-acre site located in Sunset Park, Brooklyn. A lease was negotiated with Axis Group for 74± acres of the South Brooklyn Marine Terminal for a term of 20 years with two 5-year extensions. This site will be used as an auto-processing and general cargo facility. This new facility is expected to create 120± construction jobs, 167± full-time jobs and 130± part-time jobs.

The Red Hook section of Brooklyn is also undergoing major redevelopment that will create construction jobs as well as permanent jobs. An Ikea furniture store completed construction along Columbia Street at the Red Hook Channel in 2008. This store contains an estimate of 352,015± square feet of retail space and is generating a lot of sales.

Fairway Supermarkets opened a 52,000±-square-foot supermarket at the end of Van Brunt Street in Red Hook in May 2006. According to published records, this supermarket has created 170± permanent jobs for the local community.

As of the end February 2009, the national unemployment rate increased to 8.1% from 7.3% in January 2009, resulting in the highest unemployment rate in the last 25 years.

According to the *2007 American Community Survey* based on Census data (the latest available), 76.0% of the people are employed by the private sector and 17.5% are government

workers, with 6.4% self-employed and 0.1% as unpaid family workers. Compiled from a work force of 16 years and older, the leading employment industry was education, health and social services at 27.3%. In 2007, the figures for employment by industry within Kings County were as follows:

Employment by Industry in Kings County¹³

<u>Sector</u>	<u>Employment</u>	<u>% of Population Over Age 16</u>
Agriculture, Forestry, Fishing & Hunting, Mining	1,105	0.1%
Construction	67,503	6.2%
Manufacturing	55,762	5.1%
Wholesale Trade	27,774	2.6%
Retail Trade	98,356	9.1%
Transportation & Warehousing, Utilities	78,938	7.3%
Information	42,785	3.9%
Finance, Insurance, Real Estate, Rentals & Leasing	97,015	9.0%
Professional & Business Services	123,957	11.4%
Education, Health & Social Services	295,978	27.3%
Leisure & Hospitality	88,449	8.2%
Public Administration	47,644	4.4%
Other Services	<u>58,087</u>	<u>5.4%</u>
Total	1,083,353	100.0%

¹³ Source: U.S. Census Bureau.

Transportation

Although the Borough has over 60 million square feet of commercial office space, most of Brooklyn's residents work in Manhattan. Easy access to Manhattan via subway, bus, bridge and tunnel makes Brooklyn a convenient place to live.

The Atlantic Terminal at Atlantic and Flatbush Avenues is a major commuter station for the Long Island Rail Road (LIRR), providing many Long Islanders with access to downtown New York City via Brooklyn. From this station, the LIRR provides train service to Queens and throughout Long Island.

There are 15 different subway lines extending throughout Brooklyn to lower Manhattan. In addition to travel via subway or bus, the Borough is accessible via the Brooklyn Battery Tunnel, Brooklyn-Queens Expressway, Belt Parkway, Jackie Robinson Parkway (f/k/a Interboro Parkway) and the Brooklyn, Manhattan, Williamsburg and Verrazano-Narrows Bridges.

Brooklyn is in proximity of Kennedy International and LaGuardia Airports in Queens and Newark International Airport in Newark, New Jersey.

The Borough's commercial dockside facilities handle more than 900 ships each year. The New York Cross Harbor Railroad makes it possible for a platform with tracks pulled by tugboats, carrying 14 to 16 boxcars, to travel 2.5 miles across New York Bay to Brooklyn's Bush Terminal in 35 minutes.

Real Estate – Land Use

Reviewing the land use statistics reveals that Brooklyn has a significant amount of open/recreational space, largely comprised of Prospect and Marine Parks as well as Floyd Bennet Field. Brooklyn is primarily developed, however, with residential neighborhoods comprised of many one- and two-family residences and a lesser number of walk-up and elevator-serviced apartment buildings. The area housing stock ranges in age from 30± to 80± years and is generally well occupied, and most buildings appear to be adequately maintained.

The following table summarizes the mix of land uses found throughout Kings County as of 2006, the most recent data available:

2006 Land Use Profile – Kings County

<u>Land Use</u>	<u>No. of Lots</u>	<u>Percent of Total Lots in District</u>
1- to 2-Family Residential	156,944	22.6%
Multi-Family Residential	65,715	16.1%
Mixed Residential/Commercial	21,160	3.4%
Commercial/Office	6,816	3.1%
Industrial	5,362	4.9%
Transportation/Utilities	2,040	4.2%
Institutions	4,008	6.0%
Open Space/Recreation	789	33.8%
Parking Facilities	4,775	1.8%
Vacant Land	8,923	3.3%
Miscellaneous	<u>1,936</u>	<u>0.9%</u>
Total	278,468	100.0%

Source: New York City Department of City Planning (Dec.'07).

Real Estate – Residential

Kings County serves as a bedroom community to the employment centers of Downtown Brooklyn and Manhattan. As noted previously, as of 2006, approximately 38.7% of the land in Kings County is residentially developed, 3.4% contains mixed uses, 8.0% is utilized for commercial and industrial facilities and 3.3% is vacant.

According to the US Census Bureau, there are a total of 930,866 year-round housing units in the Borough of Brooklyn, of which 94.6% are occupied and 5.4% are vacant. The majority of the housing units (73%) were constructed prior to 1960, which is demonstrated as follows:

Housing Units – Kings County¹⁴

<u>Construction Timeframe</u>	<u># of Units Built</u>	<u>% of Total Units</u>
Built 1999 to March 2000	4,055	0.44%
Built 1995 to 1998	11,592	1.25%
Built 1990 to 1994	13,836	1.49%
Built 1980 to 1989	30,099	3.23%
Built 1970 to 1979	67,095	7.21%
Built 1960 to 1969	123,594	13.28%
Built 1950 to 1959	135,946	14.60%
Built 1940 to 1949	147,189	15.81%
Built 1939 or earlier	<u>397,460</u>	<u>42.70%</u>
Total	930,866	100.00%

Real Estate – Industrial

According to the *CoStar Industrial Report – New York Outer Boroughs Industrial Market, Year End 2008*, Kings County had an inventory of 84.655± million square feet of industrial space within 2,825± single- and multi-story flex and warehouse/distribution buildings as of the end of fourth quarter 2008. Warehouse buildings comprise 98.0% of the Brooklyn industrial market. During this time period, 3.6± million square feet of space was vacant, reflecting a reported vacancy rate for the Brooklyn industrial market of 4.2%.

Real Estate – Office

Downtown Brooklyn is King County's largest office market. Additional office submarkets also exist; however, they largely consist of medical office space proximate to area hospitals. According to *The CoStar Office Report – New York Outer Boroughs Office Market, Year End 2008*, Kings County has an inventory of 33.24± million square feet of office space within 983 buildings as of fourth quarter 2008. Class C office space comprises 65% of Brooklyn's office building stock. During this time period, 2.75± million square feet of space was vacant, reflecting a vacancy rate of 8.3%.

¹⁴ Source: U.S. Census Bureau.

Amenities

The Borough has 180 cultural institutions, including the fifth largest botanical garden and fifth largest museum in the world, and is home to 11 colleges and a variety of sports venues.

The Brooklyn Museum, which originally opened in 1897, is among the world's premier art institutions and the nation's second largest public art museum. The Brooklyn Children's Museum, the world's first museum dedicated to children, opened in December 1899. The Brooklyn Academy of Music (BAM), a complex including the 2,109-seat Howard Gilman Opera House, the 874-seat Harvey Lichtenstein Theater and the art house BAM Rose Cinemas, are notable venues. BAM is recognized internationally as a progressive cultural center. Bargemusic and St. Ann's Warehouse, two other venerated performance venues, are situated on the other side of Downtown Brooklyn, in the DUMBO arts district. Founded in 1863, the Brooklyn Historical Society (BHS) is a museum, library and educational center dedicated to preserving and encouraging the study of Brooklyn's rich 400-year past. The BRIC Rotunda Gallery, founded in 1981, is the oldest not-for-profit gallery dedicated to presenting contemporary artwork by artists who are from, live or work in the borough.

The New York Transit Museum displays historical artifacts of the New York subway, commuter rail and bus systems; it is located in the former IND Court Street subway station in Brooklyn Heights. The 52.0±-acre Brooklyn Botanical Gardens includes a cherry tree esplanade, a one-acre rose garden, a Japanese hill and pond garden and a fragrance garden for the blind, as well as gardens and discovery exhibits for children.

With regard to sports, professional baseball returned to the borough in 2001, after a 43-year hiatus, in the form of the Brooklyn Cyclones, a minor league team in the New York-Penn League that plays in KeySpan Park in Coney Island. They are the short-season Single-A level affiliate of the New York Mets. Minor league soccer arrived in Brooklyn when the Brooklyn Knights relocated from their previous home in Queens to the new Aviator Field complex, which includes a 2,000-seat soccer-specific stadium. The team plays in the USL

Premier Development League, at the fourth level of U.S. soccer. The Eastern Professional Hockey League included a team called the Brooklyn Aces in its inaugural 2008 season membership. The team will play at Aviator Sports and Recreation Arena.

Health facilities include Brooklyn State, Coney Island, Greenpoint, Maimonides, Brookdale and Methodist Hospitals, Kingsbrook Jewish Medical Center and numerous smaller private medical centers.

Recent Developments

Although a significant amount of improvement is occurring with private and public investments, the depressed areas are not expected to improve for some time, particularly due to the depletion of available public funds and more recently in light of the current financial credit crises.

In an effort to enhance the quality of living and working in Brooklyn, the City initiated commercial revitalization programs, particularly in the Flatbush and Downtown Brooklyn major shopping areas, as well as housing weatherization, code enforcement, participation lending and tax incentive programs. In addition, numerous neighborhood development agencies, in cooperation with the City's agencies, have made improvements to the streets, traffic patterns, security and schools.

The Brooklyn neighborhoods of Williamsburg and Greenpoint have undergone a program of rezoning of the previously manufacturing-zoned waterfront land in order to promote large-scale residential developments. Many of the former industrial buildings along Kent Avenue and West Street in Brooklyn, with waterfront views of Manhattan, have been sold to promote residential development. These include 418 Kent Avenue, which is in the planning stages of developing a 475,829±-square-foot apartment building; 85-89 Adams Street, which is currently being improved with a 23-story, 115,424±-square-foot condominium complex; the former Domino Sugar Factory located along Kent Avenue, between Grand and 5th Streets, which was purchased in 2004 with the intent of receiving rezoning approvals and developing a 2,096,654±-square-foot, high-rise apartment building; and 11 Broadway in

Williamsburg, which was previously improved with a garage building and was purchased for redevelopment with a 21-story, 274,845±-square-foot, mixed-use apartment building. There are numerous other residential developments within these communities that are in the early stages of planning or construction.

The City of New York has also rezoned many areas in the Red Hook section of Brooklyn to promote residential and commercial uses, where once only manufacturing uses were permitted. An increase in the demand for land in this section of Brooklyn has occurred as land and development sites become scarce in areas such as Greenpoint and Williamsburg. Evidence to this trend includes the construction of many new residential condominium units and the conversion of former industrial/warehouse buildings into residential condominium buildings, such as 160 Imlay Street, a 225,000±-square-foot former industrial building that will be converted into 148± residential condominium units.

Also in Red Hook, 62 Imlay Street is currently under renovation and is being converted into a 235,000±-square-foot commercial building. According to information published by the listing broker, CB Richard Ellis, this property contains six stories and will be ideal for back-office not-for-profit organizations, storage and manufacturing, as well as a catering facility or nightclub that contains rooftop access and ground floor retail uses.

As with Red Hook, there are major redevelopment plans for Coney Island, which include new residential developments, the addition of a luxury hotel and the revitalization of the Coney Island waterfront, including the amusement park.

The Metropolitan Technology Center, known as MetroTech, is a \$1-billion, state-of-the-art commercial, academic and high-technology office complex located on ten square blocks, in a 16.0±-acre urban renewal site in Downtown Brooklyn. The complex includes the construction of eight new and three renovated buildings totaling more than five million square feet.

The 265±-acre Brooklyn Navy Yard, decommissioned in 1966 and acquired by the City in the 1970s, has transformed into a hub for small manufacturers, warehouses and other

enterprises. It is also the new home of the five-stage Steiner Studios. The developer is leasing the 15±-acre site from the Brooklyn Navy Yard Corporation for 70 years, with the rental rate stepping up to \$5.00 per square foot. The City has committed to making \$28-million in road, sewer and other infrastructure improvements, which are necessary to attract large-scale developments to the Navy Yard.

Steiner Studios, which opened in November 2004, leases space for film and production uses and has been built within the gates of the Brooklyn Navy Yard, at the easterly end of the site, proximate to Williamsburg. The Steiner Equities Group project is the largest modern production facility located east of Los Angeles. Steiner Studios contains five state-of-the-art film and television studios that range in size from 16,200± to 27,000± square feet of floor area, with 170,000± square feet of additional office, dressing and makeup rooms. Other amenities include a 100-seat screening room and a fitness center. A second building is expected to be constructed in the near future, the details of which were not available.

The newest proposed development from Forest City Ratner Company, a major developer based in Brooklyn, is the development of the Brooklyn Atlantic Yards. The proposed Brooklyn Atlantic Yards will include a \$2.5-billion sports and housing complex. This sports complex is to be the new home of the New York Nets.

In early November 2006, it was announced that another sports complex will be constructed at Floyd Bennett Field in Mill Basin. This facility, known as the Aviator Sports and Recreation Complex, will be developed by Madison Square Garden as it expands its facilities into Brooklyn. The site contains 25± acres and will include two regulation size ice-skating rinks, hardwood courts for basketball and volleyball, a gymnastics/dance center and two outdoor soccer/football/lacrosse fields. The projected cost for the development is \$38-million.

The local developer, Muss Development, LLC, which was founded in 1906, has a predominant influence on new construction in Brooklyn. Muss Development has constructed the Brooklyn Renaissance Plaza in Downtown Brooklyn, which consists of a newly

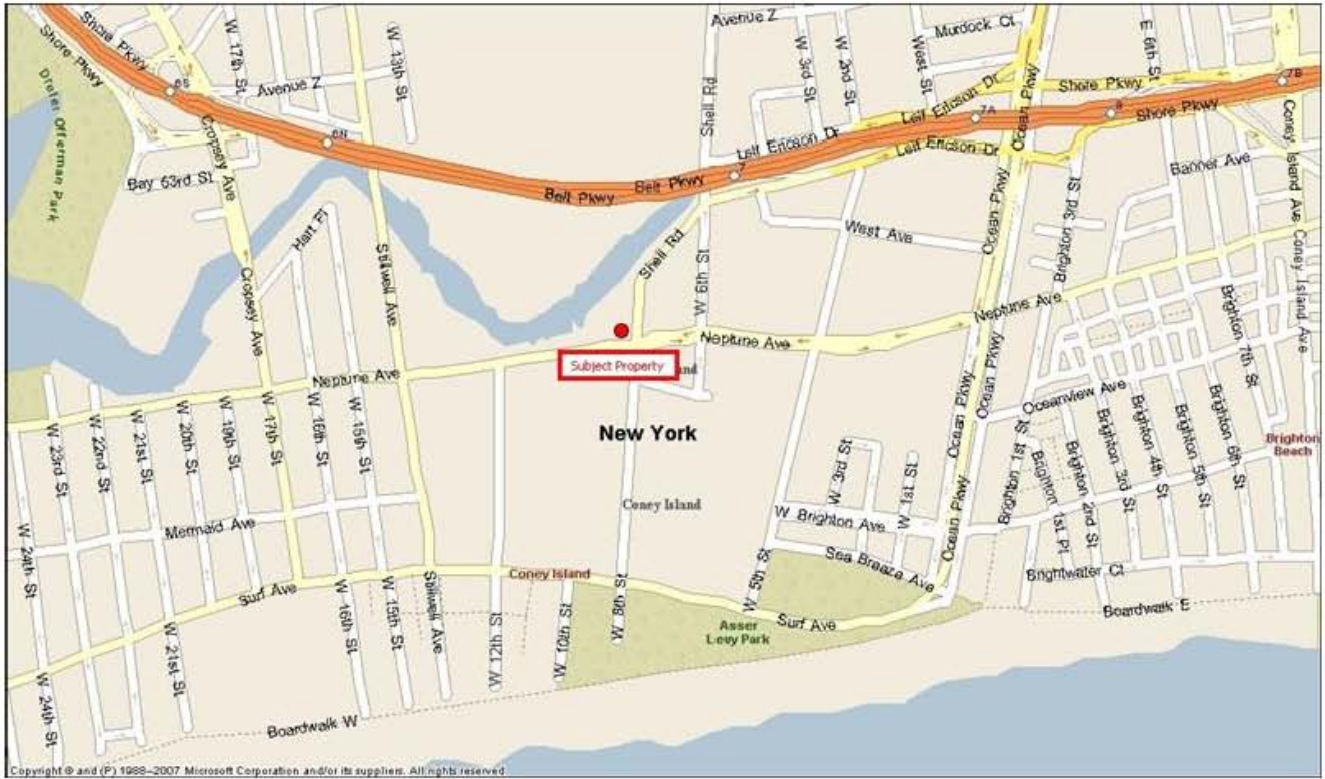
constructed 1.5±-million-square-foot, 32-story office tower, home to the New York Marriott at the Brooklyn Bridge. The Oceana Condominium & Club at Brighton Beach is a residential development also created by Muss Development. This project created 850 residential units, ranging in sale price from \$500,000.00 to \$2,000,000.00 per unit.

In an attempt to retain the industrial waterfront of Sunset Park, Brooklyn, the City of New York has designated the westerly portion of Sunset Park as a Significant Maritime and Industrial Area (SMIA). According to the New York City Department of City Planning, most of the SMIA's have the site conditions necessary to support the development and expansion of rail freight facilities and intermodal freight movement, in addition to other working waterfront uses.

Conclusion

In summary, vocational forces are favorable, including a strong, well-educated work force, diversity in housing stock and a location proximate to Manhattan. However, the global economic crisis has negatively impacted the national, regional and local economies as the unemployment rate reached 9.5% in June 2009. The U.S. Department of Labor reported widespread job losses across the major industry sectors, with large declines in manufacturing, professional and business services and construction. Since the onset of this recession in December 2007, the number of unemployed persons in the United States has increased by 7.2 million and the unemployment rate has risen by 4.6 percentage points to reach the June 2009 rate of 9.5%. Due to current economic conditions, it is expected that the unemployment rate will continue to rise and that vacancy rates for all property types will increase during the second half of 2009. This will have a negative impact on the demand for vacant land, because business expansions are becoming scarcer, while business contractions are more commonplace in the current recessionary economy.

LOCAL AREA MAP



LOCAL AREA DESCRIPTION

The subject property is located in the 3.1±-square-mile Brooklyn Community District #13, in the neighborhood known as Coney Island. Collectively, Community District #13 encompasses the neighborhoods of Coney Island, Seagate, the southwesterly part of Gravesend, Homecrest, Brighton Beach and West Brighton. It is located in the southwesterly part of Brooklyn bounded by 26th Avenue, 86th Street and Avenue Y on the north, Coney Island Avenue and Corbin Place on the east, the Atlantic Ocean on the south and west.

The following table summarizes the mix of land uses found throughout Community District #13 as of 2008:

Land Uses – Community District #13

<u>Land Use</u>	<u>No. of Lots</u>	<u>Sq. Ft.± of Lot Area</u>	<u>Percent of Total Lot Area</u>
1- to 2-Family Residential	3,615	9,161.0	12.4%
Multi-family Residential	1,591	16,312.4	22.1%
Mixed Residential/Commercial	380	2,784.8	3.8%
Commercial/Office	255	2,748.7	3.7%
Industrial/Manufacturing	57	697.1	1.0%
Transportation/Utilities	80	923.7	1.3%
Public Facilities/Institutions	116	5,141.6	7.0%
Open Space/Outdoor Recreation	66	27,647.9	37.5%
Parking Facilities	194	1,178.9	1.6%
Vacant Land	588	6,334.2	8.6%
Miscellaneous	<u>80</u>	<u>767.8</u>	<u>1.0%</u>
Total	7,022	73,698.0	100.0%

Source: New York City Department of City Planning.

These statistics demonstrate that the neighborhoods of District #13 are primarily residential in character with numerous multi-family structures and a lesser number of one- and two-family residences. Multi-family properties comprise walk-up and some elevator-serviced apartment buildings, including those with stores at grade when the properties are located along distinct retail streets. The housing stock ranges in age from 20± to 75± years, is generally well occupied and most buildings appear to be adequately maintained.

A substantial number of apartment buildings were upgraded during the 1980s as part of their conversion of existing rental apartment buildings to cooperative ownership, primarily among elevator-serviced buildings. During the 1990s, there has been an almost total cessation of such conversions as a consequence of the excessive number of conversions that occurred during the 1980s. The slow absorption of unsold apartments and the failure of sale prices to regain the levels attained during the peak of the 1980s market have discouraged the conversion of existing rental properties.

The communities within District #13, including Coney Island, contain a number of public and religious schools as well as houses of worship of the major faiths. Kingsborough Community College is located nearby in Manhattan Beach.

One of the largest beachfront and waterfront areas in the City of New York is located at the southerly edge of District #13. Manhattan Beach Park in adjacent District #15 offers a bathing beach, playgrounds, tennis courts and ball fields. The waterfront area of Coney Island is renowned for its recreational fishing, offering day and night excursions on numerous, open party boats and private charter vessels, which operate much of the year. These crafts offer a variety of saltwater fishing in the bays, inlets and open ocean off the south shore of Brooklyn, Queens and Long Island as well as the coast of New Jersey.

Coney Island is convenient by automobile to other areas of metropolitan New York. A major roadway located just north of the subject is the Belt Parkway, which extends along the southern edges of Brooklyn from Queens to the westerly end of Bay Ridge, and provides direct access to the Verrazano-Narrows Bridge, which spans Gravesend Bay. That bridge links Brooklyn with the Borough of Staten Island as well as New Jersey using the Staten Island Expressway and either the Goethals Bridge or Route 440 and the Outerbridge Crossing. It also provides access to other areas within Brooklyn, Manhattan, Queens and Long Island. Stillwell Avenue, MacDonald Avenue, Ocean Parkway and Coney Island Avenue are direct routes leading northward within Brooklyn.

Public bus service is available on Stillwell Avenue, Cropsey Avenue, Ocean Parkway, Coney Island Avenue and major east/west arteries to most points in Brooklyn. Conveniently located subways provide service to other areas of Brooklyn and lower Manhattan. The nearest subway station is the newly refurbished Coney Island-Stillwell Avenue, servicing the D, F, N and Q lines, located approximately ¼ mile from the subject property.

The District #13 population was estimated at 102,596 people as of the 1990 U.S. Census, an increase of approximately 2.6% from the 1980 Census (100,030). The 2000 U.S. Census estimated 106,120 residents, an increase of 3.4% from the 1990 Census. The district's population consists primarily of lower-middle-income residents. The number of residents receiving Medicaid, SSI and other forms of public assistance is estimated to have decreased from 33.4% to 32.4% between 1994 and 2002, reflecting an influx of wealthier residents.

The immediate area surrounding the subject is comprised of residential towers, shopping centers and commercial/industrial uses including many auto related services located along Neptune Avenue. Coney Island provides for many recreational activities including historic sites such as the Wonder Wheel and the Cyclone Coaster. KeySpan park, which opened in 2001, is the home of the minor league baseball team the Brooklyn Cyclones and is located between the boardwalk and Surf Avenue. Additionally, there are many retail centers located on Neptune and Cropsey Avenues.

Recently a comprehensive rezoning plan for Coney Island was approved. The plan will create a 27-acre amusement and entertainment district that will reestablish Coney Island as a year-round, open and accessible amusement destination. Additionally, the plan provides new housing opportunities, including affordable housing and neighborhood services. The plan will reestablish the area as South Brooklyn's economic engine, bringing new jobs and retail services to the area.

In summary, Coney Island is a stable residential Brooklyn community undergoing an exciting revitalization program. The area is convenient to shopping, historic sites, schools and various houses of worship. Its residents are housed in a variety of one- and two-family

residences as well as low- and mid-rise apartment buildings, which are typically well maintained. Coney Island lies just north of the south shore of Brooklyn and is convenient to bathing beaches and recreational fishing.

OVERVIEW OF THE BROOKLYN INDUSTRIAL MARKET

Background

The New York Outer Boroughs Industrial Market (Brooklyn, Queens, Staten Island, The Bronx) ended the third quarter 2009 with a vacancy rate of 3.9%. The vacancy rate was down over the previous quarter's 4.0% vacancy rate, with net absorption totaling positive 218,422 square feet in the third quarter. Vacant sub-lease space increased in the quarter, ending the quarter at 118,750 square feet. Rental rates ended the first quarter at \$12.59 per square foot, a 1.7% decrease over the previous quarter. There was 94,936 square feet of industrial space under construction at the end of the quarter.

Brooklyn's 2,500 manufacturing firms range from small- and mid-size businesses in industries such as apparel, furniture, printing, food and others. Industrial and manufacturing districts are served by several major highways and have access to John F. Kennedy International Airport. Industrial enclaves in Brooklyn include the following:

The Flatlands-Fairfield Industrial Park, a peninsula-like business area located in the northeast section of Brooklyn, contains over 800 blocks and lots designated for commercial and manufacturing use. The Flatlands-Fairfield Industrial Business Zone stretches approximately five miles in length from Albany Avenue and Glenwood Road at the foot of Canarsie, to Logan Street and Flatlands Avenue in Flatlands. The area, a portion of which is located within the East New York Empire Zone, consists of over 700 manufacturing, industrial and distribution businesses that produce and distribute food, clothing, textiles, furniture, commercial heating and air conditioning units, home accessories, and other items.

Sunset Park In-Place Industrial Park: a complex covering 650± acres in southwest Brooklyn, which offers a variety of sizes and types of industrial space. *East Brooklyn In-Place Industrial Park:* a 120±-acre park with space ranging from 5,000 to more than 100,000 square feet, as well as vacant land. The park is in a New York State Economic Development Zone. *Greenpoint Manufacturing and Design Center:* a 400,000±-square-foot, eight-building business complex that provides loft space and business services to custom woodworkers,

artisans and painters. *East Williamsburg In-Place Industrial Park*: a 650±-acre park with space ranging from 1,000 to 100,000 square feet in a mix of single-story structures and multi-level lofts. The park is located within a New York State Economic Development Zone.

Occupancy Trends and Industrial Space Inventory

According to the *CoStar Outer Boroughs Industrial Report, Third Quarter 2009*, there 94,936± square feet of industrial space under construction at the end of third quarter 2009. During the third quarter 2009, no new space was completed in the New York Outer Boroughs market area. As of the third quarter 2009, there were 2,927± buildings totaling 84,026,029± square feet of rentable space within the Brooklyn industrial market. Of this total, 2,913,560± square feet of space, equating to a vacancy rate of 3.5%, was available. Net absorption for the overall New York Outer Boroughs Industrial market was positive 218,422± square feet. The average quoted net rental rate was \$12.59 per square foot for the third quarter of 2009.

As of third quarter 2009, the Brooklyn industrial market contained 48 flex buildings totaling 3,680,625± square feet, with 60,856± square feet of vacant space, for a vacancy rate of 1.7%. The year-to-date net absorption was 197,843± square feet. The average asking net rent was \$23.90 per square foot for North Brooklyn and \$8.60 per square foot for South Brooklyn.

The warehouse segment dominated the Brooklyn industrial market with 80,345,404± square feet in 2,879± buildings as of third quarter 2009. This market segment had 2,852,704± vacant square feet of space, for a vacancy rate of 3.6%. The year-to-date net absorption was positive 38,990± square feet. The average quoted net rent was \$14.40 per square foot North Brooklyn and \$11.03 per square foot for South Brooklyn.

Historical industrial market statistics for the Brooklyn industrial market from first quarter 2006 through first quarter 2009, followed by the Brooklyn submarkets for first quarter 2009, as prepared by CoStar, are presented on the following pages.

BROOKLYN INDUSTRIAL MARKET VACANCY RATE STATISTICS – 1st QTR. 2007 to 3rd QTR. 2009

Aggregate Historical Vacancy Report

Summary totals for existing properties

Period	Properties	RBA	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
			Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
Current	2,944	82,884,586	2,874,457	43,528	2,917,985	3.5%	0.1%	3.5%	2,419,458	43,528	2,462,986	2.9%	0.1%	3.0%	\$14.36/mnn	\$31.26/mnn	\$14.76/mnn
2009 3Q	2,932	82,528,450	2,880,204	7,500	2,887,704	3.5%	0.0%	3.5%	2,499,736	7,500	2,507,236	3.0%	0.0%	3.0%	\$14.10/mnn	\$31.26/mnn	\$14.47/mnn
2009 2Q	2,932	82,528,450	2,928,275	0	2,928,275	3.5%	0.0%	3.5%	2,517,976	0	2,517,976	3.1%	0.0%	3.1%	\$14.55/mnn	\$31.26/mnn	\$14.97/mnn
2009 1Q	2,932	82,528,450	2,962,409	0	2,962,409	3.6%	0.0%	3.6%	2,778,859	0	2,778,859	3.4%	0.0%	3.4%	\$11.29/mnn	\$31.26/mnn	\$11.87/mnn
2008 4Q	2,931	82,520,950	2,956,894	8,500	2,965,394	3.6%	0.0%	3.6%	2,674,838	8,500	2,683,338	3.2%	0.0%	3.3%	\$11.84/mnn	\$31.26/mnn	\$12.75/mnn
2008 3Q	2,930	82,518,150	2,954,197	8,500	2,962,697	3.6%	0.0%	3.6%	2,800,397	8,500	2,808,897	3.4%	0.0%	3.4%	\$14.89/mnn	-	\$14.89/mnn
2008 2Q	2,927	82,504,250	2,979,734	0	2,979,734	3.6%	0.0%	3.6%	2,871,978	0	2,871,978	3.5%	0.0%	3.5%	\$12.69/mnn	-	\$12.69/mnn
2008 1Q	2,926	82,497,850	2,878,134	0	2,878,134	3.5%	0.0%	3.5%	2,773,984	0	2,773,984	3.4%	0.0%	3.4%	\$12.73/mnn	-	\$12.73/mnn
2007 4Q	2,926	82,497,850	2,941,747	0	2,941,747	3.6%	0.0%	3.6%	2,706,097	0	2,706,097	3.3%	0.0%	3.3%	\$10.87/mnn	-	\$10.87/mnn
2007 3Q	2,925	82,475,350	3,039,076	7,000	3,046,076	3.7%	0.0%	3.7%	2,662,776	7,000	2,669,776	3.2%	0.0%	3.2%	\$10.06/mnn	-	\$10.06/mnn
2007 2Q	2,925	82,475,350	3,001,638	7,000	3,008,638	3.6%	0.0%	3.6%	2,780,738	7,000	2,787,738	3.4%	0.0%	3.4%	\$10.02/mnn	-	\$10.02/mnn
2007 1Q	2,924	82,468,750	3,555,793	7,000	3,562,793	4.3%	0.0%	4.3%	3,122,648	7,000	3,129,648	3.8%	0.0%	3.8%	\$9.86/mnn	-	\$9.86/mnn

BROOKLYN INDUSTRIAL MARKET ABSORPTION RATE STATISTICS – 1st QTR. 2007 to 3rd QTR. 2009

Aggregate Absorption Report

Summary totals for existing properties

Quarter	Existing Inventory		Delivered Inventory		Tot. Occupied SF	Leasing Activity			Net Absorption			Gross Absorption			Average Rate		
	# of Bldgs	RBA	# of Bldgs	RBA		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
Current	2,944	82,884,586	0	0	79,966,601	71,800	0	71,800	5,747	(36,028)	(30,281)	219,019	0	219,019	\$14.36/mnn	\$31.26/mnn	\$14.76/mnn
2009 3Q	2,932	82,528,450	0	0	79,640,746	279,214	300	279,514	48,071	(7,500)	40,571	379,085	300	379,385	\$14.10/mnn	\$31.26/mnn	\$14.47/mnn
2009 2Q	2,932	82,528,450	0	0	79,600,175	409,378	0	409,378	34,134	0	34,134	538,339	0	538,339	\$14.55/mnn	\$31.26/mnn	\$14.97/mnn
2009 1Q	2,932	82,528,450	1	7,500	79,566,041	305,116	8,500	313,616	1,988	8,500	10,488	508,311	8,500	516,811	\$11.29/mnn	\$31.26/mnn	\$11.87/mnn
2008 4Q	2,931	82,520,950	1	2,800	79,555,556	491,822	0	491,822	103	0	103	466,753	6,000	472,753	\$11.84/mnn	\$31.26/mnn	\$12.75/mnn
2008 3Q	2,930	82,518,150	3	13,900	79,555,453	275,888	6,000	281,888	39,437	(8,500)	30,937	749,931	0	749,931	\$14.89/mnn	-	\$14.89/mnn
2008 2Q	2,927	82,504,250	0	0	79,524,516	373,680	4,500	378,180	(95,200)	0	(95,200)	308,500	4,500	313,000	\$12.69/mnn	-	\$12.69/mnn
2008 1Q	2,926	82,497,850	0	0	79,519,716	280,386	0	280,386	63,613	0	63,613	652,000	0	652,000	\$12.73/mnn	-	\$12.73/mnn
2007 4Q	2,926	82,497,850	0	0	79,556,103	257,075	7,000	264,075	119,829	7,000	126,829	634,057	7,000	641,057	\$10.87/mnn	-	\$10.87/mnn
2007 3Q	2,925	82,475,350	0	0	79,429,274	344,402	0	344,402	(37,438)	0	(37,438)	414,443	0	414,443	\$10.06/mnn	-	\$10.06/mnn
2007 2Q	2,925	82,475,350	0	0	79,466,712	326,830	0	326,830	560,756	0	560,756	880,950	7,000	887,950	\$10.02/mnn	-	\$10.02/mnn
2007 1Q	2,924	82,468,750	3	104,100	78,905,957	493,945	0	493,945	(470,784)	0	(470,784)	611,625	0	611,625	\$9.86/mnn	-	\$9.86/mnn

BROOKLYN FLEX MARKET SUBMARKET STATISTICS – FIRST QUARTER 2009

<u>Submarket</u>	<u>Existing Inventory</u>		<u>Vacancy</u>			<u>Y-T-D</u>	<u>Y-T-D</u> <u>Deliveries</u>	<u>Total RBA</u> <u>Under</u> <u>Construction</u>	<u>Quoted</u> <u>Rates</u>
	<u>No. of</u>	<u>Total</u>	<u>Direct</u>	<u>Total</u>	<u>Vacancy</u>	<u>Net</u>			
	<u>Buildings</u>	<u>RBA</u>	<u>Sq. Ft.</u>	<u>Sq. Ft.</u>	<u>Rate</u>	<u>Absorption</u>			
North Brooklyn	31	1,267,865	48,856	48,856	3.9%	13,063	0	0	\$23.90
South Brooklyn	17	2,412,760	12,000	12,000	0.5%	184,780	0	0	\$ 8.60

BROOKLYN WAREHOUSE SUBMARKET STATISTICS – FIRST QUARTER 2009

<u>Submarket</u>	<u>Existing Inventory</u>		<u>Vacancy</u>			<u>Y-T-D</u>	<u>Y-T-D</u> <u>Deliveries</u>	<u>Total RBA</u> <u>Under</u> <u>Construction</u>	<u>Quoted</u> <u>Net Rental</u> <u>Rates</u>
	<u>No. of</u>	<u>Total</u>	<u>Direct</u>	<u>Total</u>	<u>Vacancy</u>	<u>Net</u>			
	<u>Buildings</u>	<u>RBA</u>	<u>Sq. Ft.</u>	<u>Sq. Ft.</u>	<u>Rate</u>	<u>Absorption</u>			
North Brooklyn	1,944	52,479,759	1,720,541	1,720,541	3.3%	(13,688)	7,500	65,836	\$14.40
South Brooklyn	935	27,865,645	1,132,163	1,139,663	4.1%	52,768	0	0	\$11.03

BROOKLYN INDUSTRIAL SUBMARKET STATISTICS – FIRST QUARTER 2009

<u>Submarket</u>	<u>Existing Inventory</u>		<u>Vacancy</u>			<u>Y-T-D</u>	<u>Y-T-D</u> <u>Deliveries</u>	<u>Total RBA</u> <u>Under</u> <u>Construction</u>	<u>Quoted</u> <u>Net Rental</u> <u>Rates</u>
	<u>No. of</u>	<u>Total</u>	<u>Direct</u>	<u>Total</u>	<u>Vacancy</u>	<u>Net</u>			
	<u>Buildings</u>	<u>RBA</u>	<u>Sq. Ft.</u>	<u>Sq. Ft.</u>	<u>Rate</u>	<u>Absorption</u>			
North Brooklyn	1,075	53,747,624	1,769,397	1,769,397	3.3%	(625)	7,500	65,836	\$14.66
South Brooklyn	952	30,278,405	1,144,163	1,151,163	3.8%	237,458	0	0	\$10.83

Source: *The CoStar Industrial Report –First Qtr. 2009*, CoStar Group, Inc. (CoStar Property®), 2009.

The following table lists the top five industrial lease transactions within Brooklyn, based on leased square footage for deals signed in 2009:

Major Brooklyn Lease Transactions
(Based on Leased Sq. Ft. for Deals Signed in 2009)

	<u>Tenant</u>	<u>Building (Complex) & Submarket</u>	<u>Sq. Ft. ±</u>
1	Christie's	62 Imlay Street	218,799
2	The New York Liquidation Bureau	Telecom Center II*	111,821
3	N/A	333 North Henry Street	63,000
4	N/A	47 Bridgewater Street	27,500
5	N/A	627 Court Street	24,000

*Renewal

Source: *The CoStar Industrial Report – New York Outer Boroughs Industrial Market, Third Qtr. 2009*, CoStar Group, Inc. (CoStar Property®), 2009.

Rental Rates

At the end of third quarter 2009, the average quoted rental rate for Industrial space in the Brooklyn market area was \$13.09 per square foot per year. Industrial rental rates have remained relatively stable since third quarter 2008, ranging from \$12.72 to \$13.59 per square foot.

The rental rates vary in the industrial and warehouse submarkets, typically on a net basis, with the landlord usually paying for structural repairs and base year real estate taxes, and the tenant paying increases in real estate taxes over a base year, plus all utilities and repairs to the leased space. The rental range reflects a number of factors that influence rental rates, including the lease provisions for tenants to absorb building expense increases, the property's convenience to major trucking arteries, the age and condition of the buildings, the quality of the loading facilities, the type and efficiency of elevators, the amount of finished office space and the differential between upper and lower floors in a multi-story building, with most tenants paying a premium for the lower floors. Another factor that influences pricing is the size of the rental space, with larger spaces generally renting at a lower rent per unit (\$/sq. ft.).

Industrial Submarket Conclusion

The historical vacancy statistics for Brooklyn indicate a history of reasonable vacancy rates for industrial buildings. Furthermore, rental rates within the Brooklyn submarket have remained relatively stable over the past few quarters. The Brooklyn industrial market remains a relatively healthy market amidst a national economic recession.

AERIAL VIEW OF SUBJECT & SURROUNDING PROPERTIES



DESCRIPTION OF THE SUBJECT SITE

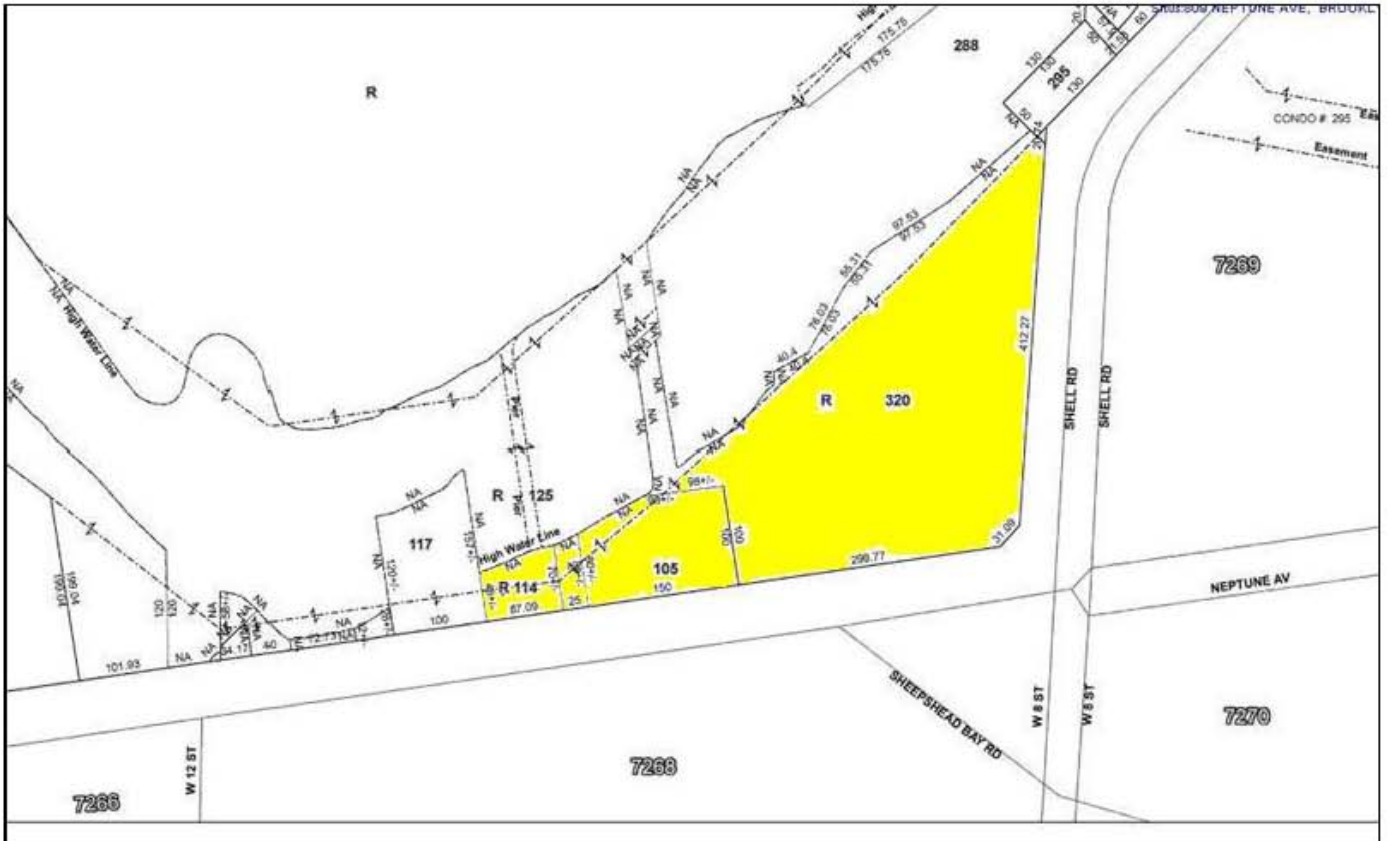
The subject property is located on the northwest corner of Neptune Avenue and Shell Road in the community of Coney Island, Borough of Brooklyn, New York. The subject property consists of an irregular-shaped parcel of M1-2 (Light Industrial) zoned land, comprising 139,665± square feet (3.206± acres) abutting the Coney Island Creek on its northern border.

The subject property is currently improved with a one and part two-story industrial building. We were not able to inspect the interior of the subject building due to unsafe conditions. However, based on our exterior inspection, it was noted that the subject building was in poor overall condition. Our client has informed us that the subject building has been vacant for approximately 5 years. Furthermore, our client has informed us that the subject building requires an environmental clean-up program due to possible lead paint, mold and asbestos contamination.

The topography of the site is generally level and drainage appears adequate. Based on our review of Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map, Community-Panel #360497-0353F, dated September 5, 2007, the subject property is located within Zone AE, which is defined by FEMA as an area within a 100-year flood zone with a base elevation of 10 feet.

TAX MAP

Block 7247, Lots 105, 113, 114 & 320



ASSESSMENT AND REAL ESTATE TAX DATA

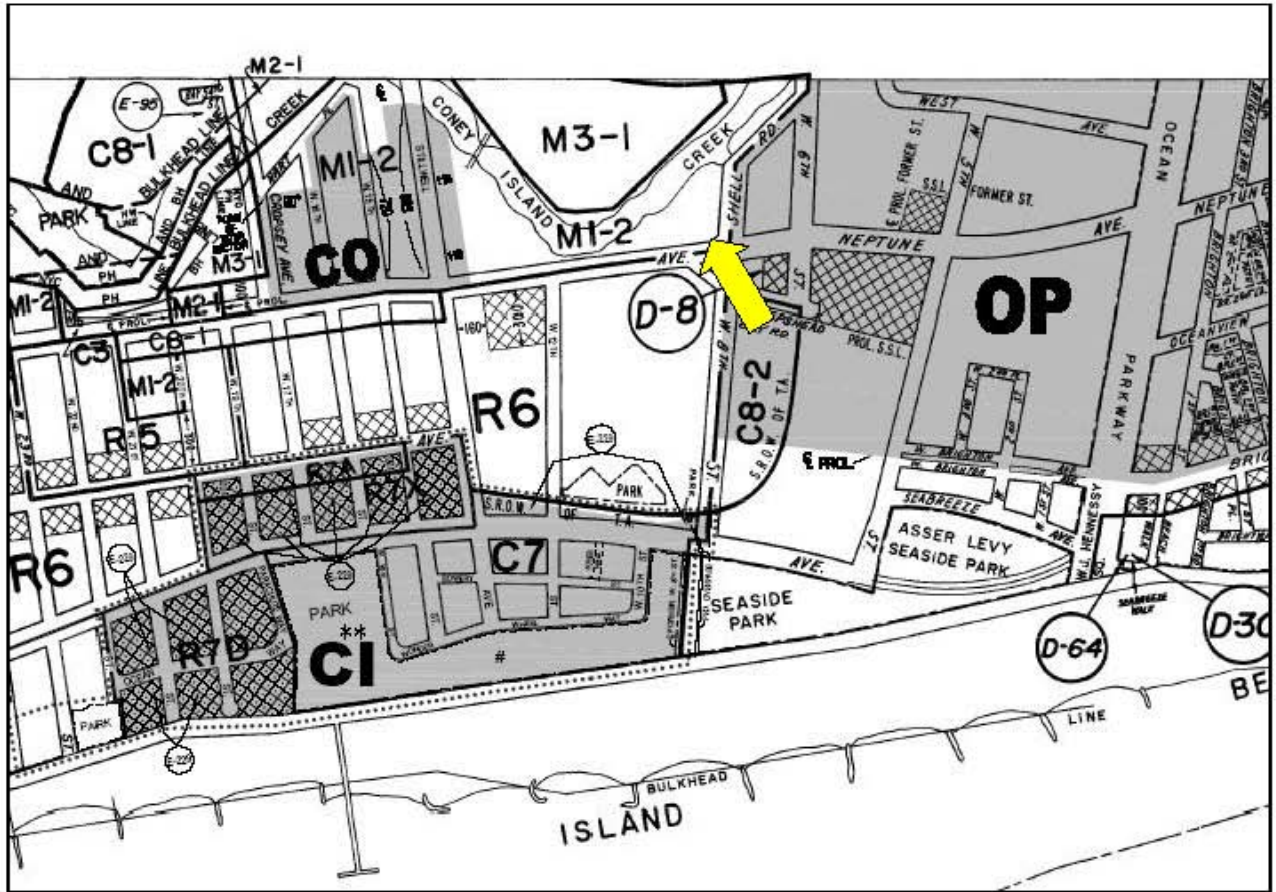
The subject property is designated on the tax maps of the New York City Borough of Brooklyn as Block 7247, Lots 105, 113, 114 and 320. Lots 105 and 113 are classified as Tax Class IV commercial property. Tax Lots 114 and 320 are classified as REUC (Real Estate Utility Property) and are identified as #A118-9 and #A118-13, respectively and are classified as Tax Class IV under the REUC assessment roll.

The 2008/09 Class IV real estate tax rate for the City of New York is \$10.241 per \$100.00 of assessed valuation.

The 2009/10 assessed value of the subject property is presented as follows:

	Lot 105	Lot 113	Lot 114	Lot 320
Total Assessed Value	\$183,060.00	\$28,683.00	\$24,732.00	\$1,625,104.00
Tax Rate/\$100.00 of A.V.	x <u>0.10241</u>	x <u>0.10241</u>	x <u>0.10241</u>	x <u>0.10241</u>
Total Real Estate Taxes	\$ 18,747.17	\$ 2,937.43	\$ 2,532.80	\$ 166,426.90

ZONING MAP



ZONING EXCERPT

The subject property is located in an M1-2 Industrial zoning district, as mapped by the City of New York. This is a high-performance district that accommodates warehouse, garage, factory, retail and office uses. These districts are found in older industrial areas and parking is required. Major regulations of the M1-2 Industrial district are as follows:

Permitted Uses:	The M1 district is often a buffer between M2 or M3 districts and adjacent residential or commercial districts. Light industries typically found in M1 areas include woodworking shops, auto storage and repair shops, and wholesale service and storage facilities. Offices and most retail uses are also permitted. Certain community facilities, such as hospitals, are allowed in M1 districts only by special permit but houses of worship are allowed as-of-right.
Maximum FAR:	2.00
<u>Minimum Yard Requirements</u>	
Side (Width):	8 feet if provided
Rear (Depth)	20 feet
<u>Initial Setback Distance</u>	
Narrow Street:	20 feet
Wide Street:	15 feet
Maximum Height of Front Wall:	60 feet, or 4 stories
<u>Parking</u>	
Industrial Uses:	1 space per 1,000 sq. ft. of floor area or every 3 employees, whichever requires more.
Warehouse Uses:	1 space per 2,000 sq. ft. of floor area

The subject property appears to conform to current zoning regulations. However, it should be noted that we are not zoning experts, and we recognize that issues involving zoning compliance are complex and require the special skills, knowledge and training of professionals familiar with the appropriate regulations.

HIGHEST AND BEST USE

Highest and Best Use Defined

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.”¹⁵

In order to determine the highest and best use of the site, we have considered the physically possible, legally permitted, economically feasible and maximally productive uses of the subject property as vacant.

Highest and Best Use as Vacant

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”¹⁶

The physically possible uses are determined by the size and configuration of the subject site. The subject’s irregular shape does not hinder the site’s utility for the permitted use. The site contains a total land area of 139,665± square feet, with adequate frontage and access along both Neptune Avenue and Shell Road. The surrounding uses include industrial, retail and community uses.

The physically possible uses are determined by the size and configuration of the subject site, which would enable development with a variety of uses. The legally permitted uses are determined by the subject property’s zoning. Typical uses in the subject property’s M1-2 zoning district are one- and two-story industrial buildings that are largely used as warehouse and distribution spaces and are typically studded with a number of loading bays. M1 districts allow many commercial office and retail uses.

¹⁵ *The Dictionary of Real Estate Appraisal – Fourth Edition*, Appraisal Institute, Chicago, IL, 2002, p. 135.

¹⁶ *Ibid.*, p. 135.

The next step is to determine the uses that are economically feasible. The most economically feasible use is the use that provides the greatest return to the land and is the most reasonably probable use in the subject market. In establishing the fact that a particular commercial use is the highest and best use of a particular site, it is more important to demonstrate that such a facility meets a demand in the market. Based on the surrounding uses and good demand for this type of space, an industrial or commercial use appears to be the most economically feasible use of the site.

The final step is to determine from the financially feasible uses the use that is maximally productive. Based on the current surrounding uses and the good demand for industrial and commercial space, we have concluded that the highest and best use of the subject site, as vacant, is for industrial or commercial development.

SALES COMPARISON APPROACH METHODOLOGY

The sales comparison approach involved a comparison of the subject property to similar properties that have sold in the same or in a similar market. The following steps were implemented in arriving at our estimate of value for the subject property via the sales comparison approach:

- 1) Pertinent sales, listings and/or offerings that were available for similar vacant land parcels were researched.
- 2) The prices as to the terms, motivating forces and bona fide nature of each transaction were confirmed and qualified.
- 3) The important attributes of each comparable property were compared to the corresponding ones of the subject under the general categories of time, location, size and zoning/utility.
- 4) All dissimilarities and their probable effect on the price of each comparable property were considered to derive a market value indication for the subject.
- 5) An opinion of market value for the subject property was formulated from the analyzed data. The result was the fee simple market value of the subject property as vacant land.

DISCUSSION AND CHOICE OF LAND VALUE

The subject property consists of a 139,665±-square-foot parcel of M1-2 (light industrial) zoned land located in the community of Coney Island, Borough of Brooklyn, New York. The site has a maximum floor area ratio (FAR) of 2.00 and a maximum buildable area of 279,000± square feet.

Due to the large size of the subject property and the limited number of meaningful transactions within the immediate area of the subject property we have expanded our search for comparable land sales to areas outside of Brooklyn. We have considered that Queens County shares a similar industrial market with Brooklyn and have included sales from both Brooklyn and Queens in our analysis.

In estimating the value of the subject site, we uncovered a number of vacant comparable land sales within the Boroughs of Brooklyn and Queens. We utilized several sales of sites with similar locational, size or zoning/use characteristics, the most comparable of which have been excerpted and analyzed on the following pages of this report. All of the properties are located in areas where land was available and new construction projects were likely to be profitable ventures that could obtain financing. The unit of comparison utilized herein is the sale price per square foot of buildable FAR.

The following table presents a summary of the comparable vacant land sales:

Summary of Comparable Vacant Land Sales

<u>No.</u>	<u>Location</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Zoning</u>	<u>Land Area (Sq. Ft. ±)</u>	<u>Buildable FAR (Sq. Ft. ±)</u>	<u>Sale Price/FAR Sq. Ft.</u>
1	2776-2784 West 15 th Street Coney Island, Brooklyn	Under Contract	\$1,073,800*	M1-2	13,567	27,134	\$39.57
2	43-01 56 th Road, Maspeth, Queens	2/18/09	\$2,600,000	M3-1	51,500	103,000	\$25.24
3	N/S Maspeth Avenue, b/t Rust Street & 49 th Lane Maspeth, Queens	1/7/09	\$1,500,000	M3-1	28,270	56,540	\$26.53
4	51 Snediker Avenue East New York, Brooklyn	4/23/07	\$3,351,685*	M1-4	43,250	86,500	\$38.75
5	S/O S/W/C 43 rd Street & 57 th Avenue Maspeth, Queens	11/22/06	\$8,150,000	M3-1	111,065	222,130	\$36.69

*Includes an estimated demolition cost

The comparable sales occurred between November 2006 and February 2009, plus one sale currently under contract. The sites ranged in size from 27,134± to 222,130± square feet of buildable FAR, with unadjusted sale prices ranging from \$25.24 to \$39.57 per square foot of buildable FAR.

DISCUSSION OF LAND SALES ADJUSTMENTS

Prior to estimating the subject's land value, we considered the presented land sales and the difference between the comparables as they relate to the subject. On this basis, we applied quantitative adjustments to each of the prices per square foot of buildable FAR to reflect these differences and refine the indicated range. An upward adjustment indicates that the comparable is inferior to the subject, while a downward adjustment indicates the comparable to be superior.

Since each of the comparable land sales was transferred for cash or its equivalent, financing adjustments were not necessary.

Market Conditions (Time)

The first adjustment considered was for market conditions (time). Sales #1, #2 and #3 occurred in 2009 in similar market conditions as of the date of valuation and no adjustments were necessary. Sales #4 and #5 occurred in 2007 and 2006, respectively, when the economy was much healthier and real estate was in greater demand, thus warranting downward adjustments.

Location

The subject property is located in Coney Island. The location is proximate to Shore Parkway, a limited-access highway closed to commercial traffic. Sale #1 is also located in Coney Island with no adjustment necessary. The remaining comparable sales are located in superior industrial areas of Brooklyn and Queens with more proximate locales to major commercial thoroughfares and have been adjusted downward accordingly.

Size

Based on economies of scale, buyers of larger sites generally attain lower prices per square foot of buildable land area as a result of their "bulk" purchase. This is attributed to the increased number of market participants able to afford smaller properties, thereby raising the demand for and price of smaller properties on a price per square foot of buildable land area basis. All of the comparable sales are smaller than the subject property and have been adjusted downward accordingly.

Site Utility

The next adjustment was considered was site utility. We have considered that regular-shaped, corner parcels of land provide for the most efficient site utility. The subject property is an irregular shaped corner parcel of land. We have considered that the subject property's irregular shape would not severely hinder site development. Sale #1 is a slightly irregular shaped, mid-block parcel of land. This sale has received a net zero adjustment for site utility as it is superior to the subject property in terms of shape but is inferior due to it being a mid-block parcel. Sale #2 is a triangular-shaped corner parcel of land, inferior to the subject

property due to its irregular shape which we have considered would hinder site development. Sale #3 is an irregular shaped land-locked parcel of land. This site is only developable if assembled with an adjoining parcel with street frontage. Furthermore, it appears that the most logical use of the site is limited to parking for an adjacent building. Therefore, an upward adjustment was applied to Sale #3. Sale #4 is a slightly irregular shaped, corner parcel of land with frontage on three streets. This sale is considered to be superior to the subject property and has been adjusted downward. Sale #5 is a slightly irregular shaped corner parcel of land and shares similar utility with the subject property with no adjustment necessary.

Zoning

The subject property is located in an M1-2 Light Manufacturing zoning district. We have considered M1 to be the optimal general purpose zoning designation as compared to M2 and M3, for which overall demand would be the greatest. Sales #1 and #4 are located within M1-2 and M1-4, respectively, and no adjustments were deemed necessary. Sales #2, #3 and #5 are located within M3-1 zoning district and have been adjusted upward accordingly.

The table on the following page summarizes the aforementioned adjustments made to the comparable vacant land sales:

ADJUSTMENTS TO THE COMPARABLE VACANT LAND SALES

Sale No.	Location	Sale Date	Buildable Area (Sq. Ft. ±)	Sale Price/ Sq. Ft. of Buildable Area	Time Adjustment	Time-Adjusted Price/Sq. Ft.	Adjustments				Total Adjustment	Adjusted Sale Price/ Sq. Ft.
							Location	Size	Site Utility	Zoning		
1	2776-2784 West 15 th Street Coney Island, Brooklyn	Under Contract	27,134	\$39.57	1.00	\$39.57	1.00	0.70	1.00	1.00	0.70	\$27.70
2	43-01 56 th Road Maspeth, Queens	2/18/09	103,000	\$25.24	1.00	\$25.24	0.85	0.85	1.10	1.05	0.83	\$20.95
3	N/S Maspeth Avenue, b/t Rust Street & 49 th Lane Maspeth, Queens	1/7/09	56,540	\$26.53	1.00	\$26.53	0.85	0.80	1.25	1.05	0.89	\$23.61
4	51 Snediker Avenue East New York, Brooklyn	4/23/07	86,500	\$38.75	0.80	\$31.00	0.90	0.80	0.90	1.00	0.65	\$20.15
5	S/O S/W/C 43 rd Street & 57 th Ave. Maspeth, Queens	11/22/06	222,130	\$36.69	0.75	\$27.52	0.85	0.95	1.00	1.05	0.85	\$23.39

LAND SALES VALUE CONCLUSION

Prior to adjustments, the presented land sales ranged from \$25.24 to \$39.57 per square foot of buildable FAR. After adjustments, this evolved into a range of \$20.15 to \$27.70 per square foot of buildable FAR, with a mean of \$23.16 per square foot.

We have selected a value of \$23.00 per square foot of buildable FAR to be reasonable for the subject property, which resulted in the following fee simple land value estimate under the sales comparison approach:

VALUE CONCLUSION – SALES COMPARISON APPROACH

Buildable FAR (Sq. Ft. ±)		Price/Sq. Ft. of Buildable FAR		Fee Simple Land Value Via Sales Comparison Approach
279,330	x	\$23.00	=	\$6,424,590.00
Less: Estimated Cost to Abate and Demolish Building: ¹⁷				<u>\$1,375,000.00</u>
Indicated Value:				\$5,049,590.00
(Rounded)				\$5,000,000.00

¹⁷ The estimated cost of abatement and demolition as provided by the client was \$1,125,000.00. We have included an additional 10% to this cost, or \$125,000.00, for overhead carrying costs and contingency fee's associated with carrying the property while the work is being completed.

COMPARABLE VACANT LAND SALES LOCATION MAP



1	2778-2784 West 15 th Street, Coney Island, Brooklyn
2	43-01 56 th Road, Maspeth, Queens
3	N/O Maspeth Avenue, B/t Rust Street & 49 th Avenue, Maspeth, Queens
4	51 Snediker Avenue, East New York, Brooklyn
5	S/O S/W/C 43rd Street & 57th Avenue, Maspeth, Queens

LIST OF COMPARABLE VACANT LAND SALES

Vacant Land Sale #1
(Currently in Contract of Sale)
Block 6996, Lots 89, 91 & 92

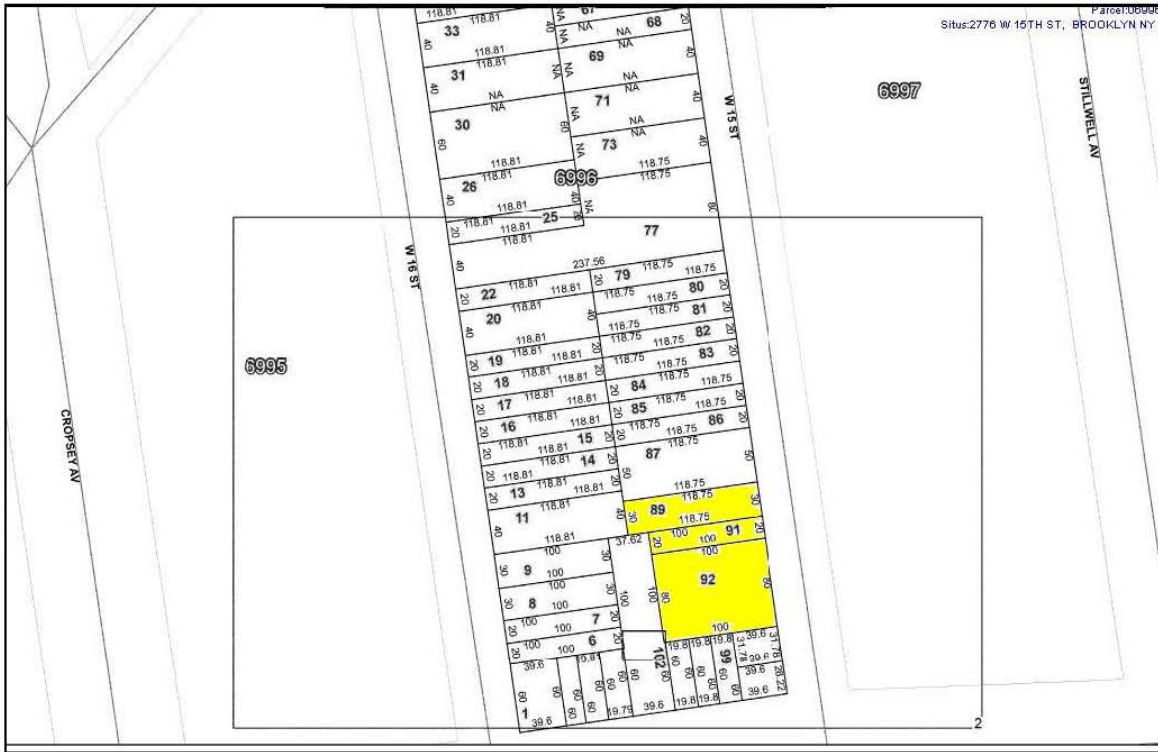
2776-2784 West 15th Street
Coney Island, Brooklyn, New York



Listing Broker/Grantee	Massey Knackal Realty Services/Undisclosed
Date of Sale (Recorded)	Currently under contract
CRFN	N/A
Description	Irregular-shaped, mid-block parcel of land currently being used as a car lot improved with a 4,760± square foot building and garage.
Zoning (Maximum FAR)	M1-2 (2.00)
Land Area	13,567± sq. ft. (0.31± acres)
Maximum Buildable FAR	27,134± sq. ft. (based on maximum FAR)
Indicated Sale Price	\$1,050,000.00
Plus: Est. Demolition Costs	<u>\$ 23,800.00</u>
Adjusted Sale Price	\$1,073,800.00
Sale Price/Sq. Ft. of Buildable FAR	\$39.57

TAX MAP - LAND SALE #1

Block 6996, Lot 89, 91 & 92



Vacant Industrial Land Sale #2
Block 2527, Lots 3 & 5
Block 2528, Lot 2

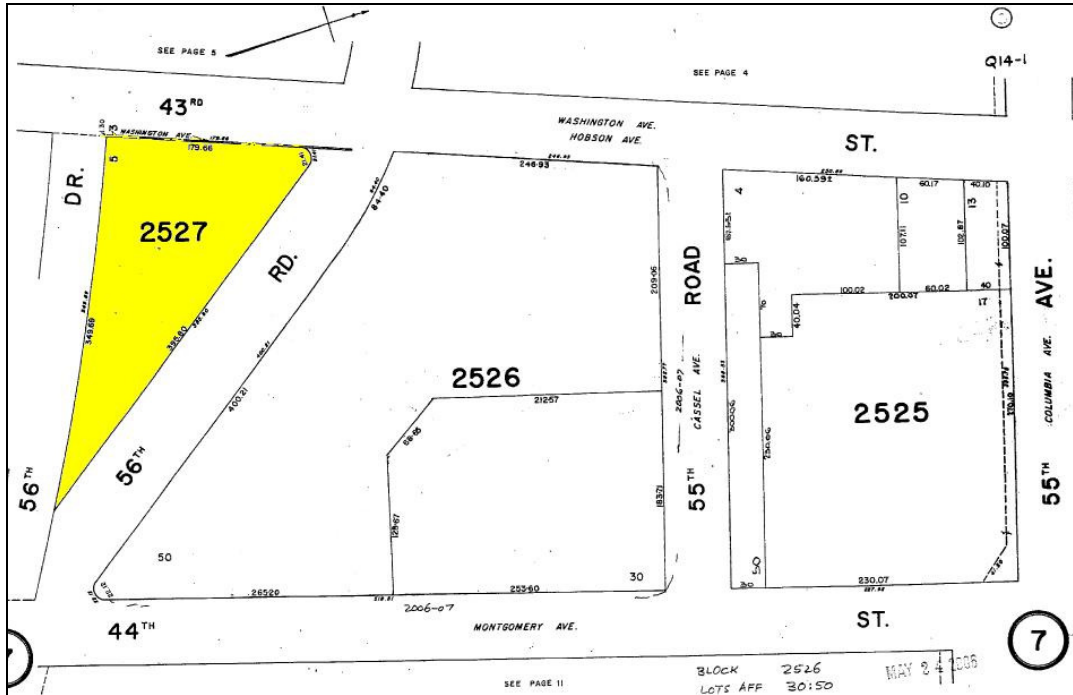
43-01 56th Road
Maspeth, Queens County, New York



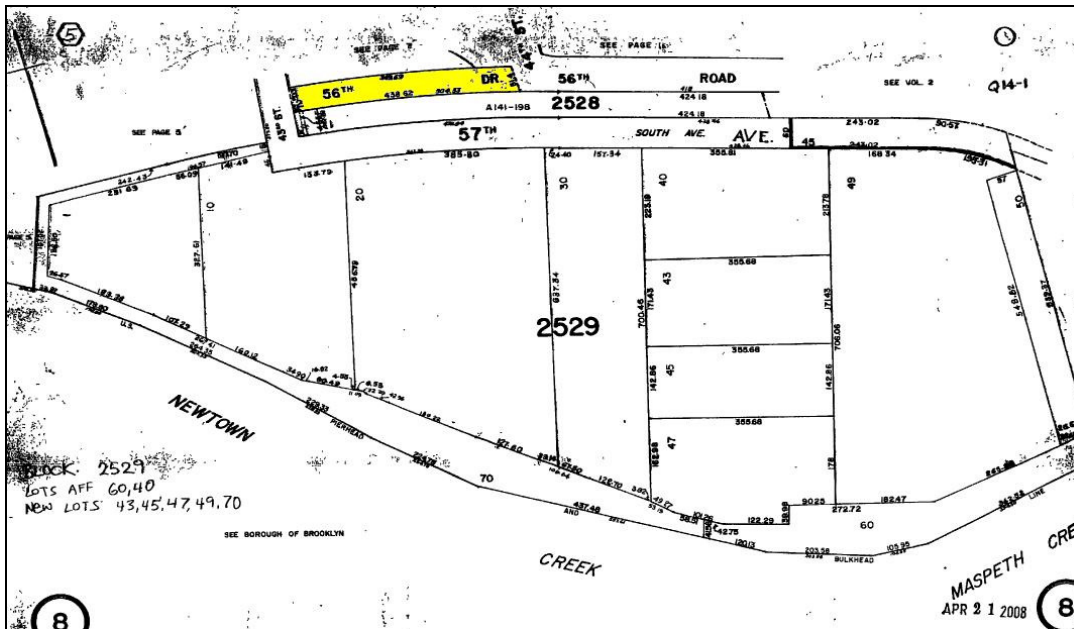
Grantor/Grantee	Sagres Partners LLC/Parcel 3 Maspeth LLC
Date of Sale (Recorded)	2/18/09 (3/6/09)
CRFN	2009000066462 & 2009000066463
Description	Vacant, irregular-shaped parcels of land located on the east side of 41 st Street. The property has street frontage along three streets. The site currently contains truck parking and containers.
Zoning (Maximum FAR)	M3-1 (2.00)
Land Area	51,500± sq. ft. (1.18± acres)
Maximum Buildable FAR	103,000± sq. ft. (based on maximum FAR)
Indicated Sale Price	\$2,600,000.00
Sale Price/Sq. Ft. of Buildable FAR	\$25.24

TAX MAP - LAND SALE #2

Block 2527, Lots 3 & 5



Block 2528, Lot 2



Vacant Industrial Land Sale #3
Block 2575, Lot 129
(Formerly p/o Lot 125)

N/O Maspeth Avenue
b/t Rust Street & 49th Lane
Maspeth, Queens County, New York



Grantor/Grantee	56-02 Realty Company LLC/Trash Track Realty LLC
Date of Sale (Recorded)	1/7/09 (1/21/09)
CRFN	2009000017653
Description	Vacant, irregular-shaped industrial lot with no street frontage. This site was purchased by the owner of an adjoining parcel. Furthermore, it appears that the most logical use of the site is limited to parking for an adjacent building.
Zoning (Maximum FAR)	M3-1 (2.00)
Land Area	28,270± sq. ft. (0.65± acres)
Maximum Buildable FAR	56,540± sq. ft. (based on maximum FAR)
Indicated Sale Price	\$1,500,000.00
Sale Price/Sq. Ft. of Buildable FAR	\$26.53

TAX MAP – LAND SALE #3

Block 2575, Lot 129



Vacant Land Sale #4
Block 3681, Lot 1

51 Snediker Avenue
East New York, Brooklyn, New York

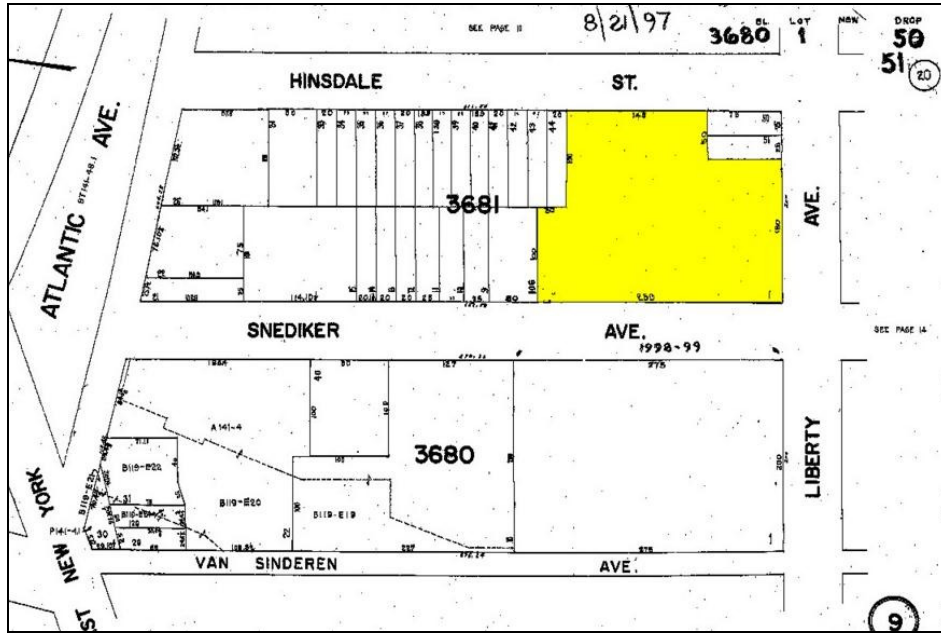


*Improvements shown in image have been demolished

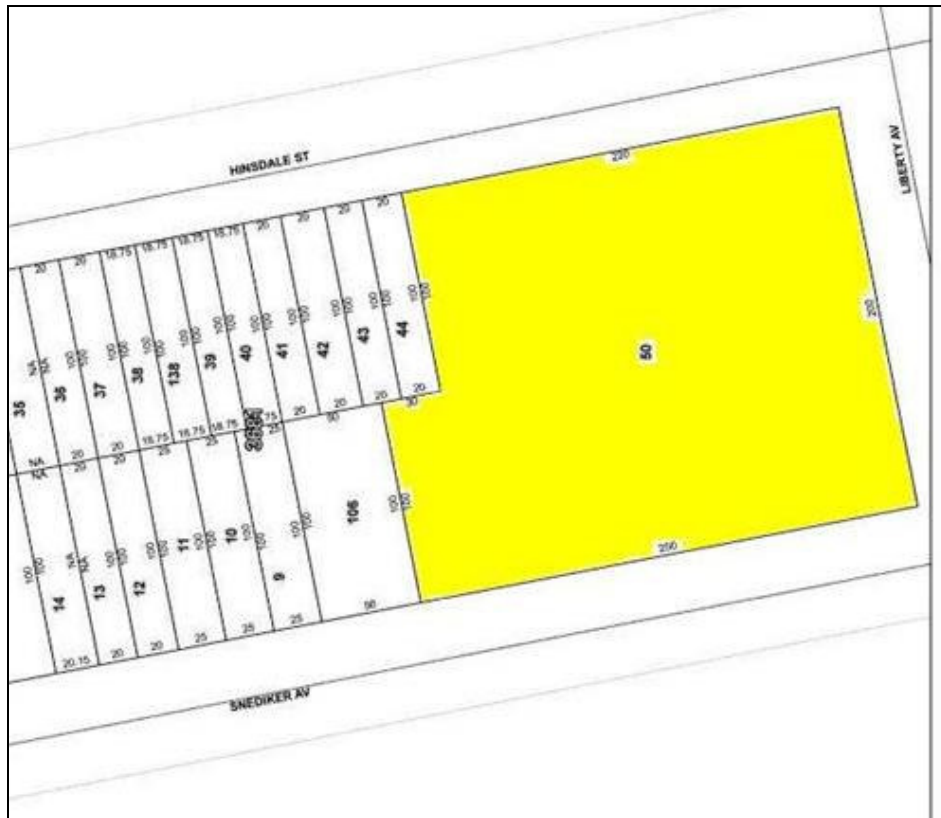
Grantor/Grantee	HH Junious LLC/ Clarendon Holding Co. Inc.
Date of Sale (Recorded)	3/23/07 (4/24/07)
CRFN	2007000212168
Description	Slightly irregular shaped, corner parcel of land with frontage along three streets. At the time of sale this property was improved with four structures containing an aggregate gross building area of 60,337± square feet. Subsequent to the sale, demolition permits were issued for the four improvements and were signed off on 8/20/08. This site was purchased as an assemblage as the owner also owns lots 50 and 51. The three tax have been combined into one lot, now known as lot 50. This site was on the market for approximately three months.
Zoning (Maximum FAR)	M1-4 (2.00)
Land Area	43,250± sq. ft. (0.99± acres)
Maximum Buildable FAR	86,500± sq. ft. (based on maximum FAR)
Indicated Sale Price	\$3,050,000.00
Plus: Est. Demolition Costs	<u>\$ 301,685.00</u>
Adjusted Sale Price	\$3,351,685.00
Sale Price/Sq. Ft. of Buildable FAR	\$38.75

TAX MAP – LAND SALE #4

Block 3681, Lot 1



Old Tax Map



Current Tax Map

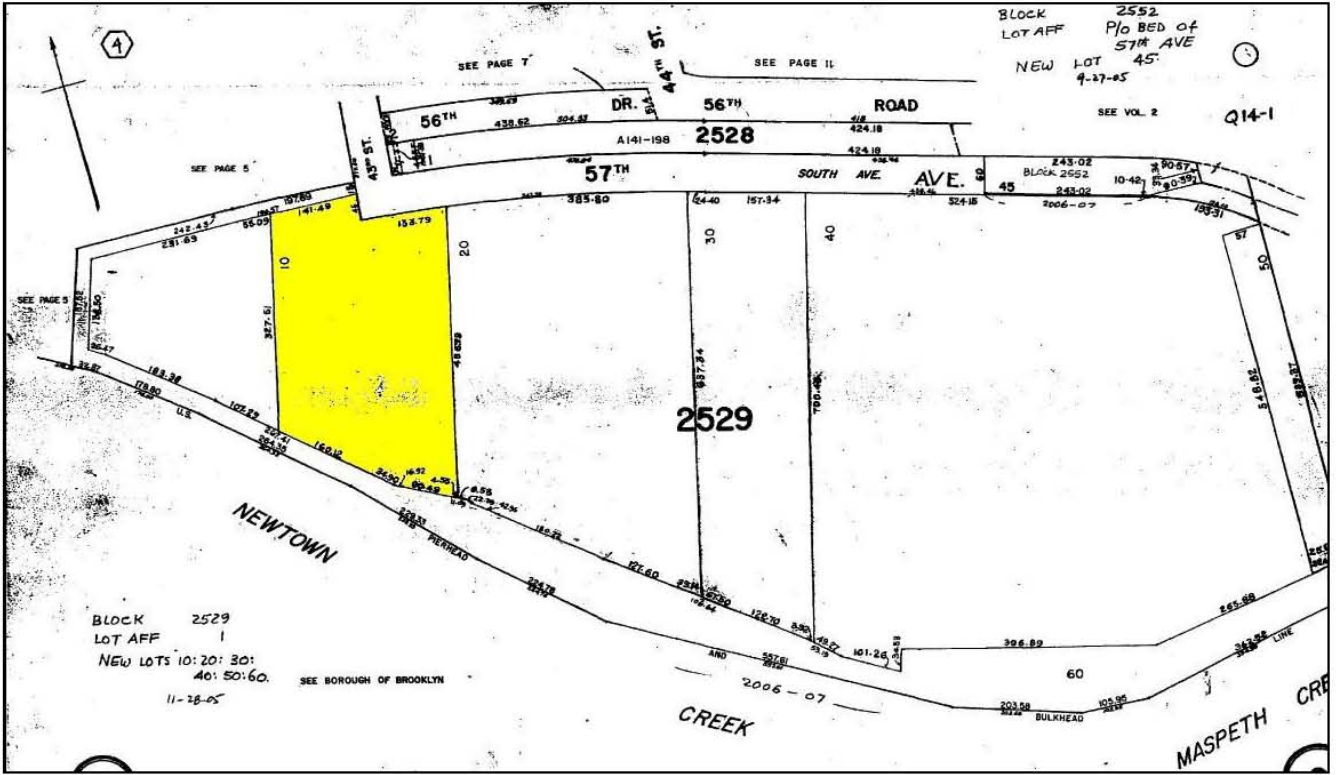
Vacant Land Sale #5
Block 2529, Lot 10

S/O S/W/C 43rd Street & 57th Avenue
Maspeth, Queens County, New York



Grantor/Grantee	Radhaswamy Realty Company, Inc./Jumpstreet LLC
Date of Sale (Recorded)	11/22/06 (1/4/07)
CRFN	2007000007233
Description	Irregular-shaped parcel of land located in moderately, undeveloped, isolated area, adjacent to a large Restaurant Depot retail/warehouse building. The parcel is currently undergoing construction to level the grade and is to be used to store school busses, according to several representatives of neighboring businesses. 43 rd Street appears to be the site's only means of ingress and egress. In the vicinity is the overpass of the Bronx/Queens Expressway. The property is located north of Newtown Creek.
Zoning (Maximum FAR)	M3-1 (2.00)
Land Area	111,065± sq. ft. (2.55± acres)
Buildable Area (FAR)	222,130± sq. ft. (based on maximum FAR)
Indicated Sale Price	\$8,150,000.00
Sale Price/Sq. Ft. of FAR	\$36.69

TAX MAP - LAND SALE #5



CORRELATION AND VALUE CHOICE

We have been requested to appraise the market value of the subject property, a 139,665±-square-foot, parcel of land improved with a one and part two-story industrial building currently in poor overall condition, located within the community of Coney Island, Brooklyn, New York. In estimating the fee simple market value of the subject plot, we considered the three approaches to value.

Cost Approach

In appraisal theory, we assume that an informed purchaser would pay no more for a property than the cost of producing a similar investment. The cost approach is based on an estimate of the reproduction or replacement cost of any building on the site, less depreciation, plus the estimated cost of the land. This approach is most useful when a building is new, or nearly new, and land value can be readily estimated. We did not use the cost approach in this appraisal report, because the subject property is being appraised as vacant land.

Income Capitalization Approach

The income capitalization approach involves deriving an estimate of the potential income of a property, which would then be converted into the net operating income. Then an appropriate capitalization rate would be selected, converting the net operating income into a value estimate. We did not use this valuation method in this appraisal, because the subject property is being appraised as vacant land.

Sales Comparison Approach

The major premise of the sales comparison approach is the principle of substitution, which states that an informed and knowledgeable purchaser would pay no more for a property than the cost of acquiring an existing property with similar investment features. We have been requested to estimate the market value of the fee simple estate of subject property. The subject property is an irregular-shaped corner parcel of M1-2 (Light Industrial) zoned land, comprising 139,665± square feet and is currently improved with a one and part two-

story industrial building in poor overall condition. The subject improvement is not considered to be in a usable condition and requires an environmental clean-up program. Market standards would require that either the subject property be delivered vacant in a clean condition or that the seller would take into consideration the costs necessary to yield a useable site.

We have identified a number of meaningful transfers of industrial zoned vacant land parcels in Brooklyn and Queens. The process required us to individually analyze and compare each sale property to the subject and make adjustments to the per-square-foot values for market-sensitive differences between each sale and the subject property. For the purpose of analysis we have compared the comparable sales to the subject property as if the subject property was vacant, in a clean condition and ready for development. Our client has provided us with an estimated cost to abate and demolish the subject improvement and we have subtracted this cost from the indicated land value. This results in the market value of the fee simple estate of the subject property.

The value indication produced by the sales comparison approach, *predicated upon the extraordinary assumptions and limiting conditions as defined within the body of this report*, was:

\$5,000,000.00

FINAL VALUE CHOICE

We are of the opinion that the market value of the fee simple estate of the subject property at its highest and best use, as of August 31, 2009, *predicated upon the extraordinary assumptions and limiting conditions as defined within the body of this report*, was:

FIVE MILLION DOLLARS
(\$5,000,000.00)

QUALIFICATIONS

The firm of Goodman-Marks Associates, Inc., with offices located at 170 Old Country Road, Mineola, New York, and 100 Park Avenue, New York, New York, is a licensed real estate broker in the State of New York. Members of the firm are licensed real estate appraisers in the States of New York and New Jersey.

The firm has furnished real estate appraisals to financial institutions for mortgage and sale purposes, and many of these valuation assignments have been performed throughout the country.

The types of assignments that we typically handle encompass all facets of the real estate appraisal/consultation spectrum. These have included office buildings (both urban and suburban), shopping centers (strip, neighborhood and regional mall), freestanding department stores, fast-food buildings, gas stations, apartment houses (both urban and suburban; high-rise and garden type), cooperative and condominium residential housing (to be developed as well as to be converted), mixed-use development, hotels and motels, industrial and warehouse facilities and vacant land. Special types have included banks, auto showrooms, theaters, schools, bowling alleys, golf courses, nursing homes, etc.

Members of the firm have testified as to the value of land and buildings before the Supreme Court of the State of New York, the Court of Claims of New York State and the United States Federal Court.

The above history, the additional personal experience, affiliations, numerous similar properties appraised and education of the appraisers, as outlined on this and the following pages, qualify them as competent to complete this assignment.

MATTHEW J. GUZOWSKI, MAI, PARTNER
GOODMAN-MARKS ASSOCIATES, INC.

GENERAL EXPERIENCE

Over 24 years as a commercial real estate appraiser and consultant

Testified as an expert witness – New York State Supreme Court, Queens County
New York State Supreme Court, Kings County
New York State Supreme Court, Nassau County
New York State Supreme Court, Suffolk County
U. S. Bankruptcy Court, Kings County
Civil Court of the City of New York, Kings County
Zoning and Arbitration Testimony, Nassau County

EMPLOYMENT

4/91 to Date: *Goodman-Marks Associates, Inc.*

Partner preparing narrative appraisal reports of income-producing and other properties to determine market valuations. These reports are used for mortgage purposes, settlement of estates, real estate tax certiorari actions and condemnation cases.

1/83 to 4/91: *New York City Economic Development Corporation*
161 William Street
New York, New York

Vice President of appraisal services preparing narrative appraisal reports and reviewing fee appraisals to determine the market value of real estate for disposition, development and lease.

EDUCATION

College: St. John's University
Degree: MBA – Finance
December, 1989

Queens College, C.U.N.Y.
Degree: BA – English
January, 1981

Professional: Appraisal Institute
Courses successfully completed:

1A1 - Real Estate Appraisal Principles
1A2 - Basic Valuation Procedures
SPP - Standards of Professional Practice
1BA - Capitalization Theory & Techniques - Part A
1BB - Capitalization Theory & Techniques - Part B
2-1 Case Studies in Real Estate Valuation
2-2 Report Writing and Valuation Analysis

Seminars attended:

Arbitration in Real Estate
Real Estate Financial Statement Analysis

MATTHEW J. GUZOWSKI, MAI, PARTNER
GOODMAN-MARKS ASSOCIATES, INC. (continued)

PROFESSIONAL MEMBERSHIP

Appraisal Institute - MAI Designation #10114
Long Island, New York Chapter
Chairman – Admissions Committee, Long Island Chapter, 2000-2006
Chairman – Budget & Finance Committee, Long Island Chapter, 2007
Treasurer – Long Island Chapter, 2007
Secretary – Long Island Chapter, 2008
Vice President – Long Island Chapter, 2009
REBNY – Membership I.D. #49202

GUEST LECTURER New York University – Real Estate Institute

LICENSES
Certified General Real Estate Appraiser
State of New York Certificate #468986
State of New Jersey Certificate #RG01461
State of Connecticut Certificate #RCG0001210
New York State Salesperson License #10401205644

STEPHEN DEUTSCH, IFA, CSA-G, PARTNER
GOODMAN-MARKS ASSOCIATES, INC.

GENERAL EXPERIENCE

Over 40 years as a commercial real estate appraiser and consultant

PROFESSIONAL MEMBERSHIPS

The National Association of Independent Fee Appraisers (NAIFA)
Member, IFA Designation

The NAIFA has a mandatory program of continuing education for designated members. I have successfully completed this program for the cycle ending December 31, 2009.

Columbia Society of Real Estate Appraisers, Inc.
Member, CSA-G Designation
Member of The Board of Governors
Appraisal Review Committee
Instructor, Advanced Appraisal Course at Hofstra University,
Uniondale, New York

REAL ESTATE-RELATED COURSES

Appraisal Institute
Basic Principles, Methods and Techniques
Urban Properties
Professional Practices and Standards

Columbia Society of Real Estate Appraisers
Basic Real Estate Appraisal Course (Adelphi University)
Advanced Real Estate Appraisal Course (Adelphi University)

National Association of Independent Fee Appraisers
Income Property Appraising Investment Analysis (Stony Brook University)

New York Accredited Courses for Real Estate Salespeople and Brokers (C.W. Post)

Long Island Builders Institute - Construction Course

LICENSES

Certified General Real Estate Appraiser, N.Y. Certificate #464638
New York State Approved Real Estate Appraiser Instructor
Licensed Real Estate Broker, N.Y.S. #433012

MATTHEW F. BOYLAN, STAFF APPRAISER
GOODMAN-MARKS ASSOCIATES, INC.

EMPLOYMENT

7/07 to Date: *Goodman-Marks Associates, Inc.*

Staff Appraiser preparing narrative appraisal reports of income-producing and other properties to determine market valuations. These reports are used for mortgage purposes, settlement of estates, litigation, real estate tax certiorari actions and condemnation cases.

EDUCATION

Professional: *Appraisal Institute*
Courses successfully completed:
Course 100GR – Basic Appraisal Principles

College: *Buffalo State College, Buffalo, New York*
Bachelor of Science Degree
Major: Business Administration
2003-2007

Computer: MS Word, Excel, Lotus, Access, PowerPoint, QuickBooks, Internet

PROFESSIONAL MEMBERSHIP

Appraisal Institute – Associate Member #508971
Long Island, New York Chapter

**APPRAISAL OF
A VACANT LAND PARCEL**

LOCATED AT:

809-873 Neptune Avenue
Block 7247, Lots 105, 113, 114 and 320
Brooklyn, New York 11224

FOR

Ms. Kathleen A. Cannistra
Real Estate Department
Operations 1 - 2nd Floor
NATIONAL GRID
175 East Old Country Road
Hicksville, New York 11801

PREPARED BY:

**NEGLIA APPRAISALS, INC.
7711 - 13th Avenue
Brooklyn, New York 11228**

Domenick Neglia, SRA, CSAG
President & CEO

Neglia Appraisals, Inc.
Real Estate Valuation & Consulting

web sites: www.neglia.com
www.NYRealEstateTrends.com
email: jo@neglia.com
dom@neglia.com

7711 - 13th Avenue
Brooklyn, New York 11228
Telephone 718-331-2122 Fax 718-331-4311

October 23, 2009

Ms. Kathleen A. Cannistra
Real Estate Department
Operations 1 - 2nd Floor
National Grid
175 East Old Country Road
Hicksville, New York 11801

RE: 809-873 Neptune Avenue
Block 7247, Lots 105, 113, 114 & 320
Brooklyn, New York 11224
Our file #08090615

Dear Ms. Cannistra:

At your request, we have prepared the attached summary appraisal of the above property, more specifically described in the enclosed report.

The subject property consists of four contiguous lots; two that are vacant, and two improved with industrial buildings. At your request, one valuation is being provided for all four sites combined. For ease of understanding throughout the report, the four sites will be referred to as "the subject property." The purpose of the appraisal is to estimate the current market value of the fee simple estate as vacant land.

Wendy Hobby and I personally inspected the property on August 31, 2009; Ms. Hobby has assembled all the data necessary to arrive at the value conclusion.

I have reviewed the entire report, discussed its contents and conclusions with the appraiser, and together we arrived at the final value estimate.

Neglia Appraisals, Inc.

October 23, 2009
Ms. Kathleen A. Cannistra
Page Two

As a result of our investigation and analysis of the information gathered, the market value of the fee simple estate of the subject as of August 31, 2009, is estimated as follows:

FOUR MILLION SIX HUNDRED THOUSAND DOLLARS

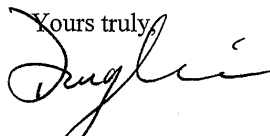
(\$4,600,000)

The estimated value stated herein is based on the following extraordinary assumptions:

- ▶ That the subject is not located in a Federally protected wetlands zone. (It does not appear to be, according to the New York State Wetlands Environmental maps available on line.)
- ▶ That the ground contamination on the eastern portion of the site, close to Shell Road, has been remediated and is "clean."
- ▶ That the interior of the building is now in poor condition, with possible lead paint, mold and asbestos contamination.

The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The estimated value stated herein is made subject to the enclosed contingent and limiting conditions as stated in the addenda.

It has been a pleasure to be of service in this matter. If I may be of further assistance, or if you have any questions, please call.

Yours truly


DN/wh
Att.

Domenick Neglia, SRA, CSA-G
President & CEO
NYS General Certification #46-10941
Expiration 7/20/2010

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SUMMARY OF IMPORTANT FACTS
AND CONCLUSIONS

809-873 Neptune Avenue
Brooklyn, New York 11224

Date of Value Estimate: August 31, 2009

Legal Description: Section 21, Block 7247, Lots 105, 113, 114
and 320

Site Size: 561.86' x 412.27' Irregular
Approximately 139,880 Square Feet or
3.21 Acres

Zoning: M1-2, Light Manufacturing District

Improvements: Single and two story industrial building,
containing first floor garage, warehouse space and
office space; partial basement; currently vacant.

Overall Condition: Poor

2009/2010 Transitional Assessed Valuation: \$1,861,579 (Combined)

2008/2009 Tax Rate: .10612 (Commercial Tax Class IV)

Real Estate Taxes, 2009: \$197,551 (Combined)

Value Estimate: Income Approach: NA
Sales Comparison Approach: \$4,600,000

Final Value Estimate: \$4,600,000

SUBJECT PROPERTY

809 Neptune Avenue
Brooklyn, New York 11224



SUBJECT PROPERTY

809 Neptune Avenue
Brooklyn, New York 11224



SUBJECT REAR

809 Neptune Avenue
Brooklyn, New York 11224



SUBJECT PROPERTY

809 Neptune Avenue
Brooklyn, New York 11224



SUBJECT PROPERTY

851 Neptune Avenue
Brooklyn, New York 11224



SUBJECT PROPERTY

851 Neptune Avenue
Brooklyn, New York 11224



STREET SCENE - NEPTUNE AVENUE FACING WEST



STREET SCENE - NEPTUNE AVENUE FACING EAST



STREET SCENE - SHELL ROAD FACING SOUTH



STREET SCENE - SHELL ROAD FACING NORTH



LOCATION MAP



PURPOSE AND USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the fee simple estate of the subject property as of August 31, 2009, assuming that the existing improvements are in poor condition, with possible lead paint, mold and asbestos contamination.. The estimated value stated herein is made subject to the enclosed definition of market value and contingent and limiting conditions. According to the client, the intended use of this appraisal is for a possible sale.

EXTERIOR INSPECTION OF SUBJECT

Inspection Date: August 31, 2009

Inspected By: Wendy Hobby
Domenick Neglia, SRA, CSA-G

Contact: Kathleen Cannistra

SALES HISTORY

According to the Automated City Register Information System (ACRIS), the subject property has not transferred title in the past five years.

DEFINITION OF MARKET VALUE

Market value as used in this report is defined as: "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. The buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale".¹

¹The Dictionary of Real Estate Appraisal, Fourth Edition, published by The Appraisal Institute, 2002; Page 177.

DEFINITION OF INTEREST APPRAISED
(Fee Simple)

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat".²

IDENTIFICATION OF PROPERTY
AND LEGAL DESCRIPTION

809-873 Neptune Avenue, Brooklyn, New York, 11224, Kings County, Section 21, Block 7247, Lots 105, 113, 114, and 320. The owner of record is Keyspan Energy and Brooklyn Union Gas Company. This was confirmed through information reported in Comps Inc.

The subject property is in U.S. Census Tract 348.01; SMSA code is 35644.

Most of the subject is in flood zone AE, which is within 500 feet of a flood hazard area and has a 1% annual chance of flooding, and the entire northwest border, adjacent to Coney Island Creek, appears to be in flood zone AOVEL. This information is from U.S. Flood Map #360497, Panel 0353F, map dated September 5, 2007. Depending on potential usage, flood insurance might be required.

²The Dictionary of Real Estate Appraisal, Fourth Edition, published by the Appraisal Institute, 2002; page 113.

FLOOD MAP

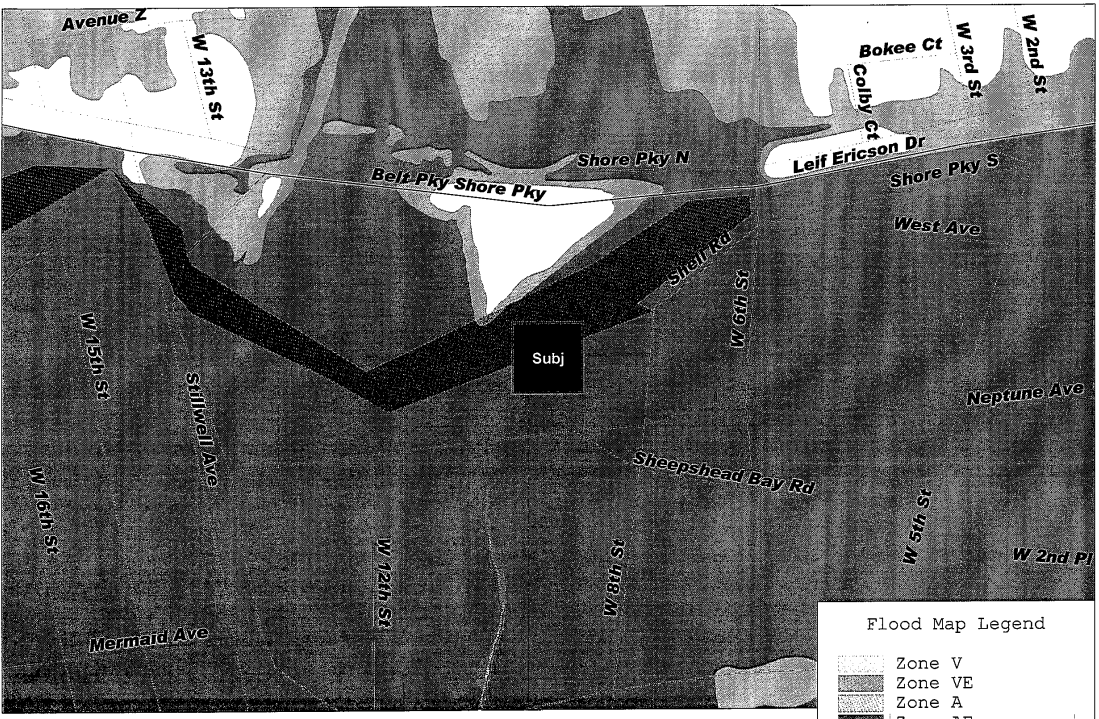
FLOOD MAP INFORMATION SHOULD BE VERIFIED BY FEMA.GOV

Subject: 809 NEPTUNE AVE
Kings, NY

Community: New York (0497)
Map Number: 3604970353F
Map Date: 09/05/2007
Map Index: 360497IND0

The subject property 809 NEPTUNE AVE appears to be within 500-ft of a flood hazard.

Flood hazard certification is recommended.



Flood Map Legend	
[Pattern]	Zone V
[Pattern]	Zone VE
[Pattern]	Zone A
[Pattern]	Zone AE
[Pattern]	Zone AO
[Pattern]	Zone AOVEL
[Pattern]	Zone AH
[Pattern]	Zone A99
[Pattern]	Zone D
[Pattern]	Zone AR
[Pattern]	Zone X500
[Pattern]	Zone X
[Pattern]	Zone 100IC
[Pattern]	Zone 500IC
[Pattern]	Zone FWIC
[Pattern]	Zone FPQ
[Pattern]	Zone IN
[Pattern]	Zone OUT
[Pattern]	Zone ANI
[Pattern]	Zone UNDES

Copyright © 2000-2004 COMPS INC.

SCOPE OF THE APPRAISAL

The scope of the appraisal requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Guide Notes to the Standards of Professional Appraisal Practice adopted by the Appraisal Institute. The standards contain requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal analysis, or opinion. These uniform standards require that the appraiser's analyses, opinions, and conclusions be communicated in a manner that will be meaningful and not misleading in the marketplace.

As part of the research for this appraisal it was necessary to investigate comparable sales in the market area of the subject; the details concerning comparable sales was obtained from public records, through the "Comps Inc." services, ACRIS, or other services if noted in the report. The research of comparable sales was diligent and thorough to the best of our knowledge, and information was confirmed by principals or brokers whenever possible. While all the principals were not available, it is believed that the process of collecting, confirming and reporting the data was carried out in a scientific and objective manner.

APPRAISAL PROCESS

There are two available valuation techniques for vacant land: The Income Approach and the Sales Comparison Approach.

The Income Approach to value is most applicable when estimating the value of income producing properties, by converting anticipated cash flows into a value estimate. It most accurately reflects the attitudes of typical investors who purchase properties for their income producing characteristics. Since vacant land in the subject neighborhood is not typically purchased for its income generating potential, the income approach has not been applied here.

The Sales Comparison Approach uses the sales of similar nearby properties for an indication of market value. Units of comparison and adjustments for physical differences are developed and applied to produce a value estimate. This approach reflects the attitudes of typical buyers and sellers in the local market, and is most reliable in an active market, where there are a sufficient quantity of recent similar sales. The sales comparison approach is the most appropriate method of estimating the value of vacant land similar to the subject in this area.

The following sections describe the specific neighborhood of the subject property, applicable zoning regulations, and Highest and Best Use. The subject property is then described and analyzed in respect to site and Sales Comparison Approach to value. The estimate of value by the Sales Comparison Approach will then be reconciled for a final value estimate for the subject property.

NEIGHBORHOOD ANALYSIS

The subject property is located in the Coney Island section of Brooklyn, Kings County; the neighborhood boundaries of Coney Island are as follows: Ocean Parkway to the east, the Belt Parkway and Coney Island Creek to the north, West 37th Street to the west, and the Atlantic Ocean to the south. Coney Island is located between the neighborhoods of Brighton Beach, Seagate and Bensonhurst.

The topography of the neighborhood is predominantly flat, on grade; all streets are paved, with standard sidewalks and curbs. Parking on the commercial streets is restricted by meters, and on residential streets there is alternate side parking for street cleaning by the New York City Department of Sanitation, which also collects garbage (no charge).

Public transportation is provided by the City of New York, in the form of bus lines throughout the area and the subway system, "D", "F", "Q" and "B" lines. Normal travel time to midtown Manhattan is approximately one hour, and to downtown Brooklyn about 30 minutes. Main access by automobile is from the Belt Parkway to the north, and Ocean Parkway to the east.

Coney Island turned into a full fledged resort after the Civil War. At the turn of the 20th century, three amusement parks set up along Surf Avenue: Steeplechase Park, Luna Park and Dreamland. By 1920, there were approximately one million visitors a day during the summer months. By the 1940's, two of the parks, Luna and Dreamland, were destroyed by fire, and this had a negative effect on Coney Island's popularity. At about the same time, the expansion of Jones Beach on Long Island hastened Coney Island's decline. Urban renewal during the 1960's brought public housing and thousands of low income tenants, which further decreased Coney Island's

attraction as an amusement area. Steeplechase Park closed in 1964. Astroland, which remained as the last amusement park in Coney Island, closed in September, 2008.

Keyspan Park, home of the Brooklyn Cyclones, a New York Mets affiliated baseball team, arrived in 2001, and brought some visitors back to the area. The New York Aquarium is also in Coney Island, which is a popular tourist attraction. There was a recent re-zoning of significant parts of Coney Island, to encourage major development in the area, including new amusement parks and residential housing; this portends a positive outlook for the not-too-distant future.

The main shopping thoroughfares are along the Boardwalk, Neptune Avenue, Cropsey Avenue, Surf Avenue and Mermaid Avenue. Stores along the Boardwalk and Surf Avenue are mainly gift shops and restaurants. Most of the stores are family run retail and local service shops.

Coney Island is part of Community District 13, which also includes Brighton Beach, Seagate and Gravesend. In 2000, the total population of Community District 13 was 106,120, an increase of 3.4% from 1990; the total land area is 3.4 square miles. The breakdown in land use by types of housing is as follows:

	<u>Lots</u>	<u>Percent</u>
1-2 Family Res.	3,648	16.0
Multi-Family Res.	1,528	28.0
Mixed Use Res./Comm'l	345	3.0
Commercial/Office	225	3.0
Industrial	61	1.0
Transportation/Utility	76	2.0
Institutions	106	8.0
Recreation/Open Space	61	27.0
Parking Facilities	140	1.0
Vacant Land	<u>762</u>	<u>11.0</u>
Totals	6,952	100.0

Prices of two and three family dwellings typically range from \$250,000 to \$600,000, with the median price of a two family at approximately \$450,000. Single family houses typically range from \$225,000 to \$650,000, with the median at \$400,000. There are about 1,000 modest single family row houses that line the central and western sections that were built from 1981 to 2004 with government subsidies. They were originally income restricted and are now allowed to sell on the open market. The neighborhood's housing stock consists of a mixture of frame and brick, detached, attached and semi-attached houses; however attached frame houses are predominant. Coney Island's current multi-family housing stock consists mainly of six-story apartment houses that were built in the 1920's and 1930's.

Cooperative apartments in typical pre-war elevator apartment buildings range from \$100,000 to \$300,000, depending on size, condition, location, and view; the predominant range is from \$125,000 to \$200,000. Brightwater Towers, a pair of 23 story apartment buildings on Surf Avenue, is a Mitchell-Lama project that converted to condominiums in the 1990's. Trump Village, which was built in the 1960's, also under the Mitchell Lama affordable housing program, has a long waiting list for rentals, and some sections have converted to cooperative ownership.

Rental apartments are available in rent stabilized multi-family apartment buildings as well as two and three family houses, with typical rents ranging from \$650 to \$900 per month for a one bedroom apartment and \$750 to \$1,300 per month for a two bedroom apartment. Rental demand is stable in the area.

Conclusion

Today, Coney Island is a neighborhood in transition. Although there are some vacant lots and sealed buildings, the current trend is toward stabilization, with some rehabilitation and gentrification projected, due to the recently approved zoning changes. It is our opinion that the area is now generally stable, with full community support services.

MARKET CONDITIONS

Until 2006, there was a limited supply and strong demand for real property in the neighborhood, with values increasing over the prior three to four years. Recent trends indicate declining values for residential and commercial properties, as well as for vacant land, due to higher interest rates, reduced demand and greater supply. This trend is expected to continue over the near term. Demand for vacant land with manufacturing zoning has significantly declined over the last year, due to increases in availability of commercial and industrial improved properties in the area. This has been exacerbated by the current, relatively restricted lending environment, including limited availability of funds, recent tightening of lending guidelines and underwriting criteria, and concomitant increases in equity requirements by lenders.

Typical marketing time is four to six months for one to four family properties in the subject neighborhood, and one year or more for substantial properties similar to the subject. Rental demand is stable. Typical exposure time is estimated to be similar to the marketing time.

MORTGAGE FINANCING

Residential mortgage money is readily available from many different Thrifts, as well as major commercial banks such as JP MorganChase and Citibank, and from private lenders and local funding companies. Mortgage brokers are numerous in the New York Metropolitan area, for borrowers who wish to have someone else shop for their mortgage. Loan to value ratios for the major Thrift institutions are typically 75%, with a 25% down payment required on one to four family houses. Private lenders and funding companies may offer higher ratios, sometimes requiring only 5% to 10% down with PMI (Private Mortgage Insurance). As reported in the New York Times, September 13, 2009, 30 year conventional mortgage interest rates for the week ending September 6, 2009, averaged 5.56%; for the preceding week ending August 28, 2009, the average was 5.63%.

In 1995, mortgage interest rates started to gradually decline from the 8% to 9% range. By fall of 1998, mortgage rates had decreased to below 7%, their lowest level in 30 years. In early 1999, interest rates began to rise as the Federal Reserve Board increased the federal discount rate. Mortgage rates increased gradually, in proportion to the federal rate. However in early 2001, the Fed rate decreased significantly, and interest rates began to decline again. By early March, 2003, interest rates for 30 year conventional mortgages had dropped to under 6%, the lowest rate since the early 1960's. The Fed began to gradually raise the discount rate in 2004, and interest rates subsequently began to increase. In 2007 and 2008, the Fed reduced the discount rate several times, which had a stabilizing effect on mortgage interest rates. In spite of this, because of the general slowdown in the real estate market, there was reduced demand for mortgages for sale purposes and refinancing in 2006, 2007, and 2008.

The economic downturn that began in late 2008 has contributed to the current, relatively restricted lending environment, including limited availability of funds and tightening of lending guidelines and underwriting criteria. As a result, demand for mortgage financing has remained weak in 2009. This trend is expected to continue over the near term.

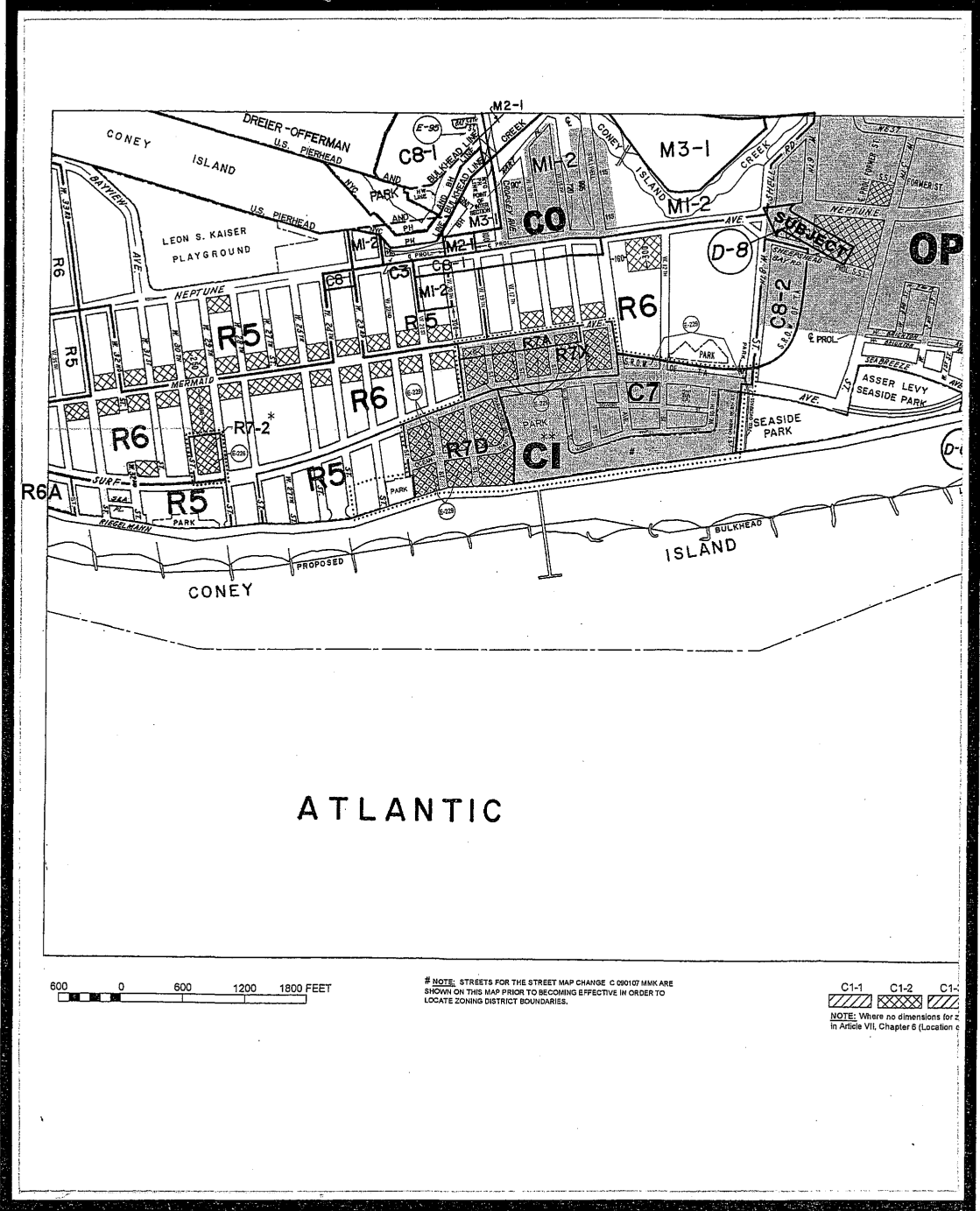
ZONING

In accordance with the New York City Zoning Resolution effective December 15, 1961, the subject site is zoned M1-2, light manufacturing. The M-1 district is often an industrial front yard or a buffer to adjacent residential or commercial districts. Light industries typically found in M-1 areas include knitting mills, printing plants and wholesale service facilities. Retail, community facility and office uses are also permitted. Residential development is generally not allowed in manufacturing districts. In M1-2 districts the FAR is 2.00; community facility FAR: 4.8; parking facilities are required.

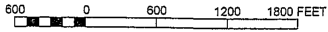
Floor Area Ratio (FAR): This control of the bulk of a building expresses the relationship between the number of square feet of floor space in a building, and the square feet of the lot area. For example, a floor area ratio of three would permit a total floor area in a building equal to three times the lot area.

The subject's current improvements appear to comply and conform to zoning regulations.

Zoning Map



ATLANTIC



NOTE: STREETS FOR THE STREET MAP CHANGE C 060107 MMK ARE SHOWN ON THIS MAP PRIOR TO BECOMING EFFECTIVE IN ORDER TO LOCATE ZONING DISTRICT BOUNDARIES.

C1-1 C1-2 C1-3
 NOTE: Where no dimensions for 2 in Article VII, Chapter 6 (Location C

HIGHEST AND BEST USE

The Appraisal Institute defines highest and best use as:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.³

The Appraisal Institute recommends that four criteria be considered in sequence to arrive at a selection of highest and best use:

1. Legally permissible. The proposed use of the property must conform to all local and state zoning and use restrictions for the site.
2. Physically possible. The site must possess adequate size, shape, and soil conditions to support the proposed use.
3. Financially feasible. The proposed use must be capable of providing a net return to the property owner.
4. Maximally productive. Of those physically possible, legally permissible, and financially feasible uses, the highest and best use for a property is that use that provides the greatest net return to the property owner over a given period of time.⁴

Highest and best use is not a specific fact that can be scientifically ascertained, but rather an educated opinion reached through logical and defensible analysis of available data. Factors such as zoning regulations, location, site size, neighborhood composition, and supply and demand must be carefully evaluated.

³Appraisal Institute, *The Appraisal of Real Estate*, 13th ed. (Chicago: Appraisal Institute, 2008), Pages 277-279.

⁴*Ibid*, p. 303-306.

HIGHEST AND BEST USE AS IMPROVED

The highest and best use of a property as improved refers to the optimal use that could be made of the property including all existing structures. The implication is that an "existing property should be renovated or retained as is, so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one."⁵

Although the existing improvements satisfy the first three criteria for highest and best use, the fourth criteria, maximally productive, is not satisfied, since a higher return could be achieved if the lot was sold as vacant land than as currently improved. This is due to continued demand (albeit less than in previous years) for commercially zoned vacant land for development in the area. Furthermore, the return from new improvements would more than offset the cost of demolishing the existing building and constructing a new building built to the maximum FAR, and conforming to all other zoning requirements. This is further supported since the buildings on the site are in poor condition and evidently require environmental abatement. (This will be further discussed as part of the description of improvements in this report.)

It is our opinion that the subject site is underutilized in the current market; therefore, highest and best use is not as improved.

⁵The Dictionary of Real Estate Appraisal, Third Edition, published by the Appraisal Institute, 1993; Page 171.

HIGHEST AND BEST USE AS IF VACANT

Since the subject site is vacant, the highest and best use is for development to the maximum permitted FAR, and in conformance with all other existing zoning regulations. The four tests for highest and best use must all be satisfied.

Based on our knowledge of the subject area, the most marketable type of property in this zoning is a commercial or industrial building, a community facilities building, or government offices. This would satisfy all four criteria for highest and best use, since it would be physically possible, legally permitted in this zoning, financially possible, and would be the maximally productive use of the site.

ASSESSED VALUE AND REAL ESTATE TAXES

The subject property is currently legally identified on the official tax maps of the City of New

York, Kings County, as:

Section 12
Block 7247
Lots 105, 113, 114 and 320

The 2009/2010 Actual and Transitional Assessed Value are as follows:

Lot 105:

	<u>Actual</u>	<u>Transitional</u>
Land:	\$263,250	\$183,060
Total:	\$263,250	\$183,060

Lot 113:

	<u>Actual</u>	<u>Transitional</u>
Land:	\$41,265	\$28,683
Total:	\$41,265	\$28,683

Lot 114:

	<u>Actual</u>	<u>Transitional</u>
Land:	\$ 8,010	\$ 8,010
Building:	17,100	16,722
Total:	\$25,110	\$24,732

Lot 320:

	<u>Actual</u>	<u>Transitional</u>
Land:	\$ 610,200	\$ 610,200
Building:	1,051,500	1,014,904
Total:	\$1,631,700	\$1,625,104

The subject is in tax class IV, which has a tax rate of .10612 per \$100 of assessed value for the tax year 2008/2009. (Although 2009/2010 assessments have been released, tax rates for the current year have not been issued; thus, the tax rate for 2008/2009 is applied for an estimate of the subject's taxes). When the actual and transitional total values differ, the lower figure is used by the Department of Finance to calculate taxes.

Taxes are estimated as follows:

Lot 105:	\$ 183,060	x	.10612	=	\$ 19,426.33
Lot 113:	\$ 28,683	x	.10612	=	\$ 3,043.84
Lot 114:	\$ 24,732	x	.10612	=	\$ 2,624.56
Lot 320:	\$1,625,104	x	.10612	=	<u>\$172,456.04</u>
					\$197,550.77

Say, \$197,551

SITE DESCRIPTION

The subject site consists of four contiguous lots. They are located on the northwest corner of Neptune Avenue and Shell Road. The sites are irregular in shape, and measure a total of 561.86 feet along Neptune Avenue and approximately 412.27 feet along Shell Road; there is approximately 48 feet along the west side, and the sites meander along the Coney Island Creek approximately 760 feet (to the north). The total area of the sites is approximately 139,880 Square Feet. The above dimensions were obtained from local Sanborn maps as well as tax maps, and are assumed to be accurate.

The sites are served with all utilities, including gas (National Grid), electric (Consolidated Edison), telephone, sanitary and storm sewers (serviced by the New York City Environmental Protection Department).

According to the client, the eastern portion of the subject lot #320 was affected by underground soil contamination, which has been remediated; no other specifics were cited.

The subject sites are located on the waterfront of the Coney Island Creek and has riparian rights. The water does not appear to be navigable during low tide, thus there is no additional value or benefit to these rights.

There is an easement along the rear of the site, apparently for bulkhead rights, which does not affect value or marketability. There is no evidence of any encroachment. The subject site appears to be typical of most other sites in the area in regard to topography and availability of utilities.

According to the client, there will be a deed restriction in a future contract of sale, prohibiting development of the property for any use other than industrial, commercial or retail. The use restriction strictly prohibits any future residential use or development. There would also be a utility easement in the contract, allowing the seller the right of access to the property for installing, maintaining, repairing transformers and equipment on the northwest corner of Block 7247, Lot 104. Although labeled a “deed restriction”, this does not appear to be recorded in the subject deeds. However, according to the client, any new contracts will have the same restrictions.

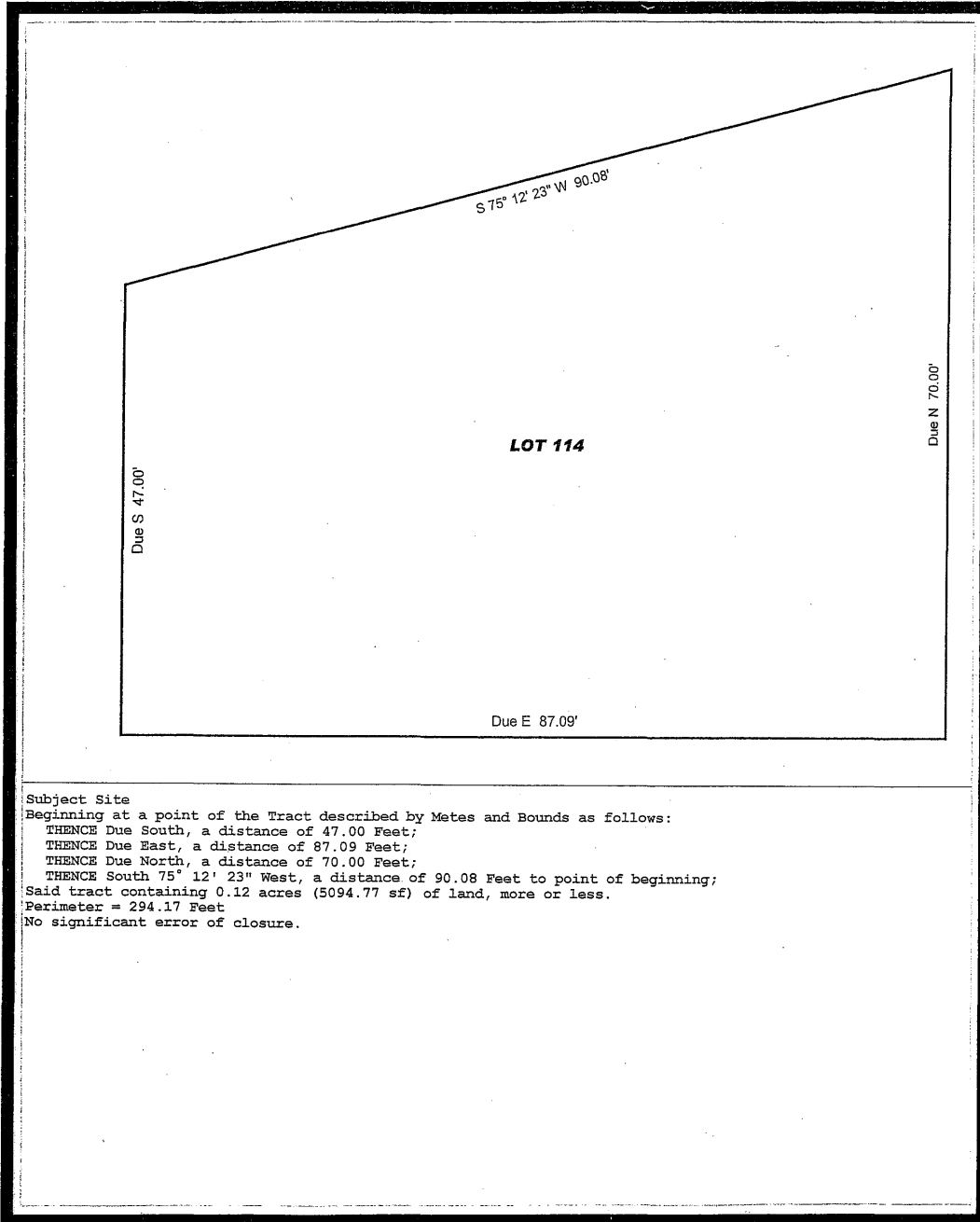
The individual site area calculations for each of the subject’s lots are shown on the following pages, from west to east, and are summarized as follows:

Site Area Calculations:

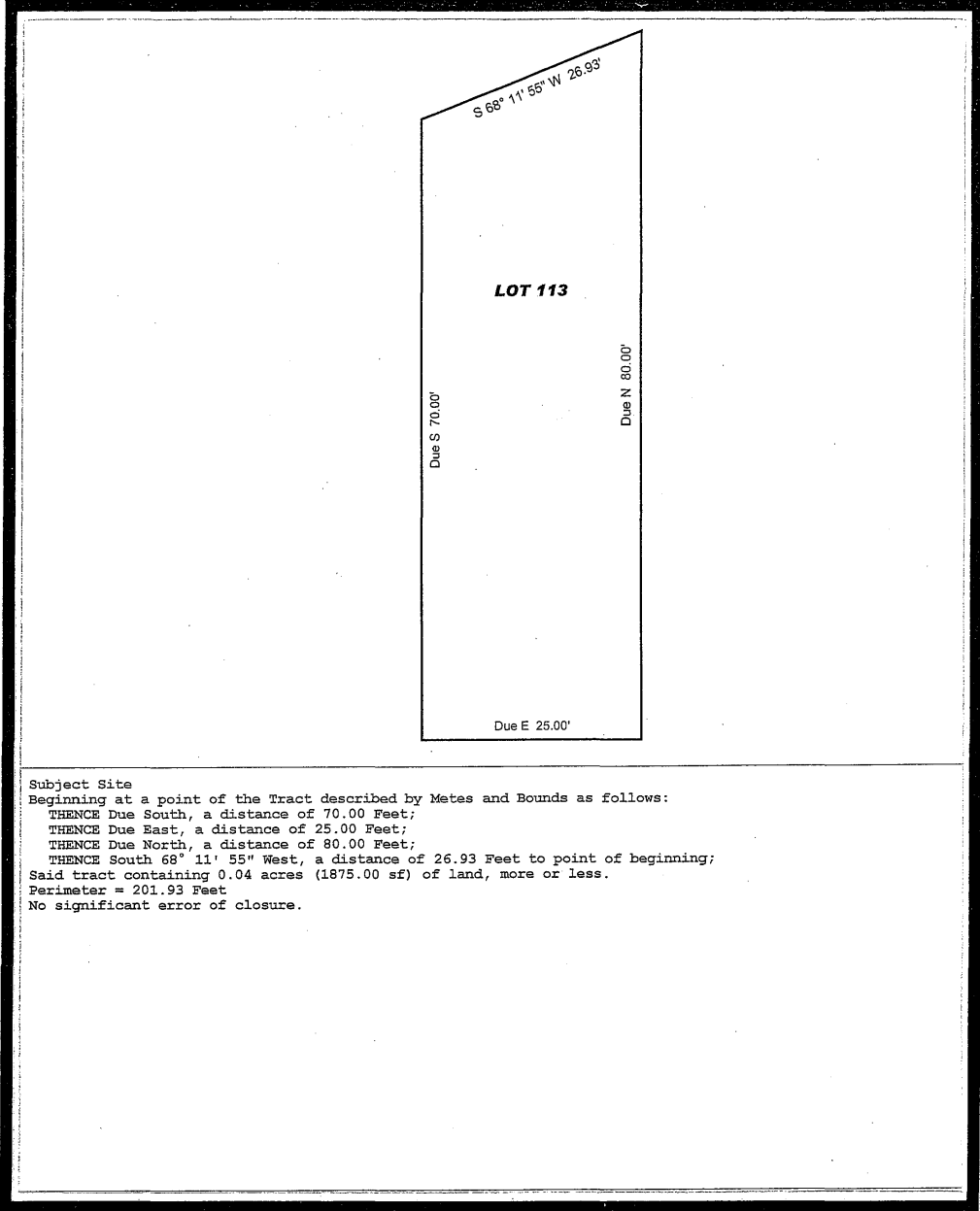
Lot 114	=	5,094.77
Lot 113	=	1,875.00
Lot 105	=	14,480.00
Lot 320	=	<u>118,429.97</u>
Total	=	139,879.74

Say, 139,880 Square Feet or 3.21 Acres

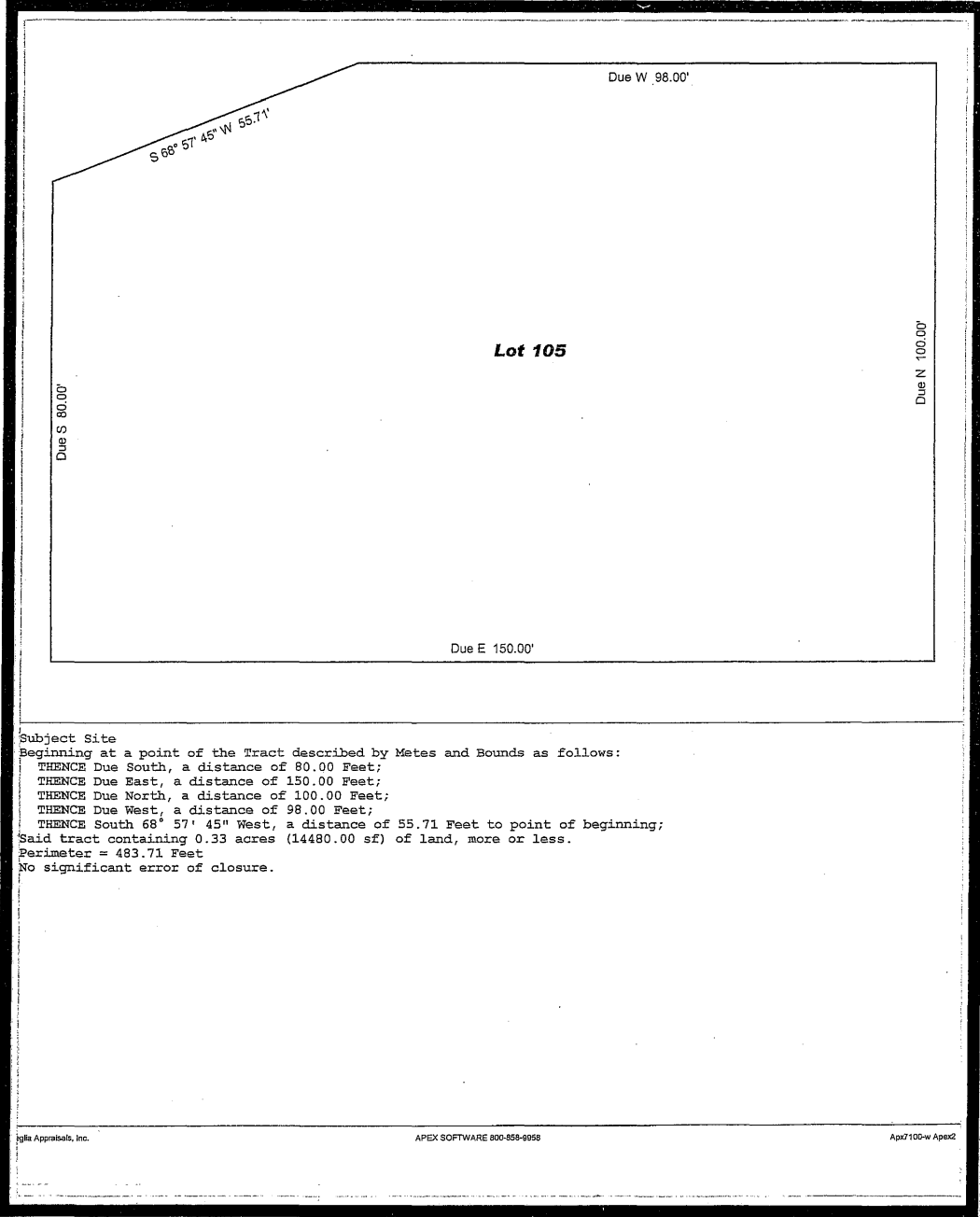
Site Plan



Site Plan

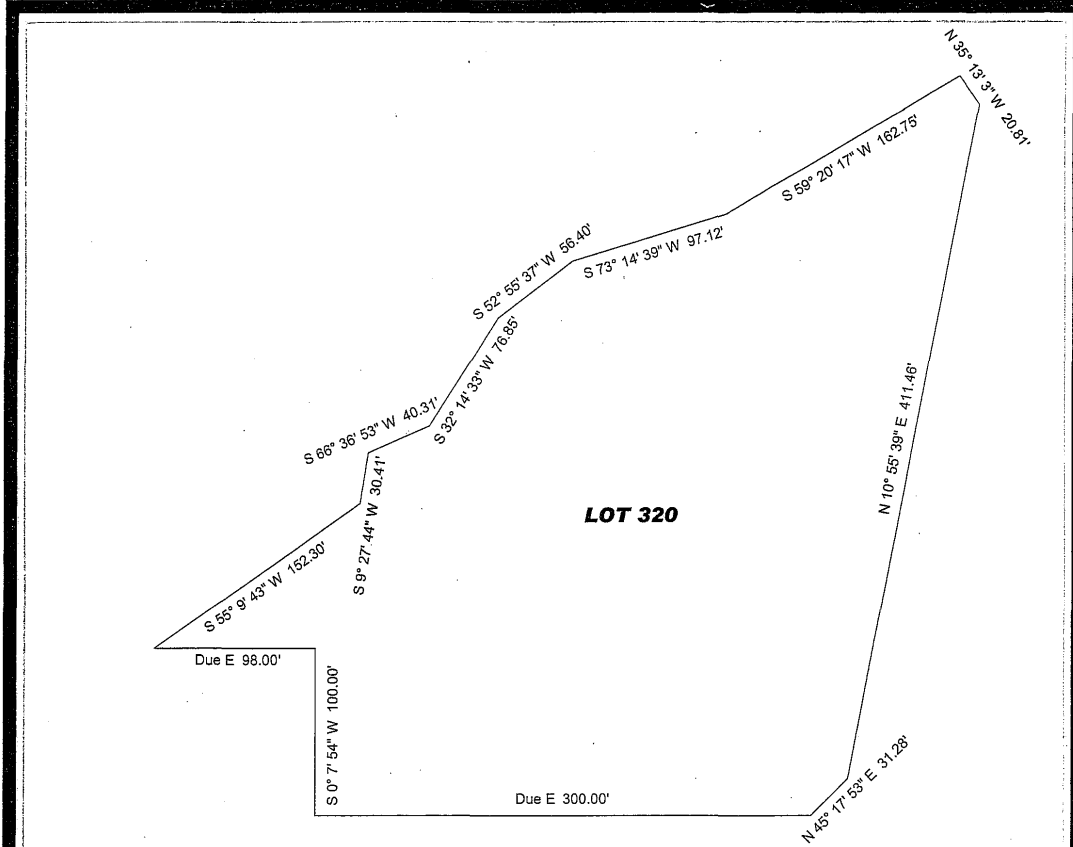


Site Plan



Subject Site
Beginning at a point of the Tract described by Metes and Bounds as follows:
THENCE Due South, a distance of 80.00 Feet;
THENCE Due East, a distance of 150.00 Feet;
THENCE Due North, a distance of 100.00 Feet;
THENCE Due West, a distance of 98.00 Feet;
THENCE South 68° 57' 45" West, a distance of 55.71 Feet to point of beginning;
Said tract containing 0.33 acres (14480.00 sf) of land, more or less.
Perimeter = 483.71 Feet
No significant error of closure.

Site Plan



Subject Site

Beginning at a point of the Tract described by Metes and Bounds as follows:

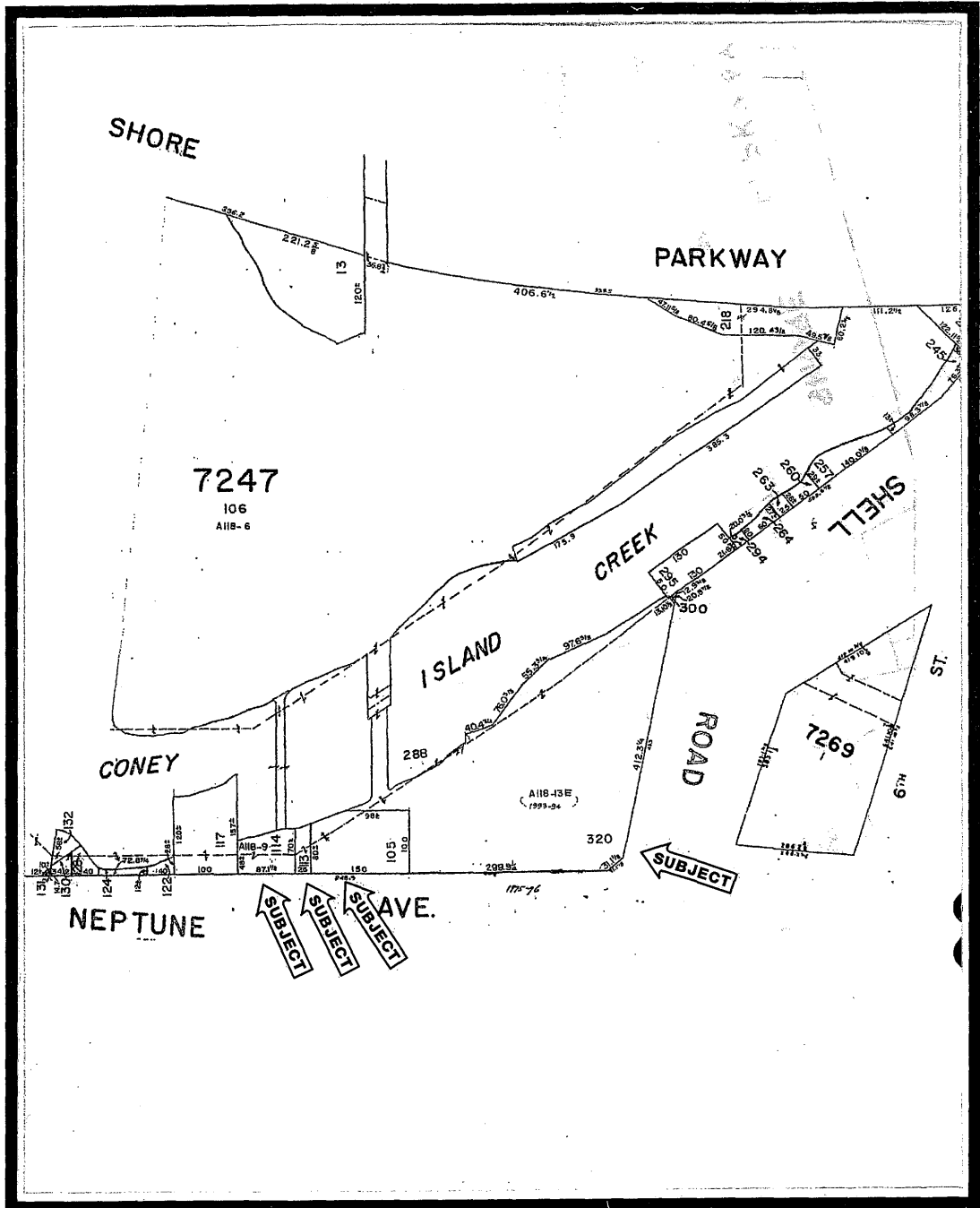
- THENCE Due East, a distance of 98.00 Feet;
- THENCE South 0° 7' 54" West, a distance of 100.00 Feet;
- THENCE Due East, a distance of 300.00 Feet;
- THENCE North 45° 17' 53" East, a distance of 31.28 Feet;
- THENCE North 10° 55' 39" East, a distance of 411.46 Feet;
- THENCE North 35° 13' 3" West, a distance of 20.81 Feet;
- THENCE South 59° 20' 17" West, a distance of 162.75 Feet;
- THENCE South 73° 14' 39" West, a distance of 97.12 Feet;
- THENCE South 52° 55' 37" West, a distance of 56.40 Feet;
- THENCE South 32° 14' 33" West, a distance of 76.85 Feet;
- THENCE South 66° 36' 53" West, a distance of 40.31 Feet;
- THENCE South 9° 27' 44" West, a distance of 30.41 Feet;
- THENCE South 55° 9' 43" West, a distance of 152.30 Feet to point of beginning;

Said tract containing 2.72 acres (118429.97 sf) of land, more or less.

Perimeter = 1577.70 Feet

No significant error of closure.

Site Plan



DESCRIPTION OF IMPROVEMENTS

The subject site is currently improved with a single and two story brick and block industrial building. We were not able to inspect the interior of the building. According to the client, portions of the building were used as training sites for employees and for other uses related to the owner's utility company. Also according to the client, the building is now in poor condition, with possible lead, mold and asbestos contamination. From our exterior inspection, several of the skylights are broken, and it is likely that there is resulting water damage.

We received a copy from the client of an estimate by Omega Environmental Services Inc., to abate the environmental contamination affecting the improvements, and to demolish the building. The cost of abatement and demolition (not including the partial basement) is reported to be \$1,250,000. Since a purchaser would likely prefer removal of all improvements (including the basement and any concrete slabs on the site), and considering possible cost overruns typical for this type of project, an additional cost of \$150,000 has been applied. Thus, the total cost of abatement and demolition is estimated to be \$1,400,000. This amount will be deducted from the final value estimate in the Sales Comparison Approach.

SALES COMPARISON APPROACH TO VALUE

The Direct Sales Comparison Approach to Value uses actual arm's length transactions of similar properties as the basis for an indication of market value for the subject property. It is based on the premise that a prudent buyer would not pay more for a specific property, given all the important facts pertaining to said property, than the cost of a comparable dwelling.

When there is ample data, the Direct Sales Comparison Approach is a good indication of value because it represents the behavior patterns of actual buyers and sellers in the marketplace. In the application of this approach, sales of comparable or "like" properties are presented and analyzed as a typical cross-section of the market. Each sale is compared to the subject property for similarities and differences in several areas, since the real estate market rarely affords two transactions which are identical in every aspect.

Direct comparisons are made between the comparable properties and the subject on an item-by-item basis. Individual items are compared to the subject by adding value to them when an item is inferior to that of the subject, and by subtracting value when an item is superior to the subject, thus bringing each item in line, or similar to, the same item in the subject property. Ideally, it is best to use comparable sales which have as many matching characteristics to the subject as possible; this situation provides the most reliable value indicators.

The subject site is more than three acres and is in manufacturing zoning, thus the search criteria was extended beyond the borough of Brooklyn and included Staten Island, Queens and the Bronx. Since there is a limited amount of vacant land in New York City and because of the large size of the subject, sales of large parcels improved with commercial buildings were also

investigated.

Based on our comparable sale research, over 200 comparable sales were uncovered. Of these, five sales were chosen to be similar to the subject in respect to the above described basic criteria and are subsequently described in detail, pictured, analyzed, and compared to the subject property. After the descriptions, the sale prices are then reconciled to give a final estimate of market value by the Sales Comparison Approach. The source of all comparable sales is Comps, Inc. and Sanborn Maps, unless noted otherwise.

COMPARABLE LAND SALE #1

Address:	331 Edward Curry Avenue Staten Island, NY 10314
Legal Description:	Block 1780 Lot 240
Site Size:	73,340 Square Feet
Sale Price:	\$2,875,000
Date of Sale:	01/08/2009
Financing:	No Mortgage Recorded
Grantor:	Sitestar, Inc.
Grantee:	DeGarlia Holding
Proximity to Subject:	11.3 miles northwest
Zoning:	M3-1, Heavy Manufacturing District FAR: 2.00
Price Per Square Foot:	\$39.20
Comments:	Inside lot, rectangular shape, inferior location compared to the subject, inferior zoning compared to the subject.
Adjustments:	
Time, 7 mo. @ 12% per yr.	<u>- 201,300</u>
Adjusted Sale Price:	\$2,673,700
Additional Adjustments:	
Location, 15%	<u>+ 401,100</u>
Adjusted Sale Price:	\$3,074,800
Additional Adjustments:	
Zoning, 10%	<u>+ 307,400</u>
Adjusted Sale Price:	\$3,382,200
Indicated Price PSF:	\$46.12
Indicated Price PBF:	\$20.96

COMPARABLE LAND SALE #1



COMPARABLE LAND SALE #2

Address: 43-01 56th Drive
Maspeth, NY 11378

Legal Description: Block 2527 Lots 3 and 5
Block 2528 Lot 2

Site Size: Say, 51,210 Square Feet

Sale Price: \$2,600,000

Date of Sale: 2/18/2009

Financing: Conventional

Grantor: Sagres Partners LLC

Grantee: Parcel 3 Maspeth

Proximity to Subject: 10.85 miles northeast

Zoning: M3-1, Heavy Manufacturing District
FAR: 2.00

Price Per Square Foot: \$50.77

Comments: Corner lot, triangular shape; superior location and inferior zoning compared to the subject.

Adjustments:

Time, 6 mo. @ 12% per yr.	<u>- 156,000</u>
Adjusted Sale Price:	\$2,444,000

Additional Adjustments:

Location, 5%	<u>- 122,200</u>
Adjusted Sale Price:	\$2,321,800

Additional Adjustments:

Zoning, 10%	<u>+ 232,200</u>
Adjusted Sale Price:	\$2,554,000

Indicated Price PSF: \$49.87
Indicated Price PBF: \$22.67

COMPARABLE LAND SALE #2



COMPARABLE LAND SALE #3

Address: 58-60 Page Place
Maspeth, NY 11378

Legal Description: Block 2603 Lots 1 and 240

Site Size: Say, 209,525 Square Feet

Sale Price: \$10,215,000

Date of Sale: 5/15/2009

Financing: No mortgage recorded

Grantor: New Penn Motor Express Inc.

Grantee: A. Duie Pyle, Inc

Proximity to Subject: 10.04 miles northeast

Zoning: M3-1, Heavy Manufacturing District
FAR: 2.00

Price Per Square Foot: \$48.75

Comments: Inside lots improved with industrial buildings;
superior location, inferior zoning than the subject.

Adjustments:

Time, 3 mo. @ 12% per yr.	<u>- 306,500</u>
Adjusted Sale Price:	\$9,908,500

Additional Adjustments:

Location, 5%	- 495,400
Depreciated Value of Improvements	<u>- 1,573,000</u>
Adjusted Sale Price:	\$7,840,100

Additional Adjustments:

Zoning, 10%	<u>+ 784,000</u>
Adjusted Sale Price:	\$8,624,100

Indicated Price PSF: \$41.16

Indicated Price PBF: \$18.71

COMPARABLE LAND SALE #3



COMPARABLE LAND SALE #4

Address: 46-36 54th Road
Maspeth, NY 11378

Legal Description: Block 2546 Lot 24

Site Size: Say, 228,736 Square Feet

Sale Price: \$10,137,335

Date of Sale: 7/28/2008

Financing: No Mortgage Recorded

Grantor: Slattery Realty Company, LP

Grantee: Skanska USA Civil Northeast Inc.

Proximity to Subject: 10.86 miles northeast

Zoning: M2-1, Heavy Manufacturing District
FAR: 2.00

Price Per Square Foot: \$44.32

Comments: Inside lot improved with warehouse and industrial buildings, frontage on two streets, superior location and inferior zoning compared to the subject.

Adjustments:

Time, 13 mo. @ 12% per yr.	<u>- 1,319,900</u>
Adjusted Sale Price:	\$8,817,435

Additional Adjustments:

Location, 5%	- 440,900
Depreciated value of Improvements	<u>- 1,482,400</u>
Adjusted Sale Price:	\$6,894,135

Additional Adjustments:

Zoning, 10%	<u>+ 689,400</u>
Adjusted Sale Price:	\$7,583,535

Indicated Price PSF: \$33.15

Indicated Price PBF: \$15.07

COMPARABLE SALE #4



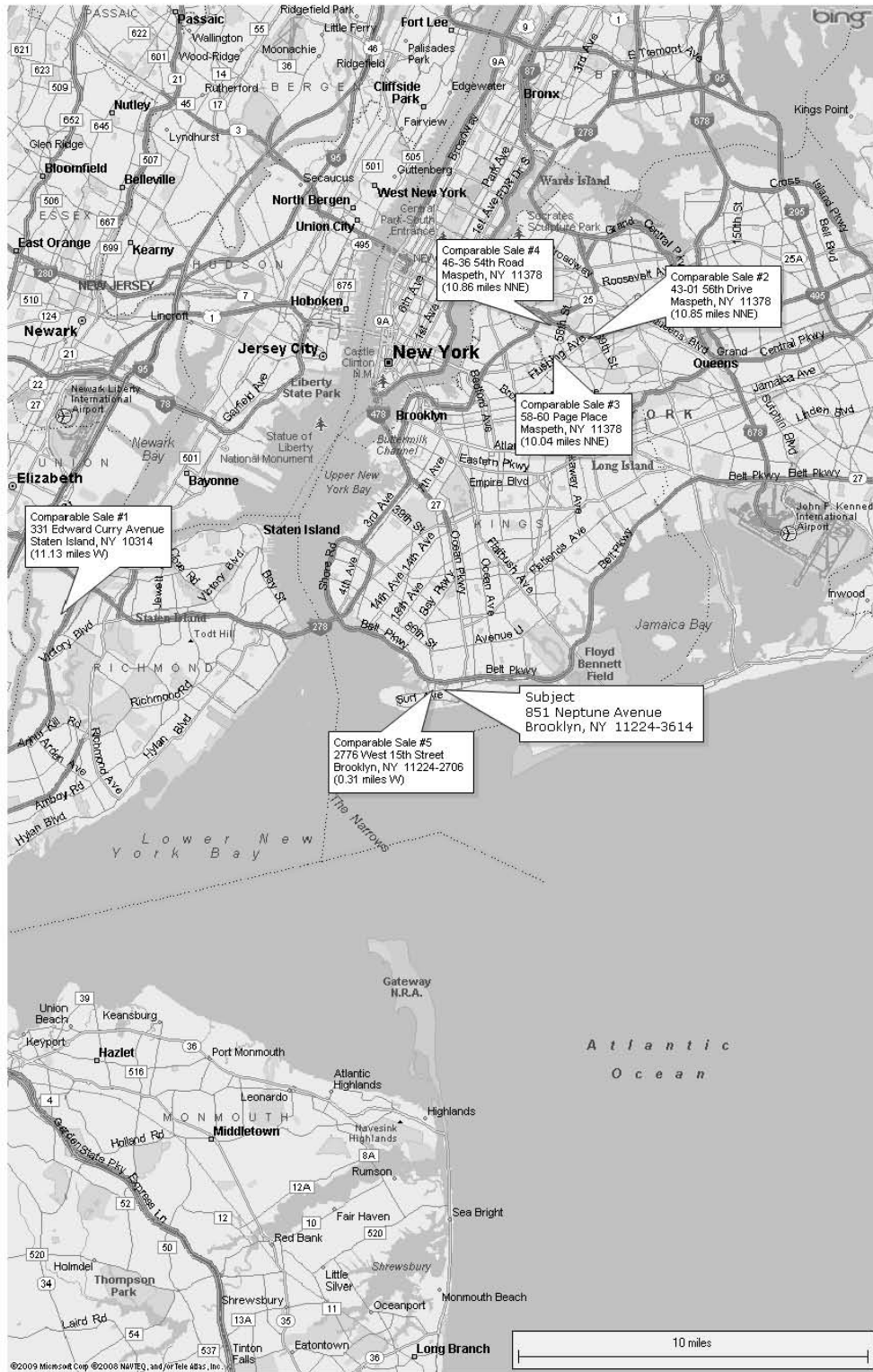
COMPARABLE LAND SALE #5

Address:	2776 West 15 th Street Brooklyn, NY 11224
Legal Description:	Block 6996 Lots 89, 91 and 92
Site Size:	Say, 13,567 Square Feet
Sale Price:	\$1,050,000
Date of Sale:	In Contract
Financing:	Unknown
Grantor:	John Judice
Grantee:	Unknown
Proximity to Subject:	.31 mile west
Zoning:	M1-2, Light Manufacturing District FAR: 2.00
Price Per Square Foot:	\$77.39
Comments:	Inside lot, rectangular shape, inferior zoning compared to the subject. Additional source, Massey Knakal Realty Services.
Adjustments:	
Additional Adjustments:	
Location, 25%	<u>- 262,500</u>
Adjusted Sale Price:	\$787,500
Indicated Price PSF:	\$58.04
Indicated Price PBF:	\$29.02

COMPARABLE LAND SALE #5



LOCATION MAP



COMMENTS ON SALES COMPARISON

Participants in the local real estate vacant land market typically analyze three investment parameters: price per square foot, price per square foot FAR (or price per buildable square foot), and price per front foot. As implied, price per square foot compares sale price to the total area of the land, for an indicated value per square foot. The method of applying price per square foot FAR estimates value based on the potential total building area to which a given land parcel could be improved, after considering the size of the land and permitted Floor Area Ratio in that zoning. The method for price per buildable lot is applied by comparing the number of potential buildable lots in which a vacant land parcel can be subdivided. Since it is unlikely that the subject would be purchased for subdivision, price per buildable lot has not been applied here.

Price per square foot is most useful when all comparables have the same zoning, and have the same FAR. Price per square foot FAR is most applicable when there are variations in the zoning for the comparable sales, since it indicates value based on the potential buildable area of the sites.

Price per square foot and price per buildable square foot (FAR) are applied here for an indicated value of the subject, since the comparables have the same or similar zoning to the subject.

EXPLANATION OF ADJUSTMENTS

Due to decreasing property values, negative time adjustments were applied to the comparables at 12% per year. The remaining (percentage) adjustments were applied to the time adjusted price per square foot of each sale.

Although the subject has a waterfront location with riparian rights, since it is not navigable, no adjustments were made.

Sale #1 is located in Staten Island, which has less demand than Brooklyn, as well as higher transportation costs, thus a 15% location adjustment was applied. Sales #2, #3 and #4 are in more concentrated commercial and industrial areas, less isolated than the subject, and closer in proximity to Manhattan, thus a 5% adjustment was applied to each. Sale #5 is in a superior location due to nearby commercial and retail activity in the area, thus a -25% adjustment was applied.

Since there have been few recent sales of large parcels of vacant, it was necessary to use three improved sales. As a result, the land extraction method has been applied for sales #3 and #4. The land extraction method is an accepted technique when there is a lack of vacant land sales. When applying this method in the sales comparison approach, the value of the land as vacant is estimated by subtracting the estimated value of the (depreciated) improvements from the sale price of the property. In order to estimate the value of the improvements, it was necessary to estimate the cost to construct the existing buildings; estimated accrued depreciation was then deducted for an indication of the current value of the improvements. This amount is the adjustment for the depreciated value of improvements for each comparable. After deducting the depreciated value of the improvements, an indication of the value of the land as vacant was derived.

At the time of sale, comparable #3 was a multiple sale of two lots, one of which was improved with three industrial buildings, older construction, in average condition, and the other lot was vacant; sale #4 was improved with four warehouse buildings, older construction, in average condition.

The subject's zoning permits community facility development, which is a significant advantage compared to other manufacturing zoning districts. Sale #5 has the same zoning as the subject. Sales #1, #2, #3 and #4 do not have this flexibility and were adjusted 10% each. (Note: price per buildable foot for the comparables was calculated prior to zoning adjustments.)

Except for the reported sales, the comparable sales have not transferred title over the past three years.

**SUMMARY OF COMPARABLE SALES ANALYSIS
AND RECONCILIATION**

<u>Address</u>	<u>Sale Price</u>	<u>Sale Date</u>	<u>S.F. Size</u>	<u>Price PSF</u>	<u>Adj.'d Price PSF</u>	<u>Adj.'d Price PBF</u>
1. 331 Edward Curry	\$ 2,875,000	01/09	73,340	\$39.20	\$46.12	\$20.96
2. 43-01 56 th Drive	2,600,000	02/09	51,210	50.77	49.87	22.67
3. 58-60 Page Place	10,215,000	05/09	209,525	48.75	41.16	18.71
4. 46-36 54 th Road	10,137,335	07/08	228,736	44.32	33.15	15.07
5. 2776 W. 15 th St.	1,050,000	Contr.	13,567	77.39	58.04	29.02

After adjustments, the indicated range of value for the subject is between \$33.15 and \$58.04 per square foot, with the three most recent closed sales between 41.16 psf and \$49.87 psf. Thus the value of the subject is estimated to be \$45 per square foot.

Based on price per square foot FAR, the indicated range of value for the subject is between \$15.07 and \$29.02 per buildable foot, with the three most recent closed sales between \$18.71 and \$22.67. Therefore, the indicated value is \$20 per buildable foot. At an FAR of 2.0 times the area of the site (139,880 SF), there is estimated to be 279,760 buildable square feet on the subject site.

The indicated values of the subject are summarized as follows:

139,880 SF	x	\$45 PSF	=	\$6,294,600
279,760 BF	x	\$20 PBF	=	\$5,595,000

Slightly more weight is placed on price per square foot, since it is unlikely that such large sites would be developed to the maximum FAR allowed in the zoning. Therefore, the estimated value by the Sales Comparison Approach is:

	Say, \$6,000,000
Less Estimated Demolition Cost	<u>-1,400,000</u>
Final Estimated Value	\$4,600,000

RECONCILIATION AND FINAL VALUE ESTIMATE

In arriving at a final estimate of value, consideration has been given to the Sales Comparison Approach to value. The Income Approach is not an appropriate valuation method since vacant land in this area is not typically purchased for its income generating potential.

The Sales Comparison Approach estimates value based on what comparable properties are selling for in the marketplace; properties similar to the subject were analyzed, adjustments were applied, and a value estimate rendered based on price per square foot and price per buildable square foot of the comparable land sales. The value conclusion by the Sales Comparison Approach is \$4,600,000.

Therefore, after considering such factors as location, size, utility, zoning and legal restrictions, the estimated value of the fee simple estate of the subject property as of August 31, 2009, is the value of the Sales Comparison Approach, or:

FOUR MILLION SIX HUNDRED THOUSAND DOLLARS

(\$4,600,000)

The estimated value stated herein is based on the following extraordinary assumptions:

- ▶ That the subject is not located in a Federally protected wetlands zone. (It does not appear to be, according to the New York State Wetlands Environmental maps available on line.)
- ▶ That the ground contamination on the site close to Shell Road has been remediated and is “clean”.
- ▶ That the interior of the building is in poor condition, with possible lead paint, mold and asbestos contamination.

ADDENDA

FIRREA COMPLIANCE

This appraisal was performed in accordance with the regulations as mandated by Title XI of The Financial Institute Reform, Recovery, and Enforcement Act of 1989 (FIRREA). In addition, this appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.⁶

⁶Department of the Treasury, Office of Comptroller of the Currency, 12 CFR Part 34 Final Rule as published in "Federal Register", v. 55, no. 165 (August 24, 1990), 34697.

CERTIFICATION

CERTIFICATION: The Appraiser certifies that, to the best of my knowledge and belief:

1. The Appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The Appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).
5. I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, the Columbia Society of Real Estate Appraisers, and with the Uniform Standards of Professional Appraisal Practice.
6. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
7. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser." Unless otherwise indicated, no one provided significant professional assistance to the person(s) signing this report. No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
8. As of the date of this report, Domenick Neglia has completed the requirements of the continuing education program of the Appraisal Institute.

Appraiser(s): _____
Wendy Hobby, New York State General Certification
#46-49327 - Expiration 1/25/2011

Reviewed By: _____
Domenick Neglia, SRA, CSA-G
New York General Certification #46-10941
Expiration 7/20/2010
The review appraiser inspected the subject property on August 31, 2009.

CONTINGENT AND LIMITING CONDITIONS

The certification of the Appraisers appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assume no responsibility for matters of legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The Appraisers are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made therefor.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of the appraisal report is governed by the By-laws and Regulations of the professional appraisal organizations with which the Appraisers are affiliated.
8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraisers are connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraisers; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without written consent and approval of the appraisers.
9. On all appraisals subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
10. It is assumed that there is full compliance with all applicable zoning and use regulations and restrictions unless a non-conformity has been stated, defined, and considered in this appraisal report.
11. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authorizations from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
12. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
13. The value reported herein applies only to the real property interest being appraised and does not apply with equal validity to any other property interest. The value of the real property interest being appraised plus the value of any other property interest(s) may or may not equal the value of the fee simple interest in the real estate that is the subject of this appraisal.
14. Any value estimates provided in this report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

15. The findings, forecasts, projections, assumptions, or conclusions contained in this report are the opinions of Neglia Appraisals, Inc. They are not intended, or should they be construed, as an assurance that an event or series of events will or will not occur.
16. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
17. The heating, electrical, plumbing, and other mechanical systems of the property are assumed to be efficient, functionally adequate, and in operating order, unless otherwise specified.
18. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
19. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraisal client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraisers or firm with which the appraisers are connected, or any reference to the Appraisal Institute or the Columbia Society of Real Estate Appraisers. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment.
20. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in compliance with the various 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 of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

ADDITIONAL COMMENTS AND ADDITIONAL ASSUMPTIONS

The data sources for all financial statements, and subject information is the owner representative, Kathleen Cannistra. This information is assumed to be complete, accurate, and current as of the effective date of this appraisal.

The estimated value stated herein is based on the following extraordinary assumptions:

- ▶ That the subject is not located in a Federally protected wetlands zone. (It does not appear to be, according to the New York State Wetlands Environmental maps available on line.)
- ▶ That the ground contamination on the site close to Shell Road has been remediated and is “clean”.
- ▶ That the interior of the building is now in poor condition, with possible lead paint, mold and asbestos contamination.
- ▶ That the estimated cost by Omega Environmental Services Inc. to abate the existing contamination to the existing improvements and to demolish those improvements (excluding the partial basement) is appropriate at \$1,250,000.

APPRAISER'S QUALIFICATIONS

Domenick Neglia, SRA, CSA - G

Domenick Neglia is a real estate appraiser, consultant, and market analyst with over 20 years of experience in the New York City Metropolitan area, and is President of Neglia Appraisals, Inc.

Mr. Neglia has appraised various types of residential and commercial properties in the five boroughs of New York City, as well as Nassau, Suffolk, and Westchester Counties, New Jersey and Connecticut. Commercial appraisal assignments have included apartment houses, mixed-use properties, special use properties, taxpayers, office buildings, factories and vacant land. Residential assignments have included one to four family properties, condominiums and cooperatives.

As President and CEO of Neglia Appraisals, Mr. Neglia oversees all operations of the appraisal company, including quality control, reviewing residential and commercial appraisals, and client contact with lending institutions, attorneys, the Supreme Court of the State of New York, the U.S. Army Corps of Engineers, the U.S. Department of Justice, and other government agencies. Mr. Neglia has qualified as an expert witness in The Supreme Court of The State of New York in the counties of New York, Kings and Nassau, and in the United States Court of Federal Claims.

Mr. Neglia created www.NYRealEstateTrends.com, the only available website that reports annual changes in value for residential properties in every zip code in New York City. His original website, www.neglia.com, was one of the first web sites for a Brooklyn based appraisal company.

Mr. Neglia taught New York State accredited appraisal courses at Kingsborough Community College in 1993, and currently teaches appraisal courses for the Columbia Society of Real Estate Appraisers. Mr. Neglia began his real estate career in 1985 at a savings bank in Brooklyn, New York, appraising and reviewing residential and commercial properties, and in May 1986 he was the recipient of the Peter J. Fallon Award from the Columbia Society of Real Estate Appraisers. He has completed the requirements of the continuing education program of the Appraisal Institute, and is acknowledged as an expert in his field.

PUBLICATION ACHIEVEMENTS:

- ▶ “Expanding Primary Data Sources”, in “Valuation Insights and Perspectives” magazine, published by the Appraisal Institute, 2001.
- ▶ "Reviewing the Single Family URAR Form", in "The Real Estate Appraiser", published by the Appraisal Institute, 1991.
- ▶ Several articles in “Real Estate Weekly” and “The Real Estate Journal”
- ▶ Mr. Neglia has also been interviewed on several occasions by the New York Daily News, the New York Post, and the Wall Street Journal, for his expertise on changes in real estate trends and values in New York City.

AREAS OF SPECIFIC EXPERTISE:

Mortgage Fraud - Mr. Neglia has completed valuations in the New York City area for the U.S. Department of Justice, as part of their investigations of mortgage fraud. He also teaches a continuing education seminar to appraisers and real estate professionals on the topic of mortgage fraud.

Environmental Contamination - Mr. Neglia has appraised several properties affected by environmental contamination, and has provided expert witness testimony in some of these cases.

PROFESSIONAL MEMBERSHIPS:

- ▶ Appraisal Institute: SRA Member
- ▶ Columbia Society of Real Estate Appraisers: CSA-G Designation
- ▶ Past President, Columbia Society of Real Estate Appraisers
- ▶ Affiliate, New York State Association of Realtors

PROFESSIONAL LICENSES:

New York State General Appraiser Certification #46 0000 10941
Licensed Instructor for all N Y State Residential and General Appraisal Courses

EDUCATION:

B.A., 1970 - Long Island University, Brooklyn, New York

Appraisal Institute:

Courses Successfully Challenged:

Course 1A 1 - Real Estate Appraisal Principles

Course 1A 2 - Basic Valuation Procedures

Courses Attended and Successfully Completed:

Course 8-2 - Residential Valuation

Capitalization Theory and Techniques, Part A

Capitalization Theory and Techniques, Part B

Standards of Professional Practice, Part A

Standards of Professional Practice, Part B

Standards of Professional Practice, Part C

Columbia Society of Real Estate Appraisers, Hofstra University:

Course B-505 - Basic Real Estate Appraising and Valuation

National Association of Independent Fee Appraisers:

Course 2-4 - Income Property Investment Analysis

APPRAISER'S QUALIFICATIONS

Wendy Hobby

Wendy Hobby is a real estate appraiser for Neglia Appraisals, Inc., servicing the New York Metropolitan area. Ms. Hobby has considerable knowledge of construction and design as a direct result of her education and extensive work experience in the architectural design industry. She also was a real estate sales agent in Brooklyn, New York from 1989 to 1992. Her formal appraisal experience includes one to four family properties, residential apartment buildings, mixed used properties, taxpayers, as well as vacant land parcels and new condominium conversions in the New York City area.

PROFESSIONAL LICENSE:

New York State Certified General Real Estate Appraiser #46-49327

REAL ESTATE COURSES ATTENDED AND SUCCESSFULLY COMPLETED:

New York Real Estate Institute:

- R-1, Introduction to Real Estate Appraisal
- R-2, Valuation Principles and Procedures
- Ethics and Standards of Professional Appraisal Practice
- AQ-1 Fair Housing, Fair Lending and Environmental Issues

Appraisal Institute:

- G-1, Introduction to Income Property Valuation
- G-2, Principles of Income Property Appraising

New York University Continuing Education

- G-3, Applied Income Property Valuation

EDUCATION:

Boston University, Bachelor of Arts, Sociology, 1981
City College of New York, Landscape Architecture, 1990-1992

GLOSSARY OF REAL ESTATE TERMS

Accrued Depreciation

Total loss in value from all sources. The difference between the reproduction or replacement cost of the improvements and the market value of the improvements, as of a specific date. The three components of accrued depreciation are: physical deterioration, functional obsolescence and external obsolescence.

Ad Valorem

“According to Value.” A method of taxation using the value of the property taxed to determine the amount of tax.

Anchor Tenant

The most reliable, and usually the largest, tenant in a shopping center.

Annual Debt Service

Yearly amount of principle and interest payments of debt service.

Appraisal

An analysis, opinion, or conclusion relating to the value or nature of specified interests in identified real estate. An estimate of value, or the process of estimating value, as of a specific date.

Appraisal Report

A written report by an appraiser containing an opinion as to the value of a property and the reasoning leading to this opinion.

Arm’s Length Transaction

A transaction between unrelated parties, without collusion or duress.

Assessed Value

Value placed upon property for real estate tax purposes by the tax assessor.

Cash Flow

In investment property, the actual cash the investor will receive after deduction of operating expenses and debt service (loan payment) from gross income.

Comparables

Properties used as comparisons to estimate the value of a specific property.

Deed

A written, legal instrument, given to convey title to real property upon sale.

Deferred Maintenance

Curable, physical deterioration that should be corrected. Repairs needed to restore a property to good condition.

Depreciation

Loss in real estate value from any cause.

Easement

A right created by grant, reservation, agreement, prescription, or necessary implication, that conveys use but not ownership of a portion of a property. It is either for the benefit of land (appurtenant), such as right to cross A to get to B, or “in gross,” such as a public utility easement.

Encroachment

Generally, construction or trespassing on the property of another, as of a wall, fence, building extension, etc.

External Obsolescence

A component of accrued depreciation, typically incurable, causing loss in value due to negative influences outside (or “external to) the property. Examples may be proximity of a residential property to a gas station or commercial property, or location on a busy street.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to government limitations. An estate under which the owner is entitled to unrestricted powers to dispose of the property, and which can be left by will or inherited.

Floor Area Ratio

A term commonly used to indicate the allowable square footage of a building in proportion to land area, according to zoning requirements.

Functional Obsolescence

A type of depreciation to improvements due to outdated design, utility, and/or materials. When economically feasible to correct, it is called “curable”; when not feasible, “incurable.”

Grantee

A person or entity to whom property is transferred; the buyer.

Grantor

A person or entity who grants property or property rights; the seller.

Ground Lease

A lease granting the right to use and occupy land.

Highest and best Use

The most reasonable, probable and legal use of land or improvements which is physically possible, appropriately supported, financially feasible, and results in maximum profit.

Lease

An agreement by which an owner of real property (lessor) gives the right of possession and use to another (lessee), for a specified period of time (term) and for a specified consideration (rent).

Lessee

The party to whom a lease (the right to possession) is given in return for a consideration (rent); the tenant.

Lessor

The party who gives the lease (right to possession) in return for consideration (rent); the owner.

MAI

Professional designation as a member of the Appraisal Institute, a national professional organization of real estate appraisers. This designation is held by appraisers who are experienced in the valuation of commercial, industrial, residential, and other types of properties, and are also qualified as real estate investment consultants.

Physical Deterioration

A type of depreciation to improvements caused by wear and tear, lack of maintenance, disintegration, or exposure to the elements.

Real Estate

Physical land and appurtenances, i.e., anything permanently affixed to the land, such as buildings, fences, landscaping, etc.

Real Property

All interests, benefits, and rights inherent in the ownership of physical real estate. Implies full ownership of the bundle of rights. Rights that can be separated without dividing the physical real estate.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

SRA

Professional designation as a member of the Appraisal Institute, a national professional organization of real estate appraisers. This designation is held by appraisers who are experienced in the valuation of various residential properties, including residential income properties of up to and including four units.

AMENDMENT TO PURCHASE AND SALE AGREEMENT

This Amendment to Purchase and Sale Agreement is dated as of September 16, 2010 (the "Amendment"), by and among THE BROOKLYN UNION GAS COMPANY, having an office at One MetroTech Center, Brooklyn, New York 11201 ("Seller") and STEEL ARROW, LLC, having an office at 700 Hicksville Road, Bethpage, New York 11714 (the "Purchaser", which together with Seller are individually, a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, Seller and Purchaser entered into a Purchase and Sale Agreement, dated as of November 9, 2007, (the "Agreement"), for the premises known as 809-873 Neptune Avenue, Brooklyn (the "Property");

WHEREAS, pursuant to Section 3 (b) of the Agreement, the sale of the Property was subject to, and conditioned upon, PSC Approval;

WHEREAS, the PSC Approval was granted by the PSC on August 4, 2008 in Case 08-G-0071;

WHEREAS, the Parties, in recognition of changes in market conditions immediately following the aforesaid period, and in a good faith effort to bring the real estate conveyance contemplated by the Agreement to a conclusion without further delay, have agreed to amend the Purchase Price as provided more fully herein; and

WHEREAS, the aforesaid amendment of the Purchase Price, as more fully described in this Amendment shall require the consent of the PSC.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Seller and Purchaser agree as follows:

1. As used throughout this Amendment (including the recitals above), capitalized terms, unless otherwise defined, shall have the same meaning ascribed thereto in the Agreement.
2. Section 2(a) of the Agreement is amended in part to provide for a reduction of the Purchase Price from Seven Million One Hundred Fifty Thousand (\$7,150,000.00) to Five Million Two Hundred Fifty Thousand (\$5,250,000.00) (the "Amended Purchase Price").
3. Section 3(a) of the Agreement is amended in part by reducing the required Deposit from \$715,000.00 to \$525,000.00. The Escrow Agent is hereby authorized to remit the excess amount of \$190,000.00, currently forming a part of the Deposit, to Purchaser.
4. Section 3(b) of the Agreement is amended in part to provide that following the execution and delivery of this Amendment, the Seller shall use commercially reasonable efforts to obtain the approval of the PSC for the Amended Purchase Price. To that end, Purchaser shall cooperate in all respects with the Seller in obtaining the necessary requests for regulatory approval.

The Amended Purchase Price for the Property shall be subject to, and effective upon, the approval of the PSC. Any terms and/or conditions imposed by the PSC in connection with its approval must be acceptable in all respects to Seller.

5. Section 4(a) of the Agreement is amended in part to provide that Seller is selling, and Purchaser shall accept, the Property in whatever structural, physical and environmental condition existing as of the Amended Closing Date (defined below). Purchaser acknowledges it physically inspected the Property on March 26, 2010, and agrees to accept title to the Property irrespective of its "AS IS" condition existing as of the Closing Date.

6. Section 4(b) of the Agreement is amended in part to delete all references to the "No Further Action" determination. Section 4(b) is further amended in part to expand the absolute release provisions contained therein to include, to the maximum extent permitted by law, a full, complete and irrevocable release and waiver on the part of Purchaser of all rights, claims and/or causes of action Purchaser may have against Seller and National Grid (including its officers, directors, employees and their respective successors and assigns) arising out of or in any way related to the physical and/or environmental condition of the Property existing as of the Closing Date.

7. Section 9(a) of the Agreement is amended in part to provide for a Closing Date no later than sixty (60) days following an approval of the Amended Purchase Price by the PSC (the "Amended Closing Date"). **Time shall be deemed of the essence with regards to the Purchaser's obligation to close no later than the Amended Closing Date.** The failure of Purchaser to close on or before the Amended Closing Date shall constitute and be deemed a default on the part of Purchaser under Section 12 (A) of the Agreement, in which event the Deposit shall automatically be forfeited by Purchaser and retained by Seller in the form of liquidated damages. Such default to close prior to the Amended Closing Date shall not be subject to the seven (7) day notice and cure period contained in Section 12(A) of the Agreement.

8. Purchaser acknowledges receipt of a copy of the "No Further Action" letter, dated December 13, 2007, from the DEC with regards to the Spill Number and hereby confirms that Seller's obligations to close of record the Spill Number, pursuant to Section 5(a)(6) of the Agreement has been fully satisfied.

9. Pursuant to Section 6(j), Seller commenced a Legal Proceeding against M&M and the M&M License has been terminated. M&M has vacated the Site and the Property will not be conveyed subject to the M&M License.

10. Section 13 of the Agreement is amended in part by deleting all references to any fire or other casualty losses sustained by the Property; it being expressly agreed and understood that Purchaser shall not have the right to terminate the Agreement if any or all of the Improvements are destroyed or damaged. Purchaser further waives any right, title or claim to any fire insurance claims that may be filed or made by Seller in connection with any fire or other casualty loss sustained prior to the Amended Closing Date.

11. Notwithstanding anything to the contrary contained in the Agreement, as modified by this Amendment, if the sale does not occur and title to the Property is not transferred on or before

March 31, 2011, then in such an event either Party, upon ten (10) days prior written notice to the other Party, shall have the unilateral right to terminate the Agreement, without further obligation to the other. After such termination, neither Party shall have any further rights against, or obligations or liabilities to, the other Party by reason of the Agreement, except that the Deposit shall be promptly refunded to the Purchaser.

12. This Amendment shall be effective as of the date hereof.
13. Except as hereby amended, the Agreement is in all respects ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the year and date first above written.

THE BROOKLYN UNION GAS COMPANY

By: Robert A. De Marinis
Name: **Robert A. De Marinis**
Title: **Vice President**

STEEL ARROW, LLC

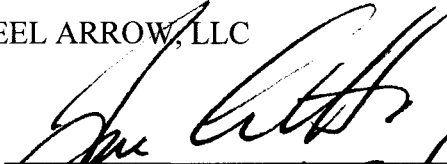
By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the year and date first above written.

THE BROOKLYN UNION GAS COMPANY

By: _____
Name:
Title:

STEEL ARROW, LLC

By: 
Name: Joseph J. Costantino
Title: pres.