2006

The Assemblage of

The Westerly Blockfront of Avenue of the Americas between 30th & 31st Streets

SUBMISSION TO SALES BROKERS COMMITTEE OFTHE REALESTATE BOARD OFNEWYORK 2006 MOSTINGENIOUS DEALOFTHE YEAR AWARD

The Assemblage of the Westerly Blockfront of Avenue of the Americas between 30th and 31st Streets

PROPERTY ADDRESSES:

855 Avenue of the Americas
859 Avenue of the Americas
861 Avenue of the Americas
863 Avenue of the Americas
865 Avenue of the Americas
867-873 Avenue of the Americas
106-108 West 31st Street
New York, New York

SUBMITTED BY:

ROBERTA. Knakal
Chairman

JOHN F. Ciraulo
C.E.O.

DAVIDA. Kalish
Director of Sales

MASSEY KNAKAL REALTY SERVICES
275 MADISONAVENUE, 3RDFLOOR
NEWYORK, NY10016
P: (212) 696-2500 F: (212) 696-0333

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The Sale of 855-873 Avenue of the Americas New York, New York

1) In no more than 50 words, identify the ingenious aspect of the transaction and who is responsible forthat ingenu- ity.

In land assemblage, a casualty during the contract period is usually a good thing but not if a key seller would lose their motivation to sell air-rights in the event their tenanted building was destroyed, making it a development site on its own. In order to overcome a deadlocked impasse, Bob Knakal formulated the application of the Wall Street technique of a "put" and "call" option in the event of a casualty.

2) Briefly summarize the transaction.

This transaction began as the sale of a single building slated to be sold to an owner/user and eventually resulted in a land assemblage which took over 2 ½ years to complete and consisted of seven properties aggregating to approximately 333,806 buildable square feet which was sold at a total price of $117,500,000 or $352 per buildable square foot.

While there were a number of interesting component parts of this transaction, the obstacle that was most creatively overcome was the fact that a significant portion of the footage was in the form of air-rights from a fully occupied six-story office building which was owned by a real estate investor/developer. The issue of casualty came up during the contract negotiation and the seller said that in the event of a casualty he would absolutely not sell as he would then develop the property himself. The buyer would not sign the contract under this circumstance and a steadfast

867-869 AVENUE OF THE AMERICAS

deadlock occurred. Massey Knakal origi- nated the idea of utilizing a Wall Street technique of a "put" / "call" option in the event of a casualty. The hurdles were twofold; first to get the parties to agree to the mechanism and then to set the price for the options. The parties liked the idea con- ceptually and, in a room filled with 7 prin- cipals and 7 attorneys, Massey Knakal

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The Component Pieces of the Site:

106-108 West 31st Street
-Bernstein Family Parking Lot
and also loading dock access for
855 Avenuue of the Americas

867-873 Avenue of the Americas
- Lavin Family building. The first
piece of the puzzle.

Fee Position owned by a trust.

855 Avenue of the Americas
- Bernstein Family multi-tenanted
and fully occupied office building.

859, 861, 863, & 865
Avenue of the Americas
- Bernstein Family taxpayers
which were almost fully occupied.

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articulated the factors needed to be taken into consideration to establish pricing and then set the price for the options. Both parties agreed to the methodology and with the option pricing established by Massey Knakal. This mechanism served as a catalyst for Massey Knakal to convince the sellers to convert this transaction to an outright sale at the option price.

Below is a summary of the component parts of the transaction:

- Providing The Lavin Family ("LF") with a valuation ($18 million) of their building located at 867-873 Avenue of the Americas in the Fall of 2003.

- Advising LF to purchase the fee position under ½ of their building which was subject to a long term ground lease.

- Representing LF in the acquisition of the fee position ($2.6 million) under 867-869 Avenue of the Americas.

- Serving as exclusive agents for LF in the sale of their consolidated ownership of 867-873 Avenue of the Americas.

- Procuring a user buyer for the LF building at $17 million.

- Advising LF that a higher value (at least $20.6 million) could be obtained if the property could be positioned as a development site.

- Negotiating the buyout (confidential amount) of a tenant from the third and fourth floors of the LF building.

- Negotiating the buyout ($250,000) of a long term lease with a cellular telephone provider which had an antenna station on the roof.

- Procuring a developer to buy the LF property at $270 per buildable square foot.($22.27 million).

- Convincing the adjacent property owner, The Bernstein Family ("BF"), to market their parking lot at 106-108 West 31st Street along with their air-rights from the balance of the blockfront (5 properties at 855-865 Avenue of the Americas) along with the LF property to their mutual advan- tage.

- Assisting LF and BF in the determi- nation of the proper value allocation (con- fidential agreement) for the purposes of their joint venture marketing agreement.

- Representing the newly formed joint venture exclusively to market the new site having a total buildable footage of approximately 224,000 square feet.

- Procuring a developer willing to pay $306 per buildable square foot ($68.5 mil- lion).

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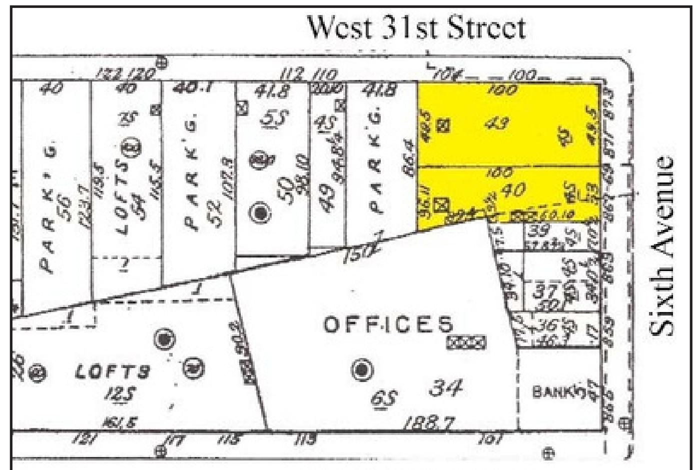
- Overcoming a deadlocked impasse regarding a casualty clause in the contract of sale by originating the idea of using a "put"/ "call" option and establishing the fair option price (a 15% premium or $352 per buildable square foot).

- Convincing BF to convert the transaction into an outright sale of their entire holdings on the block (when combined with the joint venture's site totaled over 333,000 buildable square feet) at the option price.

- Closing on the sale of all 7 component properties in February of 2006 for $117.5 million.

3)Describe the relevant parts of the process from yourinitial involvement to the consummation of the deal.

In the fall of 2003 Massey Knakal team of Bob Knakal, John Ciraulo, and Dave Kalish were contacted by The Lavin Brothers to sell a building they owned at 867-873 Avenue of the Americas located at the south west corner of 31st street and 6th Avenue. The building had 82 feet of frontage on 6th Avenue and 100 feet of frontage on 31st Street. The property was a four story commercial building which had only one tenant remaining on the top two floors with approximately four years remaining on their lease. There was also a cellular antenna station on the roof subject



First Building

to a long term lease. Their ownership was complicated because the property was situated on two tax lots, Lot 40 and Lot 43 and the family did not own the fee position under approximately ½ of the property (Lot 40) and merely had a long term ground lease. The previous owner had unsuccessfully tried for years to buy the fee which was owned by a trust that was never motivated to do anything. We explained to the Lavins that purchasing that fee would greatly enhance the value of their property. We assisted the Lavins with the negotiations and with a lot of persistence the fee was purchased in March of 2004. By the summer of 2004 the Lavins were ready to sell the property. We prepared an Opinion of Value and indicated that we felt the building was worth approximately $18 million based upon a retail user purchasing the property to occupy the basement and first two floors of the building. The Lavins were very happy with this valuation given their investment in the property was in the form of extending a

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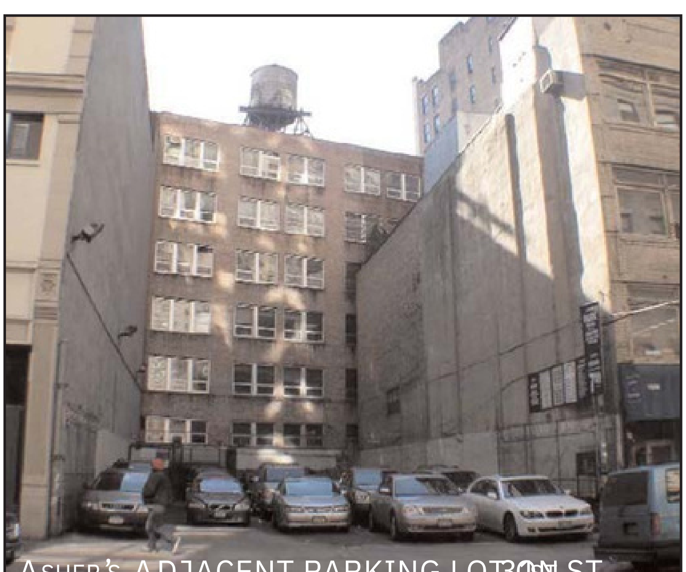
$12 million mortgage to the prior owner which they foreclosed on. We were retained exclusively by the Lavins to sell this property and immediately contacted the neighbor (always a logical buyer) Asher Bernstein of Bernstein Realty to determine if he wanted to purchase it. Asher and his family owned the remainder of the block front consisting of four small taxpayers and a six story office building which had been in his family for over 50 years. Part of Asher's property also consisted of a parking lot which was directly west of and adjacent to the Lavin's property on 31st Street. Asher said he was, of course, interested in the property but not at the "crazy Massey Knakal price" of $21,000,000 which was our asking price. After months of marketing we procured a user buyer willing to pay $17 million for the property and sent a contract out to them.



ASHER'S ADJACENT PARKING LOT ON 31ST ST.

During this time period, the development market in the city was going crazy with what seemed like monthly increases in value per buildable square foot. At the $17 million price, we were achieving $205 per buildable square foot, well below the $250 we thought was the development value. The existing leases were an impediment to obtaining this value so we suggested to the Lavins that before we signed the contract with the user, we explore buyouts of the leases to determine if the development value could be realized. The tenant on the top two floors was not financially strong and had a fairly short lease term remaining. That buyout was relatively straightforward and formulaic. Dealing with Cingular was more difficult as it took quite a while just to figure out whom to speak to. We then assisted with the negotiations with Cingular and, while that negotiation consisted of not only cash but a requirement to relocate them within the neighborhood, a termination agreement was signed.

We withdrew the contract issued to the user and put the property on the market as a development site asking $24 million or about $290 per buildable square foot. Our first call was to Asher but this time we did not ask him if he was a potential buyer. We asked him if he would have interest in selling his properties or his air-rights and his answer was a firm NO! During the next several months we received considerable interest from developers, mainly in the

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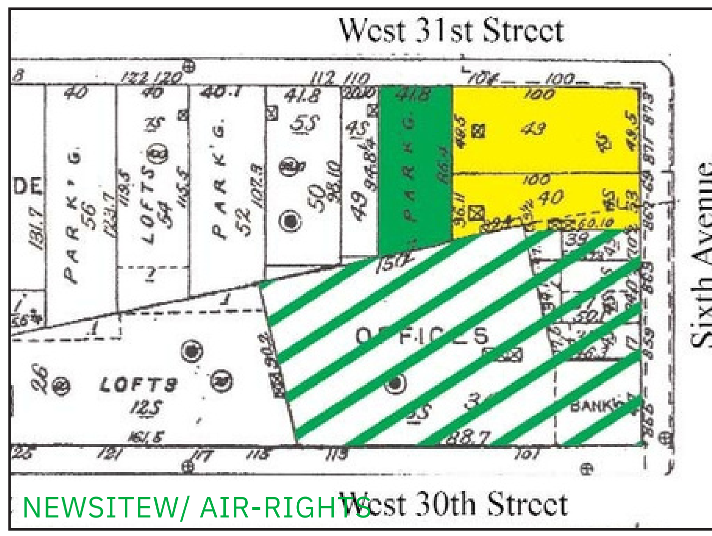
$250 range. The Lavins were thrilled as the pricing inched up to $270 or about $22.3 million. We again called Asher and told him that our activity was good although many developers said the site was on the small side at 82,500 buildable square feet. When we told Asher that we were achieving pricing of $270 he couldn't believe it. It was time for a meeting and we were going to try to convince him to let us add his air-rights and the parking lot to our offering (we did not ask him to include the fee positions to all of his properties as they were multi-tenanted with some relatively long term leases). We believed we could obtain the same $270 for his air-rights because adding the fee to his parking lot would substantially change our footprint and become much more appealing to a developer. He was intrigued by the price and agreed to team up with the Lavins to sell the new site which would have approximately 224,000 buildable square feet. We suggested that a formal joint venture marketing agreement be entered into by the families. We thought it would be best to formally establish their relationship before going to market to avoid allocation disputes when the money was on the table. At this point Massey Knakal got involved in the very delicate negotiation, trying to establish the percentage interests The Lavins and The Bernsteins would have in the joint venture. Bear in mind that Massey Knakal was The Lavin's exclusive agent at this time, but was yet to be retained by The Bernsteins, thus increasing the sensitivities. This new venture (which took months to formalize) signed a new exclusive with Massey Knakal in the spring of 2005.



NEWSITEW/ AIR-RIGHTS

The development market continued to get stronger and stronger as time passed and by the time the new marketing package was ready we were going to ask $325 per buildable square foot or $72.8 million. As the marketing progressed, the activity was very good but there were two competing sites put on the market. Fortunately, the sellers of those sites did not retain exclusive brokers to sell them so their availability was not widely known. (Can you tell that we are brokers?) The blockfront immediately to the south was on the market asking $275 per buildable square foot with total possession possible and a site on the blockfront immediately to the north was available for $300. The development market was moving so rapidly that owners

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who were not fully in the loop did not realize current value.

After months of marketing, we identified a 1031 tax deferred exchange buyer who, after winning a bidding war, agreed to pay $68.5 million for the site or about $306 per buildable square foot. The buyer was a longtime owner of rent regulated buildings and amazingly had never developed a building before. There was a dynamic in the market at this time of non-developers trying to get into the development busi- ness. He was in a bidding war with anoth-er first time developer. The experienced developers with track records were topping out at about $280 per buildable square foot. We agreed to make the deal with the buyer and after two months of contract negotiations a sit down signing was arranged. (During this two months the buyer switched his development partner from an experienced builder to someone claiming to have experience but who appeared to be about 25 years old!) Only a significant contract deposit of 10% incen- tivized the sellers to move forward with this buyer.

A meeting was arranged to sign contracts and there were approximately 16 people in the room. The Lavin family, their attor- neys, the Bernstein family and their attor- neys, the buyer and his two attorneys from two different law firms and the develop- ment partner and his attorney were all present along with Bob Knakal and John Ciraulo. After several hours of negotiating the contract, an issue came up regarding what would happen if there was a casualty during the contract period and Asher's office building at 855 Avenue of the Americas had a significant fire. The buyer said that he would be still willing to move forward with the transaction. However, Asher said that if there were a fire in the building, which would cause most or all of his tenants to leave, he would not sell the air rights as he would, in fact, develop this site himself.

855 AVENUEOFTHEAMERICAS

We were at an impasse in the transaction and neither side would budge. The buyer really wanted to move forward and buy the Lavin's property, Asher's lot and Asher's air-rights in any case as a fire in 855 would not adversely affect his deal. Asher stated that a fire would have a positive effect on the development value of the site and he

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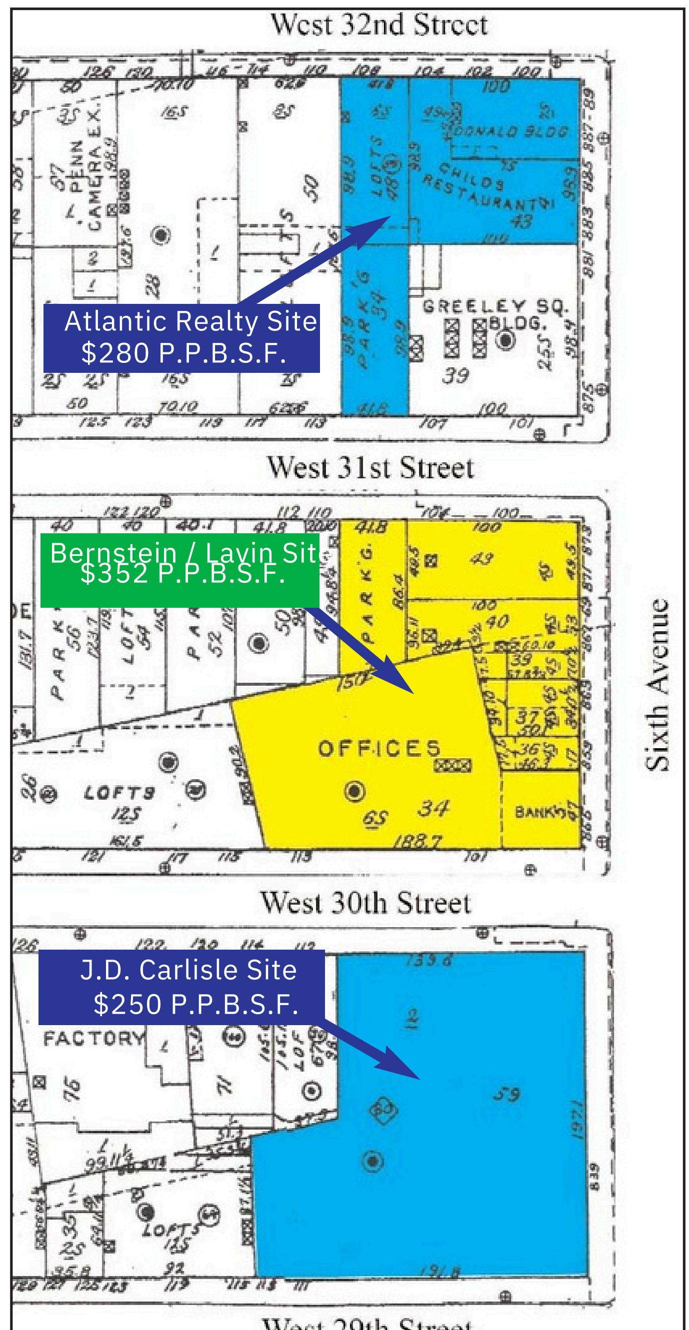
would want to be compensated for losing that opportunity if his air-rights were sold. The Lavins were upset because Asher's problem was creating a road block to them closing their sale and, because their property was vacant, carrying costs were escalating.

Bob then suggested something that he felt would make sense to both parties utilizing a capital markets option mechanism. In the event of a casualty, Asher would have the option to "put" the property to the buyer at a higher price and simultaneously, the buyer would have a "call" option to purchase the property at the agreed upon higher price. Both parties liked the concept; the trick was to determine what that higher price would be. At this point all parties seemed motivated to complete this transaction. Asher then asked Bob what the appropriate price should be for the options. Bob, with all eyes intently on him, explained that the dynamics of the site in terms of layout, lot coverage issues, lack of a necessary easement (Asher's parking lot provided the only access to the loading docks at the rear of 855 which access would have to be provided by the contemplated new building on the northern half of the blockfront), and the appeal from a design perspective for the entire blockfront rather than 1/2 of the blockfront should add a 15% premium to the price. This would lead to an unheard of $352 per buildable square foot for the neighborhood (Jules Demchick paid a reported price of $250 for the site to the south and Atlantic Realty paid a reported price of $280 for the site to the north). Both parties agreed that this mechanism was acceptable and the meeting



COMPETING DEVELOPMENT SITE COMPARISON

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was adjourned for the night to let the attorneys work on redrafting the contracts with the new provisions.

The next morning Bob called Asher and suggested to him that if he was willing to accept the buyer's "call" in the event of a casualty, why not just sell the property to him at that level. Asher agreed and so did the buyer. The next day the contracts were signed and the transaction closed on February 6, 2006.

The “put” / “call” mechanism not only solved the impasse that the negotiations had reached but we also established a new pricing threshold that was acceptable to both parties.

4) Highlight the distinctive characteristics that qualify the transaction forthe award.

In the building sales business there are very few concepts that are truly ingenious. These may consist of the first air-rights transaction, the first condop structure or the first ground lease. The Massey Knakal professionals who handled this transaction had vision and saw beyond the obvious. They exhibited hard work, stick-to-it-iveness and creativity by utilizing a mechanism to overcome the last significant hurdle in this transaction by utilizing an investment banking concept not normally adapted to real estate transactions. They represented the best interests of the two selling families that retained them and truly maximized the result for their clients. We believe that this transaction represents the essence of what a sales broker does. Over two and a half years there were several component actions, negotiations and deals that went into making this entire transaction a reality. These included site analysis, tenant buyouts, joint venture agreement negotiations, marketing (3 different offerings), sales negotiations, overcoming obstacles and all the while looking to maximize the results for their clients.

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Entire Blockfront Photo

Aerial Photo of Entire Site (Shaded Green)

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