

Empire State Realty Trust, Inc.  
Form S-4  
February 13, 2012  
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As filed with the Securities and Exchange Commission on February 13, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**EMPIRE STATE REALTY TRUST, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of

**6798**  
(Primary Standard Industrial

**37-1645259**  
(I.R.S. Employer

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incorporation or organization)

Classification Code Number)

Identification Number)

One Grand Central Place

60 East 42nd Street

New York, New York 10165

(212) 953-0888

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Anthony E. Malkin

Chairman, Chief Executive Officer and President

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

*With copies to:*

Arnold S. Jacobs, Esq.

Larry P. Medvinsky, Esq.

Steven A. Fishman, Esq.

Jason D. Myers, Esq.

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Eleven Times Square

31 West 52nd Street

New York, New York 10036

New York, New York 10019

(212) 969-3000

(212) 878-8000

**Approximate date of commencement of the proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

**CALCULATION OF REGISTRATION FEE**

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price <sup>(1)(2)(3)</sup>	Amount of Registration Fee
Class A Common Stock, par value \$.01 per share	\$1,362,135,000	\$156,101
Total		\$156,101

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o), promulgated under the Securities Act of 1933, as amended.
- (2) Represents the maximum aggregate offering price of shares of Class A common stock issuable upon consummation of the transactions described herein assuming the aggregate purchase price equals the aggregate exchange value of such shares.
- (3) Represents the shares of Class A common stock that will be issued to participants in the three subject LLCs pursuant to this Registration Statement. Participants also may elect at their option to receive cash, to the extent available, subject to a cap. To the extent cash is paid to certain participants in lieu of Class A common stock, the proposed maximum aggregate offering price of the Class A common stock will be proportionately reduced.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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Empire State Building	60 East 42nd St. Associates L.L.C.	250 West 57th St.
Associates L.L.C.	One Grand Central Place	Associates L.L.C.
	60 East 42nd Street	
	New York, New York 10165	

**NOTICE OF CONSENT SOLICITATION TO PARTICIPANTS**

**, 2012**

Malkin Holdings LLC, the supervisor of each limited liability company listed above, requests that you consent to the following:

*Proposed consolidation of your subject LLC into Empire State Realty Trust, Inc.* As described in the attached Prospectus/Consent Solicitation Statement, Malkin Holdings LLC, as supervisor, proposes a consolidation of certain office and retail properties in Manhattan and the greater New York metropolitan area owned by Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C., or the subject LLCs, and certain private entities supervised by the supervisor, and certain related management businesses into Empire State Realty Trust, Inc., or the company. The consolidation is conditioned, among other things, upon the closing of the initial public offering of the company's Class A common stock. The company will issue to each of the participants in the subject LLCs a specified number of shares of Class A common stock that the company expects to be listed on the New York Stock Exchange or, at each participant's option, cash for up to [12-15]% of the shares of Class A common stock issuable to a participant, as described herein. After the series of transactions in which the subject LLCs will be consolidated into the company, the company will own, through direct and indirect subsidiaries, the assets of the subject LLCs and the assets of the private entities, along with certain related management businesses. There are 22 private entities involved in the consolidation, including the operating lessees of each of the subject LLCs, from which all required consents to the consolidation have previously been obtained. Attached to the supplement for each subject LLC as Appendix B is the contribution agreement for each subject LLC, which describes the terms of the consolidation in detail. Only the participants holding participation interests in a subject LLC during the consent solicitation period are entitled to notice of, and to vote **FOR** or **AGAINST**, the proposed consolidation. For the reasons the supervisor believes this proposal is fair and reasonable, see Background of and Reasons for the Consolidation.

*Proposal to authorize the supervisor to sell or contribute the property interests in a third-party portfolio transaction.* As a potential alternative to the consolidation, the supervisor requests that the participants consent to the sale or contribution of the subject LLCs' property interests as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party. The third-party portfolio transaction would be undertaken only if the supervisor determines that the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation and certain other conditions are met. For the reasons the supervisor believes this proposal is fair and reasonable, see Third-Party Portfolio Proposal.

*Voluntary pro rata reimbursement program for expenses of legal proceedings with former property manager and leasing agent.* In addition, the participants are being asked to consent to a voluntary pro rata reimbursement to the supervisor and Peter L. Malkin for the prior advances of all costs, plus interest, incurred in connection with litigations and arbitrations with the former property manager and leasing agent of the properties owned by the subject LLCs. For the reasons the supervisor believes this proposal is reasonable, see Voluntary Pro Rata Reimbursement Program for Expenses of Legal Proceedings with Former Property Manager and Leasing Agent.

The supervisor invites you to vote using the enclosed consent form because it is important that your participation interest in your subject LLC be represented. Please sign, date and return the enclosed consent form in the accompanying postage-paid envelope. You also may revoke your consent to the consolidation, the third-party portfolio proposal, or both, at any time in writing before the later of the date that consents from participants equal

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to the percentage required to approve the consolidation and the third-party portfolio proposal, as applicable, as set forth later in the attached Prospectus/Consent Solicitation Statement are received by your subject LLC and the 60<sup>th</sup> day after the date of the attached Prospectus/Consent Solicitation Statement.

Malkin Holdings LLC

By: Peter L. Malkin

Anthony E. Malkin

Chairman

President

The attached Prospectus/Consent Solicitation Statement is dated

, 2012 and is being mailed to participants on or about , 2012.

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**The information in this Prospectus/Consent Solicitation Statement is not complete and may be changed. A registration statement relating to the securities has been filed with the Securities and Exchange Commission. Empire State Realty Trust, Inc. may not sell the securities offered by this Prospectus/Consent Solicitation Statement until the registration statement filed with the Securities and Exchange Commission becomes effective. This Prospectus/Consent Solicitation Statement is not an offer to sell these securities and Empire State Realty Trust, Inc. is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 13, 2012**

**PROSPECTUS/CONSENT SOLICITATION STATEMENT**

**shares of Class A common stock, par value \$.01 per share**

If you are a participant in any of the following subject LLCs, your vote is very important:

Empire State Building  
Associates L.L.C.

60 East 42nd St.  
Associates L.L.C.

250 West 57th St.  
Associates L.L.C.

Malkin Holdings LLC, the supervisor of three publicly-registered entities, Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C., or the subject LLCs, requests that you, as a holder of a participation interest in one or more of the subject LLCs, vote on whether to approve the proposed consolidation of the subject LLC in which you are a participant into Empire State Realty Trust, Inc., or the company, as part of a consolidation of office and retail properties in Manhattan and the greater New York metropolitan area owned by the subject LLCs and the private entities supervised by the supervisor, along with certain related management businesses, into the company, as described in more detail herein. Such transaction is referred to herein as the consolidation. The principals of the supervisor include Peter L. Malkin and Anthony E. Malkin.

The supervisor believes you will benefit from this consolidation through newly created opportunities for liquidity, enhanced operating and financing abilities and efficiencies, combined balance sheets, increased growth opportunities, enhanced property diversification, and continued leadership by the principals of the supervisor under the accountability of the governance structure of a reporting company with the U.S. Securities and Exchange Commission, or the SEC, with a board of directors consisting predominantly of independent directors. Anthony E. Malkin will be the only management member of the board of directors.

The supervisor believes that the consolidation is the best way for participants to achieve liquidity and maximize the value of their investment in their subject LLC. Following the consolidation, participants may liquidate their investments and realize current values in cash as and when they desire (subject to the restrictions of the applicable U.S. federal and state securities laws and after expiration of the lock-up period as described in this prospectus/consent solicitation) or may hold shares of Class A common stock they receive in the company in which certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin, an executive and principal of the supervisor, will be Chairman, Chief Executive Officer, President and a director of the company.

The supervisor recommends that you vote **FOR** the consolidation. The Malkin Holdings group, (as defined herein) will receive substantial benefits from the consolidation and have conflicts of interest making this recommendation. See Conflicts of Interest.

As a potential alternative to the consolidation, the supervisor also requests that the participants consent to the sale or contribution of the subject LLCs' property interests as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to an unaffiliated third party. While the supervisor believes the consolidation represents the best opportunity for participants to achieve liquidity and to maximize the value of their investment, the supervisor believes it also is in the best interest of all participants for the supervisor to have the flexibility and discretion, subject to certain conditions, to accept an offer for the portfolio of properties from an unaffiliated third party if the

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supervisor determines that the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation.

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The supervisor recommends that you vote **FOR** the third-party portfolio transaction proposal. The Malkin Holdings group will receive substantial benefits from the consolidation and have conflicts of interest making this recommendation. See **Conflicts of Interest**.

Participants also are being asked to consent to a voluntary pro rata reimbursement program pursuant to which the supervisor and Peter L. Malkin, a principal of the supervisor, will be reimbursed for the prior advances of all costs, plus interest, incurred in connection with the legal proceedings required to remove and replace the former property manager and leasing agent. The supervisor believes that the voluntary pro rata reimbursement program is fair and reasonable because the successful resolution of the legal proceedings allowed the properties owned by the subject LLCs and certain of the private entities to participate in a renovation and repositioning turnaround program conceived and implemented by the supervisor. The estate of Leona M. Helmsley, or the Helmsley estate, as part of an agreement with the supervisor covering this and other matters, has paid the voluntary pro rata reimbursement to the supervisor for its pro rata share of costs advanced, plus interest, which totaled \$5,021,048.

This solicitation of consents expires at 5:00 p.m., Eastern time on \_\_\_\_\_, 2012, unless the supervisor extends the solicitation period for one or more proposals.

The Wien group, which consists of each of the lineal descendants of Lawrence A. Wien, including Peter L. Malkin and Anthony E. Malkin (including spouses of such descendants), any estates of any of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of any of the foregoing, collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C.

**The supervisor and the Malkin Holdings group receive substantial benefits and from inception have had conflicts of interest in connection with the subject LLCs, including in connection with the consolidation or a third-party portfolio transaction. There are material risks and potential disadvantages associated with the consolidation or a third-party portfolio transaction. The supervisor and the Malkin Holdings group will receive substantial benefits in connection with the consolidation or a third-party portfolio transaction. See **Risk Factors** beginning on page 60 and **Conflicts of Interest** beginning on page 184.**

THE SUPERVISOR BELIEVES THAT THE CONSOLIDATION PROVIDES SUBSTANTIAL BENEFITS AND IS FAIR TO THE PARTICIPANTS IN EACH SUBJECT LLC AND RECOMMENDS THAT ALL PARTICIPANTS VOTE **FOR** THE CONSOLIDATION. SEE **BACKGROUND OF AND REASONS FOR THE CONSOLIDATION** THE SUPERVISOR'S REASONS FOR PROPOSING THE CONSOLIDATION.

THE SUPERVISOR BELIEVES IT IS IN THE BEST INTERESTS OF THE PARTICIPANTS TO PROVIDE THE SUPERVISOR WITH THE AUTHORITY TO APPROVE A THIRD-PARTY PORTFOLIO TRANSACTION AS AN ALTERNATIVE TO THE CONSOLIDATION AND RECOMMENDS THAT ALL PARTICIPANTS VOTE **FOR** THE THIRD-PARTY PORTFOLIO PROPOSAL. SEE **THIRD PARTY PORTFOLIO PROPOSAL** FOR THE SUPERVISOR'S REASONS FOR RECOMMENDING APPROVAL OF THE PROPOSAL.

THE SUPERVISOR BELIEVES THAT THE VOLUNTARY PRO RATA REIMBURSEMENT PROGRAM IS FAIR AND REASONABLE AND RECOMMENDS THAT ALL PARTICIPANTS WHO HAVE NOT PREVIOUSLY CONSENTED TO THE VOLUNTARY PRO RATA REIMBURSEMENT PROGRAM **CONSENT TO** THE PROPOSAL. SEE **VOLUNTARY PRO RATA REIMBURSEMENT PROGRAM FOR EXPENSES OF LEGAL PROCEEDINGS WITH FORMER PROPERTY MANAGER AND LEASING AGENT** FOR A DISCUSSION OF THE SUPERVISOR'S REASONS FOR RECOMMENDING APPROVAL OF THE PROPOSAL AND THE BENEFITS TO THE SUPERVISOR.



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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Class A common stock or passed upon the accuracy or adequacy of this Prospectus/Consent Solicitation Statement. Any representation to the contrary is a criminal offense.**

After you read this Prospectus/Consent Solicitation Statement, the company and the supervisor urge you to read the accompanying supplement for your subject LLC. The supplement contains information particular to your subject LLC. This information is material in your decision whether to vote **FOR** or **AGAINST** the consolidation.

THIS PROSPECTUS/CONSENT SOLICITATION IS AUTHORIZED FOR DELIVERY TO PARTICIPANTS ONLY WHEN ACCOMPANIED BY ONE OR MORE SUPPLEMENTS RELATING TO THE SUBJECT LLCS IN WHICH SUCH PARTICIPANTS HOLD PARTICIPATION INTERESTS. SEE WHERE YOU CAN FIND MORE INFORMATION.

**WHO CAN HELP ANSWER YOUR QUESTIONS?**

If you have more questions about the proposed consolidation or would like additional copies of this Prospectus/Consent Solicitation Statement or the supplement relating to your subject LLC(s) (which will be provided at no cost), you should contact the person designated on the consent form sent to you.

**To obtain timely delivery, you should request this information no later than \_\_\_\_\_, 2012.**

The date of this Prospectus/Consent Solicitation Statement is \_\_\_\_\_, 2012.

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**EXPLANATORY NOTE:** The information concerning the appraisal by Duff & Phelps LLC, the independent valuer, contained in this Registration Statement on Form S-4 is based on the preliminary appraisal by the independent valuer as of July 1, 2011 and the information concerning the fairness opinion of Duff & Phelps LLC is based on the draft form of fairness opinion provided by the independent valuer. The valuation will be updated as of a date in closer proximity to the effective date of this Registration Statement on Form S-4, and the fairness opinion is expected to be delivered as of a date in closer proximity to such effective date.

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**IMPORTANT NOTICE:** The contents of this Prospectus/Consent Solicitation Statement were not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding U.S. federal income tax penalties that may be imposed on the taxpayer. The following was written to support the promotion or marketing of the transactions addressed by this prospectus/consent solicitation. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The company uses market data and industry forecasts and projections throughout this Prospectus/Consent Solicitation Statement, and in particular in the section entitled **Business of the Subject LLCs**. The company has obtained substantially all of this information from a market study prepared for the company by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm in January 2012. The company has paid RCG a fee for such services. Such information is included herein in reliance on RCG's authority as an expert on such matters. See **Experts**. In addition, the company has obtained certain market data from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable. Forecasts are based on industry surveys and the preparer's expertise in the industry and there is no assurance that any of the projected amounts will be achieved. The company believes this data others have compiled are reliable, but it has not independently verified this information. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which are subject to change without notice.

The term **greater New York metropolitan area** is used herein to refer only to Fairfield County, Connecticut and Westchester County, New York. The manner in which the company defines its property markets and submarkets differs from how RCG has done so in its market study included herein. Further, RCG's definition of the New York metropolitan area differs from the company's definition of the greater New York metropolitan area. RCG's definition includes Putnam County and Rockland County in New York and Bergen County, Hudson County, and Passaic County in Northern New Jersey and excludes Fairfield County in Connecticut.

*Unless the context otherwise requires or indicates, references in this Prospectus/Consent Solicitation Statement, which is referred to herein as the prospectus/consent solicitation, to:*

- (i) the subject LLCs refers to Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C.,*
- (ii) the private entities refer to the privately-held entities supervised by the supervisor, which are all of the entities, other than the subject LLCs, listed in the chart under the section **Summary The Subject LLCs, the Private Entities and the Management Companies**, which will be included in the consolidation,*
- (iii) the company refers to Empire State Realty Trust, Inc. (formerly known as Empire Realty Trust, Inc.), a Maryland corporation, together with its consolidated subsidiaries, including Empire State Realty OP, L.P. (formerly known as Empire Realty Trust, L.P.), a Delaware limited partnership, which is referred to herein as the operating partnership, after giving effect to the series of transactions involving the consolidation of the subject LLCs and the private entities described in this prospectus/consent solicitation that have consented to the consolidation and a combination of (a) Malkin Holdings LLC, a New York limited liability company that acts as the supervisor of, and performs various asset management services and routine administration with respect to, the subject LLCs and certain of the private entities (as discussed in this prospectus/consent solicitation), which is referred to herein as the supervisor; (b) Malkin Properties, L.L.C., a New York limited liability company that serves as the manager and leasing agent to certain of the private entities in Manhattan, (c) Malkin Properties of New York, L.L.C., a New York limited liability company that serves as the manager and leasing agent to certain of the private entities located in Westchester County, New York, (d) Malkin Properties of*

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*Connecticut, Inc. a Connecticut corporation that serves as the manager and leasing agent to certain of the private entities in the State of Connecticut and (e) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provides services to the private entities and third parties (including certain tenants at the properties owned by the private entities), which collectively are referred to herein as the management companies,*

- (iv) the properties refers to the subject LLCs' direct or indirect fee ownership interests in the Empire State Building, One Grand Central Place and 250 West 57th Street, respectively,*
- (v) the properties of the company and the portfolio refer to the properties, the other assets of the subject LLCs, the ownership interests of the private entities in their properties and the other assets of the private entities,*
- (vi) the agents refer to holders of the membership interests in the subject LLCs for the benefit of participants in the agent's participating group; each of the agents is an affiliate of the supervisor,*
- (vii) the participants refer to the holders of participation interests in the membership interests held by the agents and, as applicable, investors in the private entities,*
- (viii) the participation interests refer to the beneficial ownership interests of participants in the membership interest of the subject LLCs held by an agent for the benefit of participants and, as applicable, membership or partnership interests or the beneficial interests therein held by investors in the private entities,*
- (ix) common stock and shares of common stock refer to both shares of the company's Class A common stock, par value \$0.01, and Class B common stock, par value \$0.01 per share, unless otherwise indicated,*
- (x) the IPO refers to the initial public offering of the Class A common stock of the company, and IPO price refers to the price per share of Class A common stock in the IPO,*
- (xi) operating partnership units refer to the operating partnership's limited partnership interests, and*
- (xii) organizational documents refer to the limited liability company agreement, the participation agreements and the terms of any voluntary capital transaction override program and voluntary pro rata reimbursement programs for each subject LLC, to the extent applicable.*

*All references to the enterprise value refer to the value of the company after completion of the consolidation determined in connection with the IPO by the company in consultation with the investment banking firms managing the IPO and prior to the issuance of Class A common stock in the IPO and any issuance of Class A common stock pursuant to equity incentive plans.*

*All references to the aggregate exchange value refer to the aggregate exchange value of the subject LLCs, the private entities and the management companies based on the appraisal by Duff & Phelps, LLC, the independent valuer.*

*All references (other than information labeled as pro forma information, including the pro forma financial statements) to the number of shares of common stock, on a fully-diluted basis, issued in the consolidation refer to the number of shares of Class A common stock and Class B common stock issued or received in the consolidation, prior to the issuance of Class A common stock in the IPO and pursuant to any incentive plans, assuming that (i) the enterprise value in connection with the IPO equals the aggregate exchange value, (ii) the offering price per share in the IPO used herein which is used solely for illustrative purposes equals a hypothetical \$10 per share, (iii) all of the subject LLCs, the private entities and the management companies participate in the consolidation, (iv) no cash is paid to the participants in the subject LLCs, the private*

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*entities or the management companies in the consolidation, (v) no shares of Class A common stock are issued to the supervisor pursuant to the voluntary pro rata reimbursement program, (vi) no fractional shares are issued and (vii) all operating partnership units issued in the consolidation are redeemed on a one-for-one basis and all shares of Class B common stock issued in the consolidation are converted on a one-for one basis for shares of Class A common stock.*

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*The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The aggregate exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.*

*All references to distributions to participants assume that all amounts payable under the voluntary pro rata reimbursement program are paid out of cash distributions from the subject LLCs and the private entities, as applicable and that no shares of Class A common stock are issued to the supervisor for amounts due under the voluntary pro rata reimbursement program.*

*The supervisor has made certain of these assumptions to permit the presentation of information in tables in this prospectus/consent solicitation on a consistent basis. For example, while throughout this prospectus/consent solicitation the supervisor has assumed for purposes of this presentation of information that no cash is paid, cash will be paid to non-accredited investors in the private entities and to participants in the subject LLCs and to certain investors in the private entities that are charitable organizations and exempt from New York City real property transfer tax and elect to receive cash pursuant to the cash option described herein.*

*All references to the stockholders refer to the holders of Class A common stock and Class B common stock of the company.*

*All references to the Malkin Family refer to Anthony E. Malkin, Peter L. Malkin, each of their lineal descendants (including spouses of any of the foregoing), any estates of any of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of any of the foregoing.*

*All references to the Malkin Holdings group refer to the Malkin Family and Thomas N. Keltner, Jr., and his spouse.*

*All references to the Wien group refer to each of the lineal descendants of Lawrence A. Wien, including Peter L. Malkin and Anthony E. Malkin (including spouses of such descendants), any estates of any of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of any of the foregoing.*

*For demonstrative purposes, the supervisor has assigned a hypothetical IPO offering price of \$10 per share. That value is strictly hypothetical and is for illustrative purposes only.*

*All references to the property and assets owned by the company upon completion of the consolidation refer to the company upon completion of the consolidation, without giving effect to the IPO, and assuming that all required consents of the participants in the subject LLCs have been obtained and all of the properties and assets to be acquired from the subject LLCs, the private entities and the management companies pursuant to the consolidation have been acquired.*

*All references to a third-party portfolio transaction refer to the sale or contribution of the subject LLCs' property interests and other assets as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party. The description of the company in this prospectus/consent solicitation assumes that all of the properties and assets to be acquired from the subject LLCs, the private entities and the management companies pursuant to the consolidation have been acquired by the company rather than a third party pursuant to a third-party portfolio transaction.*

*Certain terms and provisions of various agreements are summarized in this prospectus/consent solicitation. These summaries are qualified in their entirety by reference to the complete text of any such agreements, which*

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*are either attached as exhibits or appendices to this prospectus/consent solicitation or the supplement for your subject LLC in the form in which they are expected to be signed (but subject to change, including potentially significant changes, as described below) or filed as an exhibit to the Registration Statement on Form S-4 of which this prospectus/consent solicitation is a part. The parties to such agreements may make changes (including changes that may be deemed material) to the forms of the agreements attached as appendices or exhibits hereto, contained in the applicable supplement or filed as exhibits to the Registration Statement on Form S-4.*

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**QUESTIONS AND ANSWERS ABOUT  
THE CONSOLIDATION**

Q: What am I being asked to approve?

A: The supervisor, which is an affiliate of Peter L. Malkin and Anthony E. Malkin, is submitting the following proposals for your approval:

A consolidation of your subject LLC and certain office and retail properties in Manhattan and the greater New York metropolitan area owned by the subject LLCs and the private entities, all of which are supervised by the supervisor, and certain related management businesses, into the company, which is intended to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes, which is referred to herein as a REIT.

As a potential alternative to the consolidation, the sale or contribution of the subject LLCs' property interests as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party if the supervisor determines that the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation and certain other conditions are met.

Voluntary pro rata reimbursement to the supervisor and Peter L. Malkin for the prior advances of all costs, plus interest, incurred in connection with litigations and arbitrations with the former property manager and leasing agent of the property.

Each of these proposals is subject to a separate consent, and approval of each proposal is not dependent on approval of any other proposal.

Q: Who is the supervisor?

A: The supervisor of the subject LLCs, Malkin Holdings LLC, provides asset management services for, and supervises the operations of, the subject LLCs. Anthony E. Malkin and Peter L. Malkin are principals of the supervisor. The supervisor also provides similar services to the private entities, including the private entities that hold operating lease interests in the properties owned by the subject LLCs.

Q: Why is the supervisor proposing the consolidation?

A: The supervisor believes this transaction represents the logical next step of value creation after years of action under the supervisor's leadership to preserve, restore, and enhance your investment in the subject LLC. Included in that history is a challenging time, which began with litigation commenced in 1997 by Peter L. Malkin and the supervisor to remove Helmsley-Spear, Inc., which is referred to herein as the former property manager and leasing agent (after it was sold by entities controlled by Leona M. Helmsley) as property manager and leasing agent of the properties owned by the subject LLCs and other properties which are now included in the plans for this consolidation.

Since the successful resolution of that litigation, the supervisor has overseen the engagement by the subject LLCs of independent property management and leasing agents and the transformation of the Empire State Building to a self management structure, retaining a third party agent for leasing only; developed and is in the process of effecting a comprehensive renovation and repositioning program for improving the physical condition of and upgrading the credit quality of tenants at the property, and raised the properties' profile as part of a well regarded portfolio brand. The supervisor believes that it is an opportune time for the subject LLCs to take advantage of the opportunity to participate in the consolidation which will afford participants administrative and operating efficiencies, as well as better value protection through diversification.

Additionally, the supervisor believes the consolidation provides value enhancement through better access to capital and options for liquidity for investors who so desire.





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The supervisor has reviewed this transaction carefully and believes that current and anticipated property results provide favorable prospects for the consolidation. The supervisor will consider the capital market conditions at the time the IPO is ready to commence, but the supervisor is confident that a well located, well run, well capitalized portfolio of office and retail properties in Manhattan and in the greater New York metropolitan area is a desirable portfolio for an IPO. The consolidation and IPO will launch the company as a public company with its Class A common stock expected to be listed on the New York Stock Exchange, which is referred to herein as the NYSE, upon completion of the IPO.

The supervisor believes that the consolidation is the best way for participants to achieve liquidity and to maximize the value of their investment in the subject LLCs. The supervisor believes that benefits to participants from the consolidation include:

Liquidity for participants that elect to receive shares of Class A common stock expected to be listed on the NYSE, which investors may sell from time to time as and when they so desire (subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period as described in this prospectus/consent solicitation). Presently there is no active trading market for the participation interest you hold in your subject LLC, which is only an indirect interest in real property subject to an operating lease, which is not under the operational control of your subject LLC;

Anticipated regular quarterly cash distributions on their shares of Class A common stock, which will include distributions of at least 90% of the company's annual net taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains, which is required for REIT qualification as described below;

Conversion of the current governance structure which is inefficient and costly in general and in which participants do not share in the same economic benefit that they would receive through ownership and operation of the properties by a single entity into a modern, centralized and efficient governance structure;

The opportunity to continue to hold interests in an entity operating under the brand developed by the supervisor and to participate in any future growth of the company, while removing obstacles to obtaining true synergies and realization of value, such as combining financings, movements of tenants from one building to another, sharing of employees and management and oversight;

Anticipated value enhancement through operating and capital structure efficiencies and the benefit of property diversification;

The opportunity to continue to hold interests in an entity in which certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin will be Chairman, Chief Executive Officer, President and a director of the company;

The governance structure of an SEC reporting company with its Class A common stock expected to be listed on the NYSE, which provides accountability through the oversight of the company by a board of directors consisting predominantly of independent directors and

Immediate liquidity for those participants that receive cash upon exercise of the cash option.

Q: What is the proposed consolidation upon which I am being asked to vote?

A: You are being requested to approve the consolidation in which your subject LLC will contribute its assets to the operating partnership in exchange for Class A common stock of the company and/or cash. All of the subject LLCs together represent 41.5% of the aggregate exchange value. As part of the consolidation, the company also will enter into similar transactions with the other subject LLCs, private entities and the management companies described elsewhere in this prospectus/consent solicitation.

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Through the consolidation, the company intends to combine the properties of the subject LLCs and the private entities and the assets and operations of the supervisor and the other management companies into the

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company, and intends to elect and to qualify as a REIT for U.S. federal income tax purposes. The closing of the consolidation will occur simultaneously with the closing of an IPO of the company's Class A common stock. If the consolidation is approved by the three subject LLCs, the company acquires the properties from each of private entities and the company acquires the management companies, the company will own 12 office properties which, as of September 30, 2011, encompass approximately 7.7 million rentable square feet of office space, and which were approximately 79.9% leased as of September 30, 2011 (or 83.0% giving effect to leases signed but not yet commenced as of that date). Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.8 million rentable square feet of office space, including the Empire State Building, the world's most famous office building. The Manhattan office properties also contain an aggregate of 432,176 rentable square feet of premier retail space on the ground floor and/or lower levels. The remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing approximately 1.8 million rentable square feet in the aggregate. The majority of the square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, the company has entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of its office properties, that will support the development of an approximately 340,000 rentable square foot office building and garage. As of September 30, 2011, the portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,452 rentable square feet in the aggregate. As of September 30, 2011, the standalone retail properties were approximately 96.8% leased in the aggregate (or 96.8% giving effect to leases signed but not yet commenced as of that date).

The consolidation offers participants the opportunity to become stockholders of the company, which will have as senior management certain executives of the supervisor, a recognized operator of office and retail properties in Manhattan and the greater New York metropolitan area. The supervisor has a comprehensive knowledge of its markets that has been developed through the supervisor's principals' substantial experience. The consolidation also will result in the creation of a company with a board of directors consisting predominantly of independent directors, which will be responsible for overseeing the operations of the company. Anthony E. Malkin will be the only management member of the board of directors.

All of the properties are located in Manhattan and the greater New York metropolitan area, which, according to RCG, is one of the most-prized office markets in the world and a world-renowned retail market due to a combination of supply constraints, high barriers to entry, near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. The supervisor believes that the company will represent a unique opportunity to invest in a well-capitalized company with real estate in these most-prized markets and recognized and respected leadership. The company's primary focus will be to continue to own, operate and manage its current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

**Q:** Has the company received consents from the private entities and the management companies for the consolidation?

**A:** All required consents of the private entities and the management companies, including the consents of the Wien group and the interests of the estate of Leona M. Helmsley (which is referred to herein as the Helmsley estate), to the acquisition by the company of the assets of the private entities and the management companies have been obtained prior to the date of this prospectus/consent solicitation. In addition, the Wien group collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C.

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Q: What are the conditions for the consolidation to close?

A: The following conditions must be satisfied to consummate the consolidation of the subject LLC: (i) requisite consent of the participants in the subject LLC must have been received; (ii) the closing of the IPO and the listing of the Class A common stock on the NYSE or another national securities exchange; (iii) the closing of the consolidation no later than December 31, 2014; (iv) the participation of Empire State Building Associates L.L.C. and the private entity which owns an interest in the Empire State Building participating in the consolidation and (v) other customary conditions. The consolidation is not conditioned on any of the other subject LLCs or private entities participating in the consolidation.

Q: What will I be entitled to receive if I vote **FOR** the consolidation and either proposal is approved by my subject LLC?

A: If you vote **FOR** the consolidation and your subject LLC participates in the consolidation, you will receive shares of Class A common stock in exchange for the participation interest that you own in your subject LLC.

Q: What will I be entitled to receive if I don't vote **FOR** the consolidation and either proposal is approved by my subject LLC?

A: If you vote **AGAINST** the consolidation, you do not vote or you **ABSTAIN**, and your subject LLC participates in the consolidation, if you are a participant in 250 West 57th St. Associates L.L.C., you will receive shares of Class A common stock, and, as set forth under the section entitled Summary Voting Procedures for the Consolidation Proposal and the Third-Party Portfolio Proposal, if you are a participant in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C., your participation interests will be subject to a buyout pursuant to the subject LLC's organizational documents. The buyout amount would be substantially lower than the exchange value. These buyout amounts are \$100 for the interest held by a participant in Empire State Building Associates L.L.C. and \$100 for the interest held by a participant in 60 East 42nd St. Associates L.L.C., as compared to the exchange value of \$33,085 per \$1,000 original investment for Empire State Building Associates L.L.C. and \$38,972 per \$1,000 original investment for 60 East 42nd St. Associates L.L.C., respectively. Prior to an agent purchasing the participation interests of non-consenting participants for the benefit of the applicable subject LLC, the agent will give such participants not less than ten days notice after the required consent is received by a subject LLC to permit them to consent to the consolidation or the third-party portfolio proposal, as applicable, in which case their participation interests will not be purchased.

Q: If my subject LLC consolidates with the company, may I choose to receive something other than shares of Class A common stock?

A: Yes, you will have the option to receive cash (at a price per share equal to the IPO price reduced by the underwriting discount per share paid by the company in the IPO) for up to [12-15] % of the shares of Class A common stock issuable to you in the consolidation, by electing a cash option in the consent form accompanying this prospectus/consent solicitation. This election is referred to herein as the cash option. The cash option provides those participants that wish to receive cash the ability to have immediate liquidity. Participants in the subject LLCs are being provided with the option to enable them to receive cash to cover a portion of U.S. federal income taxes payable in connection with the shares of Class A common stock issued to them in the consolidation. The cash option is limited to [12-15] % to assist the company in meeting the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation.

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**Q:** How was the value of my participation interest determined?

**A:** The value of your participation interest, as described in this prospectus/consent solicitation, was determined based on the exchange value for your subject LLC. The exchange value of your subject LLC and the other subject LLCs, the private entities and the management companies is the value of each of and all these entities based on the appraisal by Duff & Phelps, LLC, which is referred to herein as Duff & Phelps or the independent valuer, which serves as the independent valuer for all the subject LLCs, the private entities and the management companies. Shares of common stock, operating partnership units and/or cash, as applicable, will be allocated among the subject LLCs, the private entities and the management companies based upon the exchange values of each subject LLC, each private entity and the management companies. The exchange value was then allocated among the participants and the holders of the override interests by the independent valuer in accordance with each subject LLC's organizational documents. However, as described elsewhere in this prospectus/consent solicitation, while the exchange value was used to establish the relative value of the properties and participation interests, this value does not necessarily represent the fair market value of your participation interest.

The fair market value of the consideration that you receive will not be known until the pricing of the IPO. The value of the consideration will be based on the enterprise value determined in connection with pricing of the IPO. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

**Q:** How many shares of Class A common stock will I be entitled to receive if my subject LLC is consolidated with the company?

**A:** The number of shares of Class A common stock that will be allocated to each subject LLC in the consolidation based on the exchange value is set forth in the chart under the caption Summary The Consolidation Allocation of Common Stock. You will receive a portion of the Class A common stock allocated to your subject LLC in accordance with your percentage interest in the subject LLC and the subject LLC's organizational documents. The number of shares of Class A common stock presented in this prospectus/consent solicitation is based on the hypothetical \$10 per share exchange value arbitrarily assigned by the supervisor to illustrate the number of shares of Class A common stock that a participant would receive if the enterprise value of the company determined in connection with the IPO were the same as the aggregate exchange value and the IPO price were \$10 per share. The actual number of shares of common stock, on a fully-diluted basis, issued in the consolidation will equal the enterprise value divided by the actual IPO price upon pricing of the IPO. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

**Q:** What are the rights of holders of Class A common stock and Class B common stock?

**A:** Each share of Class A common stock will entitle the holder to one vote, and each outstanding share of Class B common stock will entitle the holder to 50 votes on each matter on which holders of Class A common stock are entitled to vote, including the election of directors, and the holders of shares of Class A common stock and Class B common stock will vote together as a single class. Subject to the provisions of the company's charter regarding the restrictions on ownership and transfer of the company's stock, shares of Class A common stock and Class B common stock will have equal dividend, liquidation and other rights.

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Accredited investors in the private entities and the management companies which had an option to elect operating partnership units at the time that they made their election of consideration in the private solicitation had an option to elect to receive one share of Class B common stock in lieu of one operating partnership unit for every 50 non-voting operating partnership units such participant would otherwise receive in the consolidation.

Q: Why am I being asked to consent to a third-party portfolio proposal?

A: As a potential alternative to the consolidation, you also are being asked to consent to the sale or contribution of the subject LLC's property interest as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party. Through solicitation of consents, for the first time the properties owned by the subject LLCs and the private entities can be joined as a single portfolio. While the supervisor believes the consolidation and IPO represent the best opportunity for participants in the subject LLCs and the private entities to achieve liquidity and to maximize the value of their respective investments, the supervisor also believes it is in the best interest of all participants for the supervisor to be able to approve offers from unaffiliated third parties for the portfolio as a whole.

Market forces are dynamic, unpredictable, and subject to volatility. Should the public awareness of the proposed consolidation and IPO produce potential compelling offers from unaffiliated third parties to purchase the consolidated portfolio, it will be costly and time consuming to solicit consents to allow a sale or contribution of the portfolio to a third party, and there is considerable risk that any opportunity which might appear would be lost without the requested consent in place. Therefore, the supervisor believes that it is advisable to have the flexibility and discretion, subject to certain conditions, to accept an offer for the entire portfolio of properties from an unaffiliated third party, rather than pursue the consolidation and IPO, if the supervisor determines the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation. The supervisor has agreed that it will not accept a third-party offer unless it is unanimously approved by a committee which will include representatives of the supervisor and a representative of the Helmsley estate. Any third-party interested in making a portfolio proposal will be instructed to make its offer for all cash. It is possible that participants or the supervisor and its affiliates may be offered an option to receive securities in lieu of all or a portion of the cash. The supervisor will be authorized to approve offers only if definitive agreements are entered into prior to December 31, 2015 or such earlier date as the supervisor may set with or without notice or public announcement.

Q: What will I be entitled to receive if I don't vote **FOR** the third-party portfolio proposal and it is approved by my subject LLC?

A: If you vote **AGAINST** the third-party portfolio proposal, you do not vote or you **ABSTAIN**, and your subject LLC participates in the third-party portfolio proposal, if you are a participant in 250 West 57th St. Associates L.L.C. you will receive the same consideration as other participants and, as set forth under the section entitled Summary Voting Procedures for the Consolidation Proposal and the Third-Party Portfolio Proposal, if you are a participant in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C., your participation interests will be subject to a buyout pursuant to the subject LLC's organizational documents. The buyout amount would be substantially lower than the exchange value in connection with the allocation of consideration in the consolidation. These buyout amounts are \$100 for the interest held by a participant in Empire State Building Associates L.L.C. and \$100 for the interest held by a participant in 60 East 42nd St. Associates L.L.C., as compared to the exchange value of \$33,085 per \$1,000 original investment for Empire State Building Associates L.L.C. and \$38,972 per \$1,000 original investment for 60 East 42nd St. Associates L.L.C., respectively. Prior to an agent purchasing the participation interests of non-consenting participants for the benefit of the applicable subject LLC, the agent will give such participants not less than ten days' notice after the required consent is received by a subject LLC to permit them to consent to the consolidation or the third-party portfolio proposal, as applicable, in which case their participation interests will not be purchased.

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Q: Why am I being asked to consent to a voluntary pro rata reimbursement program?

A: You are being asked to consent to a voluntary pro rata reimbursement program pursuant to which the supervisor and Peter L. Malkin, a principal of the supervisor, will be reimbursed for the prior advances of all costs, plus interest, incurred in connection with the legal proceedings with Helmsley-Spear, Inc., the former property manager and leasing agent, which resulted in the removal of the former property manager and leasing agent as property manager and leasing agent of the properties owned by the subject LLCs and certain of the private entities and has enabled a renovation and repositioning turnaround program to be implemented by the supervisor. If you consent to the voluntary pro rata reimbursement program, the supervisor and Peter L. Malkin will be reimbursed for your pro rata share of costs, plus interest, previously incurred out of your share of the excess cash of your subject LLC that is being distributed to participants, and, to the extent that is insufficient, the shares of Class A common stock that you would receive in the consolidation or the consideration that you would receive in a third-party portfolio transaction, as applicable, will be reduced by the balance (valued, if the consolidation is consummated, at the IPO price) and such balance would be paid to the supervisor and Peter L. Malkin in shares of Class A common stock, if the consolidation is consummated, or out of distributions that you would receive from the proceeds of a third-party portfolio transaction, if consummated, or out of distributions from operations of the subject LLC.

The table below shows the amount to be received by the supervisor out of the distributions of each consenting participant for each \$1,000 of original investment by a participant pursuant to the voluntary pro rata reimbursement program:

	Exchange Value of Shares of Common Stock to be Received by Participants per \$1,000 Original Investment	Voluntary Reimbursement Per \$1,000 Original Investment	Total
Empire State Building Associates L.L.C.	\$ 33,085	\$ 101	\$ 3,329,234
60 East 42nd St. Associates L.L.C.	\$ 38,972	\$ 236	\$ 1,653,504
250 West 57th St. Associates L.L.C.	\$ 35,722	\$ 204	\$ 733,795

The Helmsley estate, as part of an agreement with the supervisor covering this and other matters, has paid the voluntary pro rata reimbursement to the supervisor for its pro rata share of costs advanced, plus interest, which totaled \$5,021,048.

To consent to this proposal, simply indicate on the enclosed consent form that you want to consent to this proposal, then sign and mail it in the enclosed return envelope as soon as possible. If you **CONSENT** to the voluntary pro rata reimbursement program, your consent is made only with respect to your participation interest, and your participation in the program is not dependent on the consent of any other participant. If you sign and send in your consent form and do not indicate that you want to consent, you will be counted as **NOT** consenting to this proposal. If you indicate on your consent form that you **ABSTAIN**, you will be counted as **NOT** consenting to this proposal.

Q: What is a REIT, and why will the company elect to be a REIT?

A: A REIT is an entity that has elected and qualifies to be taxed as a real estate investment trust under the Internal Revenue Code of 1986, as amended, referred to herein as the Code. A REIT is subject to requirements under the Code related to, among other things, the nature of its income and the composition of its assets, the amount of its annual distributions, and the diversity of its stock ownership. The primary benefit of REIT qualification is that a REIT is generally entitled to a deduction for dividends that it pays and, therefore, is not subject to U.S. federal corporate income tax on its net income distributed to its stockholders if it distributes its net taxable income to its stockholders on an annual basis. Therefore, upon a distribution of dividends by the company to its stockholders, income generated by the company will be taxed only at the stockholder-level. By contrast, a non-REIT C corporation is subject to U.S. federal corporate income tax on its taxable income without regard to dividends paid, and its stockholders are subject to U.S. federal income tax on dividends received.



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Q: What is the operating partnership?

A: The structure of the company generally is referred to as an UPREIT structure. Substantially all of the company's assets will be held directly or indirectly by the operating partnership. Holders of operating partnership units will have the same rights to distributions as stockholders. This structure generally will enable the company to acquire assets in transactions that will not trigger the recognition of gain to the owners of the acquired assets, assuming certain conditions are met.

The company will be the sole general partner of the operating partnership. As the sole general partner of the operating partnership, the company generally has the exclusive power under the operating partnership agreement to manage and conduct the business of the operating partnership, without the consent of the holders of operating partnership units or the stockholders.

The operating partnership units will be owned by the company and by any person who transfers interests or assets to the operating partnership or one of its subsidiaries in exchange for operating partnership units, including participants in the private entities and the Malkin Holdings group that will be issued operating partnership units as part of the consolidation in exchange for their participation interests and override interests in the private entities and the subject LLCs and their interests in certain of the management companies, as applicable. The company will own one operating partnership unit for each outstanding share of common stock.

Q: What is the scope of the public U.S. REIT market?

A: According to the National Association of Real Estate Investment Trusts, as of September 30, 2011, there were approximately 140 REITs in the U.S. that trade on one of the major stock exchanges, with 130 trading on the NYSE. Total equity market capitalization was approximately \$413 billion and the total assets of these listed REITs amounted to approximately \$827 billion.

Q: Who can vote on the consolidation and third-party portfolio proposal?

A: Participants in each subject LLC who hold participation interests in such subject LLC during the consent solicitation period are entitled to vote **FOR** or **AGAINST** each of the proposed consolidation and the third-party portfolio proposal with respect to such subject LLC. In the event of a transfer of a participation interest that previously has been voted, that vote will remain in effect unless revoked by the transferee.

The Wien group collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C.

Q: How do I vote **FOR** the consolidation and the third-party portfolio proposal?

A: Simply indicate on the enclosed consent form how you want to vote for each proposal, then sign and mail it in the enclosed return envelope as soon as possible so that your participation interest may be voted **FOR** or **AGAINST** each proposal. If you sign and send in your consent form and do not indicate how you want to vote on either one of these proposals, your consent will be counted as a vote **FOR** such proposal. If you do not submit your consent form or you indicate on your consent form that you **ABSTAIN** from either proposal, it will have the effect of voting **AGAINST** such proposal. If you vote **FOR** the consolidation and your subject LLC participates in the consolidation, you effectively will preclude other alternatives, other than a third-party portfolio transaction, unless you vote **AGAINST** the third-party portfolio proposal. These alternatives include continuation of your subject LLC and a sale of your subject LLC's interest in the property and the resulting distribution of the net proceeds to its participants. Each of these proposals is subject to a separate consent and approval of each proposal is not dependent on approval of any other proposal.

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Q: Can I change my vote on the consolidation proposal or the third-party portfolio proposal after I mail my consent form?

A: Yes. You can change your vote on the consolidation proposal, the third-party portfolio proposal, or both, at any time before the later of the date that consents from participants holding the required percentage interests are received by your subject LLC and the 60<sup>th</sup> day after the date of this prospectus/consent solicitation. The required percentage interests for Empire State Building Associates L.L.C. is 80% of the outstanding participation interests in each of the three participating groups, for 60 East 42nd St. Associates L.L.C. is 90% of the outstanding participation interests in each of the seven participating groups and for 250 West 57th St. Associates L.L.C. is 75% of the outstanding participation interests in eight out of the ten participating groups. You can change your vote in one of two ways: you can send us a written statement that you would like to change your vote, or you can send us a new consent form. Any change in your vote or new consent form should be sent to MacKenzie Partners, Inc. our vote tabulator.

Q: Are there any tax consequences as a result of the consolidation?

A: You will generally recognize gain or loss for U.S. federal income tax purposes with respect to your participation interest equal to the amount by which the sum of any cash and the value of any shares of Class A common stock you receive in connection with the consolidation, plus the amount of liabilities allocable to your participation interest, exceeds your tax basis in your participation interest. You will recognize phantom income (*i.e.*, income in excess of any cash and the value of any shares of common stock you receive) if you have a negative capital account with respect to your participation interest. The supervisor urges you to consult with your tax advisor to evaluate the tax consequences to you in your particular circumstances as a result of the consolidation.

Q: Will I be able to transfer the shares of Class A common stock I receive in the consolidation?

A: As stockholders, participants will own Class A common stock which is expected to be listed on the NYSE, and therefore will be publicly valued and freely tradable. Participants will be able to achieve liquidity by selling all or part of the shares of Class A common stock (subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period as described herein).

Q: In addition to this prospectus/consent solicitation, I received a supplement. What is the difference between this prospectus/consent solicitation and the supplement?

A: The purpose of this prospectus/consent solicitation is to describe the consolidation generally and to provide you with a summary of the investment considerations generally applicable to all of the subject LLCs. The purpose of the supplement is to describe the investment considerations particular to your subject LLC.

After you read this prospectus/consent solicitation, the supervisor urges you to read the supplement. The supplement contains information particular to your subject LLC. This information is material in your decision whether to vote **FOR** or **AGAINST** the consolidation.

Q: When do you expect the consolidation to be completed?

A: The company plans to complete the consolidation as soon as possible after the receipt of the approval by the required vote of your subject LLC's participants and the approval by the required vote of the other subject LLCs' participants, conditioned on the closing of the IPO. The company is unable to estimate the closing date of the consolidation and has required that it be completed no later than December 31, 2014. Your consent form must be received by \_\_\_\_\_, 2012, unless the supervisor extends the solicitation period. The supervisor reserves the right to extend on one or more occasions the solicitation period for one

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or more proposals for one or more subject LLCs without extending for other proposals or subject LLCs whether or not it has received approval for the consolidation or the third-party portfolio proposal.

Q: If I own participation interests in more than one subject LLC, what should I do?

A: For each subject LLC in which you own a participation interest, in the same mailing in which you received this prospectus/consent solicitation you have received a transmittal letter, supplement and consent form which provides for vote with respect to the consolidation proposal and the third-party portfolio proposal. Regardless of how many subject LLCs in which you own a participation interest, you have received a single copy of the prospectus/consent solicitation. Participants in each subject LLC will vote separately on whether or not to approve the consolidation. Accordingly, if you hold participation interests in more than one subject LLC, you must complete one consent form for each subject LLC in which you are a participant.

Q: Information in this prospectus/consent solicitation is based on a \$1,000 original investment. Where can I find information about my actual original investment?

A: Information is presented in this prospectus/consent solicitation based on a \$1,000 original investment to allow participants to determine the effect on them individually. Information regarding the amount of your actual original investment will be provided on the consent form sent to you.

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**WHO CAN HELP ANSWER YOUR QUESTIONS?**

If you have more questions about the consolidation or would like additional copies of the prospectus/consent solicitation or the supplement relating to your subject LLC(s) (which will be provided at no cost), you should contact the person designated on the consent form sent to you.

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus/consent solicitation and may not contain all of the information regarding the consolidation that is important to you. To understand the consolidation and the third-party portfolio proposal fully and for a more complete description of the terms of and risks related to the consolidation and the third-party portfolio proposal, you should read carefully this entire prospectus/consent solicitation, the accompanying supplement relating to your subject LLC, the accompanying transmittal letter and the other documents to which the supervisor or the company, as applicable, has referred you, including the appendices and documents incorporated into this prospectus/consent solicitation by reference. See *Where You Can Find More Information*.*

**Purpose of this Prospectus/Consent Solicitation**

You are being requested to approve the consolidation in which your subject LLC will contribute its assets to the company as part of the consolidation in exchange for Class A common stock of the company and/or cash. As part of the consolidation, the company also will enter into similar transactions with the other subject LLCs, the private entities and with the supervisor and other management companies that provide services to the subject LLCs and these entities. The company will be led by its Chairman, Chief Executive Officer and President, Anthony E. Malkin, who has provided portfolio leadership as president of the supervisor, while Peter L. Malkin will continue to provide guidance as Chairman Emeritus, all supported by the supervisor's team of executives and staff, who are expected to join the company as part of the consolidation. The consolidation also will result in the creation of a company with a board of directors consisting predominantly of independent directors, which will be responsible for overseeing the operations of the company. Anthony E. Malkin will be the only management member of the board of directors.

The supervisor believes you will benefit from this consolidation through newly created opportunities for liquidity, enhanced operating and financing abilities and efficiencies, combined balance sheets, increased growth opportunities, enhanced property diversification, and continued leadership by the principals of the supervisor under the accountability of the governance structure of a company with its Class A common stock expected to be listed on the New York Stock Exchange, which is referred to herein as the NYSE, and a board of directors consisting predominantly of independent directors.

The supervisor believes this transaction represents the logical next step of value creation after years of action under the supervisor's leadership to preserve, restore, and enhance your investment in the subject LLC. Included in that history is a challenging time, which began with litigation commenced in 1997 by Peter L. Malkin and the supervisor to remove Helmsley-Spear, Inc., the former property manager and leasing agent (after it was sold by entities controlled by Leona M. Helmsley), as property manager and leasing agent of the properties owned by the subject LLCs and other properties, which are now included in the plans for this consolidation.

Since the successful resolution of that litigation, the supervisor has overseen the engagement by the subject LLCs of independent property management and leasing agents, developed and substantially effected a comprehensive renovation and repositioning program for improving the physical condition of and upgrading the credit quality of tenants at the property, and raised the property's profile as part of a well regarded portfolio brand. The supervisor believes that it is an opportune time for the subject LLCs to take advantage of the opportunity to participate in the consolidation which will afford participants the administrative and operating efficiencies, as well as better value protection through diversification. Additionally, the supervisor believes the consolidation provides value enhancement through better access to capital and liquidity for investors who so desire.

The supervisor has reviewed this transaction carefully and believes that current and anticipated property results provide favorable prospects for the consolidation. The supervisor will consider the capital market

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conditions at the time the IPO is ready to commence, but the supervisor is confident that a well located, well run, well capitalized portfolio of office and retail properties in Manhattan and in the greater New York metropolitan area is a desirable portfolio for an IPO.

The consolidation offers participants the opportunity to become stockholders of the company, which is being formed to continue and expand the commercial real estate business of the subject LLCs, the private entities and the management companies participating in the consolidation. The supervisor has developed a comprehensive knowledge of its markets that has been acquired through its senior management team's substantial experience and is a recognized operator of office and retail properties.

Manhattan and the greater New York metropolitan area is one of the most-prized office markets in the world and a world-renowned retail market. Its status is derived from a combination of supply constraints and high barriers to entry, as well as near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. Upon completion of the consolidation, all of the company's properties will be located in Manhattan and the greater New York metropolitan area. The supervisor believes that the company will represent a unique opportunity to invest in a well-capitalized company with real estate in these most-prized markets and recognized and respected leadership. The company's primary focus will be to manage its current portfolio and acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

A subject LLC will participate in the consolidation only if participants holding more than the required percentage of the outstanding participation interests in the subject LLC vote in favor of the consolidation, as described herein.

### **Description of the Company and the Subject LLCs**

#### **Overview**

The company is a self-administered and self-managed real estate investment trust, or REIT, that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. The company was formed to continue and expand the commercial real estate business of the supervisor and its affiliates. The company's primary focus will be to continue to own, manage and operate its current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

As of September 30, 2011, the company owned 12 office properties encompassing approximately 7.7 million rentable square feet of office space, which were approximately 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.8 million rentable square feet of office space, including the Empire State Building, the world's most famous office building. The company's Manhattan office properties also contain an aggregate of 432,176 rentable square feet of premier retail space on their ground floor and/or lower levels. The company's remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing in the aggregate approximately 1.8 million rentable square feet. The majority of square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, the company has entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of its office properties, that will support the development of an approximately 340,000 rentable square foot office building and garage, which is referred to herein as Metro Tower. As of September 30, 2011, the company's portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,452 rentable square feet in the aggregate. As of September 30, 2011, the company's standalone retail properties were approximately 96.8% leased in the aggregate (or 96.8% giving effect to leases signed but not yet commenced as of that date).

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In addition, the company has an option to acquire from three private entities supervised by the supervisor two additional Manhattan office properties encompassing approximately 1.4 million rentable square feet of office space and 153,298 rentable square feet of ground floor retail space. These option properties currently are subject to ongoing litigation and the company has an option to acquire fee, long-term leasehold, sub-leasehold and/or sub-subleasehold interests in these two properties, as applicable, after such litigation is resolved. These properties are referred to herein as the option properties. For more information please see The Company Business and Properties Description of Option Properties.

From 2002 through 2006, the supervisor gradually gained day-to-day management of the company's Manhattan office properties. Since then, the supervisor has been undertaking a comprehensive renovation and repositioning strategy of its Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. From 2002 through September 30, 2011, the subject LLCs and the private entities have invested a total of approximately \$296.0 million (excluding tenant improvement costs and leasing commissions) in its Manhattan office properties pursuant to this program. The company currently intends to invest between \$175.0 million and \$215.0 million of additional capital through the end of 2013. The company expects to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, the company currently estimates that between \$55.0 million and \$65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which the company expects to complete substantially in 2016, due to the size and scope of the company's remaining work and the company's desire to minimize tenant disruptions at the property. The company intends to fund these capital improvements through a combination of operating cash flow and borrowings.

These improvements, within the renovation and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of the company's properties and have contributed significantly to its tenant repositioning efforts, which seek to increase the company's occupancy; raise the company's rental rates; increase the company's rentable square feet; increase the company's aggregate rental revenue; lengthen the company's average lease term; increase the company's average lease size; and improve the company's tenant credit quality. The company has also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in The Company Business and Properties Renovation and Repositioning Case Studies, and the company believes it has the potential to improve the company's operating margins and cash flows in the future. The company believes the company will continue to enhance its tenant base and improve rents as the company's pre-renovation leases continue to expire and be re-leased.

The Empire State Building is the company's flagship property and provides the company with a significant and diversified source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. On a pro forma basis, during the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, the company generated approximately \$156.7 million and \$197.4 million of revenue from the Empire State Building. The ongoing repositioning of the Empire State Building, which comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space, is representative of the company's strategic vision for its Manhattan office properties. To date, the renovation and repositioning efforts have enabled the supervisor to lease significant amounts of space at the Empire State Building to new higher credit-quality tenants, including: LF USA; Skanska; Coty, Inc.; the Federal Deposit Insurance Corporation; Funaro & Co.; LinkedIn; Noven Pharmaceuticals; People's Daily Online USA; Taylor Global; Turkish Airlines; and World Monuments Fund. The company believes completing the

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repositioning program for the Empire State Building, as well as its other Manhattan office properties, represents a significant growth opportunity for the company.

The company is led by Anthony E. Malkin, its Chairman, Chief Executive Officer and President, who has a strong reputation in the industry for quality management, repositioning and marketing expertise. Mr. Malkin, together with the company's senior management team, has developed the company's strategy with a focus on tenant and broker relationships and the cultivation of the company's brand to attract higher credit-quality tenants to its improved buildings and negotiate attractive rental terms. Mr. Malkin has over 23 years of real estate experience specifically in expanding, renovating, repositioning and managing this portfolio. The company's senior management team has an average of approximately 28 years of experience covering all aspects of real estate, including asset and property management, leasing, marketing, acquisitions, construction, development, legal and finance, and Messrs. Malkin, Durels and Keltner worked together for the supervisor for over 22 years, and have supervised the design and implementation of the company's renovation and repositioning program.

### **The Company's Competitive Strengths**

The company believes that it distinguishes itself from other owners and operators of office and retail properties as a result of the following competitive strengths:

**Irreplaceable Portfolio of Office Properties in Midtown Manhattan.** The company's Manhattan office properties are located in one of the most prized office markets in the world due to a combination of supply constraints, high barriers to entry, near-term and long-term prospectus for job creation, vacancy absorption and rental rate growth. The company's management believes these properties could not be replaced today on a cost-competitive basis, if at all. As of September 30, 2011, the company owned seven Manhattan office properties, encompassing approximately 5.8 million rentable square feet of office space, including the Empire State Building, the company's flagship property and the world's most famous office building. All of these properties include premier retail space on their ground floor and/or lower levels, which comprise 432,176 rentable square feet in the aggregate and all of which have recently undergone significant renovations.

**Expertise in Repositioning and Renovating Manhattan Office Properties.** The company has substantial expertise in renovating and repositioning Manhattan office properties, having invested a total of approximately \$296.0 million (excluding tenant improvement costs and leasing commissions) in the Manhattan office properties since the supervisor assumed day-to-day management of these properties beginning with One Grand Central Place in November 2002. The company has gained substantial experience in upgrading, renovating and modernizing (or are in the process thereof) all building lobbies, corridors, bathrooms and elevator cabs and old, antiquated spaces to include new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning, as well as enhanced tenant amenities). The supervisor has successfully aggregated and is continuing to aggregate smaller spaces to offer larger blocks of space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. As part of this program, the supervisor converted some or all of the ground office floors of certain of its Manhattan office properties to higher rent retail space. The company believes that the post-renovation high quality of its buildings and the service the company provides also attract higher credit-quality tenants and allow it to grow cash flow.

**Leader in Energy Efficiency Retrofitting.** The company has pioneered certain practices in energy efficiency at the Empire State Building where the company has partnered with the Clinton Climate Initiative, Johnson Controls Inc., Jones Lang LaSalle and the Rocky Mountain Institute to create and implement a groundbreaking, replicable process for integrating energy efficiency retrofits in the existing built environment. The reduced energy consumption reduces costs for the company and its



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tenants, and the company believes creates a competitive advantage for its properties. The company believes that higher quality tenants in general place a higher priority on sustainability, controlling costs and minimizing contributions to greenhouse gases. The company believes its expertise in this area gives it the opportunity to attract higher quality tenants at higher rental rates and to reduce the company's expenses. As a result of the company's efforts, the Empire State Building is now an Energy Star building and has been awarded LEED EBOM-Gold certification. The Company plans on implementing energy efficiency retrofitting projects in its Manhattan office properties based on its work at the Empire State Building. Finally, the company maintains a series of management practices utilizing recycling of tenant and construction waste, recycled content carpets, low off-gassing paints and adhesives, green pest control and cleaning solutions, and recycled paper products throughout the company's office portfolio. The company believes that its portfolio's attractiveness is enhanced by these practices and that this should result in higher rental rates, longer lease terms and higher quality tenants.

**Attractive Retail Locations in Densely Populated Metropolitan Communities.** As of September 30, 2011, the company's portfolio also included six standalone retail properties and retail space at the ground floor and/or lower levels of its Manhattan office properties, encompassing 636,628 rentable square feet in the aggregate, which were approximately 86.2% leased in the aggregate (or 87.0% giving effect to leases signed but not yet commenced as of that date). All of these properties are located in premier retail corridors with convenient access to mass transportation, a diverse tenant base and high pedestrian traffic and/or main destination locations. The company's retail portfolio includes 615,195 rentable square feet located in Manhattan and 21,433 rentable square feet located in Westport, Connecticut. The company's retail tenants cover a number of industries, including financial services and include AT&T; Ann Taylor; Bank of America; Bank Santander (Sovereign Bank); Best Buy; Billabong; Charles Schwab; Chipotle; Duane Reade; Ethan Allen; the GAP; HSBC; JP Morgan Chase; Loews Theatre; Lululemon; Men's Wearhouse; Nike; Panera Bread; Sprint; Starbucks; Theory; TJ Maxx; and Walgreens.

**Experienced and Committed Management Team with Proven Track Record.** The company's senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. The company has developed relationships the company believes enable it to both secure high credit-quality tenants on attractive terms, as well as provide it with potential acquisition opportunities. The company has substantial in-house expertise and resources in asset and property management, leasing, marketing, acquisitions, construction, development and financing and a platform that is highly scalable. Members of the company's senior management team have worked in the real estate industry for an average of approximately 28 years, and Messrs. Malkin, Durels and Keltner have worked together for the supervisor for over 22 years. Upon completion of the IPO, the company's senior management team is expected to own % of the company's common stock on a fully diluted basis, and therefore their interests are expected to be aligned with those of the company's stockholders, and they are incentivized to maximize returns for the company's stockholders.

**Strong Balance Sheet Well Positioned For Future Growth.** Upon completion of the consolidation and the IPO, the company expects to have pro forma total debt outstanding of approximately \$1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, the company expects to have approximately \$179.1 million of available borrowing capacity under its loans on a pro forma basis. Upon completion of the IPO and on a pro forma basis for the year ended December 31, 2010, the company had a debt-to-earnings before interest, income tax, depreciation and amortization, or EBITDA, ratio of approximately 5.18x. For the year ended December 31, 2010, the company's pro forma EBITDA and pro forma net income were approximately \$201.6 million and \$84.6 million, respectively. The company has no debt maturing in 2012 and approximately \$58.3 million maturing in 2013.

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### **Business and Growth Strategies**

The company's primary business objectives are to maximize cash flow and total returns to its stockholders and to increase the value of the company's properties through the pursuit of the following business and growth strategies:

**Lease-up Available Space at Manhattan Office Properties.** As of September 30, 2011, the company's Manhattan office properties were approximately 76.9% leased (or 80.6% giving effect to leases signed but not yet commenced as of that date) and had approximately 1.1 million rentable square feet of available space (excluding leases signed but not yet commenced). This compares to an average of 90.4% leased in midtown Manhattan according to RCG as of December 31, 2011. The company believes its renovation and repositioning program for its Manhattan office properties is a catalyst for additional lease-up. The company has created large blocks of available space and intends to continue to create such blocks over the next several years as part of the company's comprehensive repositioning strategy to attract larger, higher credit-quality tenants at higher rents for longer lease terms with higher average retention rates and greater prospects for growth. Individual and multiple floors have been assembled and are being assembled for larger users. To date the company believes these efforts have accelerated its ability to lease space to new higher credit-quality tenants, many of which have expanded the office space they lease from the company over time. Examples of this include LF USA, Coty, Inc., the Federal Deposit Insurance Corporation, and Actimize which collectively have leases signed with the company for over 1,275,265 rentable square feet that represent additional annualized base rent of \$51,117,013 as of September 30, 2011. The company also employs a pre-built suite strategy in selected portions of some of the properties to appeal to many credit-worthy smaller tenants by fitting out some available space with new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning) for immediate occupancy.

**Increase Existing Below-Market Rents.** The company believes it can capitalize on the successful repositioning of its Manhattan office portfolio and improving market fundamentals to increase rents. For example, the company expects to benefit from the re-leasing of 26.1%, or approximately 1.5 million rentable square feet (including month-to-month leases), of its Manhattan office leases expiring through December 31, 2014, which the company generally believes are currently at below market rates. These expiring leases represent a weighted average base rent of \$35.72 per square foot based on current measurements. As older leases expire, the company expects to continue to upgrade certain space to further increase rents and the company expects to increase the total rentable square footage of such space as a result of remeasurement and application of market loss factors to the company's space which the company expects will generate additional rental revenue.

**Complete the Redevelopment and Repositioning of the Company's Current Portfolio.** The company intends to continue to increase occupancy, improve tenant quality and enhance cash flow and value by completing the renovation and repositioning of its Manhattan office properties. The company intends selectively to continue to allow leases for smaller spaces to expire or relocate smaller tenants in order to aggregate, demolish and re-demise existing office space into larger blocks of vacant space, which the company believes will attract higher credit-quality tenants at higher rental rates. The company applies rigorous underwriting analysis to determine if aggregation of vacant space for future leasing to larger tenants will improve its cash flows over the long term. In addition, the company is a leader in developing economically justified energy efficiency retrofitting and sustainability and has made it a portfolio-wide initiative. The company believes this makes its properties desirable to high credit-quality tenants at higher rental rates and longer lease terms.

**Pursue Attractive Acquisition and Development Opportunities.** The company will opportunistically pursue attractive opportunities to acquire office and retail properties, including the option properties. The company intends to focus its acquisition strategy primarily on Manhattan office properties and, to a lesser extent, office and multi-tenanted retail properties in densely populated communities in the

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greater New York metropolitan area and other markets the company may identify in the future. The company believes it can utilize its industry relationships (including well-known real estate owners in Manhattan), brand recognition, and expertise in redeveloping and repositioning office properties to identify acquisition opportunities where the company believes it can increase occupancy and rental rates. The company's strong balance sheet, access to capital, and ability to offer operating partnership units in tax deferred acquisition transactions should give the company significant flexibility in structuring and consummating acquisitions.

**Proactively Manage the Company's Portfolio.** The company believes its proactive, service-intensive approach to asset and property management helps increase occupancy and rental rates. The company utilizes its comprehensive building management services and its strong commitment to tenant and broker relationships and satisfaction to negotiate attractive leasing deals and to attract high credit-quality tenants. The company proactively manages its rent roll and maintains continuous communication with its tenants. The company believes long-term tenant relationships will improve its operating results over time by reducing leasing, marketing and tenant improvement costs and reducing tenant turnover.

**Company Information**

As of September 30, 2011, the company had approximately 574 employees, 96 of whom were managers and professionals. The company's principal executive offices are located at One Grand Central Place, 60 East 42<sup>nd</sup> Street, New York, New York 10165. In addition, the company has seven additional regional leasing and property management offices in Manhattan and the greater New York metropolitan area. The company's telephone number is (212) 953-0888. The company's website address is [www.estr.com](http://www.estr.com). The information on or otherwise accessible through the company's website does not constitute a part of this prospectus/consent solicitation.

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**The Properties**

As of September 30, 2011, the company's portfolio consisted of 12 office properties and six standalone retail properties totaling approximately 8.3 million rentable square feet and was approximately 80.4% leased (or 83.3% giving effect to leases signed but not yet commenced as of that date). In addition, the company owned entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage (Metro Tower) at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of the company's office properties, as of September 30, 2011. The table below presents an overview of the company's portfolio as of September 30, 2011:

Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base Rent Per Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Leased Square Foot <sup>(6)</sup>	Number of Leases <sup>(7)</sup>
<b>Manhattan Office Properties</b>								
The Empire State Building	Penn Station-Times Sq. South	1930 / In process					\$ 39.40	
Office <sup>(8)</sup>			2,675,779	67.3%	\$ 62,642,545	\$ 34.79		282
Retail <sup>(9)</sup>			163,655	89.7%	\$ 14,382,077	\$ 98.01		24
One Grand Central Place	Grand Central	1930 / In process					\$ 47.43	
Office			1,157,911	79.7%	\$ 41,343,400	\$ 44.77		306
Retail			68,343	87.1%	\$ 5,713,916	\$ 96.00		19
250 West 57th Street	Columbus Circle-West Side	1921 / In process					\$ 42.73	
Office			476,870	84.6%	\$ 15,760,697	\$ 39.05		191
Retail			53,837	100.0%	\$ 4,479,500	\$ 83.20		6
501 Seventh Avenue	Penn Station-Times Sq. South	1923 / In process					\$ 35.12	
Office			431,971	90.8%	\$ 13,596,266	\$ 34.66		33
Retail			37,765	93.1%	\$ 1,742,195	\$ 49.55		11
1359 Broadway	Penn Station-Times Sq. South	1924 / In process					\$ 37.54	
Office			437,943	96.3%	\$ 15,620,373	\$ 37.03		35
Retail			27,618	78.9%	\$ 1,665,115	\$ 76.37		6
1350 Broadway <sup>(10)</sup>	Penn Station-Times Sq. South	1929 / In process					\$ 56.29	
Office			359,691	74.7%	\$ 10,651,056	\$ 39.65		74
Retail			30,895	100.0%	\$ 5,724,987	\$ 185.30		6
1333 Broadway	Penn Station-Times Sq. South	1915 / In process					\$ 43.98	
Office			296,565	93.2%	\$ 11,391,478	\$ 41.23		10
Retail			50,063	6.4%	\$ 725,713	\$ 226.86		3
<b>Sub-Total / Weighted Average Manhattan Office Properties</b>			<b>6,268,906</b>	<b>77.2%</b>	<b>\$ 205,439,318</b>	<b>\$ 42.47</b>	<b>\$ 42.11</b>	<b>1,006</b>
<b>Office Space</b>			<b>5,836,730</b>	<b>76.9%</b>	<b>\$ 171,005,815</b>	<b>\$ 38.12</b>		<b>931</b>
<b>Retail Space</b>			<b>432,176</b>	<b>81.3%</b>	<b>\$ 34,433,503</b>	<b>\$ 98.06</b>		<b>75</b>
<b>Greater New York Metropolitan Area Office Properties</b>								
First Stamford Place <sup>(11)</sup>	Stamford, Connecticut <sup>(12)</sup>	1986 / 2003	784,487	90.1%	\$ 27,526,218	\$ 38.95	\$ 38.93	36
Metro Center	Stamford, Connecticut <sup>(12)</sup>	1987 / 1999	275,608	100.0%	\$ 12,897,836	\$ 46.80	\$ 47.29	24
383 Main Avenue	Norwalk, Connecticut <sup>(13)</sup>	1985 / 1996	260,468	81.3%	\$ 5,836,564	\$ 27.55	\$ 28.00	19
500 Mamaroneck Avenue	Harrison, New York <sup>(14)</sup>	1986 / 2004	289,682	91.4%	\$ 7,144,466	\$ 26.98	\$ 27.38	30
10 Bank Street	White Plains, New York <sup>(15)</sup>	1989 / 2001	228,933	81.7%	\$ 6,186,454	\$ 33.08	\$ 33.97	27
			<b>1,839,178</b>	<b>89.5%</b>	<b>\$ 59,591,538</b>	<b>\$ 36.21</b>	<b>\$ 36.50</b>	<b>136</b>

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Sub-Total / Weighted Average Greater New York Metropolitan  
Area Office Properties

<b>Total / Weighted Average Office Properties</b>	<b>7,675,908</b>	<b>79.9%</b>	<b>\$ 230,597,353</b>	<b>\$</b>	<b>37.60</b>	<b>1,067</b>
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Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Net Effective		
						Leased Square Foot <sup>(5)</sup>	Rent Per Leased Square Foot <sup>(6)</sup>	Number of Leases <sup>(7)</sup>
<b>Standalone Retail Properties</b>								
10 Union Square	Union Square	1988 / 1997	58,005	92.1%	\$ 3,668,753	\$ 68.64	\$ 70.01	12
1542 Third Avenue	Upper East Side	1993 <sup>(16)</sup>	56,250	100.0%	\$ 2,833,796	\$ 50.38	\$ 47.15	3
1010 Third Avenue	Upper East Side	1963 / 2007 <sup>(17)</sup>	44,662	100.0%	\$ 2,812,709	\$ 62.98	\$ 65.88	2
77 West 55th Street	Midtown	1962 <sup>(16)</sup>	24,102	100.0%	\$ 2,104,651	\$ 87.32	\$ 79.62	3
69-97 Main Street	Westport, Connecticut	1922 / 2005	17,103	88.3%	\$ 1,303,460	\$ 86.33	\$ 89.46	4
103-107 Main Street	Westport, Connecticut	1900 <sup>(16)</sup>	4,330	100.0%	\$ 423,696	\$ 97.85	\$ 94.69	3
<b>Sub-Total / Weighted Average Standalone Retail Properties</b>			<b>204,452</b>	<b>96.8%</b>	<b>\$ 13,147,065</b>	<b>\$ 66.44</b>	<b>\$ 65.78</b>	<b>27</b>
<b>Total / Weighted Average Retail Properties<sup>(18)</sup></b>			<b>636,628</b>	<b>86.2%</b>	<b>\$ 47,580,568</b>	<b>\$ 86.66</b>		<b>102</b>
<b>Portfolio Total</b>			<b>8,312,536</b>	<b>80.4%</b>	<b>\$ 278,177,921</b>	<b>\$ 41.64</b>	<b>\$ 41.43</b>	<b>1,169</b>
<b>Option Properties</b>								
112-122 West 34th Street <sup>(19)</sup>	Penn Station-Times Sq. South	1954 / In process				\$ 34.64		
Office			562,935	86.8%				64
Retail			133,437	100.0%				3
1400 Broadway	Penn Station-Times Sq. South	1930 / In process				\$ 34.09		
Office			853,690	81.0%				84
Retail			19,861	36.8%				6
<b>Option Property Total</b>			<b>1,569,923</b>					<b>157</b>

- (1) For more information regarding the status of ongoing renovations at certain of the company's properties, see The Company Business and Properties Description of the Company's Properties.
- (2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across the company's portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the company's observatory.
- (3) Based on leases signed and commenced as of September 30, 2011 and calculated as (i) rentable square feet less available square feet divided by (ii) rentable square feet.
- (4) Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$3,659,861. Total annualized base rent, net of abatements and free rent, for the company's office properties is \$226,937,492. Annualized base rent for retail properties (including the retail space in the company's Manhattan office properties) is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements, tenant reimbursements and free rent with respect to the retail properties (including the retail space in the company's Manhattan office properties) for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$99,206. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for the company's retail properties is \$47,481,362. Annualized base rent data for the company's office and retail properties is as of September 30, 2011 and does not reflect scheduled lease expirations for the 12 months ending September 30, 2012.
- (5) Represents Annualized Base Rent under leases commenced as of September 30, 2011 divided by leased square feet.
- (6) Net effective rent per leased square foot represents (i) the contractual base rent for leases in place as of September 30, 2011, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of September 30, 2011.
- (7) Represents the number of leases at each property or on a portfolio basis. If a tenant has more than one lease, whether or not at the same property, but with different expirations, the number of leases is calculated equal to the number of leases with different expirations.
- (8) Includes 88,499 rentable square feet of space leased by the company's broadcasting tenants.
- (9) Includes 3,457 rentable square feet of space leased by Host Services of New York, a licensee of the company's observatory.
- (10) Denotes a ground leasehold interest in the property with a remaining term, including unilateral extension rights available to the company, of approximately 39 years (expiring July 31, 2050).
- (11) First Stamford Place consists of three buildings.
- (12) This submarket is part of the Stamford, Connecticut central business district (CBD) submarket as defined by RCG. See Economic and Market Overview.



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- (13) This submarket is part of the South Central Stamford, Connecticut submarket as defined by RCG. See Economic and Market Overview.
- (14) This submarket is part of the Eastern Westchester County submarket as defined by RCG. See Economic and Market Overview.
- (15) This submarket is part of the White Plains, New York CBD submarket as defined by RCG. See Economic and Market Overview.
- (16) No major renovation activity was undertaken at this property
- (17) This property underwent major renovations in 2007 to coincide with the signing of a significant retail lease.
- (18) Includes 432,176 rentable square feet of retail space in the company's Manhattan office properties.
- (19) 112-122 West 34th Street consists of two parcels having separate owners and ownership structures. The real property interests that the company will acquire with respect to the parcel located at 112-120 West 34th Street consist of (i) a ground leasehold interest currently held by 112 West 34th Street Associates L.L.C., a private entity supervised by the supervisor with whom the company has entered into an option agreement and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C., another private entity supervised by supervisor with whom the company has entered into an option agreement. The real property interests that the company will acquire with respect to the parcel located at 122 West 34th Street consist of (i) a fee interest and a subleasehold interest currently held by 112 West 34th Street Associates L.L.C. and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C.

## **The Subject LLCs, the Private Entities and the Management Companies**

The three subject LLCs are publicly-registered limited liability companies originally formed from 1953 to 1961 as partnerships by principals of the supervisor. The principals of the supervisor during this period consisted of Lawrence A. Wien, until his death in 1988, and beginning in 1958, Peter L. Malkin. Anthony E. Malkin joined Peter L. Malkin as a principal in 1989. In exercising control, Anthony E. Malkin and Peter L. Malkin have been, and continue to be, subject to fiduciary duties owed multiple sets of equity owners in each subject LLC and private entity. Each subject LLC was formed to acquire the fee title or long-term ground lease interest in an office property located in New York, New York and to lease the property to an operating lessee, which operates the property. The subject LLCs do not participate in the operations of the property. As lessor, each subject LLC receives from its operating lessee fixed base rent and overage rent (based on a percentage of the operating lessee's profits).

Each operating lessee was formed initially as a partnership, the partners of which included Lawrence A. Wien and Harry B. Helmsley, and later converted to a limited liability company.

The private entities, including the operating lessees, which will contribute their interests in properties to the company, were formed between 1953 and 2008 and own office and retail properties, in one case with adjacent fully entitled land including development approvals, and retail properties.

The management companies provide supervisory and other services for each subject LLC, each operating lessee and the other private entities.



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The following is a list of the subject LLCs and the private entities and the appraised value of the real property interests owned by the subject LLCs and the private entities, before deducting mortgage indebtedness or other liabilities and the exchange value, which is calculated after deducting mortgage indebtedness and other liabilities:

Entity <sup>(1)</sup>	Appraised Property Value <sup>(2)</sup>	Appraised Entity Value	Exchange Value
Empire State Building	\$ 2,520,000,000		
Empire State Building Associates L.L.C.		\$ 1,300,500,000	\$ 1,209,442,285
Empire State Building Company L.L.C. <sup>(3)</sup>		\$ 1,219,500,000	\$ 1,189,775,581
Total		\$ 2,520,000,000	\$ 2,399,217,867
One Grand Central Place	\$ 687,000,000		
60 East 42 <sup>nd</sup> St. Associates L.L.C.		\$ 350,500,000	\$ 303,007,222
Lincoln Building Associates L.L.C. <sup>(4)</sup>		\$ 336,500,000	\$ 286,921,306
Total		\$ 687,000,000	\$ 589,928,528
250 West 57 <sup>th</sup> St.	\$ 316,000,000		
250 West 57 <sup>th</sup> St. Associates L.L.C.		\$ 163,000,000	\$ 142,086,267
Fisk Building Associates L.L.C. <sup>(5)</sup>		\$ 153,000,000	\$ 131,287,437
Total		\$ 316,000,000	\$ 273,373,704
1333 Broadway			
1333 Broadway Associates L.L.C.	\$ 189,000,000	\$ 189,000,000	\$ 136,432,404
1350 Broadway			
1350 Broadway Associates L.L.C.	\$ 186,000,000	\$ 186,000,000	\$ 145,057,081
1359 Broadway			
Marlboro Building Associates L.L.C.	\$ 192,000,000	\$ 192,000,000	\$ 142,870,166
501 Seventh Avenue	\$ 159,000,000		
Seventh & 37 <sup>th</sup> Building Associates L.L.C.		\$ 81,500,000	\$ 56,063,072
501 Seventh Avenue Associates L.L.C.		\$ 77,500,000	\$ 52,625,499
Total		\$ 159,000,000	\$ 108,688,572
69-97 Main Street			
Soundview Plaza Associates II L.L.C.	\$ 25,000,000	\$ 25,000,000	\$ 15,375,300
1010 Third Avenue and 77 West 55 <sup>th</sup> Street			
East West Manhattan Retail Portfolio L.P.	\$ 56,000,000	\$ 56,000,000	\$ 26,582,583
Metro Center			
One Station Place, Limited Partnership	\$ 138,000,000	\$ 138,000,000	\$ 36,970,060
10 Union Square			
New York Union Square Retail L.P.	\$ 49,000,000	\$ 49,000,000	\$ 27,098,031
103-107 Main Street			
Westport Main Street Retail L.L.C.	\$ 5,000,000	\$ 5,000,000	\$ 4,925,541
First Stamford Place <sup>(6)</sup>	\$ 258,000,000		
Fairfax Merrifield Associates L.L.C.		\$ 80,444,400	\$ 4,212,136
Merrifield Apartments Company L.L.C.		\$ 80,444,400	\$ 4,212,136
First Stamford Place L.L.C.		\$ 97,111,200	\$ 4,832,916
Total		\$ 258,000,000	\$ 13,257,187



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Entity <sup>(1)</sup>	Appraised Property Value <sup>(2)</sup>	Appraised Entity Value	Exchange Value
10 Bank Street			
1185 Swap Portfolio L.P.	\$ 45,000,000	\$ 45,000,000	\$ 10,063,663
1542 Third Avenue			
1185 Swap Portfolio L.P.	\$ 32,000,000	\$ 32,000,000	\$ 11,953,171
383 Main Ave			
Fairfield Merrittview Limited Partnership	\$ 40,000,000	\$ 40,000,000	\$ 8,232,647
500 Mamaroneck Ave			
500 Mamaroneck Avenue L.P.	\$ 44,000,000	\$ 44,000,000	\$ 5,986,141
BBSF LLC	\$ 14,600,000	\$ 14,600,000	\$ 14,600,000
Supervisor and Management Companies <sup>(7)</sup>	\$ 14,525,000	\$ 14,525,000	\$ 15,921,278
<b>Total</b>	<b>\$ 4,970,125,000</b>	<b>\$ 4,970,125,000</b>	<b>\$ 3,986,533,923</b>

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an appraised value of \$715,100,000, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) Represents the appraised value of each property owned (or in the case of a property subject to a third-party ground lease, the value of the interest as ground lessee) by or subject to an operating lease with each subject LLC and each private entity and the appraised value of management companies.
- (3) Operating lessee of Empire State Building Associates L.L.C.
- (4) Operating lessee of 60 East 42nd St. Associates L.L.C.
- (5) Operating lessee of 250 West 57th St. Associates L.L.C.
- (6) First Stamford Place L.L.C. is a 37.64% co-tenant with Fairfax Merrifield Associates L.L.C. and Merrifield Apartments Company L.L.C., together owning a 62.36% interest. Merrifield Apartments Company L.L.C. is the operating lessee, owning a 50.00% interest in the co-tenancy, for an aggregate ownership interest of 31.18% in the property.
- (7) The value represents the appraised value of the management companies excluding the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.

**The Supervisor's Reasons for Proposing the Consolidation**

The supervisor proposed the consolidation and recommends that you vote **FOR** the consolidation. The supervisor believes this transaction represents the logical next step of value creation after years of action under the supervisor's leadership to preserve, restore, and enhance your investment in the subject LLC.

The supervisor has overseen the engagement by the subject LLC of independent property management and leasing agents, developed and substantially effected a comprehensive renovation and repositioning program for improving the physical condition of and upgrading the credit quality of tenants at the property, and raised the property's profile as part of a well regarded portfolio brand. The supervisor believes that it is an opportune time for the subject LLC to take advantage of the opportunity to participate in the consolidation which will afford the subject LLC the administrative and operating efficiencies, as well as better value protection through diversification. Additionally, the supervisor believes the consolidation provides value enhancement through better access to capital and options for liquidity for investors who so desire.

The supervisor believes that the consolidation of your subject LLC into the company is the best way for you to maximize the value of your investment in your subject LLC and to achieve liquidity through ownership of shares of Class A common stock expected to be listed on the NYSE, which investors may sell from time to time as and when they so desire (subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period as described in this prospectus/consent solicitation). The supervisor believes that in view of the fact that the subject LLCs own the interests in the properties, but the operating lessees operate the



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properties, it would not be in the best interests of the subject LLCs to sell their interests in the properties separate from a sale by the operating lessees. The private entities (including the operating lessees), with the required consent of their participants, have agreed to transfer their interests in the properties, including their interests in the operating lessees, as part of the consolidation. The supervisor believes that the consolidation, over time, likely will result in higher values for participants in the subject LLCs than if the interests in the properties were sold individually and the subject LLCs were liquidated as a result of increased efficiencies, growth opportunities and other opportunities for value enhancement. The Malkin Holdings group will receive substantial benefits from the consolidation and have conflicts of interest in making this recommendation.

### **Benefits of Participation in the Consolidation**

The supervisor believes that the consolidation will provide you with the following benefits:

*Liquidity.* You will be able to achieve liquidity by selling all or part of your shares of Class A common stock, subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period described under The Consolidation Lock-Up Agreement. The shares of Class A common stock are expected to be listed on the NYSE;

*Regular Quarterly Cash Distributions.* Similar to the subject LLCs present method of operation, the supervisor expects that the company will make regular quarterly cash distributions on its common stock, which will include distributions of at least 90% of the company's annual net taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains, which is required for REIT qualification;

*More Efficient Decision-Making.* Each subject LLC currently requires several internal procedural steps to undertake major transactions, which could affect their ability to take timely advantage of favorable opportunities. Financing and sales require costly and time consuming steps to obtain consent of a very high percentage of the participants in a subject LLC, as well as agreement of the corresponding operating lessee which operates the property and requires the consent of its participants. The company, in contrast, will have a more modern and flexible governance structure;

*Increased Accountability.* As a result of the governance structure of a company with its Class A common stock expected to be listed on the NYSE, stockholders will benefit from the oversight by a board of directors consisting predominantly of independent directors.

*Greater and More Efficient Access to Capital.* The company will have a larger base of assets and believes that it will have a greater variety of options and ability to access the capital markets and the equity value in its assets than any of the subject LLCs individually. As a result, the company expects to have greater and more efficient access to the capital necessary to fund its operations, fund renovations to the properties and consummate acquisitions than would be available to any of the subject LLCs individually. The supervisor believes that it would be extremely difficult for the subject LLCs to obtain similar access to capital due to their size and ownership structure;

*Growth Potential.* The supervisor believes that you have greater potential for increased distributions as a stockholder and increased value from capital appreciation than as a participant in your subject LLC. The supervisor's belief is based on the anticipated growth in the revenues of the initial properties operated as a portfolio under the Malkin brand and potential additional investments by the company;

*Elimination of Risk from Subject LLCs Passive Ownership of the Property Interests.* Each subject LLC owns an interest in a single property subject to an operating lease. The operating lessee operates the property and the subject LLC does not participate in the management of the operations of the property. The market for the interest held by each subject LLC is smaller and the interest less valuable than of the entire property not subject to the operating lease. Following the consolidation, ownership and operation of the properties owned by the subject LLCs and private entities will be integrated;



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*Risk Diversification.* The company will own a larger number of properties and have broader types of properties and tenants than your subject LLC, which owns an interest in a single property. This diversification will reduce the dependence of your investment upon the performance of, and the exposure to the risks associated with, owning an interest in a single property;

*Valuable Synergies.* The subject LLCs presently benefit from being part of a portfolio of properties with a common brand awareness. However, under the current structure, there are major obstacles to obtaining true synergies and realization of value, such as combining financings, movements of tenants from one building to another, sharing of employees and management and oversight. The consolidation will remove such obstacles and free up access to value creation;

*Position in Highly Desirable Marketplace.* The properties owned by the subject LLCs and the private entities are concentrated in Manhattan and the greater New York metropolitan area. The supervisor believes this is one of the most highly desired markets in the world for office and retail properties;

*Reduced Conflicts of Interest.* From inception, the subject LLCs and the private entities were created with conflicts of interest inherent in their structure. Due to the structure, the supervisor represents many different ownership interests. The company will be managed by its officers, subject to the direction and control of its board of directors, which will consist predominantly of independent directors. There will not be separate interests of different groups of owners and there will not be a role for, or requirement of, an outside supervisor. The supervisor believes this structure eliminates the conflicts inherent in the structure which have been there from inception of the subject LLCs and the private entities and more closely aligns the interests among the stockholders and management; and

*Election to Receive Cash.* Participants in the subject LLCs may elect to receive cash (at a price per share equal to the IPO price reduced by the underwriting discount per share paid by the company in the IPO) for up to [12-15] % of the shares of Class A Common stock issuable to them in the consolidation, which is described under Consideration Cash Option, if the consolidation is approved by their subject LLC and the consolidation is consummated. The cash option provides those participants that wish to receive cash the ability to have immediate liquidity with respect to a portion of the shares of Class A common stock issuable to them. Participants in the subject LLCs are being provided with the option to enable them to receive cash to cover a portion of U.S. federal income taxes payable in connection with the shares of Class A common stock issued to them in the consolidation. The cash option is limited to [12-15] % to assist the company in meeting the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation.

**Third-Party Portfolio Transaction**

As a potential alternative to the consolidation, you also are being asked to consent to the sale or contribution of the subject LLC's property interest as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party. Through solicitation of consents, for the first time the properties owned by the subject LLCs and the private entities can be joined as a single portfolio. While the supervisor believes the consolidation and IPO represent the best opportunity for participants in the subject LLCs and the private entities to achieve liquidity and to maximize the value of their respective investments, the supervisor also believes it is in the best interest of all participants for the supervisor to be able to approve offers from unaffiliated third parties for the portfolio as a whole.

Market forces are dynamic, unpredictable, and subject to volatility. Should the public awareness of the proposed consolidation and IPO produce potential compelling offers from unaffiliated third parties to purchase the consolidated portfolio, it will be costly and time consuming to solicit consents to allow a sale or contribution of the portfolio to a third party, and there is considerable risk that any opportunity which might appear would be

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lost without the requested consent in place. Therefore, the supervisor believes that it is advisable to have the flexibility and discretion, subject to certain conditions, to accept an offer for the entire portfolio of properties from a third party, rather than pursue the consolidation and IPO.

The third-party portfolio transaction would be undertaken only if the supervisor determines that the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation, subject to the committee approval described below, and would apply only to an offer from an unaffiliated third-party for the entire portfolio of properties owned by all of the subject LLCs and all of the private entities, subject to exclusions described under the section entitled *Third-Party Portfolio Proposal*. A third-party portfolio transaction also could include the management companies.

Because of the inability to act without consent of the subject LLCs and certain of the private entities, the supervisor intends to inform any unaffiliated third-party which expresses interest in making a third-party offer that it will not consider any offer until after completion of the solicitation of consents of the subject LLCs. If an offer is submitted during the solicitation period, the supervisor may be required to provide information regarding the proposal to participants, to assist them in their decision regarding the consolidation.

The supervisor has agreed that it will not accept a third-party offer unless it is unanimously approved by a committee which will include representatives of the supervisor and a representative of the Helmsley estate. Any third-party interested in making a portfolio proposal will be instructed to make its offer for all cash. It is possible that participants or the supervisor and its affiliates may be offered an option to receive securities in lieu of all or a portion of the cash. The supervisor will be authorized to approve offers only if a definitive agreement is entered into prior to December 31, 2015 or such earlier date as the supervisor may set with or without notice or public announcement.

## **Risk Factors**

### ***The Consolidation or a Third-Party Portfolio Transaction***

The following is a summary of the material risks of the consolidation and the third-party portfolio transaction. The risks are more fully discussed in *Risk Factors*. You should consider these risks in determining whether or not to vote **FOR** the consolidation proposal or the third-party portfolio proposal.

The fair market value of the consideration that you receive will not be known until the pricing of the IPO. The valuation of the shares of Class A common stock that you will receive in the consolidation, as presented in this prospectus/consent solicitation, is based on the exchange value of your subject LLC and the aggregate exchange value. These exchange valuations were based on the appraisal by the independent valuer. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value;

The participants will not know at the time they vote on the consolidation the size, makeup and leverage of the company or the exact number of shares of Class A common stock that the participants in the subject LLCs will receive in the consolidation. The consolidation is conditioned on the participation of Empire State Building Associates L.L.C. and the private entity which owns an interest in the Empire State Building participating in the consolidation but is not conditioned on any of the other subject LLCs or private entities participating in the consolidation. Each subject LLC represents a significant portion of the exchange value and anticipated future net income and cash flow of the company;

The supervisor arbitrarily has assigned \$10 as the hypothetical value of each share of Class A common stock for purposes of illustrating the number of shares of common stock and operating partnership units



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that will be issued to each of the subject LLCs, the private entities and the management companies in the consolidation. The IPO price of the Class A common stock may be below the hypothetical \$10 per share;

After the consolidation and completion of the IPO, your investment will be subject to market risk and the trading price of the Class A common stock may fluctuate significantly and may trade at prices below the IPO price. Your ability to sell shares of Class A common stock will be subject to the restrictions of applicable U.S. federal and state securities laws and subject to the lock-up period described herein;

The value of the shares of Class A common stock to be received by the participants in connection with the consolidation may be less than the fair market value of the participants' participation interests in the subject LLCs;

The consolidation of your subject LLC into the company involves a fundamental change in the nature of your investment, including:

You no longer will hold a participation interest in a subject LLC that owns an interest in a single property subject to an operating lease located in Manhattan. Instead, you will own shares of Class A common stock in the company if the consolidation is consummated, which will own a portfolio of office and retail assets in Manhattan and the greater New York metropolitan area;

Historically, the supervisor generally has not reinvested the proceeds from a sale of properties by investment programs that it supervises, although it is not restricted from doing so. Net proceeds which are not reinvested or reserved in the supervisor's discretion would be distributed to the participants in accordance with each subject LLC's organizational documents. The company expects to reinvest the proceeds from sales of its properties;

While the participants in Empire State Building Associates L.L.C. in 2008 authorized the supervisor to obtain financing to invest in properties, none of the subject LLCs has acquired any additional properties. The company may raise additional funds through equity or debt financings to make future acquisitions of properties and

The company will own, and in the future may invest in, types of properties different from those in which your subject LLC has invested;

While the subject LLCs' exchange values have been determined based on the appraisal by the independent valuer, and they have received a fairness opinion from the independent valuer, no independent representative was retained to negotiate on behalf of the participants. If a representative or representatives had been retained for the participants, the terms of the consolidation might have been different and, possibly, more favorable to the participants;

While the independent valuer appraised each property, the independent valuer's fairness opinion addressed only the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among the subject LLCs, the private entities and the management companies and (ii) to the participants in each subject LLC and each private entity (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities);

The independent valuer's fairness opinion cannot address the market value of the Class A common stock you will receive, which can only be set by the market value at the time the IPO is consummated or the amount of cash participants may receive;

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For each subject LLC, approval of the consolidation by the requisite vote of the participants will cause the subject LLC to participate in the consolidation, whether you vote **FOR** or **AGAINST** the consolidation;

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The organizational documents provide that if more than a specified percentage of participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. approve an action, the agents may purchase on behalf of the subject LLC the participation interests of participants who do not approve such action, and that price would be substantially below the exchange value of the participation interests. If the required consent of the participation interests in a subject LLC approves the consolidation, an agent's participating group will purchase on behalf of the subject LLC the participation interests of the participants that do not approve the consolidation, at a price substantially below the exchange value of the participation interests;

If the required percentage of participation interests in a subject LLC approves the consolidation and the subject LLC is consolidated with the company, the subject LLC no longer can enter into alternatives to the consolidation. These alternatives include (i) continuation of the subject LLC and (ii) a sale of the subject LLC's interest in the property followed by the distribution of the net proceeds to its participants;

From inception, the supervisor, the agents and their affiliates have served in their respective capacities with respect to each subject LLC and each private entity with conflicts of interest and as such have conflicts of interest in connection with the consolidation;

The Malkin Holdings group will receive shares of Class A common stock, Class B common stock and operating partnership units which are redeemable for cash or, at the company's election, Class A common stock, having an aggregate value of \$642,208,000, which they are entitled to receive, and will be allocated to them in accordance with the subject LLCs' and private entities' organizational documents, and their interests in the management companies, which will be allocated to them in accordance with the valuations of the management companies by the independent valuer, based on the hypothetical \$10 per share exchange value that the supervisor arbitrarily assigned for illustrative purposes. This is in addition to any operating partnership units issuable in respect of the voluntary pro rata reimbursement program consented to by participants in the subject LLCs and its share of distributions of any cash available for distribution from the subject LLCs prior to the consolidation. The Malkin Holdings group also will receive other benefits from the consolidation, and have interests that conflict with those of the participants;

You generally will recognize gain or loss for U.S. federal income tax purposes with respect to your participation interest equal to the amount by which the sum of any cash and the value of any shares of Class A common stock you receive in connection with the consolidation, plus the amount of liabilities allocable to your participation interest, exceeds your tax basis in your participation interest. You will recognize phantom income (*i.e.*, income in excess of any cash and the value of any shares of Class A common stock you receive) if you have a negative capital account with respect to your participation interest. The supervisor urges you to consult with your tax advisor to evaluate the tax consequences to you in your particular circumstances as a result of the consolidation. As a result of the cap on the cash option, even if you elect to receive cash in the consolidation, you may not be able to receive sufficient cash to pay your tax liabilities resulting from the consolidation. In addition, due to the lock-up on your shares of Class A common stock, you may not be able to sell your shares of Class A common stock to realize cash at the time such sale may be required to meet any tax or estimated tax obligation;

The participants in the subject LLCs will have different U.S. federal income tax and other tax consequences from the tax consequences of participants in the private entities and the Wien group. The participants in the subject LLCs will be issued shares of Class A common stock and/or cash in taxable transactions. The Wien group will receive operating partnership units and/or shares of Class A common stock and/or Class B common stock in transactions that are intended to qualify, in whole or in part, as tax deferred transactions for U.S. federal income tax purposes. The participants in the private entities also will receive operating partnership units and/or shares of Class A and/or Class B common stock in transactions that are intended to qualify, in whole or in part, as tax deferred transactions for U.S. federal income tax purposes;

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The supervisor may not approve a third-party portfolio transaction even if it provides for more consideration than to be issued or paid pursuant to the consolidation. The supervisor does not expect that it would approve a third-party portfolio transaction unless the supervisor believes it is an adequate premium above the value expected to be realized over time from the consolidation. The supervisor has agreed that it will not accept a third-party offer unless it is unanimously approved by a committee which will include representatives of the supervisor and a representative of the Helmsley estate;

If the required percentage of the participants consent to the third-party portfolio proposal, participants in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. who voted **AGAINST** the third-party portfolio proposal will be bought out regardless of whether there is a third-party portfolio offer at a price substantially below the exchange value of their participation interests;

At the time you vote on the third-party portfolio proposal, there will be significant uncertainties as to the terms of any third-party portfolio transaction, which may not be received until after the consent solicitation has been completed, including the amount of consideration you would receive if a third-party portfolio transaction is consummated. These uncertainties affect your ability to evaluate the third-party portfolio proposal. The supervisor may approve a third-party portfolio transaction which you may view as less favorable than the consolidation; and

The supervisor, the agents and their affiliates serve in their respective capacities with respect to each subject LLC and each private entity, and, as such, have conflicts of interest in connection with decisions concerning the terms of a third-party portfolio transaction.

***Ownership of Shares of Common Stock in the Company***

The following is a summary of the material risks of ownership of shares of common stock in the company.

There is no assurance as to the amount or source of funds for the estimated initial cash distributions of the operating partnership or the company, and the expected initial cash distributions to the participants following the consolidation could be less than the estimated cash distributions participants would receive from their respective subject LLCs;

All of the company's properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, and adverse economic or regulatory developments in this area could materially and adversely affect the company;

Adverse economic and geopolitical conditions in general and in Manhattan and the greater New York metropolitan area commercial office and retail markets in particular, could have a material adverse effect on the company's results of operations, financial condition and its ability to make distributions to its stockholders;

There can be no assurance that the company's renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that the company will achieve the results it expects from the renovation and repositioning program, which could materially and adversely affect the company's financial condition and results of operations;

The company may be unable to renew leases, lease vacant space or re-lease space on favorable terms as leases expire, which could materially and adversely affect the company's financial condition, results of operations and cash flow;

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The company is exposed to risks associated with property redevelopment and development that could materially and adversely affect its financial condition and results of operations;

The company depends on significant tenants in its office portfolio, including LF USA, Legg Mason, Thomson Reuters, Warnaco, and the Federal Deposit Insurance Corporation, which together represented approximately 18.4% of the company's total portfolio's annualized base rent as of September 30, 2011;

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The company's dependence on rental income may materially and adversely affect its profitability, its ability to meet its debt obligations and its ability to make distributions to its stockholders;

The company's option properties are subject to various risks, and the company may not be able to acquire them;

Competition for acquisitions may reduce the number of acquisition opportunities available to the company and increase the costs of those acquisitions, which may impede the company's growth;

The observatory operations at the Empire State Building are not traditional real estate operations, and competition and changes in tourist trends may subject the company to additional risks;

The broadcasting operations at the Empire State Building are not traditional real estate operations, and competition and changes in the broadcasting of signals over air may subject the company to additional risks;

The company's outstanding indebtedness upon completion of the IPO reduces cash available for distribution and may expose the company to the risk of default under its debt obligations;

The continuing threat of a terrorist event may materially and adversely affect the company's properties, their value and the ability to generate cash flow;

The company may assume unknown liabilities in connection with the consolidation, which, if significant, could materially and adversely affect its business;

The departure of any of the company's key personnel could materially and adversely affect the company;

The company's Chairman, Chief Executive Officer and President has outside business interests that will take his time and attention away from the company, which could materially and adversely affect the company;

The company's operating performance and value are subject to risks associated with real estate assets and the real estate industry, the occurrence of which could materially and adversely affect the company;

The company has no operating history as a REIT or as a publicly-traded company and its lack of experience could materially and adversely affect the company;

Certain provisions of Maryland law could inhibit changes in control of the company, which could negatively affect the market price of the Class A common stock;

There will be no public market for the Class A common stock prior to the IPO and an active trading market may not develop or be sustained following the IPO, which may negatively affect the market price of shares of the Class A common stock and make it difficult for investors to sell their shares;

Cash available for distribution may not be sufficient to make distributions at expected levels;

Failure of the company to qualify or remain qualified as a REIT would subject the company to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to the company shareholders; and

The REIT distribution requirements could require the company to borrow funds during unfavorable market conditions or subject the company to tax, which would reduce the cash available for distribution to the stockholders.

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**Conflicts of Interest and Benefits to the Supervisor and its Affiliates**

From inception of the subject LLCs, the supervisor, the agents of the subject LLCs and their respective affiliates and related persons have served as supervisor, agents for groups of participants or in a similar capacity with respect to each subject LLC and each private entity with conflicts of interest and as such have conflicts of interest in connection with the consolidation. The supervisor and its affiliates will receive benefits as a result of the consolidation or a third-party portfolio transaction. These benefits and conflicts include:

The Malkin Holdings group will receive 64,220,800 shares of Class A common stock, Class B common stock and operating partnership units, which they are entitled to receive and will be allocated to them in accordance with the subject LLCs' and private entities' organizational documents, and their interests in the management companies which will be allocated to them in accordance with the valuations of the management companies by the independent valuer, based on the hypothetical \$10 per share exchange value arbitrarily assigned by the supervisor for illustrative purposes. The shares of common stock and operating partnership units that the Malkin Holdings group will receive have an aggregate value of \$642,208,000, based on the hypothetical \$10 per share exchange value that the supervisor arbitrarily assigned for illustrative purposes;

The amounts received by the supervisor and the Malkin Holdings group in respect of the override interests and participation interests generally will be in the form of operating partnership units instead of shares of common stock. In addition, the shares of common stock and operating partnership units issued to the Malkin Family in respect of their interests in the management companies are also intended to be issued on a tax deferred basis. As a result, unlike other holders of participation interests in the subject LLCs, the supervisor and its affiliates will receive their interests in what are expected to be tax-deferred transactions;

Following the consolidation, certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin will be Chairman, Chief Executive Officer, President and a director of the company;

The company intends to enter into an employment agreement with Anthony E. Malkin providing for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances as described under Management Employment Agreement, and it is expected that other members and officers of the supervisor will be officers and employees of the company;

Members, managers and officers of the supervisor, who will be employed by the company, will be indemnified by the company for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against them for actions taken as officers and as a director of the company and for actions taken on behalf of the supervisor and other management companies, in their capacities as such, including actions relating to the consolidation;

As part of the consolidation, the operating partnership intends to enter into a tax protection agreement with Peter L. Malkin and Anthony E. Malkin pursuant to which the operating partnership will agree to indemnify the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership's sale, transfer, conveyance or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent approximately 17.8% of the company's annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the consolidation, for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both of Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by these properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an



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amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of \$160 million of aggregate indebtedness meeting certain requirements, until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such investor received in the consolidation;

The company will release (i) Anthony E. Malkin and Peter L. Malkin from all claims, liabilities, damages and obligations against them related to their ownership of interests in any of the subject LLCs or the private entities and (ii) certain members of the company's senior management team who were officers or employees of the supervisor from all claims, liabilities, damages and obligations against them related to their ownership in the subject LLCs, the private entities and the management companies and their employment with the management companies that exist at the closing of the consolidation, other than breaches by them or entities related to them, as applicable, of the employment and non-competition agreement and the contribution agreements and the merger agreements entered into by them and these entities in connection with the consolidation;

Anthony E. Malkin and Peter L. Malkin will be released from or indemnified for liabilities arising under certain bad boy guarantees with respect to approximately \$1.12 billion of the mortgage loans (including currently undrawn amounts) on the properties, which will be assumed by the company upon closing of the consolidation. In connection with this assumption, the company will seek to have the guarantors released from these guarantees and to have the operating partnership assume any such guarantee obligations as a replacement guarantor. To the extent the lenders do not consent to the release of these guarantors, and they remain guarantors on assumed indebtedness following the consolidation, the operating partnership will enter into indemnification agreements with the guarantors pursuant to which the operating partnership will be obligated to indemnify such guarantors for any amounts paid by them under guarantees with respect to such assumed indebtedness;

The supervisor and the Malkin Family may hold a greater interest (including their share of distributions in respect of the override interests) in other subject LLCs or private entities than in your subject LLC, including, in the case of 250 West 57th St. Associates L.L.C., the private entity which is the operating lessee of the property it owns. Accordingly, they would be benefited to the extent that a greater portion of the exchange value is allocated to other subject LLCs or private entities than to your subject LLC;

After the consolidation, the company intends to enter into management agreements with the entities that own interests in the excluded properties and excluded businesses, which entities are owned in part by Anthony E. Malkin. There may be conflicts of interest in the allocation of his time between the company and his other interests;

The operating partnership has entered into option agreements with three private entities controlled by the supervisor;

The company intends to enter into management agreements with the entities that own long-term leasehold, sub-leasehold and/or sub-subleasehold interests in the option properties, which entities are owned in part by Anthony E. Malkin, together with members of the Malkin Family and supervised by the supervisor;

Affiliates of the supervisor also will retain interests in the option properties, certain other properties to which the company will provide management services and certain excluded businesses. Affiliates of the supervisor are subject to conflicts of interest in connection with the terms of these arrangements;

Effective upon consummation of the consolidation, the company expects to grant long-term investment plan units and/or restricted shares of Class A common stock, subject to certain vesting requirements to each of its executive officers, including officers of the supervisor.



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The supervisor and its affiliates may have a conflict of interest in deciding whether to approve a third-party portfolio transaction and with respect to the terms of the third-party portfolio transaction due to the benefits that the Malkin Holdings group could receive in that transaction and

The Malkin Family could receive tax benefits from a third-party portfolio transaction that are more favorable than those received by other participants.

### **The Consolidation**

#### **Principal Components of the Consolidation**

The consolidation will consist of the following principal components:

The subject LLCs that approve the consolidation will contribute their assets to the operating partnership or subsidiaries of the operating partnership. As a result, the company will own an interest in each subject LLC's property indirectly through its ownership of the operating partnership, and the operating partnership or its subsidiaries generally will assume each subject LLC's liabilities. The company will issue Class A common stock to the participants in the subject LLCs (other than the supervisor and the Wien group who will receive operating partnership units), and participants will have a right to elect to exercise the cash option for up to [12-15]% of the shares of Class A common stock issuable to them in the consolidation. Each subject LLC will enter into a contribution agreement conditioned on (i) the requisite consent of the participants in the subject LLC; (ii) the closing of the IPO and the listing of the Class A common stock on the NYSE or another national securities exchange; (iii) the closing of the consolidation no later than December 31, 2014; (iv) the participation of Empire State Building Associates L.L.C. and the private entity that is the operating lessee of the Empire State Building participating in the consolidation; and (v) other customary conditions;

Based on the hypothetical exchange value of \$10 per share which the supervisor has arbitrarily assigned for illustrative purposes, the company will issue to participants in the private entities and the equityholders of the management companies 114,156,728 operating partnership units having an exchange value of \$1,141,567,280; 6,291,637 shares of Class A common stock having an exchange value of \$62,916,376; and 835,157 shares of Class B common stock having an exchange value of \$8,351,574 (not including any additional shares of Class A common stock that may be issued to charitable organizations as described below). In addition, participants in the private entities who are non-accredited investors who would have been entitled to 6,978,965 shares of common stock on a fully diluted basis having an exchange value of \$69,789,652, will receive cash at a price per share equal to the offering price in the IPO. Participants in the private entities who are charitable organizations, including the Helmsley estate, who would have been entitled in the aggregate to 104,600,982 shares of common stock on a fully diluted basis having an exchange value of \$1,046,009,823 that have made a cash election will receive cash, subject to a cut back (at a price per share equal to the IPO price reduced by the underwriting discount per share paid by the company in the IPO) and will receive Class A common stock for the balance;

As part of the consolidation, each private entity will contribute its property interest and other assets, other than interests in certain properties excluded from the consolidation, to the operating partnership or its subsidiary, in exchange for operating partnership units or, at the option of the participants in the private entities, shares of common stock and/or cash. The private entities (including the operating lessees) with the required consent of their participants, have agreed to transfer their interests in the properties, including their interests in the operating lessees, as part of the consolidation. Each private entity has entered into a contribution agreement conditioned on (i) the closing of the IPO and the listing of the Class A common stock on the NYSE or another national securities exchange; (ii) the closing of the consolidation no later than December 31, 2014; (iii) the participation of Empire State Building

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Associates L.L.C. and the private entity which owns an interest in the Empire State Building participating in the consolidation; (iv) the delivery of a fairness opinion by the independent valuer to the private entities and (v) other customary conditions;

The company will acquire pursuant to a contribution agreement with the supervisor and the Wien group the participation interests and override interests they hold in the subject LLCs in exchange for operating partnership units;

Accredited investors in the private entities and the management companies which had an option to elect operating partnership units at the time that they made their election of consideration in the private solicitation had an option to elect to receive one share of Class B common stock in lieu of one operating partnership unit for every 50 operating partnership units such participant would otherwise receive in the consolidation. Each outstanding share of Class B common stock will entitle the holder to 50 votes on each matter on which holders of Class A common stock are entitled to vote, including the election of directors. The Class B common stock provides the holders thereof voting rights that generally correspond to their economic interests in the company, assuming such accredited investor elected to receive the maximum amount of Class B common stock to which it was entitled in the consolidation. No accredited investor receiving shares of Class B common stock will hold shares of common stock with an aggregate voting power that exceeds such accredited investor's economic interest in the company. Shares of Class B common stock may be converted into Class A common stock at any time and are subject to automatic conversion into an equal number of shares of Class A common stock upon a direct or indirect transfer of Class B common stock or certain transfers of the operating partnership units held by the holder of Class B common stock to a person other than a qualified transferee;

The company will acquire through merger the supervisor and the other management companies, which are owned by the same persons as own the supervisor. Holders of interests in the management companies will receive shares of common stock or operating partnership units in exchange for the interests in such entities;

Charitable organizations, including the Helmsley estate were granted a cash option because the payment of cash to such charitable organizations pursuant to the cash option is not expected to affect the company's ability to meet the conditions for obtaining the reduced New York City transfer tax rate applicable to REITs. These charitable organizations had the option to receive cash at a price per share equal to the IPO price per share (reduced by the underwriting discount per share paid by the company in the IPO) to the extent of cash available from the IPO for this purpose. To the extent that there is not sufficient available cash to pay in full the cash payable to electing charitable organizations, there will be a pro rata reduction in the cash received by each electing charitable organization and the balance will be in the form of Class A common stock;

Pursuant to the cash option referred to in the preceding paragraph, the Helmsley estate and other charitable organizations have exercised the cash option as to all of the operating partnership units issuable to them in the consolidation (which based on the exchange values represents 25.64% for the Helmsley estate and 0.60% for the other charitable organizations, respectively, of the common stock on a fully-diluted basis or \$1.046 billion of the exchange value in the aggregate) and elected to receive Class A common stock if there is insufficient available cash. The Helmsley estate will also receive an amount equal to any New York City transfer tax savings resulting from its status as a charitable organization. In addition, the company and the Helmsley estate have also agreed that if the IPO is upsized after the effective time of the registration statement filed in connection with the IPO or if the underwriters in the IPO exercise their option to purchase additional shares of Class A common stock, all additional net proceeds from the sale of Class A common stock issued by the company in such upsized or option will be allocated solely to the Helmsley estate for purposes of the consolidation at the same value as the cash option described above;

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The company has entered into a representation, warranty and indemnity agreement with Anthony E. Malkin and his siblings, Scott D. Malkin and Cynthia M. Blumenthal, pursuant to which they have made limited representations and warranties to the company and the operating partnership regarding the entities, properties and assets to be contributed to the company and agreed to indemnify the company and the operating partnership for 12 months following the closing of the consolidation for breaches of such representations subject to a \$1 million deduction and threshold of up to a maximum of \$25 million. Other than these individuals, none of the Malkin Family, or other participants in the subject LLCs, private entities or management companies, will provide the company with any indemnification;

The operating partnership intends to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which the company will agree to indemnify the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership's sale, transfer, conveyance or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent approximately 17.8% of the company's annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the consolidation, for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both of Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by these properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of \$160 million of indebtedness in the aggregate, until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such investor received in the consolidation;

The company intends to enter into management agreements with the entities that own interests in the excluded properties and the excluded businesses;

The operating partnership has executed option agreements with three private entities, one of which is the ground lessee of the property located at 112-120 West 34th Street and fee owner of the property located at 122 West 34th Street, one of which is the operating lessee of 112-122 West 34th Street and one of which is the ground lessee of 1400 Broadway, pursuant to which each of these private entities has granted to the operating partnership an option to acquire fee, long-term leasehold, sub-leasehold and/or sub-subleasehold interests in the option properties, as applicable. Concurrent with the closing of the consolidation, the company intends to enter into management agreements with respect to each of the option properties;

As a result of the consolidation, the company will assume approximately \$1.04 billion of total debt (based on September 30, 2011 pro forma outstanding balances), and the company expects to have approximately \$179.1 million of additional borrowing capacity under its loans on a pro forma basis;

The company will sell shares of Class A common stock in the IPO and will contribute the net proceeds from the IPO to the operating partnership in exchange for operating partnership units and

Effective upon consummation of the consolidation, the company expects to grant long-term incentive plan units and/or restricted shares of Class A common stock, subject to certain vesting requirements, to certain members of the senior management team, including officers of the supervisor.

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The supervisor and its principals and certain of the private entities own interests in other properties, including the option properties, assets and businesses that will not be contributed to the company. The supervisor provides supervisory or advisory services with respect to certain of these properties. The company intends to enter into management agreements with the entities that own interests in these excluded properties and excluded businesses after consummation of the consolidation.

The company and the supervisor have required that the consolidation be completed no later than December 31, 2014.

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The following charts show the organization of each subject LLC prior to the consolidation:

**Empire State Building Associates L.L.C.**

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**60 East 42nd St. Associates L.L.C.**

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**250 West 57th St. Associates L.L.C.**

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The following chart shows the organization of the company after the consolidation and the IPO:

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### **What You Will Receive if Your Subject LLC is Included in the Consolidation**

If the consolidation is approved by the participants in your subject LLC and is consummated, you will receive shares of Class A common stock as consideration for your participation interest. You also will have the option to elect to exercise the cash option, as more fully described below.

*Class A Common Stock.* You will receive Class A common stock for your participation interest unless you receive cash on exercise of the cash option, as described below.

Based upon the appraisal that the independent valuer prepared, the number of shares of Class A common stock you will receive was allocated as follows:

The exchange values were first determined for each subject LLC, each private entity and the management companies as follows:

The appraised values of the interests in the properties owned by the subject LLCs, the private entities and the management companies were determined by the independent valuer,

The appraised values were adjusted by the independent valuer as described more fully in Reports, Opinions and Appraisals to determine the exchange values and

The supervisor reviewed and approved the exchange values.

To allocate the shares of Class A common stock, the supervisor arbitrarily assigned a hypothetical \$10 per share exchange value for illustrative purposes and arbitrarily assumed that the enterprise value of the company is equal to the aggregate exchange value of all of the contributed assets. The independent valuer allocated to each subject LLC a number of shares of Class A common stock equal to the exchange value of its assets divided by \$10. See the section entitled Summary Allocation of Consideration in the Consolidation.

In accordance with each subject LLC's organizational documents, all of the shares of Class A common stock were allocated to the participants holding participation interests in the subject LLC, after taking into account the allocations in respect of the supervisor's override interest.

The allocation of Class A common stock to the participants in this prospectus/consent solicitation is based on the hypothetical \$10 per share exchange value arbitrarily assigned by the supervisor to illustrate the number of shares of common stock that a participant would receive if the enterprise value of the company determined in connection with the IPO were the same as the aggregate exchange value and the IPO price were \$10 per share of Class A common stock. The actual number of shares of common stock, on a fully-diluted basis, issued in the consolidation will equal the enterprise value (which will be allocated to each of the subject LLCs, the private entities and the management companies in proportion to their relative share of the aggregate exchange value) divided by the IPO price. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

Pursuant to lock-up agreements, participants in the subject LLCs and private entities may not sell or otherwise transfer or encumber any operating partnership units or shares of common stock or securities convertible or exchangeable into operating partnership units or shares of common stock owned by the company or such persons at the completion of the IPO or thereafter acquired by them for a period of 180 days with respect to the company and one year with respect to a participant after the public offering pricing date, in each case without first obtaining the written consent of the representatives of the underwriters in the IPO, provided, that, commencing on the date that is 180 days after the public offering pricing date, a participant (other than the Malkin



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Family, the company's directors and members of the company's senior management team) may sell up to 50% of the shares of common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) held by it. The company may agree to a longer lock-up period not to exceed 18 months if the company determines based on market conditions at the time of the IPO that the lock-up period currently proposed would adversely affect the market price of the Class A common stock in the IPO.

*Cash Option.* Participants in the subject LLCs have the option to receive cash for up to [12-15] % of the shares of Class A common stock issuable to them in the consolidation from a portion of the net proceeds of the IPO. If you exercise the cash option, the amount that you will receive per share of common stock will equal the IPO price per share less an amount equal to the underwriting discount per share paid by the company in the IPO. The participants in the subject LLCs are being provided the cash option, because, unlike the accredited investors in the private entities, participants in the subject LLCs will not have the option to receive operating partnership units in a transaction that is intended to be tax deferred. Participants in the subject LLCs are being provided with the option to enable them to receive cash to cover a portion of the U.S. federal income taxes payable in connection with the shares of Class A common stock issued to them in the consolidation. The cash option is limited to [12-15]% to assist the company in meeting the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation.

### **Why the Supervisor Believes the Consolidation is Fair to You**

The supervisor believes that the terms of the consolidation are fair and that the consolidation will allow you to achieve liquidity and maximize the value of your investment in your subject LLC for the following principal reasons, as well as allowing the company to achieve costs savings, faster decision-making and greater and more efficient access to capital, all of which should increase the value of your investment:

The exchange values of each of the subject LLCs, the private entities and the management companies are based on the appraisal by Duff & Phelps, LLC, the independent valuer. The independent valuer determined the exchange value, which was reviewed and approved by the supervisor. The supervisor believes that the allocations in accordance with the appraisal by the independent valuer were in the best interests of the participants;

The supervisor believes that the expected benefits of the consolidation to you outweigh the risks and potential detriments of the consolidation to you. Some of those benefits are described above. The risks and potential detriments are discussed in Risk Factors ;

The supervisor considered alternatives to the consolidation including the continuation of the subject LLCs without change and the liquidation of the subject LLCs and the distributions of the net proceeds to you (as described below). The supervisor does not believe that the subject LLCs could realize their allocable share of the value of the properties through a sale of the interests in the properties held by them. The supervisor believes that, over time, the likely value of the Class A common stock will be higher than the value of the consideration you would receive from any of the other alternatives as a result of increased efficiencies, growth opportunities and other opportunities for value enhancement;

The supervisor considered that participants will be provided a cash option for up to [12-15]% of the shares of Class A common stock issuable to them in the consolidation if their subject LLC approves the consolidation. The cash option offers an alternative to those participants that desire immediate liquidity without the need to sell the portion of the shares of Class A common stock that they otherwise would receive and

The supervisor has adopted and concurs with the conclusions of the fairness opinion from and the appraisal by the independent valuer, which are described below.

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### **Appraisals**

The independent valuer has appraised the properties utilizing solely the income approach to valuation. The income approach is based on the assumption that the value of a property or portfolio of properties can be represented by the present value of future cash flows. These cash flows are compiled into a value through either direct capitalization or discounted cash flow analysis, or a combination of the two. The indicated value by the income approach represents the estimated amount an investor would pay for the expected future stream of net cash flow generated by a property or a portfolio of properties (calculated as gross income less operating expenses, capital expenditures, and leasing costs) generated by a property or a portfolio of properties. As used herein, market value is defined by the Appraisal of Real Estate, Thirteenth Edition, as follows: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue duress.

The income approach was relied upon in determining the market value of the properties owned by the subject LLCs and private entities (with the exception of the Stamford, CT land which utilized the sales comparison approach). The independent valuer believes that the income approach is the approach utilized by typical investors and other market participants in the local market of the properties owned by the subject LLCs and private entities, and was therefore determined to be the most reliable indicator of market value.

In performing the appraisal, the independent valuer conducted investigations and inquiries as it deemed appropriate in establishing its estimates of value and made assumptions and identified qualifications and limitations that it considered necessary in its findings. The independent valuer's opinion of the estimated value of the properties owned by each of the entities is as of July 1, 2011. They do not necessarily reflect the sales prices of the properties or portfolio that would be realized in actual sales of the properties or portfolio. These prices could be higher or lower than the appraised value of the properties or portfolio.

A summary of the findings of the independent valuer is attached as Appendix B to this prospectus/consent solicitation.

### **Fairness Opinion**

The independent valuer provided a written summary of its determination as to the fairness, from a financial point of view, to each subject LLC and private entity and the participants in each subject LLC and each private entity, of the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

The fairness opinion, dated \_\_\_\_\_, 2012, is attached as Appendix A to this prospectus/consent solicitation. You should read the independent valuer opinion in its entirety with respect to the assumptions made, matters considered and limits of the reviews undertaken by the independent valuer in rendering its opinion.

Based on the analysis more fully described under Reports, Opinions, and Appraisals Fairness opinion, and subject to the assumptions, limitations and qualifications discussed in this prospectus/consent solicitation and in its fairness opinion, Duff & Phelps has delivered its opinion to the effect that, subject to the assumptions, limitations and qualifications contained in its opinion, the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies is fair from a financial point of view, and (ii) to the participants in

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each subject LLC and each private entity is fair from a financial point of view (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

### **Alternatives to the Consolidation**

In determining whether to propose and recommend the consolidation, the supervisor considered several alternatives. The following discussion summarizes the two principal alternatives to the consolidation that each subject LLC could have pursued. Each of the alternatives that the supervisor considered, including the two principal alternatives discussed below, is described in more detail under the section entitled "The Consolidation - Alternatives to the Consolidation."

Liquidation through the sale by each subject LLC of its interest in its property, either individually or as part of a third-party portfolio transaction, followed by a distribution of the net proceeds to its participants or

Continued management of each subject LLC as currently structured.

*Advantages and Disadvantages of Liquidation Alternative.* The supervisor believes that there would be advantages of a liquidation of your subject LLC, including:

Liquidation provides you with liquidity from a sale of an interest in the property owned by your subject LLC. You would receive your share of the net proceeds obtained from a sale of the interest in the property of your subject LLC;

The amount that you would receive would not depend on the stock market's valuation of the company, but rather your share of the consideration received from a sale of the interests in the property of your subject LLC and

You would avoid the risks of continued ownership of your subject LLC or ownership of the company. The supervisor believes that there would be disadvantages to a liquidation of your subject LLC, including:

The interest in the property owned by the subject LLC on its own may not create demand from investors, may not be as attractive for financing for investors to acquire the property and has a higher risk profile than the interest in the property as part of a portfolio;

You would not participate in potential increases in value resulting from anticipated operating efficiencies, marketing efficiencies, capital market efficiencies and an improved governance structure;

You would not participate in potential increases in value resulting from (a) enhanced performance of the existing portfolio due to leasing available and expiring space at higher rents following the recent renovations and repositioning of the initial properties operated as a branded portfolio and (b) potential additional investments and

The supervisor does not believe that the subject LLCs could realize their allocable share of the value of the properties through a sale of the interests in the properties held by them. The operating lessees have agreed to transfer their interests in the properties as part of the consolidation, regardless of whether a subject LLC approves the consolidation, and, if the consolidation closes, it may not be possible for a subject LLC to realize its allocable share of the value of the entire property through a sale.

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While the supervisor believes the consolidation will provide greater benefits to participants than a liquidation, the supervisor believes it is in the best interest of the participants to approve the third-party portfolio proposal, which will allow the supervisor to consider a third-party offer, if one is made, as an alternative to the consolidation.



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*Advantages and Disadvantages of Continuation Alternative.* The supervisor believes there would be advantages to the continued operation of the subject LLCs, including:

The participants would continue to receive regular monthly distributions from Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C.;

The subject LLCs eventually may sell their interests in the properties and distribute the net proceeds, although the supervisor does not believe that such a sale would optimize the value of the participants' participation interests;

Continuing the subject LLC without change avoids the risks related to the consolidation as described in this prospectus/consent solicitation and

Each subject LLC would retain the individual benefits of ownership of its interest in its property.

The supervisor believes that there would be disadvantages to the continued operation of the subject LLCs, including:

The interest in the property owned by the subject LLC on its own may not create demand from investors, may not be attractive for financing for investors to acquire the property and has a higher risk profile than the interest in the property as a portfolio.

Your investment would continue to be illiquid because your participation interest is not freely transferable and there is no established public trading market or market valuation for your participation interest;

The subject LLCs have limited roles in property operations;

The operation of the subject LLC is inefficient and costly in general and participants do not share in the same economic benefit that they would receive through ownership and operation of a property by a single entity with a modern governance structure;

The subject LLCs have a cumbersome and costly approval process for certain actions, including financings and

Your subject LLC owns an interest in a single property and is not diversified.

**Comparison of Distributions**

The following table sets forth the budgeted annual distributions of the subject LLCs for the year ended December 31, 2012:

Subject LLC	Budgeted Annual Distribution of Subject LLC for the year ending December 31, 2012	
	Per \$1,000 Original Investment <sup>(1)</sup>	
Empire State Building Associates L.L.C.	\$	118 <sup>(2)</sup>
60 East 42nd St. Associates L.L.C.	\$	150 <sup>(3)</sup>

- (1) The budgeted annual distributions are based on budgeted cash flow of the subject LLCs for the purpose of calculating ranges of going-concern values. They are presented for comparative purposes only. In the past the amount of cash flow of the subject LLCs available for distribution has been reduced by capital expenditures and other expenses of the subject LLCs. The actual amount of distributions will be based on numerous factors. Accordingly, participants should not treat this budgeted annual distribution as the amount that they would have received if the subject LLC continued its operations.
- (2) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$0, \$102 and \$0, per \$1,000 original investment, were made out of additional rent for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.
- (3) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$306, \$0 and \$0, per \$1,000 original investment, were made out of additional rent for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.
- (4) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$1,162, \$1,082 and \$712, per \$1,000 original investment, were distributed out of additional rent, for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.

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Over the last 10 years, public REITs investing in similar types of properties in similar geographic areas to the company have paid an average dividend yield per annum in the range of 2.0% to 4.0% of their market price. These yields change as the market price of these public peer companies increases or decreases. The company anticipates that it will pay a quarterly dividend on its IPO price within or approximate to the range of dividend yields associated with these public peer companies existing at the time of the company's IPO. However, the company's actual dividend yield could be higher or lower than this range of dividend yields, and the company cannot estimate at this time the amount of dividends that it will be able to pay after closing of the consolidation and the IPO. The actual dividend yield on the company's Class A common stock will depend on the market conditions at the time of the IPO and the company's cash available for distribution at the time of the IPO. Further, any distributions declared by the company will be authorized by its board of directors in their sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law, the capital requirements of the company and the distribution requirements necessary to maintain the company's qualification as a REIT. These factors include the distributable income generated by operations, the principal and interest payments on debt, capital expenditure levels, the company's policy with respect to cash distributions and the capitalization and asset composition of the company, which will vary based on the private entities and the subject LLCs that ultimately participate in the consolidation.

**Voluntary Pro Rata Reimbursement Program for Expenses of Legal Proceedings with Former Property Manager and Leasing Agent**

In 1997, the supervisor commenced litigation and arbitration proceedings, which is referred to herein as the former property manager and leasing agent legal proceedings, to remove Helmsley-Spear, Inc. (after it was sold by entities controlled by Leona M. Helmsley), the former property manager and leasing agent, as property manager and leasing agent of the properties owned by the subject LLCs.

The successful outcome of the former property manager and leasing agent legal proceedings and the settlement thereof enabled the subject LLCs to conclude the termination of the former property manager and leasing agent as property manager and leasing agent (with the release of claims) and engage new independent property managers (except Empire State Building Associates L.L.C., which later became self-managed) and leasing agents and to launch strategic improvements and Malkin branding programs for the properties that the subject LLCs own. The supervisor also added engineering, marketing and tax/accounting staff to compensate for the former property manager and leasing agent's deficiency. While the supervisor has believed from inception that it is entitled to be reimbursed for these litigation and arbitration expenses, it, together with Peter L. Malkin, advanced all costs pending the outcome.

Now, with the impending consolidation, the supervisor requests of each participant in each subject LLC, on a voluntary and individual basis, consent that a portion of your distributions to be received in connection with the consolidation or a third-party portfolio transaction, as applicable, be applied to reimburse the supervisor and Peter L. Malkin for a pro rata share of such advances, including interest at prime, from the date of each such advance. The same voluntary pro rata reimbursement program has been approved by holders representing 72.36% of the interests in the 13 private entities and other entities supervised by the supervisor to which the proposal has been made. These approvals include the Helmsley estate, which as part of an agreement with the supervisor covering this and other matters, has paid the voluntary pro rata reimbursement to the supervisor for its pro rata share of costs advanced, plus interest, which totaled \$5,021,048.

If you consent to the voluntary pro rata reimbursement program, the supervisor and Peter L. Malkin will be reimbursed for your pro rata share of costs, plus interest, previously incurred out of your share of the excess cash of your subject LLC that is being distributed to participants, and, to the extent that is insufficient, the consideration that you would receive in the consolidation or the consideration that you would receive in a third-party portfolio transaction, as applicable, will be reduced by the balance and such balance would be paid to the

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supervisor and Peter L. Malkin in shares of Class A common stock, if the consolidation is consummated, or out of distributions that you would receive from the proceeds of a third-party portfolio transaction, if consummated, or out of distributions from operations of the subject LLC. To the extent that the supervisor and Peter L. Malkin have not otherwise been reimbursed from distributions in connection with the consolidation, 50% of any distributions to be paid to you in excess of your share of aggregate monthly distributions by the subject LLC equal to \$3,889,333 per annum, \$1,046,320 per annum and \$720,000 per annum, respectively, for Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. for the period commencing January 1, 2008 (including any cumulative deficiency from prior months) will be applied to reimburse the supervisor and Peter L. Malkin for a pro rata share of such advances, including interest at prime from the date of each such advance, until your pro rata share of the costs is paid in full. Cumulative distributions equal to the target amount have been made for the period from January 1, 2008 through the date hereof and therefore there are no past cumulative deficiencies.

The table below shows the amount to be received by the supervisor out of the distributions of each consenting participant for each \$1,000 of original investment by a participant pursuant to the voluntary pro rata reimbursement program:

	Exchange Value of Shares of Common Stock to be Received by Participants per \$1,000 Original Investment	Voluntary Reimbursement	
		Per \$1,000 Original Investment <sup>(1)</sup>	Total
Empire State Building Associates L.L.C.	\$ 33,085	\$ 101	\$ 3,329,234
60 East 42nd St. Associates L.L.C.	\$ 38,972	\$ 236	\$ 1,653,504
250 West 57th St. Associates L.L.C.	\$ 35,722	\$ 204	\$ 733,795

(1) Empire State Building Associates L.L.C. s, 60 East 42nd St. Associates L.L.C. s and 250 West 57th St. Associates L.L.C. s share of the aggregate voluntary reimbursement (before any reimbursements) is \$3,150,896, \$1,564,930, and \$694,487, respectively, plus interest. The amount shown in the table includes accrued interest through September 30, 2011 and does not include interest which will accrue subsequent to September 30, 2011.

The consent to the voluntary pro rata reimbursement program is independent of your vote on the consolidation. Thus, you can consent to the program whether you voted **FOR**, **AGAINST**, **ABSTAIN** or failed to vote on the consolidation and the third-party portfolio proposal. Your failure to consent to the program will not affect whether or not the subject LLC participates in the consolidation or a third-party portfolio transaction.

See Voluntary Pro Rata Reimbursement Program for Expenses of Legal Proceedings with Former Property Manager and Leasing Agent.

**Allocation of Consideration in the Consolidation**

The following table sets forth for each subject LLC, each private entity and the management companies:

the exchange value of each subject LLC, each private entity and the management companies;

the percentage of total exchange value and percentage of total shares of common stock, on a fully-diluted basis, to be issued;

the number of shares of common stock, on a fully-diluted basis, to be allocated to each subject LLC, each private entity and the management companies based on the hypothetical exchange value of \$10 per share arbitrarily assigned by the supervisor for illustrative purposes, including the number of operating partnership units to be allocated on account of the override interests of the supervisor and the Malkin Holdings group;



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the value of common stock or operating partnership units based on the hypothetical exchange value of \$10 per share arbitrarily assigned by the supervisor for illustrative purposes for each \$1,000 of original investment in each subject LLC and its operating lessee;

the book value (deficit) of the assets determined in accordance with U.S. generally accepted accounting principles, which is referred to herein as GAAP, per \$1,000 of original investment in each subject LLC and its operating lessee; and

the number of shares of common stock, on a fully-diluted basis, per \$1,000 original investment in each subject LLC and its operating lessee:

Entity <sup>(1)</sup>	Total Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(4)(5)</sup>	Per \$1,000 Original Investment (except as otherwise noted)		
				Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>
<b>Empire State Building Associates L.L.C.</b>						
Participants	\$ 1,091,798,057	27.4%	109,179,806	\$ 33,085	(\$102)	3,308
Overrides <sup>(7)</sup>	\$ 117,644,229	3.0%	11,764,423	NA	NA	NA
Total	\$ 1,209,442,285	30.4%	120,944,229			
<b>60 East 42nd St. Associates L.L.C.</b>						
Participants	\$ 272,804,500	6.8%	27,280,450	\$ 38,972	(\$1,773)	3,897
Overrides <sup>(7)</sup>	\$ 30,202,722	0.8%	3,020,272	NA	NA	NA
Total	\$ 303,007,222	7.6%	30,300,722			
<b>250 West 57th St. Associates L.L.C.</b>						
Participants	\$ 128,597,641	3.2%	12,859,764	\$ 35,722	(\$472)	3,572
Overrides <sup>(7)</sup>	\$ 13,488,627	0.3%	1,348,863	NA	NA	NA
Total	\$ 142,086,267	3.5%	14,208,627			
<b>Empire State Building Company L.L.C.<sup>(8)(9)</sup></b>						
Members and Participants	\$ 1,091,721,347	27.4%	109,172,134	\$ 10,894,423	\$ 2,713,710	1,089,442
Overrides <sup>(7)(10)</sup>	\$ 98,054,234	2.5%	9,805,423	NA	NA	NA
Total	\$ 1,189,775,581	29.9%	118,977,558			
<b>Lincoln Building Associates L.L.C.<sup>(11)</sup></b>						
Members	\$ 258,229,176	6.5%	25,822,918	\$ 258,229	\$ 53,046	25,823
Overrides <sup>(7)</sup>	\$ 28,692,131	0.7%	2,869,213	NA	NA	NA
Total	\$ 286,921,306	7.2%	28,692,131			
<b>Fisk Building Associates L.L.C.<sup>(12)</sup></b>						
Members and Participants	\$ 91,818,702	2.3%	9,181,870	\$ 918,187	\$ 254,767	91,818
Overrides <sup>(7)</sup>	\$ 39,468,735	1.0%	3,946,873	NA	NA	NA
Total	\$ 131,287,437	3.3%	13,128,744			
<b>1333 Broadway Associates L.L.C.</b>						
Members	\$ 136,432,404	3.4%	13,643,240			

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1350 Broadway Associates L.L.C.			
Peter L. Malkin 50% Group	\$ 58,061,442	1.5%	5,806,144
Overrides <sup>(7)</sup>	\$ 14,467,098	0.4%	1,446,710
David M. Baldwin 50% Group	\$ 72,528,541	1.8%	7,252,854
<b>Total</b>	<b>\$ 145,057,081</b>	<b>3.7%</b>	<b>14,505,708</b>
Marlboro Building Associates L.L.C.			
Members and participants	\$ 128,942,169	3.2%	12,894,217
Overrides <sup>(7)</sup>	\$ 13,927,997	0.3%	1,392,800
<b>Total</b>	<b>\$ 142,870,166</b>	<b>3.5%</b>	<b>14,287,017</b>

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Entity <sup>(1)</sup>	Per \$1,000 Original Investment (except as otherwise noted)					
	Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(4)(5)</sup>	Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>
<b>Seventh &amp; 37<sup>th</sup> Building Associates L.L.C.</b>						
Participants	\$ 50,816,765	1.3%	5,081,676			
Overrides <sup>(7)</sup>	\$ 5,246,307	0.1%	524,631			
<b>Total</b>	<b>\$ 56,063,072</b>	<b>1.4%</b>	<b>5,606,307</b>			
<b>501 Seventh Avenue Associates L.L.C.</b>						
Member	\$ 47,362,949	1.2%	4,736,295			
Overrides <sup>(7)</sup>	\$ 5,262,550	0.1%	526,255			
<b>Total</b>	<b>\$ 52,625,499</b>	<b>1.2%</b>	<b>5,262,550</b>			
<b>Soundview Plaza Associates II L.L.C.<sup>(13)</sup></b>						
Malkin Co-Investor Capital L.P.(General Partner) <sup>(14)</sup>	\$ 81,335	0.0%	8,134			
Malkin Co-Investor Capital L.P.(Class A LPs)	\$ 8,052,199	0.2%	805,220			
Malkin Co-Investor Capital L.P.(Class B LPs)	\$ 0	0.0%	0			
Peter L. Malkin	\$ 3,713,727	0.1%	371,373			
New Soundview Plaza Associates, Limited Partnership	\$ 3,528,039	0.1%	352,804			
<b>Total</b>	<b>\$ 15,375,300</b>	<b>0.4%</b>	<b>1,537,530</b>			
<b>East West Manhattan Retail Portfolio L.P.</b>						
General Partner <sup>(14)</sup>	\$ 265,826	0.0%	26,583			
Class A LPs	\$ 13,158,378	0.3%	1,315,838			
Class B LP	\$ 13,158,378	0.3%	1,315,838			
<b>Total</b>	<b>\$ 26,582,583</b>	<b>0.6%</b>	<b>2,658,258</b>			
<b>One Station Place, Limited Partnership<sup>(13)</sup></b>						
General Partner <sup>(14)</sup>	\$ 369,701	0.0%	36,970			
Class A LP	\$ 3,327,305	0.1%	332,731			
Class B LPs	\$ 33,273,054	0.8%	3,327,305			
<b>Total</b>	<b>\$ 36,970,060</b>	<b>0.9%</b>	<b>3,697,006</b>			
<b>New York Union Square Retail L.P.</b>						
General Partner <sup>(14)</sup>	\$ 270,980	0.0%	27,098			
Class A LPs	\$ 13,413,525	0.3%	1,341,353			
Class B LP	\$ 13,413,525	0.3%	1,341,353			
<b>Total</b>	<b>\$ 27,098,031</b>	<b>0.6%</b>	<b>2,709,803</b>			



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Westport Main Street Retail L.L.C. <sup>(13)</sup>			
Manager <sup>(15)</sup>	\$ 49,255	0.0%	4,926
Class A Members	\$ 4,876,286	0.1%	487,629
Class B Member	\$ 0	0.0%	0
<b>Total</b>	<b>\$ 4,925,541</b>	<b>0.1%</b>	<b>492,554</b>
Fairfax Merrifield Associates L.L.C.			
Participants	\$ 3,790,922	0.1%	379,092
Overrides <sup>(7)</sup>	\$ 421,214	0.0%	42,121
<b>Total</b>	<b>\$ 4,212,136</b>	<b>0.1%</b>	<b>421,214</b>
Merrifield Apartments Company L.L.C.			
55% Members	\$ 2,085,007	0.1%	208,501
45% Members	\$ 852,957	0.0%	85,296
Overrides <sup>(7)</sup>	\$ 1,274,171	0.0%	127,417
<b>Total</b>	<b>\$ 4,212,136</b>	<b>0.0%</b>	<b>421,214</b>
First Stamford Place L.L.C.			
Class A & A2 Members	\$ 2,392,293	0.1%	239,229
Manager <sup>(15)</sup>	\$ 48,329	0.0%	4,833
Class B Member	\$ 2,392,293	0.1%	239,229
<b>Total</b>	<b>\$ 4,832,916</b>	<b>0.2%</b>	<b>483,292</b>

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Entity <sup>(1)</sup>	Per \$1,000 Original Investment (except as otherwise noted)					
	Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(4)(5)</sup>	Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>
1185 Swap Portfolio L.P. <sup>(13)</sup>						
1185 Bank L.L.C.(General Partner) <sup>(14)</sup>	\$ 200,632	0.0%	20,063			
1185 Gotham L.L.C.(General Partner) <sup>(13)</sup>	\$ 238,302	0.0%	23,830			
Total (General Partner)	\$ 438,935	0.0%	43,893			
1185 Bank L.L.C.(Class 1 LP)	\$ 9,863,030	0.2%	986,303			
1185 Gotham L.L.C.(Class 1 LP)	\$ 11,714,868	0.3%	1,171,487			
Total (Class 1 LP)	\$ 21,577,899	0.5%	2,157,790			
1185 Bank L.L.C.(Class 2 LP)	\$ 0	0.0%	0			
1185 Gotham L.L.C.(Class 2 LP)	\$ 0	0.0%	0			
Total (Class 2 LP)	\$ 0	0.0%	0			
Total (1185 Swap Portfolio L.P.)	\$ 22,016,834	0.5%	2,201,683			
Fairfield Merrittview Limited Partnership <sup>(13)</sup>						
General Partner <sup>(14)</sup>	\$ 74,094	0.0%	7,409			
Class A LP	\$ 4,042,233	0.1%	404,223			
Class B LP	\$ 3,293,056	0.1%	329,306			
Overrides <sup>(7)</sup>	\$ 823,265	0.0%	82,326			
Total	\$ 8,232,647	0.2%	823,265			
500 Mamaroneck Avenue L.P.						
Class A LPs	\$ 4,444,709	0.1%	444,471			
Class B LPs	\$ 0	0.0%	0			
General Partner <sup>(14)</sup>	\$ 44,896	0.0%	4,490			
Co-Tenant	\$ 1,496,535	0.0%	149,654			
Total	\$ 5,986,141	0.1%	598,614			
BBSF LLC	\$ 14,600,000	0.4%	1,460,000			
Supervisor and Management Companies						
Malkin Holdings, LLC <sup>(16)</sup>	\$ 5,896,278	0.1%	589,628			
Malkin Properties <sup>(17)</sup>	\$ 4,250,000	0.1%	425,000			
Malkin Construction Corp.	\$ 5,775,000	0.1%	577,500			
Total	\$ 15,921,278	0.4%	1,592,128			
<b>Total</b>	<b>\$ 3,986,533,923</b>	<b>100.0%</b>	<b>398,653,392</b>			
Overrides (including Class B interests) held by the Supervisor and the Malkin Holdings group	\$ 328,548,448	8.2%	32,854,845			
Overrides (including Class B interests) of other Persons	\$ 68,598,053	1.7%	6,859,805			

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- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an aggregate exchange value of \$551,686,612, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) The exchange value is determined as described in Exchange Value and Allocation of Common Stock Derivation of Exchange Value.
- (3) The exchange value of each subject LLC, each private entity and the management companies is based on each subject LLC's, each private entity's and each management company's assets and liabilities included in the quarterly balance sheets of the subject LLC, private entity or the management companies, as of June 30, 2011. The exchange value will be revised to reflect changes in the balance sheet items included in the calculation of the exchange value in subsequent quarterly balance sheets but will not be revised based on changes in the balance sheets or other events after the final quarterly balance sheet date prior to the closing of the consolidation.
- (4) The number of shares of common stock issued, on a fully-diluted basis, equals the number of shares of Class A common stock outstanding plus shares of Class A common stock issuable upon the redemption of operating partnership units or upon conversion of Class B common stock for shares of Class A common stock on a one-for-one basis. If participants elect the cash option, the Class A

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- common stock, which would have been issued to them, will not be issued. As a result, the number of outstanding shares of Class A common stock will be reduced and the percentage of the Class A common stock each participant owns will increase.
- (5) The number of shares of common stock, on a fully-diluted basis, assumes that none of participants in the subject LLC has elected the cash option. The number of shares of common stock, on a fully-diluted basis, issuable to each subject LLC, as set forth in the table, was determined by dividing the exchange value for the subject LLC by \$10, which is the hypothetical value that the supervisor arbitrarily assigned for illustrative purposes. The actual number of common stock, on a fully-diluted basis, and the value allocated to each participant in the subject LLCs and the private entities will be based on the enterprise value in connection with the IPO and the IPO price. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.
  - (6) The amount shown in the table has been calculated as if all participants in each subject LLC and each private entity that have been solicited with respect to the voluntary capital transaction override program have consented. The voluntary capital transaction override will be deducted only from the distributions allocable to those participants that consented. The distributions allocable to participants that did not consent to the voluntary capital transaction override program and/or the voluntary pro rata reimbursement program will be determined without any deduction for such payments. The actual overrides to the supervisor, based on the actual consents to the voluntary capital override transaction, are \$111.19 million and \$10.56 million, respectively, less than that shown in the table for Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C. and \$136.10 million in the aggregate less than that shown in the table for all of the private entities and the subject LLCs.
  - (7) Includes override interests in the subject LLCs and the private entities (i) held by the supervisor and the Malkin Holdings group and (ii) certain other persons, including other members of the Wien group.
  - (8) Operating lessee of Empire State Building Associates L.L.C.
  - (9) Information is provided per 1% interest instead of per \$1,000 original investment.
  - (10) Does not include \$10,611,894 of additional overrides payable by individual investors to unaffiliated third parties with respect to their interests in an investment entity that owns a membership interest in Empire State Building Company L.L.C.
  - (11) Operating lessee of 60 East 42nd St. Associates L.L.C.
  - (12) Operating lessee of 250 West 57th St. Associates L.L.C.
  - (13) Based on financial statements prepared on a tax basis and not in accordance with GAAP.
  - (14) The general partner is an affiliate of the supervisor.
  - (15) The manager is an affiliate of the supervisor.
  - (16) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.
  - (17) Refers collectively to Malkin Properties, L.L.C. Malkin Properties of New York, L.L.C. and Malkin Properties of Connecticut, L.L.C. (collectively Malkin Properties).

*How the exchange value per \$1,000 original investment was calculated.* Exchange value per participant's average \$1,000 original investment was calculated as follows. The supervisor started with the exchange value for each subject LLC, as computed by the independent valuer and approved by the supervisor. The supervisor divided the exchange value by the aggregate original investment in each subject LLC multiplied by 1,000 to determine the exchange value per \$1,000 investment. The voluntary capital transaction override was then deducted only from the distributions allocable to those participants that consented. The distributions allocable to participants that did not consent to the voluntary capital transaction override program and/or the voluntary pro rata reimbursement program will be determined without any deduction for such payments. The amount of voluntary capital transaction override in the tables is presented as if each participant in each subject LLC and each private entity that has a voluntary capital transaction override program has consented to the program. To determine the approximate value of the Class A common stock you will receive if your subject LLC is acquired in the consolidation, you would multiply the figure in the fourth column (titled "Value of Shares of Common Stock or Operating Partnership Units per Participant's \$1,000 Original Investment") by the amount of your original investment divided by \$1,000. This calculation assumes that all payments under the voluntary pro rata reimbursement program will be made out of consenting participants' share of excess cash of the subject LLCs and the private entities and not deducted from consideration at closing of the consolidation.

For a detailed explanation of the manner in which the allocations are made, see "Background of and Reasons for the Consolidation Allocation of Common Stock and Operating Partnership Units among the Subject LLCs, the Private Entities and the Management Companies."

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**Voting Procedures for the Consolidation Proposal and the Third-Party Portfolio Proposal**

The company is asking you to vote **FOR** both the consolidation and the third-party portfolio proposal. If you own participation interests in more than one subject LLC, for each subject LLC in which you own a participation interest you will receive a transmittal letter, supplement and consent form. Regardless of how many subject LLCs in which you own a participation interest, you will receive a single copy of the prospectus/consent solicitation. Participants in each subject LLC will vote separately on whether or not to approve the consolidation and the third-party portfolio proposal. Accordingly, if you hold interests in more than one subject LLC, you must complete one consent form for each subject LLC in which you are a participant.

If you vote **FOR** the consolidation and your subject LLC participates in the consolidation, you effectively will be voting against the alternatives to the consolidation, other than a third-party portfolio transaction, unless you vote **AGAINST** the third-party portfolio proposal. These alternatives include continuation of your subject LLC and a sale of your subject LLC's interest in the property and distribution of the net proceeds to participants.

If the consolidation is approved by the participants in your subject LLC and is consummated, you will receive Class A common stock as consideration for your participation interest. You also will have the option to elect to exercise the cash option.

If the consolidation is not approved by your subject LLC and a third-party portfolio transaction is not consummated, the supervisor plans for the time being to continue to operate the subject LLC as currently operated and, if the consolidation is consummated with respect to the other subject LLCs, your interest in the property would be supervised by a subsidiary of the operating partnership as successor to the supervisor. Each of these proposals is subject to a separate consent and approval of each proposal is not dependent on approval of any other proposal.

If you vote **AGAINST** the consolidation, you do not return your consent form or you **ABSTAIN**, and your subject LLC approves the consolidation and consolidates with the company, you still will receive shares of Class A common stock, except as set forth below for participants in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C.

If you vote **AGAINST** the third-party portfolio proposal, you do not return your consent form or you **ABSTAIN**, and your subject LLC approves the third-party portfolio proposal and such a transaction is consummated, you still will receive the consideration to be paid in a third-party portfolio transaction, except as set forth below for participants in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C.

If you do not submit a consent form, you will be counted as having voted **AGAINST** both the consolidation and the third-party portfolio proposal. If you submit a properly signed consent form but do not indicate how you wish to vote on the consolidation, the third-party portfolio proposal, or both, you will be counted as having voted **FOR** such proposal(s).

Your consent form must be received by MacKenzie Partners, Inc. by 5:00 p.m. Eastern time on \_\_\_\_\_, 2012 unless the supervisor extends the solicitation period for one or more proposals. You can change your vote at any time before the later of the date that consents from participants holding the required percentage interest are received by your subject LLC and the 60<sup>th</sup> day after the date of this prospectus/consent solicitation.

The supervisor may extend on one or more occasions the solicitation period for one or more proposals for one or more subject LLCs without extending for other proposals or subject LLCs whether or not it has received approval for the consolidation proposal or the third-party portfolio proposal on expiration of the consent solicitation period.

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The participation interests in each subject LLC are divided into separate participating groups. Participants are being asked to vote on both the proposed consolidation and the third-party portfolio proposal. For each of these proposals to be approved, participants holding 100% of the outstanding participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. must approve that proposal, and participants holding greater than 75% of the outstanding participation interests in eight out of the ten participating groups of 250 West 57th St. Associates L.L.C. must approve that proposal. Approval by the required vote of the participants in 250 West 57th St. Associates L.L.C. in favor of a proposal will be binding on you if you are a participant in 250 West 57th St. Associates L.L.C. even if you vote **AGAINST** such proposal.

If holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve the consolidation, the agent of any such participating group will purchase on behalf of the subject LLC the participation interest of any participant in such participating group that voted **AGAINST** the consolidation or that did not submit a consent form, at a price that would be substantially lower than the exchange value.

If holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve the third-party portfolio proposal, the agent of any such participating group will purchase on behalf of the subject LLC the participation interest of any participant in such participating group that voted **AGAINST** the third-party portfolio proposal or that did not submit a consent form, at a price that would be substantially lower than the exchange value regardless of whether there is a third-party portfolio offer, and even if the consolidation is consummated and the participant voted in favor of the consolidation.

Prior to an agent purchasing the participation interests of non-consenting participants, an agent will give such participants not less than ten days notice after the required consent is received by a subject LLC to permit them to consent to the consolidation or the third-party portfolio proposal, as applicable, in which case their participation interests will not be purchased. The agents will purchase the participation interests for the benefit of the subject LLC and not for their own account and will be reimbursed by the subject LLC for the cost of such buyout. If the agent purchases these participation interests, the requirement for consent of participants holding 100% of the participation interests of that participating group will be satisfied.

The agents, who are the members of your subject LLCs, recently created a new class of membership interests, which were divided into series. A separate series was deemed to be distributed to holders of each participating group in your subject LLC. Each new series provides protections similar to those under a shareholder rights plan for a corporation. Each new series corresponds to a participating group for which a member acts as agent. The new series will not affect voting rights, except with respect to any person or group that acquires 6%, 3%, or 7.5% or more, respectively, of the outstanding participation interests in the applicable participating group (an acquiring person) for each of Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. If there is an acquiring person, the effect of the new series is that approval of the consolidation proposal and the third-party portfolio proposal by a participating group will require approval by the requisite consent of the participants in the participating group, as holders of the new series of membership interests, excluding the acquiring person.

The Wien group collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C.

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### **No Right to Independent Appraisal**

If your subject LLC approves the consolidation or the third-party portfolio proposal and your subject LLC participates in the consolidation or a third-party portfolio transaction, as applicable, participants who vote **AGAINST** or **ABSTAIN** with respect to such proposal or do not submit a consent form will not have appraisal rights for their participation interests or a right to receive cash based upon an appraisal.

### **Consolidation Expenses**

If your subject LLC approves the consolidation and your subject LLC is consolidated with the company, the company will bear all consolidation expenses. The company will also bear all of the consolidation expenses of other subject LLCs and private entities that are consolidated with the company. Additionally, the entities owning the option properties have borne a portion of the consolidation expenses and if the option is approved by the participants in such entities, the company will bear all of the consolidation expenses of such entities.

If the consolidation does not close, each subject LLC and private entity will bear its proportionate share of the consolidation expenses based on the exchange value of each subject LLC and private entity. If the consolidation closes, but the subject LLC does not participate in the consolidation, the subject LLC will bear its proportionate share of all consolidation expenses incurred through the date of termination of the contribution agreement. The supervisor does not know whether the acquiror in a third-party portfolio transaction will agree to pay any of the consolidation expenses.

### **Conditions to the Consolidation**

The following conditions must be satisfied to consummate the consolidation of each of the subject LLCs:

Requisite consent of the participants in the subject LLC must have been received;

The IPO must close;

The Class A common stock must be approved for listing on the NYSE or another national securities exchange prior to or concurrently with the consummation of the consolidation and the closing of the IPO;

The participation in the consolidation of Empire State Building Associates L.L.C. and the private entity that owns an interest in the Empire State Building;

The consolidation must have been completed by December 31, 2014 and

The consolidation will be subject to other customary conditions.

### **Your Right to Investor Lists and to Communicate with Other Participants**

Under federal securities laws, upon written request from you, the supervisor will deliver the following information to you:

A statement of the approximate number of participants in your subject LLC and

The estimated cost of mailing a proxy statement, form of proxy or other similar communication to your subject LLC's participants.

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In addition, you have the right, at your option, either:

To have your subject LLC mail (at your expense) copies of any consent statement, consent form or other soliciting materials to be furnished by you to the other participants in your subject LLC or



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To have your subject LLC deliver to you, within five business days of the receipt of the request, a reasonably current list of the names, addresses and participation interests held by the participants in your subject LLC.

The right to receive the list of participants is subject to your payment of the cost of mailing and duplication at a rate of \$0.20 per page.

**U.S. Federal Income Tax Considerations of the Consolidation Proposal**

*The Consolidation will Result in the Recognition by Participants in the Subject LLCs of Gain or Loss for U.S. Federal Income Tax Purposes*

Generally, under applicable U.S. federal income tax laws and regulations, you will recognize gain or loss for U.S. federal income tax purposes with respect to your participation interest in a subject LLC that is exchanged for Class A common stock and/or cash equal to the difference between the amount realized by you (*i.e.*, the fair market value of the Class A common stock and/or cash received by you and your share of the applicable LLC's liabilities that you are deemed to be relieved of under U.S. federal income tax law) and your adjusted tax basis in your participation interest. You will realize phantom income if you have a negative capital account with respect to your participation interest. In each of 250 West 57th St. Associates L.L.C. and 60 East 42nd St. Associates L.L.C., original participants have a negative capital account. As a result of the cap on the cash option, you may not be able to receive sufficient cash, even if you make the cash election, to pay taxes on the gain. In addition, due to the lock-up on your shares of Class A common stock, you may not be able to sell your shares of Class A common stock to realize cash at the time such sale may be required to meet any tax or estimated tax obligation. Each participant, upon receipt of Class A common stock and/or cash in exchange for such participant's participation interest, will be deemed to have consented to treat the consolidation as a sale of the participant's participation interest in exchange for such Class A common stock and/or cash for U.S. federal income tax purposes. As all of your participation interest will be exchanged for Class A common stock or cash pursuant to the consolidation, suspended passive activity losses associated with your participation interest, if any, may be eligible for treatment as losses that are not from a passive activity to the extent that they exceed income and gains from passive activities for your taxable year that includes the consolidation. You are urged to consult your tax advisor with regard to the potential passive activity losses associated with your participation interest and the impact of recognizing such losses in connection with your exchange of your participation interest for Class A common stock and/or cash. For a more complete description of the expected U.S. federal income tax consequences of the consolidation, see U.S. Federal Income Tax Considerations Tax Consequences of the Consolidation.

*Taxable gain and loss estimates per participant's \$1,000 original investment*

SUBJECT LLC	<b>Estimated Gain/(Loss) per Participant's \$1,000 Original Investment<sup>(1)(2)</sup> Participant Receives Class A Common Stock or Cash</b>	
Empire State Building Associates L.L.C.		
Participants (without voluntary overrides)	\$	36,546
Participants (with voluntary overrides)	\$	32,982
250 West 57th St. Associates L.L.C.		
Participants (without voluntary overrides)	\$	40,926
Participants (with voluntary overrides)	\$	37,180
60 East 42nd St. Associates L.L.C.		
Participants	\$	41,369

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- (1) Values are based on the hypothetical \$10 per share exchange value that the supervisor arbitrarily assigned for illustrative purposes. Upon listing the Class A common stock on the NYSE, the price at which the Class A common stock will trade may be above or below the hypothetical \$10 per share.
- (2) The estimated gain/(loss) is calculated based upon presumed tax treatment of the subject LLCs as a result of the proposed consolidation.

**Qualification of the Company as a REIT**

The company has been organized and intends to operate in a manner that will enable it to qualify as a REIT for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2012. The company has not requested and does not intend to request a ruling from the Internal Revenue Service, or the IRS, that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions and Treasury Regulations promulgated thereunder for which there are limited judicial and administrative interpretations. The complexity of these provisions and of applicable Treasury Regulations is greater in the case of a REIT that, like the company, holds its assets through partnerships. To qualify as a REIT, the company must meet, on an ongoing basis, various tests regarding the nature and diversification of the company's assets and income, the ownership of the company's outstanding shares, and the amount of the company's distributions. The company's ability to satisfy these asset tests depends upon the company's analysis of the characterization and fair market values of its assets, some of which are not susceptible to a precise determination, and for which the company will not obtain independent appraisals. The company's compliance with the REIT income and quarterly asset requirements also depends upon the company's ability to manage successfully the composition of its income and assets on an ongoing basis. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for the company to qualify as a REIT. Thus, while the company intends to operate so that it will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in the company's circumstances, no assurance can be given that the company will so qualify for any particular year. These considerations also might restrict the types of assets that the company can acquire in the future. If the company fails to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the company will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which it lost its REIT qualification. Even if the company qualifies for taxation as a REIT, it may be subject to certain U.S. federal, state and local taxes on its income or property. See U.S. Federal Income Tax Considerations.

**Selected Financial and Other Data**

The following table sets forth selected financial and other data on (i) a combined historical basis for the predecessor beginning on page F-30 and (ii) a pro forma basis for the company giving effect to the consolidation and the IPO, the related use of proceeds thereof and the other adjustments described in the unaudited pro forma financial information beginning on page F-5. The company has not presented historical information for Empire State Realty Trust, Inc. because the company has not had any corporate activity since its formation other than the issuance of shares of common stock in connection with the initial capitalization of the company and because the company believes a discussion of the results of the company would not be meaningful.

The company's predecessor's combined historical financial information includes:

The management companies, including their asset management, leasing, administrative, construction and development operations;  
and

the real estate operations for the subject LLC's and private entities excluding the four office properties for which the supervisor acts as the supervisor but that are not consolidated into the company's predecessor for accounting purposes except for the company's predecessor's non-controlling interests in such properties.

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You should read the following selected financial data in conjunction with the company's combined historical and unaudited pro forma condensed consolidated financial statements and the related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust.

The selected historical combined balance sheet information as of December 31, 2010 and 2009 of the company's predecessor and selected combined statements of operations information for the years ended December 31, 2010, 2009 and 2008 of the company's predecessor have been derived from the audited historical combined financial statements of the company's predecessor. The historical combined balance sheet information as of September 30, 2011 and combined statements of operations for the nine months ended September 30, 2011 and 2010 have been derived from the unaudited combined financial statements of the company's predecessor. The selected historical combined balance sheet information as of December 31, 2008, 2007 and 2006 and selected combined statements of operations information for the years ended December 31, 2007 and December 31, 2006 have been derived from the unaudited combined financial statements of the company's predecessor. The company's results of operations for the interim period ended September 30, 2011 are not necessarily indicative of the results that will be obtained for the full fiscal year.

The company's unaudited selected pro forma condensed consolidated financial statements and operating information as of and for the nine months ended September 30, 2011 and for the year ended December 31, 2010 assumes completion of the consolidation and the IPO and the other adjustments described in the unaudited pro forma financial information beginning on page F-5 as of January 1, 2010 for the operating data and as of the stated date for the balance sheet data.

The company's unaudited pro forma financial information is not necessarily indicative of what the company's actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent the company's future financial position or results of operations.

**Table of Contents****Empire State Realty Trust, Inc.****Selected Financial and Other Data***(amounts in thousands except for shares and per share data)*

	Nine Months Ended September 30,				Year Ended December 31,				
	Pro Forma Consolidated 2011 (Unaudited)	Historical 2011 (Unaudited)	Combined 2010 (Unaudited)	Pro Forma Consolidated 2010 (Unaudited)	2010	2009	Historical Combined 2008	2007 (Unaudited)	2006 (Unaudited)
<b>Statement of Operations Data:</b>									
<b>Revenue:</b>									
Rental revenue	\$ 220,819	\$ 126,768	\$ 122,632	\$ 273,357	\$ 166,159	\$ 167,556	\$ 162,194	\$ 166,524	\$ 161,976
Tenant expense reimbursement	47,027	22,869	24,549	70,064	32,721	36,309	35,684	35,789	30,307
Third-party management and other fees	4,671	4,671	2,829	3,750	3,750	4,296	5,916	4,220	3,959
Construction revenue	35,323	35,323	23,713	27,139	27,139	15,997	56,561	42,373	33,901
Observatory income <sup>(2)</sup>	62,943 <sup>(1)</sup>			78,880 <sup>(1)</sup>					
Other income and fees	11,420	9,909	13,026	21,403	16,776	8,157	8,442	13,601	9,143
<b>Total Revenues</b>	<b>382,203</b>	<b>199,540</b>	<b>186,749</b>	<b>474,593</b>	<b>246,545</b>	<b>232,315</b>	<b>268,797</b>	<b>262,507</b>	<b>239,286</b>
<b>Expenses</b>									
Operating expenses	100,596	40,520	44,043	142,294	60,356	58,850	55,291	51,180	46,473
Marketing, general, and administrative expenses <sup>(1)</sup>	23,083	13,431	13,031	23,534	13,924	16,145	17,763	17,173	15,803
Observatory expenses	14,967			18,395					
Construction expenses <sup>(2)</sup>	34,121	34,121	23,258	27,581	27,581	17,281	56,080	42,217	33,369
Real estate taxes	50,343	21,968	20,310	63,409	27,585	28,937	24,863	22,063	23,760
Depreciation and amortization	41,811	25,773	25,048	57,481	34,041	29,327	26,838	25,802	24,025
Abandonment of tenant improvements									10
<b>Total Operating Expenses</b>	<b>264,921</b>	<b>135,813</b>	<b>125,690</b>	<b>332,694</b>	<b>163,487</b>	<b>150,540</b>	<b>180,835</b>	<b>158,435</b>	<b>143,440</b>
<b>Income from Operations before Interest Expense and Equity in Net income of Non-controlled Entities</b>									
	117,282	63,727	61,059	141,899	83,058	81,775	87,962	104,072	95,846
Interest expense, net	46,237	41,732	39,162	57,290	52,264	50,738	48,664	50,758	38,415
<b>Income from Operations before Equity in Net Income of Non-controlled Entities</b>									
	71,045	21,995	21,897	84,609	30,794	31,037	39,298	53,314	57,431
Equity in net income of non-controlled entities		12,239	12,376		15,324	10,800	13,422	15,947	12,778
<b>Net Income</b>	<b>\$ 71,045</b>	<b>\$ 34,234</b>	<b>\$ 34,273</b>	<b>\$ 84,609</b>	<b>\$ 46,118</b>	<b>\$ 41,837</b>	<b>\$ 52,720</b>	<b>\$ 69,261</b>	<b>\$ 70,209</b>
<b>Other Data</b>									
Funds from operations <sup>(3)</sup>	\$ 112,325	\$ 65,212	\$ 63,321	\$ 141,312	\$ 85,827	\$ 75,458	\$ 83,513		
EBITDA <sup>(4)</sup>	\$ 165,393	\$ 109,998	\$ 105,384	\$ 201,580	\$ 142,090	\$ 129,591	\$ 134,269		
<b>Cash flows from:</b>									
Operating activities	\$ 61,275	\$ 61,275	\$ 50,556	\$ 74,381	\$ 74,381	\$ 58,509	\$ 75,410		
Investing activities	\$ (25,776)	\$ (42,218)	\$ (30,705)	\$ (18,385)	\$ (34,837)	\$ (38,617)	\$ (13,768)		
Financing activities	\$ (68,415)	\$ 18,836	\$ (33,456)	\$ (132,851)	\$ (45,600)	\$ (5,035)	\$ (65,824)		

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**Balance Sheet Data (at period end):**

Net real estate	\$ 1,123,741	\$ 619,521	\$ 590,466	\$ 582,904	\$ 567,404	\$ 575,348	\$ 567,279
Total assets	2,769,356	995,166	904,536	890,598	857,796	870,537	797,593
Notes and loans payable	1,043,625	937,347	869,063	871,636	828,150	828,812	592,049
Total liabilities	1,300,016	1,005,361	915,294	908,856	872,736	873,036	638,986
Stockholders /owners equity	1,469,340	(10,195)	(10,758)	(18,258)	(14,940)	(2,499)	158,607
Total liabilities and stockholders / owners equity	2,769,356	995,166	904,536	890,598	857,796	870,537	797,593

- (1) Observatory income includes \$3,640 and \$4,728 for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, of rental revenue attributable to a retail tenant which operates the concession space in the observatory under a lease expiring in May 2020.

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- (2) For the historical combined periods, the company's proportionate share of the revenues and expenses of the Empire State Building, including the observatory, are included in Equity in net income of non-controlled entities. Upon completion of the IPO, the revenues and expenses of the Empire State Building, including the observatory, will be presented on a consolidated basis.
- (3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why the company's management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which the company's management uses FFO, see Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust Funds from Operations.
- (4) For a definition and reconciliation of earnings before interest, income tax, depreciation and amortization, or EBITDA, and a statement disclosing the reasons why the company's management believes that presentation of EBITDA provides useful information to investors and, to the extent material, any additional purposes for which the company's management uses EBITDA, see Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust EBITDA.

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**RISK FACTORS**

*Before you decide how to vote on the consolidation and the third-party portfolio proposal, you should be aware that there are various risks involved in the consolidation and a third-party portfolio transaction, including those described below. In addition to the other information included in this prospectus/consent solicitation, you should consider the following risk factors carefully in determining whether to vote in favor of the consolidation and the third-party portfolio proposal.*

*The supervisor and the company also caution you that this prospectus/consent solicitation contains forward-looking statements. These forward-looking statements are based on the supervisor's or the company's beliefs and expectations as applicable, which may not be correct. Important factors that could cause such actual results to differ materially from the expectations reflected in these forward-looking statements include those set forth below, as well as general economic, business and market conditions, changes in federal and local laws and regulations, costs or difficulties relating to the consolidation and related transactions and increased competitive pressures. See Forward-Looking Statements. The terms of the agreements and the assumptions concerning the IPO could change prior to the closing of the consolidation and the IPO and such changes could be significant.*

**Risk Factors Related to the Company and Risks Resulting from the Consolidation**

*The value of the Class A common stock that you receive and trading price of the Class A common stock following completion of the IPO is uncertain. The value of the Class A common stock and the trading price could be lower than anticipated and, based on current market conditions, the supervisor believes that the value may be less than the exchange value.*

The exchange values of the subject LLCs, each private entity and the management companies were determined based on the appraisal of each subject LLC, each private entity and the management companies prepared by the independent valuer. The appraisal does not necessarily represent the values that would be realized in a sale of the subject LLCs, the private entities, the management companies or their assets in arm's length transactions. The value of the Class A common stock that you receive will be based on the enterprise value of the company determined in connection with the IPO. The enterprise value and the IPO price for the Class A common stock will be based on a variety of factors, including the price per share at which third-party investors are willing to invest in the Class A common stock and economic and market conditions for the Class A common stock at the time of the IPO. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

The market value of the Class A common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for the Class A common stock following the IPO, the extent of institutional investor interest in the company, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies, the company's financial performance and general stock and bond market conditions.

The supervisor arbitrarily has assigned \$10 as the hypothetical value of each share of Class A common stock for purposes of illustrating the number of shares of common stock and operating partnership units that will be issued to each of the subject LLCs, the private entities and the management companies in the consolidation. The IPO price of the Class A common stock may be below the hypothetical \$10 per share;

The stock markets, including the NYSE on which the company expects to list shares of the Class A common stock, have from time to time experienced significant price and volume fluctuations. As a result, the market price of shares of the Class A common stock may be similarly volatile, and investors in shares of the Class A common

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stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to the company's operating performance or prospects. The price of shares of the Class A common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this "Risk Factors" section of this prospectus/consent solicitation and others such as:

the company's operating performance and the performance of other similar companies;

actual or anticipated differences in the company's quarterly operating results;

changes in the company's revenues or earnings estimates or recommendations by securities analysts;

publication of research reports about the company, the office or retail real estate sectors, office or retail tenants or the real estate industry;

increases in market interest rates, which may lead investors to demand a higher distribution yield for shares of the company's common stock, and would result in increased interest expenses on the company's debt;

actual or anticipated changes in the company's and its tenants' businesses or prospects;

the current state of the credit and capital markets, and the company's ability and the ability of the company's tenants to obtain financing;

additions and departures of key personnel;

increased competition in the commercial office and retail real estate business in the company's markets;

strategic decisions by the company or the company's competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;

the passage of legislation or other regulatory developments that adversely affect the company or the company's industry;

speculation in the press or investment community;

actions by institutional stockholders;

equity issuances by the company (including the issuances of operating partnership units), or common stock resales by the company's stockholders, or the perception that such issuances or resales may occur;



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actual, potential or perceived accounting problems;

changes in accounting principles;

failure to qualify as a REIT;

terrorist acts, natural or man-made disasters or threatened or actual armed conflicts; and

general market and local, regional and national economic conditions, particularly in the Manhattan and greater New York metropolitan area, including factors unrelated to the company's performance.

No assurance can be given that the market price of shares of the Class A common stock will not fluctuate or decline significantly in the future or that holders of shares of the Class A common stock will be able to sell their shares when desired on favorable terms, or at all. From time to time, in the past, securities class action litigation has been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert the company's management's attention and resources.

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*There will be a fundamental change in the nature of your investment if the consolidation is consummated.*

The consolidation involves a fundamental change in the nature of your investment. As a result, you may be subject to increased risks, including:

Your investment currently consists of a participation interest in an entity, taxed as a partnership for U.S. federal income tax purposes, which owns an interest in a single office building property in Manhattan. After the consolidation, you will hold common stock of an operating company, that intends to elect and to qualify to be taxed as a REIT for U.S. federal income tax purposes, and that is expected to own as many as 18 properties that include office and retail properties in Manhattan and the greater New York metropolitan area, and expects to make additional investments;

If your subject LLC sold its property interests it would liquidate and distribute the net proceeds to its participants. The company intends to reinvest the net proceeds from any future property sales. The company may raise additional funds through equity or debt financings to make future acquisitions of properties;

The company will own types of properties different from those in which your subject LLC is invested;

The risks inherent in investing in an operating company such as the company include the risk that the company may invest in new properties that are not as profitable as anticipated;

It is possible that properties acquired in the consolidation will not be as profitable as anticipated and

Your investment will change from one in which you generally are entitled to receive distributions from rents received from the lessees of the property owned by your subject LLC and any net proceeds of a sale or refinancing of your subject LLC's interest in a property to an investment in an entity in which you may realize the value of your investment only through the distributions of rents from the company and the sale of your common stock.

***Holders of operating partnership units that acquire shares of Class B common stock will have a significant vote in matters submitted to a vote of stockholders.***

Accredited investors in the private entities and the management companies which had an option to elect operating partnership units at the time that they made their election of consideration in the private solicitation had an option to elect to receive one share of Class B common stock in lieu of one operating partnership unit for every 50 operating partnership units such participant would otherwise receive in the consolidation (*i.e.*, they will receive one share of Class B common stock and 49 operating partnership units). Each share of Class B common stock will entitle the holder to 50 votes per share on each matter on which holders of Class A common stock are entitled to vote of stockholders. Holders of Class B common stock will be entitled to share equally, on a per share basis, in all distributions payable with respect to shares of the Class A common stock. Holders of Class B common stock may have interests that differ from those holders of Class A common stock, including by reason of their interest in the operating partnership, and may accordingly vote as a stockholder in ways that may not be consistent with the interests of holders of Class A common stock. This significant voting influence over certain matters may have the effect of delaying, preventing or deterring a change of control of the company, or could deprive holders of Class A common stock of an opportunity to receive a premium for their Class A common stock as part of a sale of the company.

***After the consolidation, participants will have exposure to the market and economic conditions of other properties.***

As a result of the consolidation, the participants who receive common stock will own interests in a much larger, broader range of properties than any of the subject LLCs individually. A material adverse change affecting the company's property will affect all the stockholders whether or not a particular stockholder previously was a participant in an entity owning an interest in such affected property. Each subject LLC owns a discrete property asset, and the consolidation will diversify the types of the properties in which the participants,



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as stockholders of the company, will have interests and result in ownership of interests in an entity owning properties located outside of Manhattan. As a result, the properties owned by the company may be affected differently by economic and market conditions than the property owned by an individual subject LLC.

***Actual distribution levels to stockholders in the first year following the IPO will depend upon actual results of operations, economic conditions and other factors that could differ materially from current expectations and could be lower than the amount estimated and your current distributions.***

The company cannot assure you that the estimated distribution yields will be made or sustained. Any distributions the company pays in the future will depend upon actual results of operations, economic conditions and factors that could differ materially from current expectations and will be determined in the sole discretion of the company's board of directors. Actual results of operations will be affected by a number of factors, including the revenue the company receives from the existing and acquired properties, operating expenses, interest expense, occupancy levels, the ability of tenants to meet their obligations and unanticipated expenditures. As a result, cash distributions to the stockholders after the consolidation may be less than the anticipated cash distributions and the cash distributions currently received by the participants.

***There are conflicts of interest inherent in the structure of the consolidation, and the supervisor and the Malkin Holdings group will receive substantial benefits if it is consummated.***

The supervisor, the agents and their affiliates serve as supervisor, agents for groups of participants or in a similar capacity with respect to each subject LLC and each private entity, and, as such, have conflicts of interest structuring the consolidation. The supervisor and the Malkin Holdings group will receive benefits that may exceed the benefits that they would derive from ownership of their interests in the subject LLCs, the private entities and the management companies if the consolidation were not consummated. The Malkin Holdings group will receive an estimated aggregate of 64,220,800 operating partnership units, shares of Class A common stock and shares of Class B common stock, having an aggregate value based on the exchange value of \$642,208,000, in addition to any operating partnership units issuable in respect of the voluntary pro rata reimbursement program consented to by participants in the subject LLCs and private entities in connection with the solicitation with respect to the consolidation and its share of distributions of any cash available for distribution from the private entity to the consolidation. The Malkin Holdings group may hold a greater interest, including overrides, in other subject LLCs and the other private entities which may include the operating lessees, than in your subject LLC. In addition, officers and members of the supervisor will be executive officers and a director of the company. Pursuant to an indemnification agreement, the principals of the supervisor also will be entitled to indemnification for claims relating to the consolidation, including a claim by participants in the subject LLCs. As a result, the supervisor of your subject LLC has a conflict of interest in connection with the consolidation, which could affect the structuring of the consolidation. For a detailed description of the conflicts of interests, see [Conflicts of Interest](#).

***The company may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit the company's ability to sell such assets.***

In the future the company may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in the operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation the company could deduct over the tax life of the acquired properties, and may require that the company agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on the company's ability to dispose of the acquired properties and the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit the company's ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

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***The company may pursue less vigorous enforcement of terms of the contribution agreements because of conflicts of interest with certain principals and officers of the supervisor who will be officers of the company which could have a material adverse effect on the company's business.***

Principals and officers of the supervisor have ownership interests in the subject LLCs and the private entities that the company will acquire in the consolidation upon completion of the IPO. As part of the consolidation, Anthony E. Malkin, Scott D. Malkin and Cynthia M. Blumenthal made limited representations and warranties to the company regarding the entities, properties and assets to be acquired by the company in the consolidation transaction and agreed to indemnify the company and the operating partnership for 12 months after the closing of the IPO for breaches of such representations and warranties subject to a deductible of \$1 million and a cap of \$25 million. Such indemnification is limited, however, and the company is not entitled to any other indemnification in connection with the consolidation. In addition, the company expects that Anthony E. Malkin will enter into an employment agreement with the company pursuant to which he will agree, among other things, not to engage in certain business activities in competition with the company (both during, and for a period of time following, his employment with the company). The company may choose not to enforce, or to enforce less vigorously, its rights under these agreements due to the company's ongoing relationship with its predecessor principals and its executive officers, and this could have a material adverse effect on the company's business.

***If a participant consents to the voluntary pro rata reimbursement program for expenses of the legal proceedings with the former property manager and leasing agent, the supervisor will be reimbursed for costs previously advanced.***

You are being asked to consent to the voluntary pro rata reimbursement program under which your share of distributions will be reduced by your pro rata share of the costs advanced by the supervisor and Peter L. Malkin for the former property manager and leasing agent legal proceedings. See the section entitled "Voluntary Pro Rata Reimbursement Program For Expenses of Legal Proceeding with Former Property Manager and Leasing Agent." If you consent to the voluntary pro rata reimbursement program, the supervisor and Peter L. Malkin will be reimbursed for your pro rata share of costs previously incurred out of your share of the excess cash of your subject LLC that is being distributed to participants, and, to the extent that is insufficient, the shares of Class A common stock that you would receive in the consolidation or the consideration that you would receive in a third-party portfolio transaction, as applicable, will be reduced by the balance (valued, if the consolidation is consummated, at the IPO price) and such balance would be paid to the supervisor and Peter L. Malkin in shares of Class A common stock, if the consolidation is consummated, or out of distributions that you would receive from the proceeds of a third-party portfolio transaction, if consummated, or out of distributions from operations of the subject LLC. Your failure to consent to this proposal will not affect whether or not the subject LLC participates in the consolidation or a third-party portfolio transaction.

***The independent valuer's appraisal and fairness opinion relied on information that the supervisor provided and analysis performed by the independent valuer.***

The independent valuer's appraisal of the subject LLCs, the private entities and the management companies and its opinion as to the fairness from a financial point of view of the allocation of consideration relied on information the supervisor provided and analysis performed by the independent valuer. The information the supervisor provided to the independent valuer included in-place and certain other lease rates and other financial and descriptive information about the properties. The supervisor has a conflict of interest in connection with the information it provided because it affects the number of shares of common stock and operating partnership units issued to it and the Malkin Holdings group.

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***There are limitations on the independent valuer's fairness opinion and appraisal that could affect the reliance on the fairness opinion and appraisal rendered by the independent valuer.***

The independent valuer's fairness opinion and appraisal are subject to limitations which could affect participants' reliance on the fairness opinion and appraisal, including:

The supervisor engaged the independent valuer to render both the fairness opinion and the appraisal, so participants do not have the potential benefit of a separate review of the independent valuer's appraisal by a fairness opinion provider;

The independent valuer's fairness opinion addresses solely the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities). The fairness opinion does not address any other term of the consolidation, the market value of the shares of common stock and operating partnership units, or alternatives to the consolidation. Accordingly, the fairness opinion does not address other matters which are significant to the participants' evaluation of the consolidation and

Since the independent valuer will not further update its appraisal or fairness opinion, changes may occur from the date of the appraisal or fairness opinion that might affect the conclusions expressed in them. Some of the changes could be material.

***The method of calculation of the value of your participation interests in the subject LLC (and consequently, the consideration payable to you in the consolidation) will lock in the relative value of all of the subject LLCs, the private entities and the management companies, which will limit your ability to benefit from relative changes in value of the property in which you currently hold direct or indirect participation interests and will cause you to bear a portion of the burden of changes in the value of the properties in which you do not currently hold direct or indirect participation interests.***

The contribution agreements use a formula to ascribe value to the subject LLCs, the private entities, and the management companies. This formula is based, in part, on the relative exchange values of the subject LLCs, the private entities, and the management companies determined as of July 1, 2011 and effectively locks in the relative values of the subject LLCs, the private entities, and the management companies as of such date. Other than subsequent variations in relative valuation due to certain extraordinary receipts of or payments made by the subject LLCs, the private entities, and the management companies prior to the closing of the IPO (which are taken into account under the contribution agreements) and certain balance sheet adjustments, these locked-in relative valuations will not change prior to the closing of the consolidation. Therefore, you will not capture all of the benefit from pre-IPO increases in the value of the property relative to the rest of the properties as such increases will be shared pro rata by you and all other holders of participation interests in the subject LLCs, the private entities, and the management companies. Similarly, if the value of other properties declines in value relative to the property in which you currently hold an interest, you will bear a pro rata portion of this decline in value along with all other holders of participation interests in all of the properties.

***There have been no arm's-length negotiations.***

The supervisor established the terms of the consolidation, including the exchange value, without any arm's-length negotiations. Accordingly, the exchange value may not reflect the value that you could realize upon a sale of your participation interest or a liquidation of your subject LLC's assets.

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*The terms of the consolidation may have been more favorable to you and the other participants if an independent representative had been retained on behalf of you and the other participants in structuring and negotiating the consolidation.*

The subject LLCs have not retained any outside representative to act on behalf of the participants in structuring and negotiating the terms and conditions of the consolidation. No group of participants was empowered to negotiate the terms and conditions of the consolidation or to determine what procedures should be in place to safeguard the rights and interests of the participants. In addition, no investment banker, attorney, financial consultant or expert was engaged to represent the interests of the participants. The company and the supervisor of your subject LLC were the parties responsible for structuring all the terms and conditions of the consolidation. The company and the supervisor engaged legal counsel to assist with the preparation of the documentation for the consolidation, including this prospectus/consent solicitation. This legal counsel did not serve, or purport to serve, as legal counsel for the subject LLCs or the participants. If a representative or representatives had been retained for the participants, the terms of the consolidation might have been different and, possibly, more favorable to the participants.

*The IPO may not be consummated if one or more LLCs do not obtain the requisite consent for the consolidation from its participants.*

The closing of the consolidation is conditioned on the approval of Empire State Building Associates L.L.C., but is not conditioned on the approval of any other subject LLC. The other subject LLCs represent a material portion of the exchange value and anticipated cash flow and net income of the company (assuming that all private entities and subject LLCs participate in the consolidation). As a result, if one or more of the subject LLCs do not approve the consolidation, it could adversely affect the ability of the company to complete the IPO.

*Participants who do not approve the consolidation, including participants that do not timely submit their consent forms, after notice that the required percentage of participants have so approved, may have their participation interests purchased at a lower price.*

The organizational documents provide that if holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve an action, the agents may purchase on behalf of the subject LLC the participation interests of participants who do not approve such action, and that price would be substantially below the exchange value of the interests. If the required consent of the participation interests in a subject LLC approves consolidation, the agent of any such participating group will purchase on behalf of the subject LLC the participation interest of any participant in such participating group that voted **AGAINST** the consolidation, **ABSTAIN**, or did not properly or timely submit a consent form. The buyout amount would be substantially lower than the exchange value. These buyout amounts are \$100 for the interest held by a participant in Empire State Building Associates L.L.C. and \$100 for the interest held by a participant in 60 East 42nd St. Associates L.L.C., as compared to the exchange value of \$33,085 per \$1,000 original investment for Empire State Building Associates L.L.C. and \$38,972 per \$1,000 original investment for 60 East 42nd St. Associates L.L.C., respectively. Prior to an agent purchasing the participation interests of non-consenting participants, an agent will give such participants not less than ten days' notice after the required consent is received by the private entity to permit them to consent to the consolidation, in which case their participation interests will not be purchased.

*If the participants in a subject LLC approve the consolidation and the subject LLC is consolidated with the company, the subject LLC no longer can enter into alternatives to the consolidation.*

The alternatives to participation in the consolidation include continuation of a subject LLC and sale of such subject LLC's interest in the property and the distribution of the net proceeds to its participants. Continuation of the subject LLC in accordance with its existing business plan would not subject the subject LLC to the risks associated with the consolidation or changes in participants' rights. Sale of the subject LLC's interest in a

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property would enable participants to receive the net proceeds from the sale of the subject LLC's interest in its property. If a subject LLC were consolidated with the company, participants no longer will be able to realize the potential benefits of alternatives to the consolidation.

### ***Participants have no cash appraisal rights.***

You do not have the right to elect to receive a cash payment equal to the value of your participation interest in your subject LLC if your subject LLC approves the consolidation and you voted **AGAINST** it. Additionally, you do not have the right to have the value of your participation interest determined in a separate proceeding and paid in cash. While you have a cash option, the cash option is available only for up to [12-15]% of the shares of Class A common stock issuable to you in the consolidation.

### ***At the time participants vote on the consolidation proposal, there will be uncertainties as to the size, makeup and leverage of the company after the consolidation which affects your ability to evaluate the consolidation.***

There will be several uncertainties relating to the consolidation at the time that you and the other participants vote on the consolidation. Most importantly, you will not know which subject LLCs will approve the consolidation or which of the subject LLCs and the private entities will participate in the consolidation, either because conditions to closing are not satisfied or for other reasons, and thus, which properties the company will acquire. You also will not know the IPO price, the size of the IPO, the exact exchange value for each subject LLC, the enterprise value of the company prior to the IPO, the amount of leverage of the company or the operating partnership or the amount of cash you will receive if you elect to exercise the cash option. In addition, you will not know the amount of the underwriting discount payable by the company in the IPO, which will reduce the IPO price per share that you will receive on exercise of the cash option. The consolidation is conditioned on the participation of Empire State Building Associates L.L.C. and the private entity which owns an interest in the Empire State Building, but is not conditioned on any other subject LLC or private entity participating in the consolidation. You also will not know how many participants in the subject LLCs will elect to exercise the cash option or the capital structure of the company. These factors will affect the post-consolidation size and scope of the company and the value of your shares of common stock.

### ***There is the potential for litigation associated with the consolidation. The company may incur costs from these litigations.***

There is a risk that third parties will assert claims against the company or the supervisor, including, without limitation, that the supervisor breached its fiduciary duties to its participants or that the consolidation violates the relevant operating agreements, and third parties may commence litigation against the company or the supervisor. As a result, the company may incur costs associated with defending or settling such litigation or paying any judgment if it loses. As of the date of this prospectus/consent solicitation, no participant in the subject LLCs or private entities has initiated any lawsuit on such grounds.

### ***The company may assume unknown liabilities in connection with the consolidation, which, if significant, could materially and adversely affect the company's business.***

As part of the consolidation, the company (through the operating partnership) will acquire the properties and assets of the subject LLCs, the private entities and the management companies subject to existing liabilities, some of which may be unknown at the time the IPO is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with such entities prior to the IPO (whether or not asserted or threatened prior to the IPO), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. As part of the consolidation, Anthony E. Malkin, Scott D. Malkin and Cynthia Blumenthal made limited representations and warranties to the company regarding the subject LLCs, the private entities, the management companies, the properties and the assets to be acquired by the company in the consolidation and agreed to indemnify the



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company and the operating partnership for 12 months after the closing of the IPO for breaches of such representations subject to a deductible of \$1 million and a cap of \$25 million. Because many liabilities, including tax liabilities, may not be identified within such period, the company may have no recourse against Anthony E. Malkin, Scott D. Malkin or Cynthia Blumenthal for such liabilities. In addition, the company has agreed to indemnify members, managers, officers, directors, partners and agents of the supervisor for certain claims. Any unknown or unquantifiable liability that the company assumes in connection with the consolidation for which it has no or limited recourse could materially and adversely affect the company.

### ***The departure of any of the company's key personnel could materially and adversely affect the company.***

The company's success depends on the efforts of key personnel, particularly Anthony E. Malkin, the company's Chairman, Chief Executive Officer and President. Among the reasons Anthony E. Malkin is important to the company's success is that he has a national industry reputation that attracts business and investment opportunities and assists the company in negotiations with lenders, existing and potential tenants and industry personnel. He has led the acquisition, operating and repositioning of the company's assets for the last two decades. If the company lost his services, the company's external relationships and internal leadership resources would be materially diminished.

Other members of the company's senior management team also have strong industry reputations and experience, which aid the company in attracting, identifying and exploiting opportunities. The loss of the services of one or more members of the company's senior management team, particularly Anthony E. Malkin, could have a material and adverse impact on the company.

### ***The company's Chairman, Chief Executive Officer and President has outside business interests that will take his time and attention away from the company, which could materially and adversely affect the company.***

The company's Chairman, Chief Executive Officer and President will continue to own interests in the excluded properties, excluded businesses and option properties that are not being contributed to the company in the consolidation, some of which will be managed by the company and certain non-real estate family investments. In some cases, Anthony E. Malkin or his affiliates will have certain management and fiduciary obligations that may conflict with such person's responsibilities as an officer or director of the company and may adversely affect the company's operations. Anthony E. Malkin will devote a majority of his business time and attention to the company's business and, under his employment agreement, he may also devote time to the excluded properties, option properties, the excluded businesses and certain family investments to the extent that such activities do not materially interfere with the performance of his duties to the company.

### ***The potential liability of the officers and directors of the company is limited.***

As a stockholder, you will have different rights and remedies against the company, its officers and directors than you have against the supervisor and agents of your subject LLC. The company's charter provides that, to the maximum extent permitted by law, no officer or director is liable to the company or its stockholders for monetary damages. Generally, under the company's charter and bylaws, the company will indemnify its officers and directors against specified liabilities that may be incurred in connection with their service to the company. These provisions could limit the legal remedies against any officer or director of the company that are available to the company, to you and to other stockholders after the consolidation. The company's charter limits the liability of its present and former directors and officers to the company and its stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, the company's present and former directors and officers will not have any liability to the company or its stockholders for money damages other than liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action.

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The company's charter and bylaws require the company to indemnify its present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to the company. As a result, the company and the stockholders may have limited rights against the company's present and former directors and officers, members, partners, employees and agents, which could limit your recourse in the event of actions not in your best interest.

***After the consolidation, participants will have no control over major decisions.***

Currently, a participant in a subject LLC generally has the right to vote on certain major transactions, such as a financing, sale, transfer or mortgage of the subject LLC's interest in its property or the making or modification of the net operating lease of such property. After the consolidation, decisions regarding most major transactions will be made by the company's management, subject to oversight by the company's board of directors. Such decisions may not fully reflect the interests of the stockholders. Holders of common stock will have no opportunity to vote on financing, management or disposition decisions with respect to individual properties. Holders of common stock will have only the right to approve extraordinary transactions involving the company, such as a sale of all or substantially all of the company's assets.

***The board of directors of the company may change its strategies, policies or procedures without stockholder consent, which may subject the company to different and more significant risks in the future.***

The company's investment, financing, leverage and distribution policies and the company's policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by its board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without notice to or a vote of the stockholders. This could result in the company's conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this prospectus/consent solicitation. Under these circumstances, the company may expose itself to different and more significant risks in the future, which could have a material adverse effect on its business and growth. In addition, the board of directors may change the company's policies with respect to conflicts of interest, provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on the company's financial condition, results of operations, cash flow, per share trading price of the Class A common stock and ability to satisfy its principal and interest obligations and to make distributions to stockholders.

***The operating partnership may issue additional operating partnership units without the consent of the stockholders, which could have a dilutive effect on the stockholders.***

The operating partnership may issue additional operating partnership units to third parties without the consent of the stockholders, which would reduce the company's ownership percentage in the operating partnership and would have a dilutive effect on the amount of distributions made to the company by the operating partnership and, therefore, the amount of distributions the company can make to its stockholders. Any such issuances, or the perception of such issuances, could materially and adversely affect the market price of the common stock.

***The company's operating performance and value are subject to risks associated with real estate assets and the real estate industry, the occurrence of which could materially and adversely affect the company.***

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond the company's control. Certain events may decrease cash available for distributions, as well as the value of the company's properties. These events include, but are not limited to:

adverse changes in international, national, regional or local economic and demographic conditions;

vacancies or the company's inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

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adverse changes in market rental rates, particularly as the company's buildings age, and the company's ability to fund repair and maintenance costs;

adverse changes in financial conditions of buyers, sellers and tenants of properties;

the company's inability to collect rent and expense reimbursements from tenants;

competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;

the introduction of a competitor's property in or in close proximity to one of the company's current submarkets in the greater New York metropolitan area;

reductions in the level of demand for office or retail space, and changes in the relative popularity of properties; increases in the supply of office or retail space;

increases in the supply of office or retail space;

opposition from local community or political groups with respect to the construction or operations at a property;

the company's inability to provide effective and efficient management and maintenance at the company's properties;

the company's inability to provide effective management to the excluded properties for which it will be designated as the exclusive manager upon consummation of the consolidation;

the investigation, removal or remediation of hazardous materials or toxic substances at a property;

fluctuations in interest rates, which could adversely affect the company's ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;

increases in expenses, including, without limitation, insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, which the company may be restricted in passing on to its tenants;

civil disturbances, hurricanes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses and

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changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among the company's existing leases. If the company cannot operate its properties to meet its financial expectations, the company's financial condition, results of operations, cash flow, per share trading price of the Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to its stockholders could be adversely affected. There can be no assurance that the company can achieve its return objectives.

***Conflicts of interest exist or could arise in the future between the interests of the company's stockholders and the interests of holders of operating partnership units, which may impede business decisions that could benefit the company's stockholders.***

Conflicts of interest exist or could arise in the future as a result of the relationships between the company and its affiliates, on the one hand, and the operating partnership or any partner thereof, on the other. The company's directors and officers have duties to the company under applicable Maryland law in connection with their management of the company. At the same time, the company, as the general partner in the operating partnership, has fiduciary duties and obligations to the operating partnership and its limited partners under Delaware law and the

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partnership agreement of the operating partnership in connection with the management of the operating partnership. The company's fiduciary duties and obligations as general partner to the operating partnership and its partners may come into conflict with the duties of the company's directors and officers to the company.

Additionally, the partnership agreement provides that the company and its directors and officers will not be liable or accountable to the operating partnership for losses sustained, liabilities incurred or benefits not derived if the company, or such director or officer acted in good faith. The partnership agreement also provides that the company will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for the company's intentional harm or gross negligence. Moreover, the partnership agreement provides that the operating partnership is required to indemnify its directors and officers, the company and the company's directors and officers and authorizes the operating partnership to indemnify present and former members, managers, shareholders, directors, limited partners, general partners, officers or controlling persons of the supervisor and authorizes the company to indemnify members, partners, employees and agents of the company or the supervisor, in each case for actions taken by them in those capacities from and against any and all claims that relate to the operations of the operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise, in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Delaware appellate court has interpreted provisions similar to the provisions of the partnership agreement of the operating partnership that modify and reduce the company's fiduciary duties or obligations as the general partner or reduce or eliminate the company's liability for money damages to the operating partnership and its partners, and the company has not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

***Under his employment agreement, Anthony E. Malkin will have certain rights to terminate his employment and receive severance in connection with a change of control of the company, which may adversely affect the company.***

In connection with the IPO, the company intends to enter into an employment agreement with Anthony E. Malkin. Although this agreement has not yet been negotiated, the company expects it will provide for termination payments in connection with a change of control if Mr. Malkin is terminated by the company without cause or leaves with good reason within a specified period of time either before or following a change of control (as defined in the employment agreement). Furthermore, these provisions could delay or prevent a transaction or a change in control that might involve a premium paid for shares of the company's common stock or otherwise be in the best interests of the company's stockholders.

***The company could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval, which could prevent a change in the company's control and negatively affect the market value of the shares.***

The company's board of directors, without stockholder approval, has the power under the company's charter to amend the company's charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the company is authorized to issue, to authorize the company to issue authorized but unissued shares of the company's common stock or preferred stock and to classify or reclassify any unissued shares of common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. See Description of Capital Stock Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock and Power to Reclassify the Company's Unissued Shares of Stock. As a result, the company may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that

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are senior to, or otherwise conflict with, the rights of holders of common stock. Any such issuance could dilute the company's existing stockholders' interests. Although the company's board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for the common stock or that the stockholders otherwise believe to be in their best interest.

***Certain provisions of Maryland law could inhibit changes in control of the company, which could negatively affect the market price of the Class A common stock.***

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of deterring a third party from making a proposal to acquire the company or of impeding a change in control under circumstances that otherwise could provide stockholders with the opportunity to realize a premium over the then-prevailing market price of the Class A common stock. Among other things, the company is subject to the business combination, control share acquisition and unsolicited takeover provisions of the MGCL. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for the company or of delaying, deferring or preventing a change in control of the company under the circumstances that otherwise could provide stockholders with the opportunity to realize a premium over the then current market price. Pursuant to the statute, the company's board of directors has by resolution exempted business combinations between the company and any other person, provided that such business combination is first approved by the company's board of directors (including a majority of the directors who are not affiliates or associates of such person). The company's bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of the company's stock. There can be no assurance that these exemptions or provisions will not be amended or eliminated at any time in the future. The charter contains a provision whereby the company has elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the company's board of directors.

***Certain provisions in the partnership agreement of the operating partnership may delay or prevent unsolicited acquisitions of the company.***

Provisions in the partnership agreement of the operating partnership may delay or make more difficult unsolicited acquisitions of the company or changes of control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of the company or change of control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

redemption rights of qualifying parties;

transfer restrictions on operating partnership units;

the company's ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of the company or the operating partnership without the consent of the limited partners and

the right of the limited partners to consent to transfers of the general partnership interest and mergers or other transactions involving the company under specified circumstances.

The charter, bylaws, the partnership agreement of the operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for the common stock or that the stockholders otherwise believe to be in their best interest.

***The company has no operating history as a REIT or as a publicly-traded company, and the company's inexperience could materially and adversely affect the company.***

The company has no operating history as a REIT or as a publicly-traded company. The company's board of directors and senior management team will have overall responsibility for the company's management and, while

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certain members of the company's senior management team and directors have extensive experience in real estate marketing, development, management, finance and law, none of the company's directors or members of the company's senior management team have prior experience in operating a business in accordance with the requirements under the Code applicable to REITs or in operating a public company. As a publicly-traded REIT, the company will be required to develop and implement substantial control systems, policies and procedures in order to maintain the company's REIT qualification and satisfy the company's periodic SEC reporting and New York Stock Exchange, or NYSE, listing requirements. The company cannot assure you that management's past experience will be sufficient to successfully develop and implement these systems, policies and procedures and to operate the company. Failure to do so could jeopardize the company's status as a REIT or as a public company, and the loss of such status would materially and adversely affect the company.

***The charter contains stock ownership limits, which may delay or prevent a change or control.***

In order for the company to qualify as a REIT for each taxable year after the company's taxable year ending December 31, 2012, no more than 50% in value of the company's outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own the stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year. Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts and some charitable trusts. To assist the company in complying with these limitations, among other purposes, the company's charter generally prohibits any person from directly or indirectly owning more than \_\_\_\_\_% in value or number of shares, whichever is more restrictive, of the outstanding shares of the capital stock or more than \_\_\_\_\_% in value or number of shares, whichever is more restrictive, of the outstanding shares of the common stock. As an exception to this general prohibition, the company's charter permits the Malkin Family (as defined in the company's charter) to own in the aggregate up to \_\_\_\_\_% in value or number of shares of the company's outstanding shares of common stock or capital stock. In addition, the company intends to grant the Helmsley estate a waiver from this general prohibition, to the extent required. The ownership limitations could have the effect of discouraging a takeover or other transaction in which stockholders might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

The company's charter's constructive ownership rules are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares and thus violate the share ownership limits. The company's charter also provides that any attempt to own or transfer shares of common stock or preferred stock (if and when issued) in excess of the stock ownership limits without the consent of the board of directors or in a manner that would cause the company to be closely held under Section 856(h) of the Code (without regard to whether the shares are held during the last half of a taxable year) will result in the shares being deemed to be transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of the company's shares, any such transfer of the company's shares will be void.

***The company's board of directors will approve very broad investment guidelines for the company and will not review or approve each investment decision made by the company's senior management team.***

The company's senior management team will be authorized to follow broad investment guidelines and, therefore, has great latitude in determining the types of assets that are proper investments for the company, as well as the individual investment decisions. The company's senior management team may make investments with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns. The company's board of directors will not review or approve each proposed investment by the company's senior management team.

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***If the company fails to establish and maintain an effective system of integrated internal controls, the company may not be able to report the company's financial results accurately, which could have a material adverse effect on the company.***

In the past, the company has reported the company's results to investors in the subject LLCs and the private entities on a property-by-property basis, and the company has not separately reported audited results for the supervisor. In addition, the company was not required to report the company's results on a consolidated basis under GAAP basis. In connection with the company's operation as a public company, the company will be required to report the company's operations on a consolidated basis under GAAP and, in some cases, on a property-by-property basis. The company is in the process of implementing an internal audit function and modifying the company-wide systems and procedures in a number of areas to enable the company to report on a consolidated basis under GAAP as the company continues the process of integrating the financial reporting of the supervisor. Section 404 of the Sarbanes-Oxley Act of 2002 will require the company to evaluate and report on the company's internal control over financial reporting and have the company's independent auditors issue their own opinion on the company's internal control over financial reporting. If the company fails to implement proper overall business controls, including as required to integrate the systems and procedures of the supervisor and support the company's growth, the company's results of operations could be harmed or the company could fail to meet the company's reporting obligations. In addition, the existence of a material weakness or significant deficiency could result in errors in the company's financial statements that could require a restatement, cause the company to fail to meet the company's public company reporting obligations and cause investors to lose confidence in the company's reported financial information, which could have a material adverse effect on the company.

***There will be no public market for the Class A common stock prior to the IPO and an active trading market may not develop or be sustained following the IPO, which may negatively affect the market price of shares of the Class A common stock and make it difficult for investors to sell their shares.***

Prior to the IPO, there will be no public market for the Class A common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of the Class A common stock will be resold at or above the initial public offering price. The initial public offering price of shares of the Class A common stock will be determined by agreement among the company and the underwriters, but there can be no assurance that the Class A common stock will not trade below the initial public offering price following the completion of the IPO. The market value of the Class A common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for the Class A common stock following the completion of the IPO, the extent of institutional investor interest in the company, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), the company's financial performance and general stock and bond market conditions.

The stock markets, including the NYSE on which the company intends to list shares of the Class A common stock, have from time to time experienced significant price and volume fluctuations. As a result, the market price of shares of the Class A common stock may be similarly volatile, and investors in shares of the Class A common stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to the company's operating performance or prospects. The price of shares of the Class A common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this Risk Factors section of this prospectus/consent solicitation and others such as those listed above under *The value of the Class A common stock that you receive and trading price of the Class A common stock following completion of the IPO is uncertain. The value of the Class A common stock and the trading price could be lower than anticipated and, based on current market conditions, the supervisor believes that the value may be less than the exchange value.* No assurance can be given that the market price of shares of the Class A common stock will not fluctuate or decline significantly in the future or that a holder of shares of the Class A common stock will be able to sell their shares when desired on favorable terms, or at all. From time to time in the past, securities class action litigation has been instituted against companies following periods of extreme volatility in their stock price. This type of litigation could result in substantial costs and divert the company's management's attention and resources.



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***Initial estimated cash available for distribution may not be sufficient to make distributions at expected levels.***

The company intends to make distributions to holders of shares of its common stock and holders of operating partnership units. The company intends to maintain the company's initial distribution rate for the 12-month period following completion of the IPO unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in the company's estimate. All dividends and distributions will be made at the discretion of the company's board of directors and will depend on the company's earnings, financial condition, maintenance of REIT qualification and other factors as the company's board of directors may deem relevant from time to time. If sufficient cash is not available for distribution from the company's operations, the company may have to fund distributions from working capital or to borrow to provide funds for such distribution, or to reduce the amount of such distribution. However, the company currently has no intention to use the net proceeds from the IPO to make distributions. The company cannot yet estimate the amount of dividends and distributions that it will make or assure you that the company's estimated distributions will be made or sustained. Any distributions the company pays in the future will depend upon the company's actual results of operations, economic conditions and other factors that could differ materially from the company's current expectations.

***The market price of shares of the Class A common stock could be adversely affected by the company's level of cash distributions.***

The market value of the equity securities of a REIT is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, the Class A common stock may trade at prices that are higher or lower than the company's net asset value per share. To the extent the company retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of the company's underlying assets, may not correspondingly increase the market price of the Class A common stock. The company's failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of the Class A common stock.

***Increases in market interest rates may result in a decrease in the value of the Class A common stock.***

One of the factors that will influence the price of the Class A common stock will be the dividend yield on the Class A common stock (as a percentage of the price of the Class A common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of shares of the Class A common stock to expect a higher dividend yield and higher interest rates would likely increase the company's borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of the Class A common stock to go down.

***The number of shares available for future sale could adversely affect the market price of the company's Class A common stock.***

The company cannot predict whether future issuances of shares of the company's Class A common stock or the availability of shares for resale in the open market will decrease the market price per share of the company's Class A common stock. Upon completion of the consolidation, the Malkin Family will own 15.9% of the company's outstanding common stock on a fully diluted basis. Based on the assumptions set forth herein, the company expects the Helmsley estate will hold approximately 25.71% of the company's outstanding common stock upon the completion of the consolidation. Under the terms of the registration rights agreement, the participants in the consolidation, including the Helmsley estate, will receive rights to have shares of common stock held by them registered for resale under the Securities Act and the Malkin Family and the Helmsley estate will have rights to demand underwritten offerings with respect to such resales. As a result, these participants (other than the Malkin Family, the company's directors and members of the company's senior management

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team), pursuant to the terms of the lock-up agreements, will be able to freely sell 50% of the shares of common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) held by them beginning 180 days following the IPO pricing date and 100% of the shares of common stock held by them beginning one year after the IPO pricing date. The Malkin Family, the company's directors and members of the company's senior management team, pursuant to their lock-up agreements, will be able to freely sell 100% of the shares of common stock held by them beginning one year after the public offering pricing date. Although the Helmsley estate has advised the company that it currently expects to sell a significant portion of its Class A common stock as soon as market and other conditions permit following expiration of the lock-up period, any such sales will be solely within the discretion of the Helmsley estate and it may elect to hold all or any portion of its Class A common stock indefinitely. Each of the company's officers and directors may sell the shares of the company's common stock that they acquire in the consolidation or are granted in connection with the IPO at any time following the expiration of the lock-up periods for such shares, which expire one year after the public offering pricing date, or earlier with the prior written consent of the certain of the underwriters in the IPO. The company may also issue shares of common stock or operating partnership units in connection with future property, portfolio or business acquisitions. Sales of substantial amounts of shares of the company's Class A common stock (including shares of Class A common stock issued pursuant to an equity incentive plan) in the public market, or upon redemption of operating partnership units, or the perception that such sales might occur could adversely affect the market price of the shares of the company's Class A common stock. This potential adverse effect may be increased by the large number of shares of common stock, on a fully-diluted basis, owned by the Helmsley estate to the extent that it sells, or there is a perception that it may sell, a significant portion of its holdings. In addition, future sales of shares by the company of Class A common stock may be dilutive to existing stockholders.

***Future issuances of debt securities, which would rank senior to shares of the company's common stock upon the company's liquidation, and future issuances of equity securities (including operating partnership units), which would dilute the holdings of the company's existing common stockholders and may be senior to shares of the company's common stock for the purposes of making distributions, periodically or upon liquidation, may materially and adversely affect the market price of shares of the company's common stock.***

In the future, the company may issue debt or equity securities or make other borrowings. Upon liquidation, holders of the company's debt securities and other loans and preferred shares will receive a distribution of the company's available assets before holders of shares of the company's common stock. The company is not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional shares of the company's common stock issuances, directly or through convertible or exchangeable securities (including operating partnership units), warrants or options, will dilute the holdings of the company's existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of the company's common stock. The company's preferred shares, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could limit the company's ability to make distributions to holders of shares of the company's common stock. Because the company's decision to issue debt or equity securities or otherwise incur debt in the future will depend on market conditions and other factors beyond the company's control, the company cannot predict or estimate the amount, timing or nature of the company's future capital raising efforts. Thus, holders of shares of common stock bear the risk that the company's future issuances of debt or equity securities or the company's other borrowings will reduce the market price of shares of the company's common stock and dilute their ownership in the company.

***A portion of the company's distributions may be treated as a return of capital for U.S. federal income tax purposes, which could reduce the basis of a stockholder's investment in shares of the company's common stock.***

A portion of the company's distributions may be treated as a return of capital for U.S. federal income tax purposes. As a general matter, a portion of the company's distributions will be treated as a return of capital for U.S. federal income tax purposes if the aggregate amount of the company's distributions for a year exceeds the company's current and accumulated earnings and profits for that year. To the extent that a distribution is treated as a

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return of capital for U.S. federal income tax purposes, it will reduce a holder's adjusted tax basis in the holder's shares, and to the extent that it exceeds the holder's adjusted tax basis will be treated as gain resulting from a sale or exchange of such shares. See U.S. Federal Income Tax Considerations Taxation of Stockholders.

***The combined financial statements of the predecessor to the company and the company's unaudited pro forma financial statements may not be representative of the company's financial statement as an independent public company.***

The combined financial statements of the predecessor to the company and the company's unaudited pro forma financial statements that are included in this prospectus/consent solicitation do not necessarily reflect what the company's financial position, results of operations or cash flows would have been had the company been an independent entity during the periods presented. Furthermore, this financial information is not necessarily indicative of what the company's results of operations, financial position or cash flows will be in the future. It is impossible for the company to accurately estimate all adjustments which may reflect all the significant changes that will occur in the company's cost structure, funding and operations as a result of the IPO and the consolidation, including potential increased costs associated with reduced economies of scale and increased costs associated with being a separate publicly traded company. For additional information, see Selected Financial and Other Data and the combined financial statements of the supervisor and the company's unaudited pro forma financial statements, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust, appearing elsewhere in this prospectus/consent solicitation.

***The company's balance sheet includes significant amounts of goodwill. The impairment of a significant portion of this goodwill would negatively affect the company business, financial condition and results of operations.***

The company's balance sheet includes goodwill, on a pro forma basis, of approximately \$1.13 billion at September 30, 2011. These assets consist primarily of goodwill associated with the acquisition of the controlling interest in the Empire State Building Company L.L.C. and 501 Seventh Avenue Associates L.L.C. The company also expects to engage in additional acquisitions, which may result in its recognition of additional goodwill. Under accounting standards goodwill is not amortized. On an annual basis and whenever events or changes in circumstances indicate the carrying value or goodwill may be impaired, the company is required to assess whether there have been impairments in the carrying value of goodwill. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a charge to operating earnings. An impairment of goodwill could have a material adverse effect on the company's business, financial condition and results of operations.

### **Risks Related to a Third-Party Portfolio Transaction**

***At the time you vote on the third-party portfolio proposal and the consolidation proposal, there will be significant uncertainties which affect your ability to evaluate both proposals.***

At the time that you vote on the consolidation proposal and the third-party portfolio proposal, you will not have any information concerning offers that may be subsequently received. There may be other significant information then unknown to you which could be material to your decision as to whether to consent to either or both of the consolidation and the third-party portfolio proposal, such as information on whether an offer for a third-party portfolio transaction will be received and the amount and terms of such offer. Such information, if known to you, could affect your vote on either or both of these proposals. The effectiveness of your consent will not be affected by any information concerning any subsequent offers and or any other unknown information, regardless of how significant.

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***If both the consolidation proposal and the third-party portfolio proposal are approved, the supervisor may not approve a third-party portfolio transaction, even if it provides for greater consideration than to be issued or paid pursuant to the consolidation.***

Because the supervisor believes the consolidation is likely to provide greater benefits to participants than a third-party portfolio transaction, the supervisor intends to accept an offer for a third-party portfolio transaction only if the consideration to be received pursuant to such offer represents what the supervisor believes is an adequate premium above the value expected to be realized over time from the consolidation. Accordingly, if both the consolidation proposal and the third-party portfolio proposal are approved, the supervisor may not approve a third-party portfolio transaction or if such third-party portfolio transaction is approved by the supervisor, the committee, which includes representatives of the supervisor and a representative of the Helmsley estate, may not approve the third-party portfolio transaction, even if such an offer is received providing greater consideration than the aggregate exchange value.

***The supervisor does not know currently what structure a third-party portfolio transaction would take and may approve a third-party portfolio transaction which you may view as less favorable than the consolidation.***

At the time you vote on the proposals, you may not have information concerning (a) the purchase price or terms of an offer, (b) the extent that the offer provides an option to receive securities instead of cash, and, if so, information concerning the business, prospects or risks associated with an investment in the third party or the market for the securities of the third party, or (c) to the extent participants have been provided with such information, whether or not the supervisor will accept an offer. Accordingly, participants will rely on the supervisor, which will determine whether to accept or reject the offer in its sole discretion and, if the supervisor approves a third-party portfolio transaction, subject to the unanimous approval of a committee which includes representatives of the supervisor and a representative of the Helmsley estate. While the supervisor intends to accept an offer for a third-party portfolio transaction only if the consideration represents what the supervisor believes is an adequate premium above the value expected to be realized over time from the consolidation, the supervisor has not established any specific criteria as to how much of a premium it would consider adequate.

In addition, if the third-party portfolio proposal is approved, the supervisor will have the authority to approve an offer for a third-party portfolio transaction, subject to unanimous approval by a committee which will include representatives of the supervisor and the Helmsley estate, even if the consideration does not represent what the supervisor believes is an adequate premium above the value expected to be realized over time from the consolidation. It is possible that the supervisor may approve a third-party portfolio transaction which you may view as less favorable than the consolidation.

***The supervisor and the Malkin Holdings group may have a conflict of interest in determining whether to accept a third-party portfolio transaction offer and in establishing the terms of a third-party portfolio transaction.***

The supervisor and the Malkin Holdings group may receive different benefits in connection with the consolidation, as compared with a third-party portfolio transaction. Accordingly, the supervisor and the Malkin Holdings group may have a conflict of interest in determining whether to accept a third-party portfolio transaction offer and in making decisions as to the amount and form of the consideration to be received in the transaction, the terms of the agreements, and other matters.

***Even if there is a definitive agreement for a third-party portfolio transaction, it is possible that neither a third-party portfolio transaction nor the consolidation will be consummated.***

If the supervisor approves an offer for a third-party portfolio transaction, it is possible (a) the supervisor and the third party making that offer may not be able to negotiate and conclude a definitive agreement or (b) if a definitive agreement is concluded, it may not be consummated due to its conditions or for other reasons. Nonetheless, the negotiation or execution of such definitive agreement for the portfolio transaction could prevent the IPO and consolidation from being consummated, even if a third-party portfolio transaction is not consummated.

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*The amount of consideration you would receive if a third-party portfolio transaction is consummated is uncertain.*

If approved, the third-party portfolio proposal would authorize the supervisor to sell or contribute each subject LLC's interest in its property as part of a portfolio transaction if the consideration to be received pursuant to such offer represents what the supervisor believes is an adequate premium above the value expected to be realized over time from the consolidation. The consideration in a third-party portfolio transaction will be allocated to the subject LLCs, the private entities, and the management companies on a basis which is consistent with the exchange values included in this prospectus/consent solicitation. Any third-party interested in making a portfolio proposal will be instructed to make its offer for all cash. It is possible that participants or the supervisor and its affiliates may be offered an option to receive securities in lieu of all or a portion of the cash. As a result, you will not know the amount of consideration you would receive if a third-party portfolio transaction is consummated.

*Participants who do not approve the third-party portfolio proposal, including participants that do not timely submit their consent forms, after notice that the required percentage of participants have so approved may have their participation interests purchased at a lower price.*

If consent is received for the third party portfolio proposal from holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C., the agent of any such participating group has the right to purchase on behalf of the subject LLC the participation interest of any participant in such participating group that failed to vote **FOR** the proposal, including participants that **ABSTAIN** or did not properly or timely submit a consent form, unless within 10 days after the agent gives such participant notice of such consent, such participant does vote **FOR** the proposal. The buyout amount will be substantially lower than the consideration received in a third-party portfolio transaction. These buyout amounts are \$100 for the interest held by a participant in Empire State Building Associates L.L.C. and \$100 for the interest held by a participant in 60 East 42nd St. Associates L.L.C.

*Participants have no cash appraisal rights.*

In a third-party portfolio transaction, you may not have the right to elect to receive a cash payment equal to the value of your participation interest in your subject LLC and you will not have the right to have the value of your participation interest determined in a separate proceeding and paid in cash. A third-party portfolio transaction offer may be for cash or securities or a combination of cash and securities, and a cash option may not be available or fully available.

### **Real Estate/Business Risks**

*All of the company's properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, and adverse economic or regulatory developments in this area could materially and adversely affect the company.*

All of the company's properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, as well as nearby markets in Fairfield County, Connecticut and Westchester County, New York. Seven of the company's 12 office properties are located in midtown Manhattan. As a result, the company's business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan in particular, which exposes the company to greater economic risks than if it owned a more geographically diverse portfolio. The company is susceptible to adverse developments in the New York City economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation). Such adverse developments could materially reduce the value of the company's real estate portfolio and its rental revenues, and thus materially and adversely affect the

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company's ability to service current debt and to pay dividends to stockholders. The Manhattan vacancy rate continues to exceed 9.1%. The company could also be impacted by adverse developments in the Fairfield County, Connecticut and Westchester County, New York markets. The company cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of office or retail properties. The company's operations may also be affected if competing properties are built in either of these markets.

*Adverse economic and geopolitical conditions in general and in Manhattan and the greater New York metropolitan area commercial office and retail markets in particular could have a material adverse effect on the company's results of operations, financial condition and the company's ability to make distributions to its stockholders.*

The company's business may be affected by the volatility and illiquidity in the financial and credit markets, a general global economic recession, and other market or economic challenges experienced by the real estate industry or the U.S. economy as a whole. The company's business may also be materially and adversely affected by local economic conditions, as substantially all of the company's revenues are derived from its properties located in Manhattan and the greater New York metropolitan area, particularly in Manhattan, Fairfield County and Westchester County. Because the company's portfolio consists primarily of commercial office and retail buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions persist or deteriorate, then the company's results of operations, financial condition and ability to service current debt and to make distributions to the company's stockholders may be materially and adversely affected by the following, among other potential conditions:

the financial condition of the company's tenants, many of which are financial, legal and other professional firms, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or other reasons;

significant job losses in the financial and professional services industries have occurred and may continue to occur, which may decrease demand for the company's office space, causing market rental rates and property values to be impacted negatively;

the company's ability to borrow on terms and conditions that it finds acceptable, or at all, may be limited, which could reduce the company's ability to pursue acquisition and development opportunities and refinance existing debt, reduce the company's returns from both its existing operations and its acquisition and development activities and increase the company's future interest expense;

reduced values of the company's properties may limit its ability to dispose of assets at attractive prices or to obtain debt financing secured by the company's properties and may reduce the availability of unsecured loans;

reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair the company's ability to access capital;

the value and liquidity of the company's short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold the company's cash deposits or the institutions or assets in which the company has made short-term investments, the dislocation of the markets for the company's short-term investments, increased volatility in market rates for such investments or other factors and

one or more counterparties to the company's derivative financial instruments could default on their obligations to the company, increasing the risk that the company may not realize the benefits of these instruments.

These conditions may continue or worsen in the future, which could have materially and adversely affect the company's results of operations, financial condition and ability to make distributions to the company's stockholders.



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***There can be no assurance that the renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that the company will achieve the results it expects from the company's renovation and repositioning program, which could materially and adversely affect the company's financial condition and results of operations.***

Since the supervisor gradually gained day-to-day management of the company's Manhattan office properties from 2002 through 2006, the supervisor has been undertaking a comprehensive renovation and repositioning program of the company's Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. The company currently intends to invest between \$175.0 million and \$215.0 million of additional capital through the end of 2013 on this program. The company expects to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, the company currently estimates that between \$55.0 million and \$65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which the company expects to complete substantially in 2016. However, these estimates are based on the supervisor's current budgets (which do not include tenant improvements and leasing commissions) and may be less than the actual costs. The company may also experience conditions which delay or preclude program completion. In addition, the company may not be able to lease available space on favorable terms or at all. Further, the renovation and repositioning program may lead to temporary increased vacancy rates at the company's Manhattan office properties. There can be no assurance that the renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that the company will achieve the results it expects from the renovation and repositioning program, or that the company will be able to achieve results similar to those presented in the case studies described under "The Company Business and Properties - Renovation and Repositioning Case Studies," which could materially and adversely affect the company's financial condition and results of operations.

***The company relies on four properties for a significant portion of its revenue.***

As of September 30, 2011, four of the company's properties, the Empire State Building, One Grand Central Place, First Stamford Place and 250 West 57th Street, together accounted for approximately 61.8% of the company's portfolio's annualized base rent, and no other property accounted for more than approximately 6.2% of the company's portfolio's annualized base rent (which excludes revenues from the company's broadcasting licenses and related lease space). As of September 30, 2011, the Empire State Building individually accounted for approximately 27.7% of the company's portfolio's annualized base rent. The company's revenue and cash available for distribution to its stockholders would be materially and adversely affected if the Empire State Building, One Grand Central Place, First Stamford Place or 250 West 57th Street were materially damaged or destroyed. Additionally, the company's revenue and cash available for distribution to its stockholders would be materially adversely affected if a significant number of the company's tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to make timely rental payments, defaulting under their leases or filing for bankruptcy.

***The company may be unable to renew leases, lease vacant space or re-lease space on favorable terms or at all as leases expire, which could materially and adversely affect the company's financial condition, results of operations and cash flow.***

As of September 30, 2011, the company had approximately 1.3 million rentable square feet of vacant space in its office properties and 82,459 rentable square feet of vacant space in its retail properties (in each case, excluding leases signed but not yet commenced). In addition, leases representing 2.4% and 8.2% of the square footage of the properties in the company's portfolio will expire in 2011 (including month-to-month leases) and 2012, respectively. Above-market rental rates at some of the properties in the company's portfolio may force it to renew some expiring leases or re-lease properties at lower rates. The company cannot assure you expiring leases will be renewed or that its properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates of the company's properties decrease, the company's existing



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tenants do not renew their leases or the company does not re-lease a significant portion of its available space and space for which leases will expire, the company's financial condition, results of operations, cash flow, per share trading price of its Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to its stockholders would be materially and adversely affected.

*The actual rents the company receives for the properties in its portfolio may be less than the company's asking rents, and the company may experience a decline in realized rental rates from time to time, which could materially and adversely affect its financial condition, results of operations and cash flow.*

Throughout this prospectus/consent solicitation, the company makes certain comparisons between its in-place rents and its asking rents, and between the company's asking rents and average asking rents in its markets. As a result of various factors, including competitive pricing pressure in the company's markets, a general economic downturn and the desirability of the company's properties compared to other properties in its markets, the company may be unable to realize its asking rents across the properties in its portfolio. In addition, the degree of discrepancy between the company's asking rents and the actual rents the company is able to obtain may vary both from property to property and among different leased spaces within a single property. If the company is unable to obtain sufficient rental rates across its portfolio, then the company's ability to generate cash flow growth will be negatively impacted. In addition, depending on market rental rates at any given time as compared to expiring leases in the company's portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

*The company is exposed to risks associated with property redevelopment and development that could materially and adversely affect its financial condition and results of operations.*

The company has engaged, and continues to engage, in development and redevelopment activities with respect to its Manhattan office properties. In addition, the company owns entitled land at the Stamford Transportation Center in Stamford, Connecticut, that can support the development of an approximately 340,000 rentable square foot office building and garage. To the extent that the company continues to engage in development and redevelopment activities, it will be subject to certain risks, including, without limitation:

the availability and pricing of financing on favorable terms or at all;

the availability and timely receipt of zoning and other regulatory approvals;

the potential for the fluctuation of occupancy rates and rents at developed properties due to a number of factors, including market and economic conditions, which may result in the company's investment not being profitable;

start-up, repositioning and redevelopment costs may be higher than anticipated;

the cost and timely completion of construction (including risks beyond the company's control, such as weather or labor conditions, or material shortages);

the potential that the company may fail to recover expenses already incurred if the company abandons development or redevelopment opportunities after it begins to explore them;

the potential that the company may expend funds on and devote management time to projects which it does not complete;

the inability to complete construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs and

the possibility that developed or redeveloped properties will be leased at below expected rental rates. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development and redevelopment activities or the completion of development and redevelopment activities once undertaken, any of which could have an adverse effect on the company's financial

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condition, results of operations, cash flow, per share trading price of the Class A common stock and ability to satisfy the company's principal and interest obligations and to make distributions to its stockholders.

*The company may be required to make rent or other concessions and/or significant capital expenditures to improve its properties in order to retain and attract tenants, which could materially and adversely affect the company, including the company's financial condition, results of operations and cash flow.*

To the extent there are adverse economic conditions in the real estate market and demand for office space decreases, upon expiration of leases at the company's properties and with respect to its current vacant space, the company will be required to increase rent or other concessions to tenants, accommodate increased requests for renovations, build-to-suit remodeling and other improvements or provide additional services to its tenants. In addition, seven of the company's existing properties are pre-war office properties which may require more frequent and costly maintenance to retain existing tenants or attract new tenants than newer properties. As a result, the company would have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, the company may need to raise capital to make such expenditures. If the company is unable to do so or capital is otherwise unavailable, it may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases and the company's vacant space remaining untenanted, which could materially and adversely affect the company's financial condition, results of operations, cash flow and per share trading price of its Class A common stock. As of September 30, 2011, the company had approximately 1.3 million rentable square feet of vacant space in its office properties, 75,898 rentable square feet of vacant space in the company's ground floor retail space in its Manhattan office properties and 6,561 rentable square feet of vacant space in its standalone retail properties (in each case, excluding leases signed but not yet commenced), and leases representing 2.4% and 8.2% of the square footage of the properties in the company's portfolio will expire in 2011 (including month-to-month leases) and 2012, respectively.

*The company depends on significant tenants in its office portfolio, including LF USA, Legg Mason, Thomson Reuters, Warnaco and the Federal Deposit Insurance Corporation, which together represented approximately 18.4% of the company's total portfolio's annualized base rent as of September 30, 2011.*

As of September 30, 2011, the company's five largest tenants together represented 18.4% of its total portfolio annualized base rent. The company's largest tenant is LF USA. As of September 30, 2011, LF USA leased an aggregate of 630,615 rentable square feet of office space at three of the company's office properties, representing approximately 7.6% of the total rentable square feet and approximately 8.6% of the annualized base rent in the company's portfolio. The company's rental revenue depends on entering into leases with and collecting rents from tenants. General and regional economic conditions, such as the current challenging economic climate described above, may adversely affect the company's major tenants and potential tenants in its markets. The company's major tenants may experience a material business downturn, weakening their financial condition and potentially resulting in their failure to make timely rental payments and/or a default under their leases. In many cases, the company has made substantial up front investments in the applicable leases, through tenant improvement allowances and other concessions, as well as typical transaction costs (including professional fees and commissions) that the company may not be able to recover. In the event of any tenant default, the company may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment.

The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by the company's properties. If any tenant becomes a debtor in a case under the United States Bankruptcy Code, the company cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate their lease with the company. The bankruptcy of a tenant or lease guarantor could delay the company's efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, the company would have only a general unsecured claim for damages. Any unsecured claim the company holds may be paid only to the extent that funds are

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available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws that limit the amount of the claim the company can make if a lease is rejected.

The company's revenue and cash flow could be materially adversely affected if any of its significant tenants were to become bankrupt or insolvent, or suffer a downturn in their business, default under their leases or fail to renew their leases at all or renew on terms less favorable to the company than their current terms.

***Competition may impede the company's ability to attract or retain tenants or re-let space, which could materially and adversely affect the company's results of operations and cash flow.***

The leasing of real estate in the greater New York metropolitan area is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the premises to be leased. The company directly competes with all lessors and developers of similar space in the areas in which its properties are located as well as properties in other submarkets. Demand for retail space may be impacted by the recent bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry, which could adversely affect the company's ability to attract and retain tenants. In addition, retailers at the company's properties face increasing competition from outlet malls, discount shopping clubs, electronic commerce, direct mail and telemarketing, which could (i) reduce rents payable to the company, (ii) reduce the company's ability to attract and retain tenants at its properties and (iii) lead to increased vacancy rates at the company's properties, any of which could materially and adversely affect the company.

The company's office properties are concentrated in highly developed areas of midtown Manhattan and densely populated metropolitan communities in Fairfield County and Westchester County. Manhattan is the largest office market in the United States. The number of competitive office properties in the markets in which the company's properties are located (which may be newer or better located than the company's properties) could have a material adverse effect on the company's ability to lease office space at its properties, and on the effective rents the company is able to charge. Additionally, completion of the new Vornado Tower currently under construction at 15 Penn Plaza may provide a significant source of competition for office and retail tenants, due to its close proximity to the Empire State Building.

***If the company's tenants are unable to secure financing necessary to continue to operate their businesses and pay the company rent, the company could be materially and adversely affected.***

Many of the company's tenants rely on external sources of financing to operate their businesses. The U.S. financial and credit markets continue to experience significant liquidity disruptions, resulting in the unavailability of financing for many businesses. If the company's tenants are unable to secure financing necessary to continue to operate their businesses, they may be unable to meet their rent obligations or be forced to declare bankruptcy and reject their leases, which could materially and adversely affect the company.

***The company's dependence on smaller and growth-oriented businesses to rent its office space could materially and adversely affect the company's cash flow and results of operations.***

The majority of the tenants in the company's properties (measured by number of tenants as opposed to aggregate square footage) are smaller businesses that generally do not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. There is a current risk with these companies of a higher rate of tenant defaults, turnover and bankruptcies, which could materially and adversely affect the company's distributable cash flow and results of operations.

***The company's dependence on rental income may materially and adversely affect the company's profitability, the company's ability to meet its debt obligations and the company's ability to make distributions to its stockholders.***

A substantial portion of the company's income is derived from rental income from real property. See "The Company Business and Properties" Tenant Diversification. As a result, the company's performance depends on its

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ability to collect rent from tenants. The company's income and funds for distribution would be negatively affected if a significant number of the company's tenants, or any of its major tenants (as discussed in more detail below):

delay lease commencements;

decline to extend or renew leases upon expiration;

fail to make rental payments when due or

declare bankruptcy.

Any of these actions could result in the termination of the tenants' leases and the loss of rental income attributable to the terminated leases. In these events, the company cannot be sure that any tenant whose lease expires will renew that lease or that the company will be able to re-lease space on economically advantageous terms or at all. The loss of rental revenues from a number of the company's tenants and the company's inability to replace such tenants may adversely affect the company's profitability, its ability to meet debt and other financial obligations and the company's ability to make distributions to its stockholders.

***The company may not be able to control its operating costs, or the company's expenses may remain constant or increase, even if income from its properties decreases, causing the company's results of operations to be adversely affected.***

The company's financial results depend substantially on leasing space in its properties to tenants on terms favorable to the company. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of the company's properties may be reduced if a tenant does not pay its rent or the company is unable to rent its properties on favorable terms. Under those circumstances, the company might not be able to enforce its rights as landlord without delays and may incur substantial legal costs. The terms of the company leases may also limit its ability to change tenants for all or a portion of these expenses. Additionally, new properties that the company may acquire or redevelop may not produce significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and principal and interest on debt associated with such properties until they are fully leased.

***The company's breach of or the expiration of its ground lease could materially and adversely affect the company's results of operations.***

The company's interest in one of its commercial office properties, 1350 Broadway, is a long-term leasehold of the land and the improvements, rather than a fee interest in the land and the improvements. If the company is found to be in breach of this ground lease, it could lose the right to use the property. In addition, unless the company purchases the underlying fee interest in this property or extends the terms of its lease for this property before expiration on terms significantly comparable to the company's current lease, the company will lose its right to operate this property and its leasehold interest in this property upon expiration of the lease or the company will continue to operate it at much lower profitability, which would significantly adversely affect the company's results of operations. In addition, if the company is perceived to have breached the terms of this lease, the fee owner may initiate proceedings to terminate the lease. The remaining term of this long-term lease, including unilateral extension rights available to the company, is approximately 39 years (expiring July 31, 2050). Annualized base rent from this property as of September 30, 2011 was approximately \$16.4 million.

Pursuant to the ground lease, the company, as tenant under the ground lease, performs the functions traditionally performed by owners, as landlords, with respect to its subtenants. In addition to collecting rent from its subtenants, the company also maintains the property and pays expenses relating to the property. The company does not have a right, pursuant to the terms of its lease or otherwise, to acquire the fee interest in this property.

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***The company will not recognize any increase in the value of the land or improvements subject to the company's ground lease, and the company may only receive a portion of compensation paid in any eminent domain proceeding with respect to the property, which could materially and adversely affect the company.***

The company has no economic interest in the land or improvements at the expiration of its ground lease at 1350 Broadway and therefore the company will not share in any increase in value of the land or improvements beyond the term of the company's ground lease, notwithstanding the company's capital outlay to purchase its interest in the property. Furthermore, if the state or federal government seizes the property subject to the ground lease under its eminent domain power, the company may only be entitled to a portion of any compensation awarded for the seizure. In addition, if the value of the property has increased, it may be more expensive for the company to renew its ground lease.

***The company may be unable to identify and successfully complete acquisitions and even if acquisitions are identified and completed, including potentially the option properties, the company may fail to operate successfully acquired properties, which could materially and adversely affect the company and impede its growth.***

The company's ability to identify and acquire properties on favorable terms and successfully operate or redevelop them may be exposed to the following significant risks:

even if the company enters into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to the company's satisfaction and other conditions that are not within the company's control, which may not be satisfied, and the company may be unable to complete an acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;

the company may be unable to finance the acquisition on favorable terms in the time period it desires, or at all, including potentially the option properties;

the company may spend more than budgeted to make necessary improvements or renovations to acquired properties;

the company may not be able to obtain adequate insurance coverage for new properties;

acquired properties may be located in new markets where the company may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures;

the company may be unable to integrate quickly and efficiently new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations, and as a result the company's results of operations and financial condition could be adversely affected;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates and

the company may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that the company is subsequently unable to complete.

Any delay or failure on the company's part to identify, negotiate, finance and consummate such acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet the company's financial expectations, could impede the company's growth and adversely affect its financial condition, results of operations, cash flow and per share trading price of the Class A common stock.



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*The company's option properties are subject to various risks and the company may not be able to acquire them.*

The company's option properties consist of 112-122 West 34th Street, an office property in midtown Manhattan that was 89.3% leased as of September 30, 2011 and that encompasses approximately 696,372 rentable square feet (inclusive of the retail space on the ground, first and lower floors), and 1400 Broadway, an office property in midtown Manhattan that was 80.0% leased as of September 30, 2011 (or 81.3% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 873,551 rentable square feet (inclusive of the retail space on the ground floor). 112-122 West 34th Street and 1400 Broadway will not be contributed to the company in the consolidation due to the ongoing litigation related to these properties. 112 West 34th Street Associates L.L.C. and 1400 Broadway Associates L.L.C., the operating lessees of the company's option properties, are named as defendants in actions alleging that they undertook structural modifications to 112-122 West 34th Street and 1400 Broadway, respectively, without the required consent of the owner of the land on which 112 West 34th Street and 1400 Broadway were constructed (or the ground lessee, in the case of the portion of the 112-122 West 34th Street property that is owned by a private entity supervised by the supervisor and has been ground leased to such ground lessee and sublessee to such private entity). Although the company does not intend to acquire 112-122 West 34th Street or 1400 Broadway as part of the consolidation, the operating partnership has entered into option agreements that allow it to acquire the interests in the option properties upon resolution of such litigation. The company's option properties are exposed to many of the same risks that may affect the other properties in its portfolio. The terms of the option agreements relating to the option properties were not determined by arm's length negotiations, and such terms may be less favorable to the company than those that may have been obtained through negotiations with third parties. It may become economically unattractive to exercise the company's options with respect to the option properties. These risks could cause the company to decide not to exercise its option to purchase these properties in the future.

The interests of the private entities that are supervised by the supervisor in the company's option properties, 112-122 West 34th Street and 1400 Broadway, are fee (in the case of a portion of the 112-122 West 34th Street property), long-term leaseholds (in the case of both of the option properties) and sub-leasehold or sub-subleasehold (in the case of 112-122 West 34th Street only) of the land and the improvements. The remaining terms of these long-term leases, including unilateral extension rights available to the company, are approximately 66 years (expiring June 10, 2077) and approximately 52 years (expiring December 31, 2063), respectively. Even if the company exercises its option to purchase the option properties upon resolution of the ongoing litigation, unless the company purchases the underlying fee interest in these properties or extends the terms of its leases for these properties before expiration on terms significantly comparable to its current leases, the company will lose its right to operate these properties and its leasehold interest in these properties upon expiration of the leases or the company may extend the leases on new terms that may result in reduced profitability, which may significantly adversely affect its results of operations at that time. The purchase price is payable in a combination of cash, shares of the company's common stock and operating partnership units, but the Helmsley Estate, which owns, on an aggregate basis, a % interest in the option properties, will have the right to elect to receive all cash (and non-accredited investors are required to receive all cash), which may impact the company's ability to acquire the option properties.

Additionally, Anthony E. Malkin has a conflict of interest because he and the Malkin Family control and own economic interests in the option properties. As a result, an exercise of such options by the company could economically benefit him.



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***Competition for acquisitions may reduce the number of acquisition opportunities available to the company and increase the costs of those acquisitions, which may impede the company's growth.***

The company plans to continue to acquire properties as it is presented with attractive opportunities. The company may face significant competition for acquisition opportunities in the greater New York metropolitan area with other investors, particularly private investors who can incur more leverage, and this competition may adversely affect the company by subjecting it to the following risks:

an inability to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, commercial developers, partnerships and individual investors and

an increase in the purchase price for such acquisition property, in the event the company is able to acquire such desired property. The significant competition for acquisitions of commercial office and retail properties in the greater New York metropolitan area may impede the company's growth.

***The observatory operations at the Empire State Building are not traditional real estate operations, and competition and changes in tourist trends may subject the company to additional risks, which could materially and adversely affect the Company.***

During the nine months ended September 30, 2011 and year ended December 31, 2010, the Empire State Building derived approximately \$62.9 million and \$78.9 million of revenue, respectively, from its observatory operations, representing approximately 42.0% and 40.8% of the Empire State Building's total revenue for these periods. Demand for the Empire State Building's observatory is highly dependent on domestic and overseas tourists. In addition, competition from observatory operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center, could have a negative impact on revenues from the company's observatory operations. Adverse impacts on domestic travel and changes in foreign currency exchange rates may also decrease demand in the future which could have a material adverse effect on the company's results of operations, financial condition and ability to make distributions to its stockholders.

***The broadcasting operations at the Empire State Building are not traditional real estate operations, and competition and changes in the broadcasting of signals over air may subject the company to additional risks, which could materially and adversely affect the company.***

The Empire State Building and its broadcasting mast provides radio and data communications services and supports delivery of broadcasting signals to cable and satellite systems and television and radio receivers. The company licenses the use of the broadcasting mast to third party television and radio broadcasters. During the nine months ended September 30, 2011 and the year ended December 31, 2010, the company derived approximately \$11.8 million and \$16.1 million of revenue from the Empire State Building's broadcasting licenses and related lease space, representing approximately 7.8% and 8.3% of the Empire State Building's total revenue for these periods. Competition from broadcasting operations in the planned property currently under construction at One World Trade Center and, to a lesser extent, from the existing broadcasting operations at Four Times Square, could have a negative impact on revenues from the company's broadcasting operations. The company's broadcast television and radio licensees also face a range of competition from advances in technologies and alternative methods of content delivery in their respective industries, as well as from changes in consumer behavior driven by new technologies and methods of content delivery, which may reduce the demand for over-the-air broadcast licenses in the future. New government regulations affecting broadcasters, including the implementation of the FCC's National Broadband Plan, or the Plan, also might materially and adversely affect the company's results of operations by reducing the demand for broadcast licenses. Among other things, the Plan urges Congress to make more spectrum available for wireless broadband service providers by

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encouraging over-the-air broadcast licensees to relinquish spectrum through a voluntary auction process, which raises many issues that could impact the broadcast industry. At this time the company cannot predict whether Congress or the FCC will adopt or implement any of the Plan's recommendations or the rule changes as proposed, or how any such actions might affect the company's broadcasting operations. Any of these risks might materially and adversely affect the company.

*Acquired properties may expose the company to unknown liability, which could adversely affect the company's results of operations, cash flow and the market value of its securities.*

The company may acquire properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against the company based upon ownership of those properties, the company might have to pay substantial sums to settle or contest it, which could adversely affect the company's results of operations, cash flow and the market value of its securities. Unknown liabilities with respect to acquired properties might include:

liabilities for clean-up of undisclosed environmental contamination;

claims by tenants, vendors or other persons against the former owners of the properties;

liabilities incurred in the ordinary course of business and

claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

*The company may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit the company's ability to sell such assets.*

In the future the company may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in the company's operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation the company could deduct over the tax life of the acquired properties, and may require that the company agrees to protect the contributors' ability to defer recognition of taxable gain through restrictions on the company's ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit the company's ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

*Turmoil in the capital and credit markets could materially and adversely affect the company.*

Ongoing economic conditions have negatively impacted the capital and credit markets, particularly for real estate. The capital markets have witnessed significant adverse conditions, including a substantial reduction in the availability of and access to capital. The risk premium demanded by capital suppliers has increased markedly, as they are demanding greater compensation for credit risk. Lending spreads have widened from recent levels, and underwriting standards are being tightened. In addition, recent failures and consolidations of certain financial institutions have decreased the number of potential lenders, resulting in reduced lending levels available to the market. As a result, the company may not be able to obtain favorable debt financing in the future or at all. This may result in future acquisitions generating lower overall economic returns, which may adversely affect the company's results of operations and distributions to stockholders. Furthermore, any turmoil in the capital or credit markets could adversely impact the overall amount of capital and debt financing available to invest in real estate, which may result in decreases in price or value of real estate assets.

With the turmoil in the capital markets, an increasing number of financial institutions have sought federal assistance or failed. In the event of a failure of a lender or counterparty to a financial contract, obligations under the financial contract might not be honored and many forms of assets may be at risk and may not be fully returned to the company. Should a financial institution fail to fund its committed amounts when contractually obligated to do so, the company's ability to meet its obligations could be materially and adversely impacted.

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*Should the company decide at some point in the future to expand into new markets, it may not be successful, which could adversely affect the company's financial condition, result of operations, cash flow and trading price of its Class A common stock.*

If opportunities arise, the company may explore acquisitions of properties in new markets. Each of the risks applicable to the company's ability to acquire and integrate successfully and operate properties in its current markets is also applicable to the company's ability to acquire and integrate successfully and operate properties in new markets. In addition to these risks, the company will not possess the same level of familiarity with the dynamics and market conditions of any new markets that the company may enter, which could adversely affect the results of its expansion into those markets, and the company may be unable to build a significant market share or achieve a desired return on its investments in new markets. If the company is unsuccessful in expanding into new markets, it could adversely affect the company's financial condition, results of operations, cash flow, per share trading price of its Class A common stock and ability to satisfy the company's principal and interest obligations and to make distributions to its stockholders.

*The company's growth depends on external sources of capital that are outside of its control, which may affect the company's ability to seize strategic opportunities, satisfy debt obligations and make distributions to its stockholders.*

In order to qualify as a REIT, the company must distribute to its stockholders, on an annual basis, at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, the company will be subject to U.S. federal income tax at regular corporate rates to the extent that the company distributes less than 100% of its net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which the company's distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. Because of these distribution requirements, the company may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, the company may need to rely on third-party sources to fund its capital needs. The company may not be able to obtain financing on favorable terms, in the time period it desires, or at all. Any additional debt the company incurs will increase its leverage. The company's access to third-party sources of capital depends, in part, on:

general market conditions;

the market's perception of the company's growth potential;

the company's current debt levels;

the company's current and expected future earnings;

the company's cash flow and cash distributions and

the market price per share of the company's Class A common stock.

If the company cannot obtain capital from third-party sources, it may not be able to acquire or redevelop properties when strategic opportunities exist, satisfy its principal and interest obligations or make the cash distributions to the company's stockholders necessary to maintain its qualification as a REIT.

*If the company is unable to sell, dispose of or refinance one or more properties in the future, the company may be unable to realize its investment objectives and the company's business may be adversely affected.*

The real estate investments made, and to be made, by the company are relatively difficult to sell quickly. Return of capital and realization of gains from an investment generally will occur upon disposition or refinancing of the underlying property. In addition, the Code imposes restrictions on the ability of a REIT to dispose of properties that are not applicable to other types of real estate companies. The company may be unable to realize its investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may

otherwise be unable to complete any exit strategy. In particular, these risks could arise from

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weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the company's properties are located.

*The company's outstanding indebtedness upon completion of the IPO reduces cash available for distribution and may expose the company to the risk of default under its debt obligations.*

Upon completion of the IPO, the company anticipates its pro forma total consolidated indebtedness will be approximately \$1.04 billion, and the company may incur significant additional debt to finance future acquisition and redevelopment activities.

Payments of principal and interest on borrowings may leave the company with insufficient cash resources to operate its properties or to pay the distributions currently contemplated or necessary to qualify as a REIT. The company's level of debt and the limitations imposed on the company by its loan documents could have significant adverse consequences, including the following:

the company's cash flow may be insufficient to meet its required principal and interest payments;

the company may be unable to borrow additional funds as needed or on favorable terms;

the company may be unable to refinance its indebtedness at maturity or the refinancing terms may be less favorable than the terms of the company's original indebtedness;

to the extent the company borrows debt that bears interest at variable rates, increases in interest rates could materially increase the company's interest expense;

the company may be forced to dispose of one or more of its properties, possibly on disadvantageous terms;

the company may default on its obligations or violate restrictive covenants, in which case the lenders or mortgagees may accelerate the company's debt obligations, foreclose on the properties that secure their loans and/or take control of the company's properties that secure their loans and collect rents and other property income;

the company may violate restrictive covenants in its loan documents, which would entitle the lenders to accelerate the company's debt obligations or reduce its ability to make, or prohibit it from making, distributions and

the company's default under any one of its mortgage loans with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, the company's financial condition, results of operations, cash flow, per share trading price of its Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to its stockholders could be adversely affected. In addition, in connection with the company's debt agreements it may enter into lockbox and cash management agreements pursuant to which substantially all of the income generated by the company's properties will be deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of the company's various lenders and from which cash will be distributed to the company only after funding of improvement, leasing and maintenance reserves and the payment of principal and interest on the company's debt, insurance, taxes, operating expenses and extraordinary capital expenditures and leasing expenses. As a result, the company may be forced to borrow additional funds in order to make distributions to the company's stockholders (including, potentially, to make distributions necessary to allow the company to qualify as a REIT).



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***Mortgage debt obligations expose the company to the possibility of foreclosure, which could result in the loss of the company's investment in a property or group of properties subject to mortgage debt.***

Incurring mortgage and other secured debt obligations increases the company's risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately the company's loss of the property securing any loans for which the company is in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of the company's portfolio of properties. For tax purposes, a foreclosure of any of the company's properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds the company's tax basis in the property, the company would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder the company's ability to meet the distribution requirements applicable to REITs under the Code. Foreclosures could also trigger the company's tax indemnification obligations under the terms of its agreements with certain investors with respect to sales of certain properties, and obligate the company to make certain levels of indebtedness available for them to guarantee which, among other things, allows them to defer the recognition of gain in connection with the consolidation.

***High mortgage rates and/or unavailability of mortgage debt may make it difficult for the company to finance or refinance properties, which could reduce the number of properties the company can acquire, its net income and the amount of cash distributions the company can make.***

If mortgage debt is unavailable at reasonable rates, the company may not be able to finance the purchase of properties. If the company places mortgage debt on properties, it may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when the company refinances its properties, the company's income could be reduced. If any of these events occur, the company's cash flow could be reduced. This, in turn, could reduce cash available for distribution to the company's stockholders and may hinder the company's ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent the company is unable to refinance the properties when the loans become due, the company will have fewer debt guarantee opportunities available to offer under its tax protection agreement. If the company is unable to offer certain guarantee opportunities to the parties to the tax protection agreement, or otherwise is unable to allocate sufficient liabilities of the operating partnership to those parties, it could trigger an indemnification obligation of the company under the tax protection agreement.

***Some of the company's financing arrangements involve balloon payment obligations, which may adversely affect its ability to make distributions.***

Upon closing of the consolidation, the company will have pro forma total debt outstanding of approximately \$1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, the company expects to have approximately \$179.1 million of available borrowing capacity under its loans on a pro forma basis. The company has no debt maturing in 2012 and approximately \$58.3 million maturing in 2013. Some of the company's financing arrangements require it to make a lump-sum or balloon payment at maturity. The company's ability to make a balloon payment at maturity is uncertain and may depend upon the company's ability to obtain additional financing or its ability to sell the property. At the time the balloon payment is due, the company may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of the company's assets. In addition, payments of principal and interest made to service the company's debts may leave it with insufficient cash to make distributions necessary to meet the distribution requirements applicable to REITs under the Code.

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***The company's degree of leverage and the lack of a limitation on the amount of indebtedness the company may incur could materially and adversely affect it.***

The company's organizational documents do not contain any limitation on the amount of indebtedness it may incur. Upon closing of the consolidation and on a pro forma basis for the year ended December 31, 2010, the company had a debt-to-EBITDA ratio of approximately 5.18x. For year the ended December 31, 2010 the company's pro forma EBITDA and pro forma net income, the most comparable GAAP measure, were approximately \$201.6 million and \$84.6 million, respectively. Any changes that increase the company's debt-to-EBITDA could be viewed negatively by investors. As a result, the company's stock price could decrease. The company also considers factors other than debt-to-EBITDA in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of the company's properties upon refinancing and the ability of particular properties and the company's business as a whole to generate cash flow to cover expected debt service.

The company's degree of leverage could affect its ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. The company's degree of leverage could also make it more vulnerable to a downturn in business or the economy generally. If the company becomes more leveraged in the future, the resulting increase in debt service requirements could cause the company to default on its obligations, which could materially and adversely affect the company.

***The company's tax protection agreement could limit its ability either to sell certain properties, engage in a strategic transaction or to reduce its level of indebtedness, which could materially and adversely affect the company.***

As part of the consolidation, the operating partnership intends to enter into a tax protection agreement with Peter L. Malkin and Anthony E. Malkin pursuant to which the operating partnership will agree to indemnify the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership's sale, transfer, conveyance, or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent 17.8% of the company's annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the consolidation for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by those properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, their allocable share of \$160 million of aggregate indebtedness meeting certain requirements, until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and share such investor received in the consolidation. If the company's tax indemnification obligations were to be triggered under these agreements, the company would be required to pay damages for the resulting tax consequences to the Malkin Family, and the company has acknowledged that a calculation of damages will not be based on the time value of money or the time remaining within the restricted period. Moreover, these obligations may restrict the company's ability to engage in a strategic transaction. In addition, these obligations may require the company to maintain more or different indebtedness than the company would otherwise require for the company's business.

***The continuing threat of a terrorist event may materially and adversely affect the company's properties, their value and the company's ability to generate cash flow.***

There may be a decrease in demand for space in Manhattan and the greater New York metropolitan area because it is considered at risk for a future terrorist event, and this decrease may reduce the company's revenues



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from property rentals. In the aftermath of a terrorist event, tenants in Manhattan and the greater New York metropolitan area may choose to relocate their businesses to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn could trigger a decrease in the demand for space in Manhattan and the greater New York metropolitan area, which could increase vacancies in the company's properties and force the company to lease its properties on less favorable terms. Further, certain of the company's properties, including the Empire State Building, may be considered to be susceptible to increased risks of a future terrorist event due to the high-profile nature of the property. In addition, a terrorist event could cause insurance premiums at certain of the company's properties to increase significantly. As a result, the value of the company's properties and the level of its revenues could materially decline.

***Potential losses such as those from adverse weather conditions, natural disasters, terrorist events and title claims, may not be fully covered by the company's insurance policies, and such losses could materially and adversely affect the company.***

The company's business operations are susceptible to, and could be significantly affected by, adverse weather conditions, terrorist events and natural disasters that could cause significant damage to the properties in its portfolio. The company's insurance may not be adequate to cover business interruption or losses resulting from such events. In addition, the company's insurance policies include substantial self-insurance portions and significant deductibles and co-payments for such events, and recent hurricanes in the United States have affected the availability and price of such insurance. As a result, the company may incur significant costs in the event of adverse weather conditions, terrorist events and natural disasters. The company may discontinue certain insurance coverage on some or all of its properties in the future if the cost of premiums for any of these policies in the company's judgment exceeds the value of the coverage discounted for the risk of loss.

The company carries comprehensive liability, fire, extended coverage, earthquake, terrorism and rental loss insurance, covering all of its Manhattan properties and its greater New York metropolitan area properties under a blanket policy. The company carries additional all-risk property and business insurance, which includes terrorism insurance, on the Empire State Building through ESB Captive Insurance Company L.L.C., or ESB Captive Insurance, the company's wholly owned captive insurance company. ESB Captive Insurance covers terrorism insurance for \$300 million in losses in excess of \$900 million per occurrence suffered by the Empire State Building, providing the company with aggregate terrorism coverage of \$1.2 billion. ESB Captive Insurance fully reinsures the 15% coinsurance under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) and the difference between the TRIPRA captive deductible and policy deductible of \$25,000 for non-Nuclear, Biological, Chemical and Radiological exposures. As a result, the company remains only liable for the 15% coinsurance under TRIPRA for Nuclear, Biological, Chemical and Radiological (NBCR) exposures, as well as a deductible equal to 20% of the prior year's premium, which premium was approximately \$600,000 in 2010. As long as the company owns ESB Captive Insurance, the company is responsible for its liquidity and capital resources, and its accounts are part of the company's consolidated financial statements. If the company experiences a loss and its captive insurance company is required to pay under its insurance policy, the company would ultimately record the loss to the extent of its required payment.

Furthermore, the company does not carry insurance for certain losses, including, but not limited to, losses caused by war. In addition, while the company's title insurance policies insure for the current aggregate market value of the company's portfolio, the company does not intend to increase its title insurance policies as the market value of its portfolio increases. As a result, the company may not have sufficient coverage against all losses that it may experience, including from adverse title claims.

If the company experiences a loss that is uninsured or which exceeds its policy limits, the company could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, the company would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

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In addition, certain of the company's properties could not be rebuilt to their existing height or size at their existing location under current land-use laws and policies. In the event that the company experiences a substantial or comprehensive loss of one of its properties, the company may not be able to rebuild such property to its existing specifications and otherwise may have to upgrade such property to meet current code requirements.

TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization Act of 2007) until December 31, 2014. The law extends the federal Terrorism Risk Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of foreign and domestic terrorism. The company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the company), ground leases and the company's secured term loan, contain customary covenants requiring the company to maintain insurance, including TRIA insurance. While the company does not believe it will be likely, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from all-risk insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions for those properties in the portfolio which are not insured against terrorist events. In addition, if lenders insist on full coverage for these risks and prevail in asserting that the company is required to maintain such coverage, it could result in substantially higher insurance premiums.

Certain mortgages on the company's properties contain requirements concerning the financial ratings of the insurers who provide policies covering the property. The company provides the lenders on a regular basis with the identity of the insurance companies in its insurance programs. While the ratings of the company's insurers currently satisfy the rating requirements in some of its loan agreements, in the future, the company may be unable to obtain insurance with insurers which satisfy the rating requirements which could give rise to an event of default under such loan agreements. Additionally, in the future the company's ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers which are difficult to obtain or which result in a commercially unreasonable premium.

***The company may become subject to liability relating to environmental and health and safety matters, which could have a material and adverse effect on it.***

Under various federal, state and/or local laws, ordinances and regulations, as a current or former owner or operator of real property, the company may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of the company's properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. The company also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when the company arranges for disposal or treatment of hazardous substances at such facilities, without regard to whether the company complies with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on the company's properties may adversely affect its ability to attract and/or retain tenants and its ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on the company's properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. For example, the company's property at 69-97 Main Street is subject to an Environmental Land Use Restriction that imposes certain restrictions on the use, occupancy and

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activities of the affected land beneath the property. This restriction may prevent the company from conducting certain renovation activities at the property, which may adversely affect its resale value and may adversely affect the company's ability to finance or refinance this property.

Some of the company's properties are adjacent to or near other properties used for industrial or commercial purposes or that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. Releases from these properties could impact the company's properties. In addition, some of the company's properties have previously been used by former owners or tenants for commercial or industrial activities, e.g., gas stations and dry cleaners, and a portion of the Metro Tower site is currently used for automobile parking and fuelling that may release petroleum products or other hazardous or toxic substances at such properties or to surrounding properties.

In addition, the company's properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject the company or its tenants to liability. These liabilities could affect a tenant's ability to make rental payments to the company. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect the company's operations, or those of its tenants, which could in turn have a material adverse effect on the company.

As the owner or operator of real property, the company may also incur liability based on various building conditions. For example, buildings and other structures on properties that the company currently owns or operates or those the company acquires or operates in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, the company may be subject to liability for personal injury or property damage sustained as a result of releases of ACM into the environment.

In addition, the company's properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or costs for remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the company's properties could require it to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose the company to liability from its tenants, employees of its tenants or others if property damage or personal injury occurs.

The company cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect the company's ability to make distributions to its stockholders or that such costs, liabilities, or other remedial measures will not have a material adverse effect on the company's financial condition and results of operations.

***Potential environmental liabilities may exceed the company's environmental insurance coverage limits, which could have a material and adverse effect on it.***

The company carries environmental insurance to cover certain potential environmental liabilities associated with pollution conditions certain of its properties. The company cannot assure you, however, that its insurance

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coverage will be sufficient or that the company's liability will not have a material adverse effect on its financial condition, results of operations, cash flow, per share trading price of its Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to the company's stockholders.

***The company may experience a decline in the fair value of its assets, which may have a material impact on the company's financial condition, liquidity and results of operations and adversely impact its stock price.***

A decline in the fair market value of the company's assets may require it to recognize an other-than-temporary impairment against such assets under GAAP if the company were to determine that, with respect to any assets in unrealized loss positions, it does not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, the company would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect the company's future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale.

***Failure to hedge interest rates effectively could have a material and adverse effect on the company.***

Subject to the company's qualification as a REIT, the company may seek to manage its exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing the company's exposure to interest rate changes. Moreover, there can be no assurance that the company's hedging arrangements will qualify for hedge accounting or that the company's hedging activities will have the desired beneficial impact on the company's results of operations. Should the company desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill the company's initial obligation under the hedging agreement. Failure to hedge effectively against interest rate changes may adversely affect the company's results of operations.

When a hedging agreement is required under the terms of a mortgage loan it is often a condition that the hedge counterparty maintains a specified credit rating. With the current volatility in the financial markets, there is an increased risk that hedge counterparties could have their credit rating downgraded to a level that would not be acceptable under the loan provisions. If the company were unable to renegotiate the credit rating condition with the lender or find an alternative counterparty with acceptable credit rating, the company could be in default under the loan and the lender could seize that property through foreclosure.

***As a general contractor, Malkin Construction, the company's wholly-owned subsidiary, is subject to the various risks associated with construction that could have a material adverse effect on the company's business and results of operations.***

As a general contractor, Malkin Construction, the company's wholly-owned subsidiary, is subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) that could cause construction delays. The company is subject to the risk that it will be unable to complete construction at budgeted costs or be unable to fund any excess construction costs, which could have a material adverse effect on the company's business and results of operations.

***The company may incur significant costs complying with the ADA and similar laws, which could adversely affect the company's financial condition, results of operations, cash flow and per share trading price of the Class A common stock.***

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The company has not conducted a recent

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audit or investigation of all of its properties to determine the company's compliance with the ADA. If one or more of the properties in the company's portfolio is not in compliance with the ADA, the company would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to the company's properties, or restrict the company's ability to renovate its properties. The company cannot predict the ultimate cost of compliance with the ADA or other legislation. If the company incurs substantial costs to comply with the ADA and any other legislation, the company's financial condition, results of operations, cash flow, per share trading price of its Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to the company's stockholders could be adversely affected.

***The company's property taxes could increase due to property tax rate changes or reassessment, which could impact the company's cash flows.***

Even if the company qualifies as a REIT for U.S. federal income tax purposes, the company will be required to pay state and local taxes on its properties. The real property taxes on the company's properties may increase as property tax rates change or as the company's properties are assessed or reassessed by taxing authorities. In particular, the company's portfolio of properties may be reassessed as a result of the IPO. Therefore, the amount of property taxes the company pays in the future may increase substantially from what the company has paid in the past. If the property taxes the company pays increase, the company's financial condition, results of operations, cash flows, per share trading price of its Class A common stock and the company's ability to satisfy its principal and interest obligations and to make distributions to the company's stockholders could be adversely affected.

***The company may become subject to litigation, which could have a material and adverse effect on the company's financial condition, results of operations, cash flow and per share trading price of its Class A common stock.***

In the future the company may become subject to litigation, including claims relating to its operations, offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against the company, some of which are not, or cannot be, insured against. The company generally intends to defend itself vigorously; however, the company cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against the company may result in it having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact the company's earnings and cash flows, thereby having an adverse effect on the company's financial condition, results of operations, cash flow and per share trading price of its Class A common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of the company's insurance coverage, which could adversely impact the company's results of operations and cash flows, expose the company to increased risks that would be uninsured, and/or adversely impact the company's ability to attract officers and directors.

***Joint venture investments could be adversely affected by the company's lack of sole decision-making authority, its reliance on co-venturers financial condition and disputes between the company and its co-venturers.***

The company may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, the company would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with the company's business interests or goals, and may be in a position to take actions contrary to the company's policies or objectives, and they may have competing interests in the company's markets

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that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither the company nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, prior consent of the company's joint venture partners may be required for a sale or transfer to a third party of the company's interests in the joint venture, which would restrict the company's ability to dispose of its interest in the joint venture. If the company becomes a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize the company's status as a REIT or require it to pay tax, the company may be forced to dispose of its interest in such entity including at an unfavorable price. Disputes between the company and partners or co-venturers may result in litigation or arbitration that would increase the company's expenses and prevent its officers and/or directors from focusing their time and effort on the company's business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, the company may in certain circumstances be liable for the actions of its third-party partners or co-venturers. The company's joint ventures may be subject to debt and, in any weakened credit market, the refinancing of such debt may require equity capital calls.

### ***Changes in accounting rules, assumptions and/or judgments could materially and adversely affect the company.***

Accounting rules for certain aspects of the company's anticipated operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in the preparation of the company's financial statements and the delivery of this information to the company's stockholders. Furthermore, changes in accounting rules or in the company's accounting assumptions and/or judgments, such as asset impairments, could materially impact its financial statements. Under any of these circumstances, the company could be materially and adversely affected.

### ***The company may incur significant costs complying with various regulatory requirements, which could materially and adversely affect its financial performance.***

The company's properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If the company fails to comply with these various requirements, it might incur governmental fines or private damage awards. In addition, existing requirements could change and future requirements might require the company to make significant unanticipated expenditures, which materially and adversely affect its financial performance.

### **Risks Related to the Tax Consequences of the Consolidation**

#### ***A participant that receives Class A common stock or cash in the consolidation will recognize gain or loss for U.S. federal income tax purposes.***

You generally will recognize gain or loss for U.S. federal income tax purposes with respect to your participation interest equal to the amount by which the sum of any cash and the value of any shares of Class A common stock you receive in connection with the consolidation, plus the amount of liabilities allocable to your participation interest, exceeds your tax basis in your participation interest. You will recognize phantom income (i.e., income in excess of any cash and the value of any shares of common stock you receive) if you have a negative capital account with respect to your participation interest. The supervisor urges you to consult with your tax advisor to evaluate the tax consequences to you in your particular circumstances as a result of the consolidation. As a result of the cap on the cash option, even if you elect to receive cash in the consolidation, you may not be able to receive sufficient cash to pay the taxes liabilities resulting from the consolidation. In addition, due to the lock-up on your shares of Class A common stock, you may not be able to sell your shares of common stock to realize cash at the time such sale may be required to meet any tax or estimated tax obligation; For a further discussion of the general U.S. federal income tax consequences of the transactions contemplated herein that may be relevant, you should carefully review the section entitled U.S. Federal Income Tax Considerations.

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*Tax consequences to holders of operating partnership units upon a sale or refinancing of the company's properties may cause the interests of certain members of the company's senior management team to differ from your own.*

As a result of the unrealized built-in gain attributable to a property at the time of contribution, some holders of operating partnership units, including Anthony E. Malkin and Peter L. Malkin, may suffer different and more adverse tax consequences than holders of Class A common stock upon the sale or refinancing of the properties owned by the operating partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all. As a result, the effect of certain transactions on Anthony E. Malkin and Peter L. Malkin may influence their decisions affecting these properties and may cause them to attempt to delay, defer or prevent a transaction that might otherwise be in the best interests of the company's other stockholders. In connection with the consolidation, the operating partnership intends to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which the operating partnership will agree to indemnify the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership's sale, transfer, conveyance, or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent 17.8% of the company's annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the consolidation for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by those properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of \$160 million of aggregate indebtedness meeting certain requirements, until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such investor received in the consolidation. As a result of entering into the tax protection agreement, Anthony E. Malkin and Peter L. Malkin may have an incentive to cause the company to enter into transactions from which they may personally benefit.

*The company's failure to qualify or remain qualified as a REIT would subject the company to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to the company's stockholders.*

The company has been organized and intends to operate in a manner that will enable it to qualify as a REIT for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2012. The company has not requested and does not intend to request a ruling from the IRS that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions and Treasury Regulations promulgated thereunder for which there are limited judicial and administrative interpretations. The complexity of these provisions and of applicable Treasury Regulations is greater in the case of a REIT that, like the company, holds its assets through partnerships. To qualify as a REIT, the company must meet, on an ongoing basis, various tests regarding the nature and diversification of its assets and the company's income, the ownership of its outstanding shares, and the amount of its distributions. The company's ability to satisfy these asset tests depends upon its analysis of the characterization and fair market values of its assets, some of which are not susceptible to a precise determination, and for which the company will not obtain independent appraisals. The company's compliance with the REIT income and quarterly asset requirements also depends upon the company's ability to manage successfully the composition of its income and assets on an ongoing basis. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for the company to qualify as a REIT. Thus, while the company intends to operate so that

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it will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in the company's circumstances, no assurance can be given that the company will so qualify for any particular year. These considerations also might restrict the types of assets that the company can acquire in the future.

If the company fails to qualify as a REIT in any taxable year, and it does not qualify for certain statutory relief provisions, it would be required to pay U.S. federal income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and distributions to its stockholders would not be deductible by it in determining its taxable income. In such a case, the company might need to borrow money, sell assets, or reduce or even cease making distributions in order to pay its taxes. The company's payment of income tax would reduce significantly the amount of cash available for distribution to its stockholders. Furthermore, if the company fails to maintain its qualification as a REIT, it no longer would be required to distribute substantially all of its net taxable income to its stockholders. In addition, unless the company was eligible for certain statutory relief provisions, it could not re-elect to qualify as a REIT until the fifth calendar year following the year in which it failed to qualify.

***Complying with the REIT requirements may cause the company to forego and/or liquidate otherwise attractive investments.***

To qualify as a REIT, the company must ensure that it meets the REIT gross income tests annually. In addition, the company must ensure that, at the end of each calendar quarter, at least 75% of the value of its total assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-backed securities. The remainder of the company's investment in securities (other than government securities, securities of corporations that are treated as taxable REIT subsidiaries, or TRSs, and qualified REIT real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of the company's assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of the company's total securities can be represented by securities of one or more TRSs. See U.S. Federal Income Tax Considerations Requirements for Qualification General Asset Tests. If the company fails to comply with these asset requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification and suffering adverse tax consequences.

To meet these tests, the company may be required to take or forgo taking actions that it would otherwise consider advantageous. For instance, in order to satisfy the gross income or asset tests applicable to REITs under the Code, the company may be required to forego investments that it otherwise would make. Furthermore, the company may be required to liquidate from its portfolio otherwise attractive investments. In addition, the company may be required to make distributions to stockholders at disadvantageous times or when the company does not have funds readily available for distribution. These actions could have the effect of reducing the company's income and amounts available for distribution to its stockholders. Thus, compliance with the REIT requirements may hinder the company's investment performance.

***The REIT distribution requirements could require the company to borrow funds during unfavorable market conditions or subject the company to tax, which would reduce the cash available for distribution to the company's stockholders.***

In order to qualify as a REIT, the company must distribute to its stockholders, on an annual basis, at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, the company will be subject to U.S. federal income tax at regular corporate rates to the extent that it distributes less than 100% of its net taxable income, (including capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which its distributions in any calendar year are less than a



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minimum amount specified under U.S. federal income tax laws. The company intends to distribute its net income to its stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax.

In addition, the company's taxable income may exceed its net income as determined by GAAP because, for example, realized capital losses will be deducted in determining the company's GAAP net income, but may not be deductible in computing the company's taxable income. In addition, the company may incur nondeductible capital expenditures or be required to make debt or amortization payments. As a result of the foregoing, the company may generate less cash flow than taxable income in a particular year and the company may incur U.S. federal income tax and the 4% nondeductible excise tax on that income if the company does not distribute such income to stockholders in that year. In that event, the company may be required to use cash reserves, incur debt or liquidate assets at rates or times that the company regards as unfavorable or make a taxable distribution of its shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year.

***If the operating partnership is treated as a corporation for U.S. federal income tax purposes, the company will cease to qualify as a REIT.***

The company believes the operating partnership qualifies as a partnership for U.S. federal income tax purposes. Assuming that it qualifies as a partnership for U.S. federal income tax purposes, the operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including the company, is required to pay tax on its allocable share of the operating partnership's income. No assurance can be provided, however, that the IRS will not challenge the operating partnership's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating the operating partnership as a corporation for U.S. federal income tax purposes, the company would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, therefore, cease to qualify as a REIT and the operating partnership would become subject to U.S. federal, state and local income tax. The payment by the operating partnership of income tax would reduce significantly the amount of cash available to the operating partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including the company.

***Even if the company qualifies as a REIT, it may incur tax liabilities that reduce its cash flow.***

Even if the company qualifies for taxation as a REIT, it may be subject to certain U.S. federal, state and local taxes on its income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. See U.S. Federal Income Tax Considerations Taxation of the Company Taxation of REITs in General. In addition, Empire State Realty Observatory TRS, LLC, a New York limited liability company, or Observatory TRS, Empire State Realty Holdings TRS, LLC, a Delaware limited liability company, or Holding TRS, and any other TRSs the company owns will be subject to U.S. federal, state and local corporate income taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, the company will hold some of its assets through taxable C corporations, including TRSs. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to the company's stockholders.

***If the company is not able to lease the Empire State Building observatory to a TRS in a manner consistent with the ruling that the company has received from the IRS, or if the company is not able to maintain its broadcast licenses in a manner consistent with the ruling it has received from the IRS, it would be required to restructure its operations in a manner that could adversely affect the value of its stock.***

Rents from real property are generally not qualifying income for purposes of the REIT gross income tests if the rent is treated as related party rent. Related party rent generally includes (i) any rent paid by a corporation

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if the REIT (or any person who owns 10% or more of the stock of the REIT by value) directly or indirectly owns 10% or more of the stock of the corporation by vote or value and (ii) rent paid by a partnership if the REIT (or any person who owns 10% or more of the stock of the REIT by value) directly or indirectly owns an interest of 10% or more in the assets or net profits of the partnership. Under an exception to this rule, related party rent is treated as qualifying income for purposes of the REIT gross income tests if it is paid by a TRS of the REIT and (i) at least 90% of the leased space in the relevant property is rented to persons other than either TRSs or other related parties of the REIT, and (ii) the amounts paid to the REIT as rent from real property are substantially comparable to the rents paid by unrelated tenants of the REIT for comparable space.

Income from admissions to the Empire State Building observatory, and certain other income generated by the observatory, would not likely be qualifying income for purposes of the REIT gross income tests. The company will jointly elect with Observatory TRS, which is the current lessee and operator of the observatory and which will be wholly owned by the operating partnership following the completion of the IPO, for Observatory TRS to be treated as a TRS of the company for U.S. federal income tax purposes following the completion of the IPO. Observatory TRS will lease the Empire State Building observatory from the operating partnership pursuant to an existing lease that provides for fixed base rental payments and variable rental payments equal to certain percentages of Observatory TRS's gross receipts from the operation of the observatory. Given the unique nature of the real estate comprising the observatory, the company does not believe that there is any space in the Empire State Building or in the same geographic area as the Empire State Building that would likely be considered sufficiently comparable to the observatory for the purpose of applying the exception to related party rent described above. The company has received from the IRS a private letter ruling that the rent that the operating partnership will receive from Observatory TRS pursuant to the lease described above will be qualifying income for purposes of the REIT gross income tests.

In addition, following completion of the IPO, the operating partnership will acquire various license agreements (i) granting certain third party broadcasters the right to use space on the tower on the top of the Empire State Building for certain broadcasting and other communication purposes and (ii) granting certain third party vendors the right to operate concession stands in the observatory. The company has received from the IRS a private letter ruling that the license fees that the operating partnership will receive under the license agreements described above will be qualifying income for purposes of the REIT gross income tests.

The company is entitled to rely upon these private letter rulings only to the extent that it did not misstate or omit a material fact in the ruling request and that it continues to operate in accordance with the material facts described in such request, and no assurance can be given that the company will always be able to do so. If the company were not able to treat the rent that the operating partnership receives from Observatory TRS as qualifying income for purposes of the REIT gross income tests, the company would be required to restructure the manner in which it operates the observatory, which would likely require the company to cede operating control of the observatory by leasing the observatory to an affiliate or third party operator. If the company were not able to treat the license fees that the operating partnership will receive from the license agreements described above as qualifying income for purposes of the REIT gross income tests, the company would be required to enter into the license agreements described above through a TRS, which would cause the license fees to be subject to U.S. federal income tax and accordingly reduce the amount of the company's cash flow available to be distributed to its stockholders. In either case, if the company is not able to appropriately restructure its operations in a timely manner, it would likely realize significant income that does not qualify for the REIT gross income tests, which could cause the company to fail to qualify as a REIT.

***Although the company's use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain its qualification as a REIT, there are limits on the company's ability to own TRSs, and a failure to comply with the limits would jeopardize the company's REIT qualification and may result in the application of a 100% excise tax.***

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the

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REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT's assets may consist of securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

The Company will jointly elect with each of Observatory TRS and Holding TRS, which will be a newly formed Delaware limited liability company that will be wholly owned by the operating partnership following the completion of the consolidation, for each of Observatory TRS and Holding TRS to be treated as a TRS under the Code for U.S. federal income tax purposes following the completion of the consolidation. Observatory TRS, Holdings TRS, and any other TRSs that the company forms will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to the company but is not required to be distributed unless necessary to maintain the company's REIT qualification. Although the company will be monitoring the aggregate value of the securities of such TRSs and intends to conduct its affairs so that such securities will represent less than 25% of the value of its total assets, there can be no assurance that the company will be able to comply with the TRS limitation in all market conditions.

***Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations, which could adversely affect the value of the company's Class A common stock.***

The maximum U.S. federal income tax rate for certain qualified dividends payable to U.S. stockholders that are individuals, trusts and estates is 15% (through 2012). Dividends payable by REITs, however, are generally not eligible for the reduced rates and therefore may be subject to a 35% maximum U.S. federal income tax rate on ordinary income. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the company's Class A common stock.

***Complying with REIT requirements may limit the company's ability to hedge effectively and may cause the company to incur tax liabilities.***

The REIT provisions of the Code may limit the company's ability to hedge its assets and operations. Under these provisions, any income that the company generates from transactions intended to hedge its interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. See U.S. Federal Income Tax Considerations Requirements for Qualification General Gross Income Tests and U.S. Federal Income Tax Considerations Requirements for Qualification General Hedging Transactions. As a result of these rules, the company may have to limit its use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of the company's hedging activities because the company's TRS would be subject to tax on gains or expose the company to greater risks associated with changes in interest rates than the company would otherwise want to bear. In addition, losses in the company's TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

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***The ability of the company's board of directors to revoke the company's REIT election without stockholder approval may cause adverse consequences to the company's stockholders.***

The company's charter provides that the board of directors may revoke or otherwise terminate the company's REIT election, without the approval of the company's stockholders, if the board determines that it is no longer in the company's best interest to continue to qualify as a REIT. If the company ceases to qualify as a REIT, it would become subject to U.S. federal income tax on its net taxable income and it generally would no longer be required to distribute any of its net taxable income to its stockholders, which may have adverse consequences on the company's total return to its stockholders.

***Legislative or regulatory tax changes related to REITs could materially and adversely affect the company's business.***

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. The company cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. The company and its stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

***Your investment has various tax risks.***

Although provisions of the Code generally relevant to an investment in shares of the Class A common stock are described in U.S. Federal Income Tax Considerations, you should consult your tax advisor concerning the effects of U.S. federal, state, local and foreign tax laws to you with regard to an investment in shares of the Class A common stock.

***The company may inherit tax liabilities from the entities to be merged into the company or its subsidiaries in the consolidation.***

Pursuant to the consolidation, Malkin Properties of Connecticut, Inc., a Connecticut corporation, or Malkin Properties CT, and Malkin Construction Corp., a Connecticut corporation, or Malkin Construction, will merge with and into a subsidiary of the company, with the subsidiary surviving, in a transaction that is intended to be treated as a reorganization under the Code. Each of Malkin Properties CT and Malkin Construction has elected to be treated as an S Corporation for U.S. federal income tax purposes under Section 1361 of the Code. If either of Malkin Properties CT or Malkin Construction failed to qualify as an S corporation, the company could assume material U.S. federal income tax liabilities in connection with the consolidation and/or may be subject to certain other adverse tax consequences. In addition, to qualify as a REIT under these circumstances, the company would be required to distribute, prior to the close of its first taxable year in which it elected to be taxed as a REIT under the Code, any earnings and profits of these entities to which the company is deemed to succeed. No rulings from the IRS will be requested and no opinions of counsel will be rendered regarding the U.S. federal income tax treatment of any of Malkin Properties CT or Malkin Construction. Accordingly, no assurance can be given that Malkin Properties CT or Malkin Construction has qualified as an S corporation for U.S. federal income tax purposes, or that these entities do not have any other tax liabilities. In addition, the supervisor will merge with a subsidiary of the operating partnership in the consolidation, and as a result, the company may inherit any liabilities, including any tax liabilities, of the supervisor.

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**FORWARD-LOOKING STATEMENTS**

This prospectus/consent solicitation contains forward-looking statements. In particular, statements pertaining to the company's and the subject LLCs' capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, the company's unaudited pro forma financial statements and all the company's statements regarding anticipated growth in the company's portfolio from operations, acquisitions and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, preli approximately, intends, plans, pro forma, estimates, contemplates, aims, continues, would or anticipates or the negative of the phrases or similar words or phrases. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and the company may not be able to realize them. The company and the supervisor do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

the factors included in this prospectus/consent solicitation, including those set forth under the headings Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust and The Company Business and Properties;

the effect of the credit crisis on general economic, business and financial conditions, and changes in the company's industry and changes in the real estate markets in particular, either nationally or in Manhattan or the greater New York metropolitan area;

the value of the shares of common stock that you will receive in the consolidation;

reduced demand for office or retail space;

use of proceeds of the IPO;

general volatility of the capital and credit markets and the market price of the company's Class A common stock;

changes in the company's business strategy;

defaults on, early terminations of or non-renewal of leases by tenants;

bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;

fluctuations in interest rates and increased operating costs;

declining real estate valuations and impairment charges;

availability, terms and deployment of capital;

the company's failure to obtain necessary outside financing;

the company's expected leverage;

decreased rental rates or increased vacancy rates;

the company's failure to generate sufficient cash flows to service its outstanding indebtedness;

the company's failure to redevelop, renovate and reposition properties successfully or on the anticipated timeline or at the anticipated costs;

difficulties in identifying properties to acquire and completing acquisitions, including potentially the option properties described in this prospectus/consent solicitation;

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risks of real estate acquisitions, dispositions and development (including the company's Metro Tower development site), including the cost of construction delays and cost overruns;

the company's failure to operate acquired properties and operations successfully;

the company's projected operating results;

the company's ability to manage its growth effectively;

estimates relating to the company's ability to make distributions to its stockholders in the future;

impact of changes in governmental regulations, tax law and rates and similar matters;

the company's failure to qualify as a REIT;

future terrorist events in the U.S.;

environmental uncertainties and risks related to adverse weather conditions and natural disasters;

lack or insufficient amounts of insurance;

financial market fluctuations;

availability of and the company's ability to attract and retain qualified personnel;

conflicts of interest with the company's senior management team;

the company's understanding of its competition;

changes in real estate and zoning laws and increases in real property tax rates and

the company's ability to comply with the laws, rules and regulations applicable to companies and, in particular, public companies. While forward-looking statements reflect the company's or the supervisor's, as applicable, good faith beliefs, they are not guarantees of future performance. The company and the supervisor disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this prospectus, except as required by applicable law. For a further discussion of these and other factors that could impact the company's future results, performance or transactions, see Risk Factors. You should not place undue reliance on any forward-looking statement, which is based

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only on information currently available to the company (or to third parties making the forward-looking statements).



**Table of Contents****BACKGROUND OF AND REASONS FOR THE CONSOLIDATION****Background of the Subject LLCs**

The three subject LLCs are publicly-registered limited liability companies originally formed as partnerships by principals of the supervisor from 1953 to 1961. The principals of the supervisor during this period consisted of Lawrence A. Wien, until his death in 1988 and, beginning in 1958, Peter L. Malkin. Anthony E. Malkin joined Peter L. Malkin as a principal in 1989. In exercising control, Peter L. Malkin and Anthony E. Malkin have been, and continue to be, subject to fiduciary duties owed multiple sets of equity owners in each subject LLC and private entity. Each subject LLC was formed to acquire the fee title or long-term ground lease interest in an office property located in Manhattan and to lease the property to an operating lessee, which operates the property. As lessor, each subject LLC receives from its operating lessee fixed base rent and overage rent (based on a percentage of the operating lessee's profits). Each operating lessee was formed initially as a partnership, the partners of which included Lawrence A. Wien and Harry B. Helmsley, and later converted to a limited liability company. Malkin Holdings LLC and the Malkin Family provide supervisory and other services for each subject LLC, each operating lessee and the other private entities. The private entities, including the operating lessees which will contribute their interests in properties to the company, were formed between 1953 and 2008 and own office properties, retail properties and, in one case, fully entitled land including a development site, in Manhattan and the greater New York metropolitan area.

The table below sets forth certain information concerning the original participants in the subject LLCs:

LLC	Entity Formed (Month/Year)	Total Capital Raised	Date of Last Admission of Original Participants (Month/Year) <sup>(1)</sup>	Aggregate Distributions Through September 30, 2011	Aggregate Distributions per \$1,000 Investment September 30, 2011
60 East 42nd St. Associates L.L.C.	September 1958	\$ 7,000,000	September 1958	\$ 171,971,605	\$ 24,567
Empire State Building Associates L.L.C.	July 1961	\$ 33,000,000	January 1962	\$ 454,062,333	\$ 13,760
250 West 57th St. Associates L.L.C.	May 1953	\$ 3,600,000	September 1953	\$ 82,501,200	\$ 22,917

(1) In 1954, the agents for the original participants acquired interests in One Grand Central Place as tenants-in-common for the benefit of the participants and the form of ownership was changed to ownership through a partnership in 1958.

The Manhattan office properties that will be included in the initial portfolio were acquired between 1950 and 1979 through the business ventures of Lawrence A. Wien in partnership with Harry B. Helmsley, and later with his son-in-law and, the company's Chairman Emeritus Peter L. Malkin. Three properties, the Empire State Building, One Grand Central Place and 250 West 57th Street, were acquired by the subject LLCs from 1953 to 1961, following earlier transactions on structures developed by Lawrence A. Wien, which are credited as the first flow-through tax treatment real estate syndications ever conducted, including other Manhattan office properties, 1333 Broadway, 1350 Broadway, 1359 Broadway and 501 Seventh Avenue, which were acquired by the private entities from 1950 to 1979. With respect to the Manhattan office properties, Lawrence A. Wien and Peter L. Malkin were responsible for the syndication of the transactions, and Harry B. Helmsley was responsible for the identification of opportunities and the management and leasing of the properties once purchased. The principals of the supervisor during this period consisted of Lawrence A. Wien, until his death in 1988 and, beginning in 1958, Peter L. Malkin. Anthony E. Malkin joined Peter L. Malkin as a principal in 1989. All of the standalone retail assets and most of the Fairfield County and Westchester County office properties that will be included in the initial portfolio were acquired from 1989 to 2006 under the direction of Anthony E. Malkin.

The supervisor historically provided asset management services for most of the properties. The Manhattan office properties were managed, subject to the supervision of the supervisor, by the former property manager and

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leasing agent until 2002, in the case of One Grand Central Place, 250 West 57th Street and 501 Seventh Avenue; 2003, in the case of 1359 Broadway; and 2006, in the case of the Empire State Building, 1350 Broadway, 1333 Broadway and the option properties.

Over time, the supervisor observed and objected to a deterioration in the property management and leasing services provided by the former property manager and leasing agent to the properties owned by the subject LLCs and the other properties in which the supervisor and the Helmsley estate owned interests, which is referred to herein as the Manhattan office properties, resulting in deferred maintenance, reduced occupancy and/or rents and reduced tenant quality. The supervisor brought legal action to remove the former property manager and leasing agent as property manager and leasing agent of the properties owned by the subject LLCs (after it was sold by entities controlled by Leona M. Helmsley) of these properties both for cause and based on contractual removal rights. The resolutions of the ensuing arbitrations and litigations resulted in a gradual transfer of day-to-day management away from the former property manager and leasing agent beginning in 2002 and were fully settled in 2006. Upon such transfer, the supervisor conceived and designed a renovation and repositioning program for the Manhattan office properties, and a majority of the work on such program has taken place since 2008. The supervisor has overseen the engagement of third-party property management and leasing agents for these properties, and eventually the transformation of the Empire State Building to a self-managed structure, retaining a third party agent only for leasing.

Separately, entities organized and supervised by the supervisor acquired certain office, city-center retail and multi-family residential properties outside of Manhattan, which other than the greater New York metropolitan area properties, will not be part of the portfolio upon completion of the consolidation. It developed and implemented a branding strategy for brokers and tenants for this portfolio. The branded portfolio provides tenants with a consistently high quality level of services, installations, maintenance and amenities and has built strong relationships with the broker community.

As the former property manager and leasing agent legal proceedings progressed and were resolved, the supervisor conceived, planned and executed a comprehensive program to renovate and improve the Manhattan office properties in the portfolio with a combination of operating cash flow and debt financing. The improvements included restored and improved or new lobbies; elevator modernization; common hallway upgrades; bathroom renovations; roof and façade restorations; new windows; and building-wide systems upgrades. As each property renovation was put in place, the supervisor established its brand by deploying the same branding strategy with tenants and brokers as had succeeded with the office and retail properties in Fairfield County, Connecticut and Westchester County, New York.

### **Investment Objectives of LLCs**

The investment objective of each subject LLC was to acquire and hold for the long term the fee and master lease interest in the property it now owns and for which it receives rental income. The offering documents for each subject LLC's interests did not describe an exit strategy for the subject LLCs. The supervisor does not believe that a transfer of the subject LLC's property interest in an individual sale would be in the best interest of the subject LLC. The supervisor has never recommended a sale of either the fee owner or the related operating lessee, which is part of a two-tier ownership structure, except as part of a sale of both entities. In cases where similar positions have been sold in the past, the supervisor has arranged for an independent valuation of the interests to be combined to provide for a fair division of sales proceeds.

The subject LLCs are authorized to sell their interests in the properties upon receiving in each case the required consent of the participants. In keeping with prior practice, the supervisor believes that to maximize the return on a sale, the operating lessee would be required to join in such sale. Generally, proceeds to a subject LLC from such disposition must be distributed to the participants in the subject LLC according to the terms of the subject LLC's operating agreement. As noted above, in cases when there have been sales, the operating lessee

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has joined in the sale and the proceeds of the sale of the property have been allocated between the subject LLC and the operating lessee on such terms as have been recommended pursuant to an independent valuation and agreed to by the subject LLC and the operating lessee.

While the net proceeds of a sale for cash generally have not been reinvested in other properties in investment programs the supervisor, Peter L. Malkin and Anthony E. Malkin have supervised, the subject LLCs could reinvest proceeds or invest in new properties. In a consent for refinancing in 2008, Empire State Building Associates L.L.C. participants consented to the supervisor using proceeds from a financing of up to 50% of Empire State Building Associates L.L.C. value to purchase another property.

Historically, in accordance with prior practice for investment programs organized by the supervisor, Peter L. Malkin and Anthony E. Malkin, net proceeds of a sale have been distributed to the participants in accordance with each subject LLC's operating agreement. Each operating agreement provides that the subject LLC will continue until it has disposed of all its assets.

### **Chronology of the Consolidation**

Initially, Lawrence A. Wien, then Lawrence A. Wien, together with Peter L. Malkin, and subsequently Peter L. Malkin, together with Anthony E. Malkin, have maintained an ongoing program of raising money from private investors to invest in real estate for more than 70 years. The supervisor, starting in 1953, has acted as supervisor for the Manhattan portfolio of properties, including the Manhattan office properties, which collectively is referred to herein as the Manhattan Portfolio and the properties in the greater New York metropolitan area.

From time to time, for various reasons, the supervisor has pursued sales of properties in the Manhattan Portfolio where the supervisor believed a sale would produce a higher return than continuing to hold the property. Sometimes, sales were pursued because of a perceived property risk due to market conditions and disputes, but until recently, the supervisor did not believe that conditions favored either a sale or consolidation of the properties. See The Supervisor's Reasons for Proposing the Consolidation.

From the first settlement with the Helmsley estate in 1997, relations between the supervisor and the Helmsley estate as the two major investors in certain properties in the Manhattan Portfolio, steadily improved. After the final properties involved in the resolution of disputes between Peter L. Malkin and the supervisor and the former property manager and leasing agent completed transitioning the operation and leasing of the properties away from the former property manager and leasing agent as property manager and leasing agent, the supervisor considered options in the market and the supervisor and the Helmsley estate consulted with each other concerning a possible sale of the Empire State Building. In 2007, the supervisor considered the possible sale of a combination of Empire State Building Associates L.L.C. and Empire State Building Company L.L.C. After consideration, it was ultimately decided that there was greater value in holding, improving, and repositioning the Empire State Building rather than selling the Empire State Building in its then current condition.

In 2008, the supervisor, in connection with its solicitation of participants in Empire State Building Associates L.L.C. of their consent to a financing, received the consent of its participants for a use of proceeds to acquire additional properties. As of yet, the supervisor has not pursued any acquisitions. At no time was Empire State Building Company L.L.C., the operating lessee, joined in this process. On July 26, 2011, pursuant to this authorization, Empire State Building Associates L.L.C. entered into a three-year term loan, or the secured term loan, under which the lenders provided Empire State Building Associates L.L.C. with an initial advance of \$159 million (and subject to the conditions set forth in the secured term loan agreement (as amended), agreed to provide Empire State Building Associates L.L.C. with additional advances of up to \$141 million). In addition, one of the lenders agreed to use commercially reasonable efforts to arrange for additional commitments from other financial institutions in an aggregate amount equal to \$65 million and, upon the company's request, and subject to certain other conditions, to source further additional commitments aggregating up to \$200 million in the sole discretion of the lenders.

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In 2007-2008, the supervisor negotiated a potential joint venture with an institutional partner with respect to the properties in Manhattan and the greater New York metropolitan area, but such transaction never was concluded.

In 2010, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, met with the executors of the Helmsley estate, as a significant investor, to discuss the merits of a consolidation and public offering of several properties, including the subject LLCs.

Thereafter, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, investigated the feasibility of a consolidation transaction and IPO which would be formed in connection with the consolidation. Following such initial discussions the supervisor interviewed and retained counsel, accountants, investment bankers and a valuation firm to assist in the process of evaluating a consolidation and IPO and implementing the transactions if the supervisor decided to pursue them.

In April 2010, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, met with representatives of Proskauer Rose LLP concerning the firm's retention as counsel to represent the supervisor in its consideration of a consolidation and alternatives. They discussed the mechanics of the consolidation and Proskauer Rose LLP's experience. In April 2010, the supervisor retained Proskauer Rose LLP.

In May 2010, through various conference calls and meetings, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, and the Helmsley estate, as a significant investor, met with representatives of several investment banks to discuss the feasibility of a potential IPO of a REIT organized pursuant to the consolidation and their serving as lead book runners in connection with an IPO. Following a series of meetings and conference calls, the supervisor selected two leading investment banks to act as lead book runners for the potential IPO.

In June 2010 Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor and a representative of the Helmsley estate, as a significant investor, met with representatives of Clifford Chance US LLP concerning the firm's retention as counsel to the company in connection with an IPO and the consolidation. They discussed the mechanics of the IPO and Clifford Chance US LLP's experience. In July 2010, the supervisor retained Clifford Chance US LLP as counsel to the company.

In June and July, 2010 Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, met with several independent registered public accountants concerning their retention as independent registered public accountants to audit the financial statements of the company. On August 2, 2010, the supervisor retained Ernst & Young LLP for the audit and on August 17, 2010, the supervisor retained Ernst & Young LLP to assist with certain tax analysis.

During August and September 2010, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, and the Helmsley estate, as a significant investor, had several conference calls and meetings with representatives of several real estate valuation firms to discuss their retention to appraise the assets of the subject LLCs, the private entities and the management companies and to provide a fairness opinion. They discussed the firm's experience in connection with consolidations and the valuation process. After several meetings and conference calls, on September 27, 2010, the supervisor retained Duff & Phelps as independent valuer.

In November 2010, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, met with several firms concerning their retention to provide advisory and consulting services in connection with the solicitation process. On December 8, 2010, the supervisor retained Mackenzie Partners, Inc. to provide these services.

In January 2011, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, met with several public relations firms concerning their retention. On February 18, 2011, the supervisor retained Sard Verbinnen & Co as public relations firm for the company.

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Representatives of the supervisor met regularly during the period with counsel for the supervisor and counsel for the company to discuss the terms of the consolidation and the IPO.

From time to time during the period from October 2010 to November 2011, representatives of the supervisor met with the investments banks selected to act as lead book runners for the potential IPO and Hogan Lovells US LLP, their counsel, to discuss the terms of the IPO and the consolidation.

Representatives of the supervisor met with the independent valuer from time to time during the period from April 2011 to November 2011 to discuss the valuations being prepared by the independent valuer and its methodology, including meetings to discuss valuations of management companies and overrides.

The supervisor met with advisors to the Helmsley estate from time to time during the period from April 2011 to November 2011 to review and discuss the cash flow models, valuations and allocations provided by the independent valuer. These discussions included, among other things, discussions of the assumptions used in preparing cash flow models, valuations and allocations.

The supervisor and advisors to the Helmsley estate also met with the independent valuer from time to time during the period from April 2011 to November 2011 to review and discuss the cash flow models, draft valuations and allocations of consideration prepared by the independent valuer.

The supervisor determined at a meeting held in November 2011 to amend the limited liability company agreement of each of the subject LLCs to provide protections in the event of a third party acquisition of participation interests in the subject LLCs similar to that provided by shareholders rights plans.

The supervisor in meetings held during the period from March 2011 to November 2011 considered and determined to include in the consent solicitation to the subject LLCs and private entities propose to participants to authorize the supervisor to approve a portfolio transaction as a potential alternative to the consolidation. The supervisor during the period met with the lead book runners for the potential IPO.

During the period January 2010 to November 2011, Anthony E. Malkin and Peter L. Malkin, as principals of the supervisor, discussed from time to time the structure of the proposed consolidation. Thomas N. Keltner, Jr., general counsel and a member of the supervisor, and Proskauer Rose LLP, counsel to the supervisor, also participated in the meetings. In the course of these discussions, they reviewed and discussed alternatives to the consolidation and they reviewed drafts of the Registration Statements on Form S-4 and S-11.

On November 22, 2011, the supervisor concluded that none of these alternatives was more beneficial to the participants than the consolidation and determined to pursue the consolidation.

The supervisor commenced solicitation of consents of the participants in the private entities in November 2011. The solicitation was completed in January 2012 and contribution of the assets of each of the private entities to the company pursuant to the consolidation was approved by the required consent, if any, of participants in each of the private entities.

The supervisor in February 2012 determined to file the Registration Statement on Form S-4 relating to the consolidation and the Registration Statement on Form S-11 relating to the IPO with the SEC.

Because of the Helmsley estate's significant ownership interest in certain of the private entities, representatives of the supervisor met with the Helmsley estate on a regular basis to discuss the consolidation, the treatment of the option properties and the proposal to authorize the supervisor to approve a portfolio transaction. The Helmsley estate participated in these meetings because of its significant membership interest in certain of the private entities, including the operating lessee of the subject LLCs, and its consent being required to proceed with the consolidation. The Helmsley estate was not representing the interests of other participants.

### **The Supervisor's Reasons for Proposing the Consolidation**

The supervisor proposed the consolidation and recommends that you vote **FOR** the consolidation. Affiliates of the supervisor will receive substantial benefits from the consolidation and have conflicts of interest in making this recommendation. The supervisor believes that the consolidation of your subject LLC into the



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company is the best way for you to maximize the value of your investment in your subject LLC and to have the option to receive the benefit of increased liquidity through ownership of shares of Class A common stock expected to be listed on the NYSE, which investors may sell from time to time as and when they so desire (subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period as described in this prospectus/consent solicitation).

The supervisor believes the consolidation is the logical next step for the subject LLCs after the successful replacement of Helmsley-Spear, Inc., the former property manager and leasing agent, the creation of the renovation and repositioning turnaround program, the creation and implementation of the branding of the subject LLCs as part of a well regarded portfolio brand and improvement of the credit quality of tenants at the subject LLCs' properties.

The supervisor believes that the subject LLCs could sell their interests in the properties only in a separate sale that is not joined in by the operating lessees, and that such a sale would be inconsistent with the supervisor's prior practice and would not maximize the value of the subject LLCs' interests in the properties.

Following the consolidation, certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin will be Chairman, Chief Executive Officer, President and a director of the company. The supervisor is a recognized operator of office and retail properties in Manhattan and the greater New York metropolitan area and has developed a comprehensive knowledge of its markets that has been acquired through substantial experience. Additionally, at any point after the consolidation, the IPO and expiration of the lock-up described in the section entitled "The Consolidation Lock-Up Agreements," participants will have the ability to sell their shares of Class A common stock at the time of their choice on the NYSE without limitation or need for any additional action.

The supervisor believes that, for the reasons described under "Alternatives to the Consolidation," the consolidation of the subject LLCs and the private entities is more beneficial than continuing to operate the subject LLCs and the private entities, seeking separately to sell the interests in the properties the subject LLCs own or other alternatives the supervisor considered. The supervisor also believes that the consolidation will eliminate inefficiencies resulting from the current owner-operating lessee structure of the properties and create a diversified investment for the participants. The inefficiencies include the additional costs resulting from separately maintaining the two entities, including SEC reporting, consents for financings, tax filings, maintenance of books and records and financial statements.

The supervisor believes that the consolidation will provide you with the following benefits:

*Liquidity.* The supervisor believes that the consolidation will provide you with increased liquidity. The market for the participation interests that participants own is very limited. The supervisor believes that this results from each participant owning an interest in an entity that owns only an interest in a single property subject to an operating lease and because the participation interests are not listed on a national securities exchange. Therefore, there is only limited demand for the participation interests, and a potential buyer has only a limited basis upon which to value the participation interests. As a holder of a participation interest that has only a limited market, the pool of potential buyers for the participation interest is limited and, to the extent there is a willing buyer, the buyer likely would acquire the participation interest at a substantial discount. As stockholders, participants will own Class A common stock which is expected to be listed on the NYSE, and therefore will be publicly valued and freely tradable. Participants will be able to achieve liquidity (subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period) by selling all or part of the shares of common stock at a time of their choosing.

*Regular Quarterly Cash Distributions.* Similar to the subject LLCs' present method of operation, the supervisor expects that the company will make regular quarterly cash distributions on its common stock, which will include distribution of at least 90% of the company's annual net taxable income (excluding net capital

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gains), which is required for REIT qualification. If the company is successful in making acquisitions, the supervisor believes that the additional properties and related cash flow will enhance its ability to make distributions quarterly and in regular amounts.

*More Efficient Decision-Making.* Each subject LLC currently requires several internal procedural steps to undertake major transactions, which could affect its ability to take timely advantage of favorable opportunities. Financing and sales require costly and time consuming steps to obtain consent of a very high percentage of the participants in a subject LLC, as well as agreement of the corresponding operating lessee which operates the properties and requires the consent of its participants. The company, in contrast, will have a more modern and flexible governance structure.

*Increased Accountability.* As a result of the governance structure of a company with Class A common stock expected to be listed on the NYSE, stockholders will benefit from the oversight by a board of directors consisting predominantly of independent directors.

*Greater and More Efficient Access to Capital.* The company will have a larger base of assets and the supervisor believes that it will have a greater variety of options and ability to access the capital markets and the built-up equity value in its base of assets than any of the subject LLCs individually. As a result, the company expects to have greater and more efficient access to the capital necessary to fund its operations, fund renovations to the properties and consummate acquisitions than would be available to any of the subject LLCs individually. The supervisor believes that it would be extremely difficult, for the subject LLCs to obtain similar access to capital due to their size and ownership structure. The company anticipates that it also will have greater flexibility in obtaining financing because financing could be obtained by the company on a portfolio-wide basis, and the company also could raise capital or obtain financing through the issuance of additional shares of common stock, preferred stock, operating partnership units or unsecured debt securities. If not consolidated, each subject LLC and private entity in need of capital individually would be required to obtain standalone financing, which could be less efficient and more expensive to obtain. This greater access to capital should provide greater financial stability to the company and provide funding for growth through future acquisitions.

*Growth Potential.* The supervisor believes that there is greater potential for increased distributions and capital appreciation to you as a stockholder than there would be for you as a participant in your subject LLC. This growth potential results from several factors:

The supervisor expects that the company will be able to realize future benefits from the existing portfolio of properties that have not yet been fully realized. These benefits include:

Continuing to lease at higher rents, since, as of September 30, 2011, the company had approximately 1.3 million rentable square feet of vacant space in its office properties and 82,459 rentable square feet of vacant space in its retail properties (in each case, excluding leases signed but not yet commenced) and leases representing 2.4% and 8.2% of the square footage of the properties in the company's portfolio will expire in 2011 (including month-to-month leases) and 2012, respectively;

Continuing the program of renovating and repositioning the properties, including energy efficiency retrofitting sustainability initiatives, from which the full benefits in enhanced market appeal and rental rates have not yet been fully realized, to create operating efficiencies and attract higher credit-quality tenants;

Implementing the branding strategy for a consolidated portfolio in Manhattan and the balance of the greater New York metropolitan area and

Developing the site at the Stamford Transportation Center which will support the development of an approximately 340,000 square foot office building and garage. This site is adjacent to the Metro Center Property.



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The supervisor believes that substantial opportunities will exist for the company to acquire additional properties which would be expected to be accretive in value to stockholders. As a result of the company's ability to use cash, common stock, operating partnership units or indebtedness to acquire additional properties, the company will have a greater degree of flexibility than the subject LLCs in making future acquisitions on advantageous economic terms. Participants in Empire State Building Associates L.L.C. have approved additional financing and consented to the supervisor using such financing for additional acquisitions, thus recognizing the benefits of additional investments. While participants in Empire State Building Associates L.L.C. could realize some of the benefit of growth through such investment, the supervisor believes that the consolidation is the best way for investors in the subject LLCs, including the Empire State Building, to realize this benefit;

The company also will be able to take advantage of its structure as an UPREIT, to acquire additional portfolios of properties by using operating partnership units as consideration. The use of operating partnership units enables the company to make acquisitions in a structure that permits the seller to defer the recognition of U.S. federal taxes due on the transfer, while providing the seller similar opportunities to participate in the company's growth as those stockholders have and

The supervisor believes the company will have greater flexibility than the subject LLCs in obtaining financing, both to fund further property renovations and to fund acquisitions. The consolidation will result in increased flexibility in obtaining financing, including the ability to borrow on a portfolio basis, rather than just single asset borrowings.

*Elimination of Risk from Subject LLCs - Passive Ownership of the Property Interests.* Each subject LLC owns an interest in a single property subject to an operating lease, the operating lessee operates the property and the subject LLC does not participate in the operations. The market for the interest held by each subject LLC is smaller than that for, and the subject LLC's interests are less valuable than the entire property, and the operating lessee already has agreed to participate in the consolidation. Following the consolidation, ownership and operation of the properties owned by the subject LLCs and the private entities will be integrated.

*Risk Diversification.* The consolidation will result in a more diversified investment than your investment in your subject LLC. The company will own a larger number of properties and broader types of properties and tenants than your subject LLC, which owns an interest in a single property. This diversification will reduce the dependence of your investment upon the performance of, and the exposure to the risks associated with, the property interest your subject LLC owns. Your subject LLC owns an interest in a single property subject to a long term operating lease and does not participate in the operation of the property. Your subject LLC is exposed to all of the risks associated with ownership of an interest in a single property, including risks relating to loss of a significant tenant, adverse events that affect that property or the area where the property is located and casualties effecting that property.

*Valuable Synergies.* The subject LLCs presently benefit from being part of a common brand awareness with a portfolio of properties. However, under the current structure, there are major obstacles to obtaining true synergies and realization of value, such as combining financings, movements of tenants from one building to another, sharing of employees and management and oversight. The consolidation will remove such obstacles and free up access to value creation.

*Position in Highly Desirable Marketplace.* The properties owned by the subject LLCs and the private entities are concentrated in Manhattan and the greater New York metropolitan area. The supervisor believes this is one of the most highly desired markets in the world for office and retail properties.

*Reduced Conflicts of Interest.* From inception, the subject LLCs and the private entities were created with conflicts of interest inherent in their structure. Due to the structure, the supervisor represents many different ownership interests. The company will be managed by its officers, subject to the direction and control of its board of directors, which will consist predominantly of independent directors. There will not be separate interests

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of different groups of owners and there will not be a role for, or requirement of, an outside supervisor. The supervisor believes this structure eliminates the conflicts of interest inherent in the structure which have been there from inception of the subject LLCs and the private entities and more closely aligns the interests among the stockholders and management. The persons engaged to manage the company will be employees of the company. They will not be employees of a separate management company whose activities could be determined by objectives and goals inconsistent with the company's financial objectives.

*Election to Receive Cash.* Participants in the subject LLCs may elect to receive cash (at a price per share equal to the IPO price reduced by the underwriting discount per share paid by the company in the IPO) for up to [12-15]% of the shares of Class A Common stock issuable to them in the consolidation if the consolidation is approved by their subject LLC and the consolidation is consummated. Participants in the subject LLCs are being provided with the option to enable them to receive cash to cover a portion of the U.S. federal income taxes payable in connection with the shares of Class A common stock issued to them in the consolidation. The cash option is limited to [12-15]% to assist the company in meeting the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation.

For all these reasons, the supervisor believes that the consolidation, rather than continuation of the subject LLCs or a sale of each interest in the property each subject LLC owns, will result a higher possible value for your investment for you and the other participants.

### **Alternatives to the Consolidation**

Before deciding to recommend the consolidation, the supervisor considered several alternatives in an effort to achieve maximum investor return and give a choice to participants. These alternatives were:

Sale by each subject LLC of its interests in its property, either individually or as part of third-party portfolio transaction, followed by a distribution of the net proceeds to its participants;

Continued management of the subject LLCs as currently structured;

Conversion of each subject LLC into a separate REIT;

Listing of each subject LLC's participation interests on a national securities exchange or

Other means of producing liquidity for the participants, such as cash tender offers to acquire participation interests from participants or borrowing by the subject LLCs secured by its interests in its property to provide funds for distribution to participants.

Set forth below are the supervisor's conclusions regarding its belief that the consolidation is more beneficial to participants than the alternatives.

*Liquidation of the subject LLCs.* An alternative available to the supervisor is to proceed with a sale of the interest in the property each subject LLC owns separately and distribute the net proceeds to its participants and holders of override interests. Through these sales, participants' investments in the subject LLCs would be concluded.

The supervisor believes that there would be advantages to a liquidation of the subject LLCs, including:

Liquidation provides participants liquidity from a sale of the interest in the property of the subject LLC. Participants would receive their share of the net proceeds obtained from a sale of the interest in the property of the participant's subject LLC;



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The amount that a participant would receive would not depend on the stock market's valuation of the company, but rather a participant's share of the consideration received from a sale of the interests in the property of the subject LLC and

Participants would avoid the risks of continued ownership in their subject LLC and ownership of common stock. The supervisor believes that there would be disadvantages to a liquidation of the subject LLCs, including:

The interest in the property owned by the subject LLC on its own may not create demand from investors, may not be attractive for financing for investors to acquire the property and has a higher risk profile than the interest in the property as a portfolio;

Participants would not participate in potential increases in value resulting from anticipated operating efficiencies, marketing efficiencies, capital market efficiencies and an improved governance structure;

Participants would not participate in potential increases in value resulting from (a) enhanced performance of the existing portfolio due to leasing available and expiring space at higher rents following the recent renovations and repositioning of the initial properties operated as a branded portfolio and (b) potential additional investments;

The combination of a subject LLC's interest with the operating lessee's interest as part of a larger portfolio of properties would provide greater value than selling that subject LLC's interest in its property separately. The supervisor has never recommended a sale of either the fee owner or the related operating lessee, which is part of a two-tier ownership structure, except as part of a sale of both entities. The supervisor believes that in view of fact that the subject LLCs own the interest in the property, but the operating lessees operate the properties, it would not be in the best interests of the subject LLCs to sell their interests in the properties separate from a sale by the operating lessees. The private entities (including the operating lessees), with the required consent of their participants have agreed to transfer their interests in the properties, including their interests in the operating lessees, as part of the consolidation and

Participants would lose benefits from the consolidation, such as:

The potential realization of value due to the factors described under "The Supervisor's Reasons for Proposing the Consolidation and

Permitting participants who do not wish to liquidate their investment to continue to hold an investment managed by the principals of the supervisor until the participants determine that a sale of their investment is appropriate for their individual investment strategy.

*Continuation of the subject LLCs.* An alternative to the consolidation is to continue the current operations of the subject LLCs, the subject LLCs do not need to liquidate to satisfy debt obligations or other current liabilities or to avert defaults, foreclosures or other adverse business developments. The subject LLCs would remain separate legal entities with their own assets and liabilities, governed by their existing operating agreements.

The supervisor believes there would be advantages to the continued operation of the subject LLCs, including:

The participants would continue to receive regular monthly distributions from Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C.;

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The subject LLCs eventually may sell their interests in the properties and distribute the net proceeds, although the supervisor does not believe that such a sale would optimize the value of the participants' participation interests;

Continuing a subject LLC without change avoids the risks related to the consolidation as described in this prospectus/consent solicitation and

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Each subject LLC would retain the individual benefits of ownership of its interest in its property, such as, in the case of the Empire State Building, sharing income from the observatory and broadcast antenna licenses.

The supervisor believes there would be disadvantages to the continued operation of the subject LLCs, including:

Illiquidity of participation interests on a current basis due to the lack of a large and established secondary market;

Difficulty in valuing the investment due to the limited secondary market for participation interests;

Inefficiency and cost in general of the operation of the subject LLCs and participants do not share in the true economics of ownership and operation of property by a single entity with a modern governance and capital structure;

Cumbersome and costly approval process for the subject LLCs, due to need to obtain high percentages of participant approvals for actions that may be required, such as selling the interests in the property or obtaining additional mortgage financing;

Difficulty in making decisions concerning the properties due to the two-tier owner-operating lessee structure, as a result of which the subject LLCs, as fee owners, either do not have the right to take an action or the action may require the consent of the operating lessee, and, in some cases, its participants;

Conflicting position of fee owner and operating lessee, because actions that benefit the operating lessee could reduce distributions to participants in the subject LLCs;

Less diversification;

Loss of ability to access capital markets or finance on a portfolio-wide basis to obtain capital for future renovations of the properties. As a result, financing may be more costly or the subject LLCs might be required to reduce distributions to participants to fund future property renovations. However, as described under *Background of and Reasons for the Consolidation* *Chronology of the Consolidation*, Empire State Building Associates L.L.C. recently has obtained significant financing; and

Loss of benefits from the consolidation described under *The Supervisor's Reasons for Proposing the Consolidation*.

*Conversion of the subject LLCs into individual REITs.* The supervisor considered the possibility of converting each subject LLC into a separate REIT that would list its shares on a national securities exchange. The supervisor believes that a separate, relatively small REIT advised by an outside advisor and owning an interest in a single property would not be well-received by traditional open-market purchasers of REIT common stock. The supervisor, therefore, believes that this alternative would not fulfill the objectives of participants in the subject LLCs.

*Listing of the participation interests on a national securities exchange.* The supervisor believes there would be limited trading interest in the presently outstanding participation interests due to, among other things, the fact that the subject LLCs own an interest in a property which is operated by an operating lessee, which has significant decision-making authority with respect to the property; the size of the subject LLCs; the subject LLC structure and the relative lack of certain corporate governance attributes, such as the ability to elect directors. The supervisor believes that this may result in minimal increases in liquidity and result in trading at discounts.

*Other means of producing liquidity.* The supervisor also considered other means of producing liquidity for the participants, such as cash tender offers to acquire participation interests from participants or borrowing by the subject LLCs secured by their interests in properties to provide funds for distribution to participants.



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The supervisor believes that cash tender offers would not be desirable because the price that could be offered to participants would be adversely affected by the current two-tier owner-lessee structure through which the subject LLCs own their interests in the properties and the limited resale market for participation interests.

The supervisor believes that it would be difficult for a subject LLC to borrow to fund added distributions because, among other things, such financing would require the operating lessee's consent and agreement to join in the financing. Additionally, increasing the leverage on the properties would result in increased risks to the participants in the subject LLCs.

*Acquisition of assets of the subject LLCs as part of the consolidation in a tax deferred transaction.* The supervisor also considered structuring the transaction as a tax deferred contribution of the assets of the subject LLCs in exchange for operating partnership units. However, the supervisor determined that such structure was not desirable because that structure would require registration of the sale of the operating partnership units and common stock under state securities laws and the application of state securities laws could delay the completion of the consolidation and create uncertainty as to whether the consolidation could be completed.

While the supervisor did not perform a detailed financial analysis of all these alternatives, other than continued operations of the subject LLCs and liquidation of the subject LLCs, the supervisor believes that these alternatives would not be as beneficial to participants as the consolidation.

## **Comparison of Alternatives**

The supervisor has not provided an estimate of the going concern values and liquidation values of the subject LLCs and the private entities for the reasons set forth below. As explained below, the supervisor believes these values would be in the same range as, or lower than, the exchange values. These values may be more or less than the value of the consideration that you will receive in the consolidation.

*Continuance as a Going-Concern.* The supervisor considered the going-concern value of each subject LLC. The purpose of a going-concern analysis is to determine the estimated value of each subject LLC, assuming that each subject LLC continues to operate as a separate legal entity with its own assets and liabilities and governed by its organizational documents. A going-concern analysis differs from a liquidation analysis in that a liquidation analysis assumes that a subject LLC immediately commences an orderly disposition of its interest in the property and distributes the net liquidation proceeds, to the members and participants holding participation interests and to the supervisor on account of overrides and voluntary reimbursement payments. The going-concern analysis estimates the present value of the participation interests in each subject LLC, assuming that each subject LLC was operated as an independent standalone entity during an assumed ten-year holding period, and sold its interest in the property at the end of the ten-year period.

The supervisor believes that, based on, among other things, advice of the independent valuer, the going concern value of the participation interests in the subject LLCs pursuant to a going concern analysis, which would assume continued operation and eventual sale, is in the same range as the exchange value. The exchange value is based on (i) the appraised values of the properties owned by the subject LLCs and private entities which was based on the income approach taking into account, among other things, the expected financial performance such as estimated revenues, operating expenses, general and administrative costs, capital expenditures and leasing costs for the property, and operating cash flow of the properties, and (ii) the allocation of such appraised values to the participants in each subject LLC and each private entity as described in Reports, Opinions, and Appraisals Fairness Opinion. Similarly, a going concern analysis would determine the value of the equity interest in a partnership or limited liability company by estimating the present value of distributions to such interests in the going concern entity. The supervisor believes that, based on advice from the independent valuer, the methodology used to determine the value of an equity interest in a partnership or a limited liability company, as was performed in the appraisal, is a generally accepted valuation and analytical technique, and, when performed using the same underlying assumptions, can be expected to yield a result in approximately the same range as the going concern analysis.



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*Liquidation of the subject LLCs and the private entities.* Since another available alternative is to proceed with a sale of the interest in the property each subject LLC owns and to distribute the net proceeds to its participants, the supervisor has considered the liquidation value of each subject LLC. The supervisor assumed that, based on, among other things, advice from the independent valuer, the liquidation value would be calculated by assuming that in a liquidation the real estate of each subject LLC would be sold at its appraised value, as determined by the independent valuer, minus assumed selling and liquidation costs (real estate commissions and legal and other closing costs) that would equal approximately 2.5% to 5.0% of the appraised real estate value. The supervisor believes that the costs relating to liquidation, including costs of soliciting participants' consent and legal fees, could exceed this percentage. This alternative also assumes that non-real estate assets are sold at their estimated realizable value determined on a basis consistent with the independent valuer's appraisal.

However, while the appraisal is not necessarily indicative of the price at which the assets would sell, the real estate appraisal assumes that the interest in the property of each subject LLC is sold in an orderly manner and is not sold in forced or distressed sales where sellers might be expected to dispose of their interests at substantial discounts to their actual value. See Reports, Opinions and Appraisals Appraisal.

The supervisor believes that the value of the participation interests in the subject LLCs and private entities in a liquidation would be lower than the exchange values because the value in a liquidation would be determined based on the appraised values of the properties owned by the subject LLCs and private entities (as described under Reports, Opinions, and Appraisals Appraisal ), reduced by the transaction costs associated with marketing and selling a property, and the costs of soliciting participants' consent and legal fees. Such fees and expenses were not deducted in calculating the exchange value because they are being borne by the company. The liquidation value would also not incorporate any prepayment penalties that would be due upon the sale of a property, which is not expected to be payable, to the same extent, in the consolidation. Such fees and expenses would reduce the amounts distributable to the participants in the subject LLCs and the private entities in a liquidation to a level below the exchange values.

*Secondary Market Prices.* Participation interests in the subject LLCs are not traded on any national securities exchange. There is no established trading market for participation interests and it is not anticipated that any market will develop for the purchase and sale of the participation interests.

*Sales transactions for participation interests have been limited and sporadic.* The supervisor receives some information regarding the prices at which secondary sale transactions of participation interests have been effectuated but, in many instances, the supervisor is not aware of the prices at which transactions have been made. Affiliates of the supervisor have arranged for purchases of participation interests, from time to time, as an accommodation to participants that desired to sell their participation interests. The supervisor also is aware of third-party appraisals that were performed for participants. The supervisor generally used the methodology in these appraisals in determining the price to be offered to participants that requested that the supervisor arrange sales of their participation interests as an accommodation. The supervisor believes that these prices are less than the long-term value of the participation interests and the supervisor so advised each participant who requested that the supervisor arrange a sale. The extent of the participation interest sales transactions between willing buyers and willing sellers, each having access to relevant information regarding the financial affairs of the subject LLCs, the expected value of their assets and their prospects for the future is unknown. Many participation interest sales transactions are believed to be distressed sales where sellers are highly motivated to dispose of the interests and, to facilitate the sales are willing to accept substantial discounts from what might otherwise be regarded as the fair value of the interest being sold.

The supervisor is not aware of any tender offers during the period from January 1, 2009 through the date of this prospectus/consent solicitation.

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Affiliates of the supervisor made the following purchases of participation interests in the subject LLCs from participants during the period from January 1, 2009 through September 30, 2011:

<b>Subject LLC</b>	<b>Date of Transfer (Mo./Day/Yr.)</b>	<b>Amount of Purchase (Based on Original Investment)</b>	<b>Amount of Consideration Paid per \$1,000 Original Investment</b>
Empire State Building Associates L.L.C.	2/02/11	\$ 10,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	10/02/10	\$ 5,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	9/02/10	\$ 1,666.67	\$ 1,500.00
Empire State Building Associates L.L.C.	3/02/10	\$ 2,500.00	\$ 1,500.00
Empire State Building Associates L.L.C.	1/02/10	\$ 5,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	11/02/09	\$ 10,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	11/02/09	\$ 10,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	11/02/09	\$ 10,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	10/02/09	\$ 7,500.00	\$ 1,500.00
Empire State Building Associates L.L.C.	10/02/09	\$ 5,000.00	\$ 1,500.00
Empire State Building Associates L.L.C.	9/02/09	\$ 6,666.66	\$ 1,500.00
Empire State Building Associates L.L.C.	5/02/09	\$ 5,000.00	\$ 2,940.00
60 East 42nd St. Associates L.L.C.	9/02/10	\$ 3,333.34	\$ 1,500.00
60 East 42nd St. Associates L.L.C.	5/02/10	\$ 6,666.67	\$ 1,500.00
60 East 42nd St. Associates L.L.C.	4/02/10	\$ 15,000.00	\$ 1,466.67
60 East 42nd St. Associates L.L.C.	10/02/09	\$ 5,000.00	\$ 1,500.00
60 East 42nd St. Associates L.L.C.	9/02/09	\$ 1,666.66	\$ 1,500.01
250 West 57th St. Associates L.L.C.	9/02/10	\$ 1,666.67	\$ 4,000.19
250 West 57th St. Associates L.L.C.	5/02/10	\$ 5,000.00	\$ 4,000.00
250 West 57th St. Associates L.L.C.	3/02/10	\$ 10,000.00	\$ 4,000.00
250 West 57th St. Associates L.L.C.	7/02/09	\$ 5,000.00	\$ 4,000.00

The supervisor also is aware of the following additional purchases of participation interests by third parties in the subject LLCs during the period from January 1, 2009 through September 30, 2011:

<b>Subject LLC</b>	<b>Date of Transfer (Mo./Day/Yr.)</b>	<b>Amount of Purchase (Based on Original Investment)</b>	<b>Amount of Consideration Paid per \$1,000 Original Investment</b>
Empire State Building Associates L.L.C.	5/02/11	\$ 5,000.00	\$ 100.00
Empire State Building Associates L.L.C.	5/02/11	\$ 5,000.00	\$ 100.00
Empire State Building Associates L.L.C.	4/02/10	\$ 10,000.00	\$ 1,700.00
Empire State Building Associates L.L.C.	3/02/09	\$ 10,000.00	\$ 2,940.00
Empire State Building Associates L.L.C.	3/02/09	\$ 5,000.00	\$ 2,940.00
Empire State Building Associates L.L.C.	1/02/09	\$ 2,500.00	\$ 5,000.00
60 East 42nd St. Associates L.L.C.	5/02/11	\$ 2,500.00	\$ 100.00
60 East 42nd St. Associates L.L.C.	3/02/11	\$ 5,000.00	\$ 1,600.00
60 East 42nd St. Associates L.L.C.	2/02/11	\$ 2,500.00	\$ 1,500.00
250 West 57th St. Associates L.L.C.	1/02/10	\$ 2,500.00	\$ 5,000.00

*Assumptions, Limitations and Qualifications.* The prices at which the Class A common stock initially trades may be affected, among other things, by: general market conditions, including the extent to which a secondary market develops for the Class A common stock following the IPO, the extent of institutional investor interest in the company, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), the company's financial performance and general stock and bond market conditions.



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It is impossible to predict how these factors will impact the price of the Class A common stock. The price may be either lower or higher than those used in computing the range of estimated values.

*Distribution Comparison.* The supervisor has considered the potential impact of the consolidation upon distributions that would be made to the participants that exchange their participation interests for common stock. The following table compares the current budgeted annual distributions for each subject LLC with the estimated initial dividends that will be received by participants in the subject LLCs per \$1,000 investment by stockholders of the company assuming all subject LLCs and private entities participate in the consolidation (maximum participation).

**Comparison of Distributions by the Subject LLCs and the Company**

The following table sets forth the budgeted annual distributions of the subject LLCs for the year ended December 31, 2012:

Subject LLC	Budgeted Annual Distribution of Subject LLC for the year ending December 31, 2012	
	Per \$1,000 Original Investment <sup>(1)</sup>	
Empire State Building Associates L.L.C.	\$	118 <sup>(2)</sup>
60 East 42nd St. Associates L.L.C.	\$	150 <sup>(3)</sup>
250 West 57th St. Associates L.L.C.	\$	200 <sup>(4)</sup>

- (1) The budgeted annual distributions are based on budgeted cash flow of the subject LLCs for the purpose of calculating ranges of going-concern values. They are presented for comparative purposes only. In the past the amount of cash flow of the subject LLCs available for distribution has been reduced by capital expenditures and other expenses of the subject LLCs. The actual amount of distributions will be based on numerous factors. Accordingly, participants should not treat this budgeted annual distribution as the amount that they would have received if the subject LLC continued its operations.
- (2) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$0, \$102 and \$0, per \$1,000 original investment, were made out of additional rent for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.
- (3) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$306, \$0 and \$0, per \$1,000 original investment, were made out of additional rent for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.
- (4) The budgeted annual distribution represents distributions out of base rent. Additional distributions of \$1,162, \$1,082 and \$712, per \$1,000 original investment, were made out of additional rent for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively.

Over the last 10 years, public REITs investing in similar types of properties in similar geographic areas to the company have paid an average dividend yield per annum in the range of 2.0% to 4.0% of their market price. These yields change as the market price of these public peer companies increases or decreases. The company anticipates that it will pay a quarterly dividend on its IPO price within or approximate to the range of dividend yields associated with these public peer companies existing at the time of the company's IPO. However, the company's actual dividend yield could be higher or lower than this range of dividend yields, and the company cannot estimate at this time the amount of dividends that it will be able to pay after closing of the consolidation and the IPO. The actual dividend yield on the company's Class A common stock will depend on the market conditions at the time of the IPO and the company's cash available for distribution at the time of the IPO. Further, any distributions declared by the company will be authorized by its board of directors in their sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law, the capital requirements of the company and the distribution requirements necessary to maintain the company's qualification as a REIT. These factors include the distributable income generated by operations, the principal and interest payments on debt, capital expenditure levels, the company's policy with respect to cash distributions and the capitalization and asset composition of the company, which will vary based on the subject LLCs and the private entities that ultimately participate in the consolidation.

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**RECOMMENDATION AND FAIRNESS DETERMINATION**

**General**

The supervisor believes the consolidation to be fair to, and in the best interests of, each subject LLC and its respective participants. After careful evaluation, the supervisor concluded that the consolidation is the best way to maximize the value of your investment in the subject LLC. The supervisor of the subject LLCs recommends that you and the other participants vote **FOR** the consolidation. Affiliates of the supervisor will receive substantial benefits from the consolidation and have conflicts of interest making this recommendation.

Based upon the supervisor's analysis of the consolidation, it believes that:

the terms of the consolidation are fair to you and the other participants;

the Class A common stock and cash offered to the participants were allocated fairly and constitute fair consideration for their participation interests in the subject LLCs and

after comparing the potential benefits and detriments of the consolidation with those of several alternatives, the consolidation is the best way for you to maximize the value of your investment in the subject LLC.

The supervisor's beliefs are based upon its analysis of the terms of the consolidation, an assessment of its potential economic impact upon you and the other participants, a comparison of the potential benefits and detriments of the consolidation and alternatives to the consolidation and a review of the financial condition and performance of the subject LLCs, the private entities and the management companies and the proposed operations of the company.

The supervisor also believes that the consolidation is procedurally fair. First, the consolidation is required to be approved by a supermajority of the outstanding participation interests of the subject LLC and is subject to conditions set forth in The Consolidation Conditions to the Consolidation. Second, participants in the subject LLCs will be given the option to elect to receive cash on exercise of the cash option for up to [12-15]% of the shares of Class A common stock issuable to them in the consolidation. Third, the supervisor believes that the exchange value of the subject LLCs has been determined according to a process that is fair because the process involved an appraisal of all of the subject LLCs property interests, the private entities' property interests and the business of the management companies by the same appraisal firm, Duff & Phelps, LLC, thereby maximizing consistency among the valuation of the property portfolio. Finally, Duff & Phelps, LLC, the independent valuer, a recognized independent investment banking firm, has delivered its opinion to the effect that, subject to the assumptions, limitations and qualifications contained in its fairness opinion, the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity is fair to the participants in the subject LLC from a financial point of view (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

Although the supervisor believes the terms of the consolidation are fair to you and the other participants, the supervisor and its affiliates have conflicts of interest with respect to the consolidation. These conflicts include, among others, its realization of substantial economic benefits upon completion of the consolidation. For a further discussion of the conflicts of interest and potential benefits of the consolidation to the supervisor, see Conflicts of Interest Substantial Benefits to the Supervisor and its Affiliates. To understand the actual benefits that the supervisor will receive if your subject LLC approves the consolidation, please review the supplement accompanying this prospectus/consent solicitation.

Notwithstanding the recommendation of the supervisor, each participant must make its own determination as to whether to vote for the consolidation and whether to elect to receive common stock or to elect to exercise

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the cash option based upon its personal situation, and such decision should be based upon a careful examination of personal finances, investment objectives, liquidity needs and expectations as to the company's future growth.

**Material Factors Underlying Belief as to Fairness**

The following is a discussion of the material factors underlying the supervisor's belief that the terms of the consolidation are fair to you and the other participants.

1. *Consideration Allocated.* The supervisor believes that the consideration offered to the subject LLCs and the participants constitute fair value for their participation interests. The supervisor and the Malkin Family will receive their consideration primarily in the form of operating partnership units in respect of their interests in the subject LLCs, the private entities and the management companies, which will provide the same economic rights as the Class A common stock being issued to the participants in your subject LLC, although the tax treatment will be different, as described under the section entitled "Conflicts of Interest - Different Tax Consequences to Participants in the Subject LLCs." The allocation of the common stock to participants is based on the same valuation methodology and appraisal which was consistently applied to each subject LLC and each private entity. The allocation of the shares of common stock and operating partnership units with respect to the management companies was based on an appraisal by the independent valuer. Therefore, the supervisor believes that the exchange values take into account the relative values of each subject LLC, each private entity and the management companies. While the participants in the subject LLCs will receive their shares of Class A common stock in a taxable transaction, the supervisor nonetheless believes that the transaction is fair to the participants due to the fairness of the value of the consideration and the other benefits described under "The Supervisor's Reasons for Proposing the Consolidation."

2. *Independent Appraisal and Fairness Opinion.* The supervisor's belief as to the fairness of the consolidation to the participants and the statements above regarding the material terms underlying its belief as to fairness partially are based upon the appraisal of each subject LLC's interest in a property that the independent valuer prepared and upon the fairness opinion the independent valuer provided to the supervisor. The supervisor attributed significant weight to the appraisal and the fairness opinion of the independent valuer, which the supervisor believes support its belief that the consolidation is fair to the participants. The supervisor does not know of any factor that would materially alter the conclusions made in the appraisal or the fairness opinion of the independent valuer, including developments or trends that have materially affected or are reasonably likely to materially affect their conclusions. The supervisor believes that the engagement of the independent valuer to provide the appraisal of each subject LLC's property and to provide the fairness opinion assisted it in the fulfillment of its fiduciary duties to the subject LLCs and the participants, although the independent valuer received fees for its services and is entitled to indemnification. See "Reports, Opinions and Appraisals - Fairness Opinion."

In rendering its opinions with respect to the fairness, from a financial point of view, to each subject LLC and each private entity and the participants in each subject LLC and each private entity, of the allocation of consideration (Class A common stock, Class B common stock, operating partnership units in the operating partnership or cash consideration) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities), the independent valuer did not address or render any opinion with respect to any other aspect of the consolidation, including, but not limited to:

the impact of the consolidation with respect to tax consequences for the participants in the subject LLCs or private entities

the market price or value of the company, either before or after the completion of the consolidation or the IPO;

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any potential incremental value attributable to the portfolio of assets taken as a whole after giving effect to the consolidation and

the effects of variations in aggregate values attributed to the portfolio of assets after giving effect to the consolidation on relative values of such portfolio of assets.

In addition, the independent valuer was not requested to, and did not, solicit the interest of any other party in acquiring the subject LLCs or their respective assets. The independent valuer's opinion also does not compare the relative merits of the consolidation with those of any other transaction or business strategy which were or might have been considered by the supervisor as alternatives to the consolidation.

The independent valuer's fairness opinion does not constitute a recommendation to you as to how to vote on the consolidation or as to whether you should elect to receive Class A common stock or elect to exercise the cash option.

**3. Increased Liquidity** While there is no assurance that the IPO price will be equal to or greater than the exchange value per share or that the Class A common stock will trade at a price equal to or greater than the IPO price following consummation of the consolidation and IPO, the supervisor believes that the increased liquidity will offer participants in the subject LLCs the opportunity to sell their shares of Class A common stock after the expiration of the lock-up period and receive cash. In addition, the cash option offers an alternative to those participants that desire immediate liquidity without the need to sell the shares of common stock. Some participants may prefer to have immediate liquidity rather than participating in a consolidated entity, where the value is dependent on the market valuation of the company. The cash option, however, is limited to [12-15]% of the shares of Class A common stock issued to a participant in the consolidation.

Each participant must make its own determination as to the form of consideration best suiting its personal situation. Such decision should be based upon a careful examination of the participant's personal finances, investment objectives, liquidity needs, tax situation and expectations as to the company's future growth.

**4. Consideration of Alternatives.** The supervisor considered alternatives to the consolidation including the continuation of the subject LLCs without change and the liquidation of the subject LLCs and the distributions of the net proceeds to participants. The supervisor does not believe that the subject LLCs could realize their allocable share of the value of the properties through a sale of the interests in the properties held by them. The supervisor believes that, over time, the likely value of the Class A common stock will be higher than the value of the consideration a participant would receive from any of the other alternatives as a result of increased efficiencies, growth opportunities and other opportunities for value enhancement.

**5. Market Value.** To the extent there is trading in the participation interests, such trading takes place in an informal secondary market. A direct comparison of the current or historical prices of the Class A common stock and the participation interests cannot be made because there is no current or historical market price information available with respect to the Class A common stock, which will not be issued or traded prior to the consolidation. Therefore, the determination of the consideration to be received by participants is based upon the valuation of the subject LLCs as described under *Background of and Reasons for the Consolidation Derivation of Exchange Values* and is not based upon the current or historical market prices of the participation interests. Because there is no active trading market for the participation interests, the supervisor believes that historical sales prices of the participation interests in the secondary market are lower than, and not indicative of, the value of the underlying assets of the subject LLCs and the private entities.

**6. Participant's Choice of Investment Class A Common Stock or Cash.** Offering participants in the subject LLCs a choice to exchange their participation interests for Class A common stock or elect to exercise the cash option enhances the procedural fairness of the consolidation by giving all participants in the subject LLCs the opportunity to elect to receive Class A common stock or to elect to exercise the cash option, although it is subject to a cap of [12-15]% of the shares of Class A common stock issuable to a participant in the consolidation.

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Through this element of the consolidation, the supervisor is attempting to accommodate the possibly different investment objectives of the participants in the subject LLCs.

While the participants in the subject LLCs will receive their shares of Class A common stock in a taxable transaction, the supervisor nonetheless believes that the transaction is fair to the participants due to the supervisor's belief as to the fairness of the value of the consideration and the other benefits described under The Supervisor's Reasons for Proposing the Consolidation.

7. *Cash Available for Distribution Before and After the Consolidation.* The supervisor believes the consolidation will be accomplished without materially decreasing the aggregate cash available from operations otherwise payable to you and the other participants. However, the effect of the consolidation and the cash available for distribution will vary among the subject LLCs. The supervisor's belief is based on the anticipated growth in the revenues of the initial properties operated as a portfolio under the Malkin brand and potential additional investments the company expects to make in the future.

8. *Other Benefits from the Consolidation.* In addition to the receipt of cash available for distribution, you and the other participants whose subject LLCs participate in the consolidation will be able to benefit from the potential growth of the company and also will receive investment liquidity through the public market by selling all or part of the shares of Class A common stock, subject to the restrictions of applicable U.S. federal and state securities laws and after expiration of the lock-up period described herein.

9. *Net Book Value of the Subject LLCs.* The supervisor calculated the net book value of each subject LLC under GAAP, as of September 30, 2011, per \$1,000 original investment. Since the calculation of the book value was done on a GAAP basis, it is based primarily on depreciated historical cost and, therefore, is not indicative of the fair market value of the subject LLCs. This figure was compared to the exchange value per \$1,000 original investment.

**Summary of Valuations**

(per \$1,000 original investment (except as otherwise noted))

Entity	Exchange Value <sup>(1)(2)</sup>	GAAP Net Book Value (Deficit) as of September 30, 2011
Empire State Building Associates L.L.C.		
Participants	\$ 33,085	(\$102)
60 East 42nd St. Associates L.L.C.		
Participants	\$ 38,972	(\$1,773)
250 West 57th St. Associates L.L.C.		
Participants	\$ 35,722	(\$472)

- (1) The exchange value of each subject LLC is based in part on each subject LLC's assets and liabilities included in the quarterly balance sheets of the subject LLC as of June 30, 2011. The exchange value will be revised to reflect changes in the balance sheet items included in the calculation of the exchange value in subsequent quarterly balance sheets but will not be revised based on changes in the balance sheets or other events after the final quarterly balance sheet date prior to the closing of the consolidation.
- (2) The amount shown in the table has been calculated as if all participants in each subject LLC that have been solicited with respect to the voluntary capital transaction override program have consented. The voluntary capital transaction override will be deducted only from the distributions allocable to those participants that consented. The distributions allocable to participants that did not consent to the voluntary capital transaction override program and/or the voluntary pro rata reimbursement program will be determined without any deduction for such payments. The actual aggregate overrides to the supervisor, based on the actual consents received with respect to the voluntary capital override transaction, are \$111.19 million and \$10.56 million less, respectively, than that shown in the table for Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C.

**Relative Weight Assigned to Material Factors**

The supervisor gave greatest weight to the factors set forth in paragraphs one, two, three, four and eight above in reaching its conclusions as to the fairness of the consolidation.





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**CONSIDERATION**

If your subject LLC is consolidated with the company, you will be allocated shares of Class A common stock. You also will have a cash option. If your subject LLC votes **AGAINST** the consolidation and the consolidation closes, your subject LLC will continue as an independent entity with the company or one of the company's subsidiaries as supervisor.

*Class A Common Stock.* The number of shares of Class A common stock that you will receive upon the consummation of the consolidation will be determined in accordance with your subject LLC's organizational documents which specify how consideration is distributed to participants in the event of a liquidation of your subject LLC.

*Cash Option.* Participants in the subject LLCs have the option to receive cash for up to [12-15]% of the shares of Class A common stock issuable to them in the consolidation from a portion of the net proceeds of the IPO. If you exercise the cash option, the amount that you will receive per share of Class A common stock will equal the IPO price per share less an amount equal to the underwriting discount per share paid by the company in the IPO. The participants in the subject LLCs are being provided the cash option, because, unlike the accredited investors in the private entities, participants in the subject LLCs will not have the option to receive operating partnership units in a transaction that is intended to be tax deferred. Participants in the subject LLCs are being provided with the option to enable them to receive cash to cover a portion of taxes payable in connection with the shares of Class A common stock issued to them in the consolidation. The cash option is limited to [12-15]% to assist the company in meeting the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation.

Accredited investors in the private entities did not have a cash option. Charitable organizations, including the Helmsley estate were granted a cash option because the payment of cash to such charitable organizations pursuant to the cash option is not expected to affect the company's ability to meet the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs. These charitable organizations had the option to receive cash at a price per share equal to the IPO price per share (reduced by the underwriting discount per share paid by the company in the IPO) to the extent of cash available from the IPO for this purpose, after cash is paid to non-accredited investors in the private entities for each operating partnership unit they would have otherwise received and cash is paid to the participants in the subject LLCs on exercise of the cash option. The Helmsley estate will also receive an amount equal to any New York City transfer tax savings resulting from its status as a charitable organization. To the extent that there is not sufficient available cash to pay in full the cash payable to electing charitable organizations, there will be a pro rata reduction in the cash received by each electing charitable organization and the balance will be in the form of Class A common stock.

You can elect to exercise the cash option in the consent form accompanying this prospectus/consent solicitation.

*Supervisor.* The supervisor and the Malkin Holdings group have override interests in the subject LLCs and in the private entities, which are the rights to receive a portion of the distributions in excess of a base amount distributable to participants in the subject LLCs and the private entities. The override interests allocable to the supervisor for Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C. will be distributed in operating partnership units and will be allocated to participants that have consented to a distribution to the supervisor pursuant to a voluntary program out of their share of distributions. The override interest with respect to 60 East 42nd St. Associates L.L.C. was determined in accordance with the organizational documents, as described under Exchange Values Allocation of Common Stock and Operating Partnership Units. The amount of distributions payable to the supervisor and the Malkin Holdings group in respect of the override interests initially has been determined based on the exchange value for the subject LLC. The final amount will be determined based on the value of the shares of Class A common stock issued to the subject LLCs at the price per share of the Class A common stock in the IPO.

**Table of Contents****THE CONSOLIDATION**

*To effect the consolidation, the subject LLCs that vote in favor of the consolidation will contribute their assets subject to their liabilities to the operating partnership of the company or a subsidiary of the operating partnership. As described above, you will receive shares of Class A common stock or you can exercise the cash option for up to [12-15]% of the shares of Class A common stock issuable to you in the consolidation. The following is an overview of the principal components and other key aspects of the consolidation. The description below also includes a summary of the material provisions of the contribution agreements between the company, the operating partnership and each subject LLC. Such description does not purport to be complete and is subject to and qualified in its entirety by reference to the contribution agreement. A copy of the contribution agreement for your subject LLC is attached to the supplement accompanying this prospectus/consent solicitation as Appendix B. By reference to this contribution agreement, the company is incorporating the contribution agreement for your subject LLC into this prospectus/consent solicitation as required by the federal securities laws.*

**Principal Components of the Consolidation**

The consolidation will consist of the following principal components:

*The subject LLCs will consolidate into the company.* The subject LLCs in which participants holding the required percentage of the subject LLC's participation interests approve the consolidation will contribute their assets to the operating partnership or a subsidiary of the operating partnership as more fully described in *The Consolidation Vote Required for Approval of the Consolidation*. Consequently, the company will own, through the operating partnership and its subsidiaries, the acquired subject LLCs' property interests and certain other assets after the completion of the consolidation. In addition, the operating partnership or a subsidiary company generally will assume the liabilities of the subject LLCs. The number of subject LLCs that will approve the consolidation currently is unknown. The company will issue Class A common stock to the subject LLCs which, in turn, will distribute the Class A common stock to the participants in the subject LLCs, except to the extent which the participants receive cash on exercise of the cash option. The Class A common stock issuable to the participants in the subject LLCs are registered pursuant to the Registration Statement on Form S-4, of which this prospectus/consent solicitation is a part and, therefore, fully transferable after expiration of the lock-up period.

The company also has entered into a contribution agreement with the supervisor and the Wien group pursuant to which (i) the supervisor will contribute to the operating partnership all of the supervisor's override interests in the subject LLCs in exchange for operating partnership units and (ii) the Wien group will contribute their participation interests in the subject LLCs to the operating partnership in exchange for operating partnership units and Class B common stock.

*The company will acquire the properties of the private entities.* To the extent required under their organizational documents, the participants in each private entity have consented to the consolidation. The company has entered into agreements with the private entities described under *Summary of the Subject LLCs and the Private Entities* pursuant to which each private entity has agreed to contribute its property interests and other assets, other than interests in excluded properties and excluded businesses, to the operating partnership or a subsidiary or merge with the operating partnership or a subsidiary of the operating partnership, conditioned on (i) the closing of the IPO and the listing of the Class A common stock on the NYSE or another national securities exchange; (ii) the closing of the consolidation no later than December 31, 2014; (iii) the participation of Empire State Building Associates L.L.C. and the private entity which owns an interest in the Empire State Building participating in the consolidation; (iv) delivery of a fairness opinion by the independent valuer and (v) other customary conditions. The contribution by the private entity will be made in exchange for operating partnership units, Class A common stock, Class B common stock and cash. Based on the hypothetical exchange value of

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\$10 per share which the supervisor has established for illustrative purposes, the company will issue to participants in the private entities and the participants in the management companies 114,156,728 operating partnership units having an exchange value of \$1,141,567,280; 6,291,637 shares of Class A common stock having an exchange value of \$62,916,376; and 835,157 shares of Class B common stock having an exchange value of \$8,351,574 (not including any additional shares of Class A common stock that may be issued to charitable organizations as described below). In addition, participants in the private entities who are non-accredited investors who would have been entitled to 6,978,965 shares of common stock on a fully diluted basis having an exchange value of \$69,789,652, will receive cash at a price per share equal to the offering price in the IPO. Participants in the private entities who are charitable organizations, including the Helmsley estate, who would have been entitled in the aggregate to 104,600,982 shares of common stock on a fully diluted basis having an exchange value of \$1,046,009,823 that have made a cash election will receive cash, subject to a cut back (at a price per share equal to the IPO price reduced by the underwriting discount per share paid by the company in the IPO) and will receive Class A common stock for the balance. In addition, the operating partnership or one or more of its subsidiaries will be subject to all the liabilities of the private entities.

The private entities own interests in an aggregate of 18 properties that will be included in the consolidation, and include three private entities which are the operating lessees of the properties that the subject LLCs own. There can be no assurance that the company will acquire all of these properties, whether as a result of conditions in the contribution agreements for the private entities not being met or for other reasons.

*The company will acquire the management companies.* The company will acquire the supervisor and the other management companies that provide asset management and property management and leasing services to the subject LLCs and private entities and construction services. The management companies, which are controlled by Peter L. Malkin and Anthony E. Malkin, consist of Malkin Holdings LLC, which is the supervisor, Malkin Properties, L.L.C., Malkin Properties of New York, L.L.C., Malkin Properties of Connecticut, Inc. and Malkin Construction Corp. Malkin Holdings LLC, Malkin Properties, L.L.C., and Malkin Properties of New York, L.L.C. each will merge into a separate wholly-owned subsidiary of the operating partnership and the holders of limited liability company interests in these entities will receive operating partnership units and Class B common stock in exchange for the interests in these entities. Malkin Properties of Connecticut, Inc. and Malkin Construction Corp. each will merge into a wholly-owned subsidiary of the company and the holders of stock in such entities will receive Class A common stock in exchange for the interests in these entities.

*Excluded Properties and Businesses.* In addition to the interests in the properties being acquired from the subject LLCs and the private entities or entities organized by them, the Malkin Family owns controlling interests in six multi-family properties, five net leased retail properties, one former post office property which is subject to rezoning before it will be converted into a single tenant retail property, and a development parcel that is zoned for residential use. The Malkin Family also owns non-controlling interests in one Manhattan office property, two Manhattan retail properties and several retail properties outside of Manhattan, none of which will be contributed to the company in the consolidation. The controlling and non-controlling interests described above are referred to collectively herein as the excluded properties. In addition, the Malkin Family owns interests in six mezzanine and senior equity funds, two industrial funds, the operations of five residential management offices and a registered broker dealer, none of which will be contributed to the company in the consolidation, and which is referred to collectively herein as the excluded businesses. The Malkin Family owns certain non-real estate family investments that will not be contributed to the company in the consolidation. The company does not believe that the excluded properties or the excluded businesses are consistent with its portfolio geographic or property type composition, management or strategic direction. Pursuant to management agreements with the owners of interests in these excluded properties and excluded businesses which historically were managed by the supervisor and its affiliates, the company will be designated as the manager. As the manager, the company will be paid a management fee with respect to those excluded properties and businesses where the supervisor and its affiliates had previously received a management fee on the same terms as the fee paid the supervisor and its affiliates, and reimbursed for costs in providing the management services to those excluded properties and businesses where the supervisor and its affiliates had not previously received a management fee. The company's management of the excluded properties and excluded businesses will represent a minimal portion of its

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overall business. There is no established time period in which the company will manage such properties and businesses and Peter L Malkin and Anthony E. Malkin expect to sell certain of these properties or unwind certain of these businesses over time.

*TRS Election.* The company will jointly elect with Observatory TRS, which is the current lessee and operator of the observatory and which will be wholly owned by the operating partnership following the completion of the IPO and the consolidation, for Observatory TRS to be treated as a TRS under the Code for U.S. federal income tax purposes following the completion of the IPO and the consolidation. Observatory TRS will lease the Empire State Building observatory from the operating partnership pursuant to an existing lease that provides for fixed base rental payments and variable rental payments equal to certain percentages of Observatory TRS's gross receipts from the operation of the observatory. In addition, the company will jointly elect with Holding TRS, which will be wholly owned by the operating partnership following the completion of the IPO, for Holding TRS to be treated as a TRS under the Code for U.S. federal income tax purposes following the completion of the IPO. Holding TRS and/or its wholly owned subsidiaries will provide certain construction services to third parties and will provide certain services to the tenants of the company's properties.

*Issuance of Shares of Class A Common Stock, Class B Common Stock and Operating Partnership Units.* As described above, the company and the operating partnership will issue shares of Class A common stock, Class B common stock, operating partnership units and/or cash in connection with the consolidations with the subject LLCs, the private entities and the management companies. See Consideration. Each operating partnership unit provides the same rights to distributions as one share of Class A common stock and will be redeemable for cash, or at the company's election into one share of Class A common stock after a twelve-month period, subject to certain specified conditions.

Accredited investors in the private entities and the management companies which had an option to elect operating partnership units at the time that they made their election of consideration in the private solicitation had an option to elect to receive one share of Class B common stock in lieu of one operating partnership unit for every 50 operating partnership units such participant would otherwise receive in the consolidation. Each outstanding share of Class B common stock will entitle the holder to 50 votes on each matter on which holders of Class A common stock are entitled to vote, including the election of directors. The Class B common stock provides the holders thereof voting rights that generally correspond to their economic interests in the company, assuming such accredited investor elected to receive the maximum amount of Class B common stock to which it was entitled in the consolidation transaction. No accredited investor receiving shares of Class B common stock will hold shares of common stock with an aggregate voting power that exceeds such accredited investor's economic interest in the company. Shares of Class B common stock may be converted into Class A common stock at any time and are subject to automatic conversion into an equal number of shares of Class A common stock upon a direct or indirect transfer of Class B common stock or certain transfers of the operating partnership units held by the holder of Class B common stock other than to a person defined in the company's charter as a family member, affiliate or controlled entity of such person.

The shares of common stock and operating partnership units issuable to the private entities and the holders of interests in the management companies and to the Wien group are not registered pursuant to the Registration Statement on Form S-4 of which this prospectus/consent solicitation is a part. Persons holding operating partnership units will have rights beginning 12 months after the completion of the consolidation, to cause the operating partnership to redeem each of their operating partnership units for a cash amount equal to the then-current market value of one share of Class A common stock per operating partnership unit or, at the company's election, to exchange their operating partnership units for shares of Class A common stock on a one-for-one basis. The company will agree to use commercially reasonable efforts to file a registration statement covering the issuance of Class A common stock upon the redemption of operating partnership units, the resale of all shares of Class A common stock into which the operating partnership units are exchangeable or Class B common stock is convertible, and all shares of common stock issued to holders of participation interests in the private entities as part of the consolidation within 12 months after the closing of the IPO.

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*Cash option for participants in private entities.* Charitable organizations, including the Helmsley estate were granted a cash option in connection with their interests in the private entities because the payment of cash to such charitable organizations pursuant to the cash option is not expected to affect the company's ability to meet the conditions for obtaining the reduced New York City and New York State transfer tax rate applicable to REITs, which the supervisor believes may be available with respect to a portion of the consolidation transfers, depending on the circumstances of the consolidation and certain events following the consolidation. These charitable organizations had the option to receive cash at a price per share equal to the IPO price per share (reduced by the underwriting discount per share paid by the company in the IPO) to the extent of cash available from the IPO for this purpose, after cash is paid to non-accredited investors in the private entities for each operating partnership unit they would have otherwise received and cash is paid to the participants in the subject LLCs on exercise of the cash option. To the extent that there is not sufficient available cash to pay in full the cash payable to electing charitable organizations, there will be a pro rata reduction in the cash received by each electing charitable organization and the balance will be in the form of Class A common stock.

The Helmsley estate and other charitable organizations have exercised the cash option as to all of the operating partnership units issuable to them in the consolidation (which based on the exchange values represents 25.71% for the Helmsley estate and 0.60% for the other charitable organizations, respectively, of the common stock on a fully-diluted basis or \$1.046 billion of the exchange value in the aggregate) and elected to receive Class A common stock if there is insufficient available cash. The Helmsley estate will also receive an amount equal to any New York City transfer tax savings resulting from its status as a charitable organization. In addition, the company and the Helmsley estate have also agreed that if the IPO is upsized after the effective time of the registration statement filed in connection with the IPO or if the underwriters in the IPO exercise their option to purchase additional shares of Class A common stock, all additional proceeds from the sale of shares of Class A common stock issued by the company in such upsize or option (after expenses) will be allocated solely to the Helmsley estate for purposes of the consolidation at the same value as the cash option described above.

*The company has filed a registration statement with respect to the IPO and upon the closing of the IPO, it expects the Class A common stock to be listed on the NYSE.* The company will provide liquidity and a trading market for the shares of common stock by listing the common stock for trading on the NYSE upon completion of the IPO, which will be concurrent with the consummation of the consolidation.

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**Pre- and Post-Consolidation Structure**

The following charts reflect the organizational structure of each subject LLC before the consolidation:

**Empire State Building Associates L.L.C.**

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**60 East 42nd St. Associates L.L.C.**

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**250 West 57th St. Associates L.L.C.**

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The chart below shows the organization of the company following the consolidation and the IPO reflecting the results of the following:

each subject LLC has contributed its property and assets into the operating partnership or a subsidiary of the operation partnership;

each private entity has contributed its interests in its property and other assets, other than interests in excluded properties and excluded businesses, to the operating partnership or the private entity has merged with the operating partnership or a subsidiary of the operating partnership and

the management companies have been acquired through mergers with wholly-owned subsidiaries of the company or the operating partnership.

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### ***Operating Partnership***

Following the consummation of the IPO and the consolidation, substantially all of the company's assets will be held, directly or indirectly, by, and the company's operations will run through, the operating partnership. The company will contribute the net proceeds from the IPO to the operating partnership in exchange for operating partnership units. The company's interest in the operating partnership will entitle the company to share in cash distributions from, and in the profits and losses of, the operating partnership in proportion to the company's percentage ownership. As the sole general partner of the operating partnership, the company generally will have the exclusive power under the operating partnership agreement to manage and conduct its business, subject to certain limited approval and voting rights of the other limited partners described more fully below in Description of the Partnership Agreement of the Operating Partnership. The company's board of directors will manage the affairs of the company by directing the affairs of the operating partnership.

Beginning on or after the date which is 12 months after the consummation of the IPO, limited partners of the operating partnership have the right to require the operating partnership to redeem part or all of their operating partnership units for cash or, at the company's election, shares of Class A common stock, based upon the fair market value of an equivalent number of shares of Class A common stock at the time of the redemption, subject to the ownership limits set forth in the company's charter and described under the section entitled Description of Capital Stock Restrictions on Ownership and Transfer. With each redemption of operating partnership units, the company will increase its percentage ownership interest in the operating partnership and its share of the operating partnership's cash distributions and profits and losses. See Description of the Partnership Agreement of the Operating Partnership.

### ***Management Companies***

The management companies (or their successors) or another subsidiary of the operating partnership will manage all the company's properties and assets. The management services will include oversight in marketing, leasing, insurance, capital and operating budgets and routine administrative tasks such as reports and tax and compliance filings. The management companies (or their successors) also will act as a general contractor with respect to construction and repair work for the properties the company acquires and their tenants.

### **Conditions to the Consolidation**

The company and the supervisor have established conditions that must be satisfied for the consolidation of each of the subject LLCs to be consummated, including the following:

requisite consent of the participants in the subject LLC must have been received;

the IPO must close and the Class A common stock must be approved for listing on the NYSE or another national securities exchange prior to or concurrently with the consummation of the consolidation and the closing of the IPO;

the participation of Empire State Building Associates L.L.C. and the private entity that is the operating lessee of the Empire State Building in the consolidation;

the consolidation must have been completed by December 31, 2014 and

the consolidation will be subject to other customary conditions.

### **Pre-Closing Distributions**

Prior to the closing of the IPO, as described under Background of and Reasons for the Consolidation Exchange Value Allocation of Common Stock, the subject LLCs, the private entities and the management companies will distribute their cash (in the case of the subject LLCs and the private entities, excluding from such



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distributable cash, any reserves on deposit with lenders for escrow accounts; amounts attributable to certain prepayments of rent, management fees or other income streams or expense reimbursements; and amounts held by the subject LLCs and the private entities as security deposits or amounts otherwise required to be reserved by the subject LLCs or the private entities pursuant to existing agreements with third parties) to the participants or equity owners of such subject LLC, private entity or the management companies in accordance with the provisions of the applicable organizational documents of each such subject LLC, private entity or the management companies; provided that cash will only be distributed by any entity to the extent that it exceeds the normalized level of net working capital for the private entity, as determined by the supervisor (determined based on the most recent quarterly financial statements). Net working capital as used herein is defined as current assets (excluding cash and cash equivalents), less current liabilities (excluding the current portion of debt). Generally, any such distribution of cash will reduce a participant's adjusted tax basis (but not below zero), determined for U.S. federal income tax purposes, in its participation interest immediately prior to the consolidation by the amount of cash received, which, as a general matter, will result in a correspondingly lower tax basis in the operating partnership units that such participant receives in connection with the consolidation. As a general matter, a distribution of cash in excess of a participant's tax basis generally would result in taxable gain to the extent of such excess.

Each of the subject LLCs, the private entities and management companies has agreed that other than the distributions by the subject LLCs, the private entities and management companies contemplated by the consolidation, such subject LLC, such private entity or the management companies shall not take any action not in the ordinary course consistent with past practice to increase current assets or reduce current liabilities, including by increasing long-term liabilities, decreasing long-term assets, changing reserves or otherwise.

### **Contribution Agreements**

If your subject LLC approves the consolidation, that approval also constitutes consent to the contribution of your subject LLC's interest in its property to the operating partnership or its subsidiaries pursuant to the terms and conditions of your subject LLC's contribution agreement which was entered into prior to the date of this prospectus/consent solicitation. Each contribution agreement provides that the subject LLC will contribute its assets subject to its liabilities to the company and the operating partnership or its subsidiary in exchange for the consideration under Consideration. The operating partnership or a subsidiary will assume the mortgage loans on the properties. At the time the consolidation occurs, all of the properties and other assets and the liabilities of each participating subject LLC will be deemed to have been transferred to the company.

The contribution agreements also provide that the properties and assets may be acquired in an alternative transaction, which may include the acquisitions being preceded by an actual or de facto recapitalization of a subject LLC, provided that the alternative transaction or the recapitalization, as the case may be, does not change the consideration a participant would receive or the anticipated tax consequences of the transaction.

A recapitalization may be effected through a transfer of the assets to a newly organized entity and occur on the same day as, but before, the closing of the consolidation.

An alternative transaction also may take the form of a merger of the subject LLC with and into the company or a subsidiary of the company, or a merger of the company or a subsidiary of the company with and into the subject LLCs, or any other transaction pursuant to which the economic benefits (taking into account the tax treatment of such alternative transaction) to the company and the participants are not adversely affected by such alternative transaction as compared to the economic benefits to be received by the company and the participants. The supervisor currently expects to effect a recapitalization pursuant to which the supervisor would be issued interests in the subject LLC (or its successor) in exchange for its override interests prior to the closing of the consolidation. The limited liability company interests would provide the supervisor with the same distributions as it would have received on account of its override interests, described under Allocation of Common Stock and

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**Operating Partnership Units.** The recapitalization would be effected so that the ownership of interests in the subject LLC would reflect the distributions that each participant and the supervisor would be entitled to receive in the consolidation, in accordance with historic arrangements among the participants of the subject LLC and the supervisor and the exchange values determined by the independent valuer and approved by the supervisor.

The consideration allocated to each subject LLC will be increased by the amount of any working capital (determined based on the most recent quarterly financial statements), after the cash distributions described under **Pre-Closing Distributions** above in excess of the normalized level of working capital for the subject LLC, as determined by the supervisor. Conversely, the consideration allocated to each subject LLC will be decreased by the amount of any negative working capital (determined based on the most recent quarterly financial statement) that is less than the normalized level of working capital for the subject LLC, as determined by the supervisor.

*Representations and warranties of each subject LLC.* Each subject LLC will make customary warranties and representations including representations that it is duly organized and validly existing and in good standing; that the contribution agreement has been duly and validly authorized, executed and delivered; that it has the power and authority to transfer, sell, assign and convey its participation interests to the operating partnership, and that there is no other right to purchase such participation interests; that, except as disclosed to the operating partnership, no consent, waiver, approval or authorization is required to complete the consolidation transaction; that the execution, delivery and performance of the contribution agreement will not result in a breach of the subject LLC's organizational documents, any agreement to which the subject LLC is a party or any term or provision of any judgment, order, writ, injunction or decree binding on the subject LLC (or its assets or properties) and that there is no litigation pending against the subject LLC with respect to its participation interests and representations concerning the property and its operations. Such representations and warranties will survive the closing of the consolidation; however, neither the subject LLCs nor any of their members, managers, officers or employees, to the extent applicable, will be liable for any breaches of the representations or warranties contained in the contribution agreement.

*Covenants of the subject LLCs.* Each subject LLC will covenant that it will not sell, transfer or otherwise dispose of all or any portion of its participation interests; mortgage, pledge, hypothecate or encumber (or permit to become encumbered) all or any portion of such participation interests; authorize or consent to, or cause any person or entity to take, any of the actions prohibited by the contribution agreements, amend the organizational documents of the subject LLC or adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization with respect to the subject LLC or exercise rights, if any, under applicable organizational documents to initiate any buy-sell procedures or to commence any process to market and sell the property held by the subject LLC. Such covenants will not survive the closing of the consolidation.

*Conditions to Closing.* The following conditions must be satisfied to consummate the consolidation of the subject LLC: (i) requisite consent of the participants in the subject LLC must have been received; (ii) the closing of the IPO and the listing of the Class A common stock on the NYSE or another national securities exchange; (iii) the closing of the consolidation no later than December 31, 2014; (iv) the participation of Empire State Building Associates L.L.C. and the private entity that is the operating lessee of the Empire State Building participating in the consolidation and (v) other customary conditions.

*Amendment.* The contribution agreement may be amended prior to the closing of the IPO, without the consent of a participant, provided that such amendment does not adversely affect the economic benefits to the participants (taking into account the tax treatment of such amendment).

If your subject LLC approves the consolidation, it also will have consented to all actions necessary or appropriate to accomplish the consolidation.

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**Lock-Up Agreements**

Each participant in a private entity or subject LLC who receives operating partnership units or common stock in connection with the consolidation will receive such operating partnership units or common stock subject to a lock-up agreement. Pursuant to the lock-up agreements, participants may not, and the company separately will agree that the company will not, sell or otherwise transfer or encumber any shares of common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) owned by the company or such persons at the completion of the IPO or thereafter acquired by them for a period of 180 days with respect to the company and one year with respect to a participant after the public offering pricing date, in each case without first obtaining the written consent of the representatives of the underwriters in the IPO, provided, that, commencing on the date that is 180 days after the public offering pricing date, a participant (other than the Malkin Family, the company's directors and members of the company's senior management team) may sell up to 50% of the shares of common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) held by it. Specifically, the company and the participants will agree, with certain limited exceptions, not to directly or indirectly:

offer, pledge, sell or contract to sell any common stock;

sell any option or contract to purchase any common stock;

purchase any option or contract to sell any common stock;

grant any option, right or warrant for the sale of any common stock;

otherwise dispose of or transfer any common stock;

request or demand that the company file a registration statement related to the common stock;

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock (including operating partnership units). It also applies to operating partnership units and common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of any lock-up period referred to above, the company issues an earnings release or material news or a material event relating to the company occurs or (y) prior to the expiration of the lock-up periods referred to above, the company announces that it will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the applicable lock-up period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

**Registration Rights Agreement**

Upon completion of the IPO, the company will enter into a registration rights agreement with participants in the consolidation. Under the registration rights agreement, subject to certain limitations, not later than 12 months from the beginning of the first full calendar month following the completion of the IPO, the company will file one or more registration statements, which are referred to herein as the resale shelf registration statements, covering the resale of all shares of Class A common stock issued in the consolidation (to the extent not already registered), all shares of Class A common stock issued to the company's independent directors, all shares of Class A common stock issued to members of the company's senior management team pursuant to the company's equity incentive plan, and all shares of Class A common stock that may be issued upon redemption of operating partnership units or upon conversion of Class B common stock, or collectively the registrable shares. The company may, at its option, satisfy its obligation to prepare and file a resale shelf registration statement with





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respect to shares of Class A common stock issued upon redemption of operating partnership units or issued upon conversion of shares of Class B common stock by filing a registration statement, which, collectively with the resale shelf registration statements, are referred to as the shelf registration statements, registering the issuance by the company of shares of Class A common stock under the Securities Act. The company has agreed to use its commercially reasonable efforts to cause each shelf registration statement to be declared effective within 120 days of filing, which is referred to as the shelf effective date. Commencing upon the shelf effective date, under certain circumstances, the company will also be required to undertake an underwritten offering upon the written request of the Helmsley estate or the Malkin Family, which are referred to in this discussion as the holders, provided (i) the registrable shares to be registered in such offering will have a market value of at least \$150 million, except that with respect to the fourth underwritten offering described in subclause (iii) below which is requested by the Helmsley estate, the registrable securities to be registered in such offering will have a market value of at least \$100 million; (ii) the company will not be obligated to effect more than two underwritten offerings during any 12-month period following the resale shelf effective date; and (iii) no holder will have the ability to effect more than four underwritten offerings. In addition, commencing six months after the completion of the IPO and ending on the shelf effective date (unless the resale shelf registration statement has not been declared effective on the shelf effective date, in which case during each 180 day period following the shelf effective date), the holders will have demand rights to require the company, subject to certain limitations, to undertake an underwritten offering with respect to the registrable shares having a market value of at least \$150 million under a registration statement, provided, however, that any such registration shall not be counted for purposes of determining the four underwritten offerings described in the preceding sentence. In addition, if the company files a registration statement with respect to an underwritten offering for its own account or on behalf of a holder, each holder will have the right, subject to certain limitations, to register such number of registrable shares held by him, her or it as each such holder requests. With respect to underwritten offerings on behalf of a holder, the company will have the right to register such number of primary shares as the company requests; provided, however, that if cut backs are required by the managing underwriters of such an offering, the company's primary shares shall be cut back first (but in no event will the company's shares be cut back to less than \$25 million).

The company has also agreed to indemnify the persons receiving rights against specified liabilities, including certain potential liabilities arising under the Securities Act, or to contribute to the payments such persons may be required to make in respect thereof. The company has agreed to pay all of the expenses relating to the registration and any underwritten offerings of such securities, including, without limitation, all registration, listing, filing and stock exchange or FINRA fees, all fees and expenses of complying with securities or blue sky laws, all printing expenses and all fees and disbursements of counsel and independent public accountants retained by the company, but excluding underwriting discounts and commissions, any participant's out-of-pocket expenses (except the company will pay any holder's out-of-pocket fees (including disbursements of such holder's of counsel, accountants and other advisors) up to \$25,000 in the aggregate for each underwritten offering and each filing of a resale shelf registration statement or demand registration statement), and any transfer taxes.

**Option to Acquire Two Additional Properties**

The operating partnership has entered into option agreements with three private entities, one of which is the ground lessee of the property located at 112-120 West 34th Street and fee owner of the property located at 122 West 34th Street, one of which is the operating lessee of 112-122 West 34th Street and one of which is the ground lessee of 1400 Broadway, pursuant to which each of these private entities has granted to the operating partnership an option to acquire its property interest and other assets in exchange for operating partnership units, shares of common stock and/or cash following the settlement of, or final judgment not subject to further appeal with respect to, a litigation related to the properties owned by these private entities.

These private entities are parties to litigation with the third party ground lessor of the properties they own and the uncertainty resulting from the litigation could affect the valuations of these entities so long as the litigation is pending. The exchange values for these entities set forth in this prospectus/consent solicitation do not

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reflect any reduction for the effect of this litigation. In September 2011, the court before which these litigations are pending granted summary judgment dismissing the ground lessor's claims with respect to 112-122 West 34th Street. The ground lessor has filed a notice of appeal of the grant of summary judgment. In November 2011, the supervisor filed a similar summary judgment motion with respect to the other property.

The option is exercisable by the operating partnership with respect to either or both of the properties until the later of (i) 12 months after notice of settlement of the litigation or of final, non-appealable judgment in litigation or (ii) six months after completion of the valuation referred to in the next paragraph, but not later than seven years from the completion of the IPO. The determination to exercise the option will be made by the independent directors and affiliates of the supervisors will not participate in the decision.

The purchase price for each of these property interests will be determined based on an appraisal by independent third parties, unless the private entities, with the consent of the Helmsley estate, and the company agree to a negotiated price, and unless the litigation related to these properties is resolved prior to the closing of the consolidation, in which case the consideration will be determined based on the exchange values determined by the independent valuer.

The consideration will consist of operating partnership units or common stock for accredited investors and cash for non-accredited investors, except that the company may elect to pay cash instead of common stock or operating partnership units to accredited investors if the market price of the Class A common stock (based on the average of the 20 trading days prior to the option closing) is below the IPO price or to accredited investors that have made cash elections. Additionally, the Helmsley estate will have the right to elect to receive cash.

### **Other Consolidation Transaction Agreements**

The company will acquire through merger the supervisor and the other management companies, which are owned by the same persons as own the supervisor. Holders of interests in the management companies will receive shares of common stock or operating partnership units in exchange for the interests in such entities.

The company has entered into a contribution agreement with the supervisor and the Wien group pursuant to which they will contribute, upon closing of the consolidation, the participation interests and override interests they hold in the subject LLCs to the operating partnership in exchange for operating partnership units. The supervisor and the Wien group will receive the same amount of consideration they otherwise would have received in the absence of such contribution agreement as participants in the subject LLCs and as holders of override interests under the organization documents of the subject LLCs.

The company has also entered into a contribution agreement with the Helmsley estate pursuant to which the Helmsley estate will contribute all of its participation interests in the private entities in exchange for Class A common stock of the company and cash to the extent cash is received on exercise of the cash option. Under the contribution agreement, the Helmsley estate is entitled to the same consideration that it otherwise would have received in the absence of such contribution agreement plus an amount equal to any New York City transfer tax savings resulting from its status as a charitable organization. Pursuant to the contribution agreement, the Helmsley estate has agreed to irrevocably consent to the consolidation in each of the private entities in which it holds participation interests.

### **Pricing Committee**

The company will establish a pricing committee in connection with the IPO, which will meet on March 31, 2013 and December 31, 2013 if the consolidation and IPO have not yet closed, and will have the authority to evaluate market conditions and determine the desirability of continuing to pursue the consolidation and IPO. The pricing committee will have the authority to approve the price and terms of the IPO and any extension of the

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lock-up period and will consist of representatives of the supervisor and a representative of the Helmsley estate. All actions of the pricing committee will require unanimous approval.

**Description of the Tax Protection Agreement**

Under the Code, taxable gain or loss recognized upon a sale of an asset contributed to a partnership must be allocated to the contributing partner in a manner that takes into account the variation between the tax basis and the fair market value of the asset at the time of the contribution. This requirement may result in a significant allocation of taxable gain to the contributing partner, without any increased cash distribution to the contributing partner. In addition, when a partner contributes an asset subject to a liability to a partnership, any reduction in the partner's share of partnership liabilities may result in taxable gain to the contributing partner.

The operating partnership intends to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin that is intended to protect the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain of the tax consequences described above to a limited extent. First, this agreement will provide that the operating partnership will not sell, exchange, transfer or otherwise dispose of four specified properties, which are referred to in this section as protected assets, or any interest in a protected asset for a period of 12 years, with respect to First Stamford Place and the later of (x) eight years or (y) the death of Peter L. Malkin and Isabel W. Malkin for the three other protected assets unless:

- (1) Anthony E. Malkin consents to the sale, exchange, transfer or other disposition; or
- (2) the operating partnership delivers to each protected party thereunder, a cash payment intended to approximate the tax liability arising from the recognition of the pre-contribution built-in gain resulting from the sale, exchange, transfer or other disposition of such protected asset (with the pre-contribution built-in gain being not more than the taxable gain that would have been recognized by such protected party had the protected asset been sold for fair market value in a taxable transaction at the time of the consolidation transaction) plus an additional amount so that, after the payment of all taxes on amounts received pursuant to the agreement (including any tax liability incurred as a result of receiving such payment), the protected party retains an amount equal to such protected party's total tax liability incurred as a result of the recognition of the pre-contribution built-in gain pursuant to such sale, exchange, transfer or other disposition; or
- (3) the disposition does not result in a recognition of any built-in gain by the protected party.

Second, with respect to the Wien group, including Anthony E. Malkin and Peter L. Malkin, and one additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property), to protect against gain recognition resulting from a reduction in each such investor's share of the operating liabilities, the agreement also will provide that during the period from the closing of the IPO until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares it received in the consolidation, which is referred to in this section as the tax protection period, the operating partnership will (i) refrain from prepaying any amounts outstanding under any indebtedness secured by the protected assets and (ii) use its commercially reasonable efforts to refinance such indebtedness at or prior to maturity at its current principal amount, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible. The agreement also will provide that, during the tax protection period, the operating partnership will make available to such investors the opportunity to (1) to enter into a bottom dollar guarantee of their allocable share of \$160 million of aggregate indebtedness of the operating partnership meeting certain requirements or (2) in the event the operating partnership has recourse debt outstanding and the investor agrees in lieu of guaranteeing debt pursuant to clause (1) above, to enter into a deficit restoration obligation, in each case, in a manner intended to provide an allocation of operating partnership liabilities to the investor. In the event that an investor guarantees debt of the operating partnership, such investor will be responsible, under certain circumstances, for the repayment of the guaranteed amount to the lender in the event that the lender would otherwise recognize a loss on the loan, such as,

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for example, if property securing the loan was foreclosed and the value was not sufficient to repay a certain amount of the debt. A deficit restoration obligation is an obligation of such investor, under certain circumstances, to contribute a designated amount of capital to the operating partnership upon the operating partnership's liquidation in the event that the assets of the operating partnership are insufficient to repay the operating partnership liabilities.

Because the company expects that the operating partnership will have at all times sufficient liabilities to allow it to meet its obligations to allocate liabilities to its partners that are protected parties under the tax protection agreement, the operating partnership's indemnification obligation with respect to certain tax liabilities would generally arise only in the event that the operating partnership disposes of a protected asset in a taxable transaction within the period specified above in a taxable transaction. In the event of such a disposition, the amount of the operating partnership's indemnification obligation would depend on several factors, including the amount of built-in gain, if any, recognized and allocated to the indemnified partners with respect to such disposition and the effective tax rate to be applied to such gain at the time of such disposition. The operating partnership estimates that if all of its assets subject to the tax protection agreement were sold in a taxable transaction immediately after the IPO, the amount of the operating partnership's indemnification obligations (including additional payments to compensate the indemnified partners for additional tax liabilities resulting from the indemnification payments) would be approximately \$82.6 million.

The operating partnership agreement requires that allocations with respect to such acquired property be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of allocating book-tax differences. Under the tax protection agreement, the operating partnership has agreed to use the traditional method for accounting for book-tax differences for the properties acquired by the operating partnership in the consolidation. Under the traditional method, which is the least favorable method from the company's perspective, the carryover basis of the acquired properties in the hands of the operating partnership (1) may cause the company to be allocated lower amounts of depreciation and other deductions for tax purposes than would be allocated to the company if all of the acquired properties were to have a tax basis equal to their fair market value at the time of acquisition and (2) in the event of a sale of such properties, could cause the company to be allocated gain in excess of its corresponding economic or book gain (or taxable loss that is less than its economic or book loss), with a corresponding benefit to the partners transferring such properties to the operating partnership for interests in the operating partnership.

Participants in the private entities who are not protected under the tax protection agreement and who currently own an interest in a protected asset may benefit from the prohibition on disposing of such assets to the extent the prohibition prevents the operating partnership from recognizing gain. However, unlike the Wien group, such participants will not be parties to the tax protection agreement and will not be entitled to indemnification from the operating partnership if a protected asset is sold, nor is their consent required to dispose of a protected asset. In addition, a disposition of an existing property that is not a protected asset would not be subject to the tax protection agreement and could cause participants, including the Wien group, to recognize gain. The company currently has no intention to sell or otherwise dispose of the protected assets or interest therein in taxable transactions during the restriction period.

### **Representation, Warranty and Indemnity Agreement**

Anthony E. Malkin, Scott D. Malkin and Cynthia M. Blumenthal have entered into a separate representation, warranty and indemnity agreement with the company and the operating partnership in which they made limited representations and warranties to the company and the operating partnership with respect to the condition and operations of the entities, properties and assets to be contributed to the company. Anthony E. Malkin, Scott D. Malkin and Cynthia M. Blumenthal, jointly and severally have agreed to indemnify the operating partnership for breach of such representations and warranties until 12 months after the closing of the IPO, subject to a deductible of \$1 million and a cap of \$25 million. Anthony E. Malkin, Scott D. Malkin and Cynthia M. Blumenthal have pledged operating partnership units and common stock to the operating partnership.

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with a value, based on the price per share of Class A common stock in the IPO (before the deduction of underwriting and other fees and expenses), equal to \$25 million, to secure their indemnity obligation, and such operating partnership units are the sole recourse and sole remedy of the operating partnership in the case of a breach of representation or warranty or other claim for indemnification.

**No Fractional Share of Common Stock**

The company will not issue fractional shares of common stock in the consolidation. Each participant that otherwise would be entitled to a fractional share of common stock will receive one share of common stock for each fractional share of common stock of 0.50 or greater. The company will not issue a share of common stock for any fractional share of common stock of less than 0.50. The maximum amount which a participant could forfeit if such participant's fractional share was 0.49 is approximately \$4.90, based on the hypothetical exchange value of \$10 per share arbitrarily assigned by the supervisor for illustrative purposes.

**Effect of the Consolidation or a Third-Party Portfolio Transaction on Participants Who Vote Against the Consolidation or the Third-Party Portfolio Proposal**

If you vote **AGAINST** the consolidation or the third-party portfolio proposal, **ABSTAIN** or do not submit a consent form, you do not have a statutory right to elect to be paid the appraised value of your participation interest in the subject LLC for cash. If the required percentage of the participants consent to the consolidation, non-consenting participants' participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. will be bought out by the agent for the benefit of the subject LLC at a price substantially lower than the current value. The buyout price is \$100 for your interest in the subject LLC.

If the required percentage of the participants consent to the third-party portfolio proposal, non-consenting participants' participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. will be bought out by the agent for the benefit of the subject LLC at a price substantially lower than the current value regardless of whether there is a third-party portfolio offer, and even if the consolidation is consummated and the participant voted in favor of the consolidation.

Prior to an agent purchasing the participation interests of non-consenting participants in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C., an agent will give such participants not less than ten days' notice after the required consent is received by a subject LLC to permit them to consent to the consolidation or the third-party portfolio proposal, as applicable, in which case their participation interests will not be purchased. The agents will purchase the participation interests for the benefit of the subject LLC and not for their own account and will be reimbursed by the subject LLC for the cost of such buyout. If the agent purchases these participation interests, the requirement for consent of participants holding 100% of the participation interests of that participating group will be satisfied.

The agents, who are the members of your subject LLCs, recently created a new class of membership interests, which were divided into series. A separate series was deemed to be distributed to holders of each participating group in your subject LLC. Each new series provides protections similar to those under a shareholder rights plan for a corporation. Each new series corresponds to a participating group for which a member acts as agent. The new series will not affect voting rights, except with respect to any person or group that acquires 6%, 3%, or 7.5% or more, respectively, of the outstanding participation interests in the applicable participating group (an acquiring person) for each of Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. If there is an acquiring person, the effect of the new series is that approval of the consolidation proposal and the third-party portfolio proposal by a participating group will require approval by the requisite consent of the participants in the participating group, as holders of the new series of membership interests, excluding the acquiring person.

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The buyout is described under the section entitled Voting Procedures for the Consolidation Proposal and the Third-Party Portfolio Proposal.

### **Effect of Consolidation on Subject LLCs not Acquired**

If the company does not acquire your subject LLC's assets in the consolidation and a third-party portfolio transaction is not consummated with respect to your subject LLC, your subject LLC will continue to operate as a separate limited liability company with its own assets and liabilities and will bear its proportionate share of the expenses of the consolidation. If the consolidation is not consummated, there will be no change in your subject LLC's investment objectives and it will remain subject to the terms of its organizational documents.

### **Consolidation Expenses**

If the company acquires your subject LLC in the consolidation, the company will bear all consolidation expenses.

If the consolidation does not close, each subject LLC and private entity will bear its proportionate share of the consolidation expenses based on their respective exchange values. If the consolidation closes, but the subject LLC does not participate in the consolidation, the subject LLC will bear its proportionate share of all consolidation expenses incurred through the date of termination of the contribution agreement. The supervisor does not know whether the acquiror in a third-party portfolio transaction will agree to pay any of the consolidation expenses.

### **Accounting Treatment**

The consolidation of the subject LLCs, the private entities and the management companies, other than the non-controlling interests in the four office properties for which the supervisor acts as supervisor and not previously controlled by Peter L. Malkin, Anthony E. Malkin or the Malkin Family, will be accounted for at historical cost as a transfer of assets under common control. The acquisition of the controlling interests in the four office properties for which the supervisor acts as supervisor but which are not controlled by Peter L. Malkin, Anthony E. Malkin or the Malkin Family will be accounted for as purchase acquisitions, with the assets acquired and liabilities assumed recorded at the estimated fair value at the acquisition date.

### **Subsequent Modifications to Offering Terms**

The company may make changes (including changes that may be deemed material) to the information described in this prospectus/consent solicitation, the supplement for your subject LLC accompanying this prospectus/consent solicitation, as well as to the forms of the agreements attached as appendices hereto and contained in the supplement. The contribution agreement attached to the supplement accompanying this prospectus/consent solicitation as Appendix B provides that each subject LLC (i) agrees and confirms that the terms of the Class A common stock described in this prospectus/consent solicitation, the applicable supplement and the appendices and exhibits thereto are not final and may be modified prior to the completion of the consolidation, depending in part on the prevailing market conditions at the time of the IPO, (ii) understands that, as of the date of the contribution agreement, the company does not know the value of the Class A common stock and that such value will depend on the company's enterprise value in connection with the IPO and the IPO price and the number of shares outstanding, on a fully-diluted basis, immediately prior to the IPO may be higher or lower than that set forth herein and the IPO price may be higher or lower than the hypothetical \$10 per share exchange value which the supervisor has arbitrarily selected and is used herein for illustrative purposes only, (iii) authorizes the company to, and understands and agrees that the company may, make changes (including changes that may be deemed material) to the charter and bylaws of the company, the limited partnership

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agreement of the operating partnership, the contribution agreements, the representation, warranty and indemnity agreement, the lock-up agreements, the tax protection agreement and this prospectus/consent solicitation, and that the subject LLC agrees to receive shares of Class A common stock with such final terms and conditions as the company determines and (iv) acknowledges that the subject LLC understands that the information presented in this prospectus/consent solicitation is preliminary and is subject to change (particularly the company management's discussion and analysis of the financial condition and results of operation, the financial statements and footnotes thereto, the preliminary pro forma financial statements and footnotes thereto, the property information, the assumed IPO price and the assumed entity valuations) in connection with the review and comments of the SEC and in reaction to investor feedback during the course of the IPO and the subject LLCs agreement to participate in the consolidation will not be affected by any such changes.

**Initial Public Offering**

The closing of the consolidation is conditioned on the closing of the IPO. The company will contribute the net proceeds of the IPO to the operating partnership in exchange for operating partnership units, with the value of each operating partnership unit being treated as equivalent to one share of Class A common stock at the IPO price. The operating partnership will use a portion of the net proceeds to provide cash to non-accredited participants in the private entities, and to accredited participants in the private entities that are charitable organizations and all participants in the subject LLCs that elect to exercise the cash option as described under The Consolidation Principal Components of the Consolidation Cash Option.

The IPO price of the Class A common stock will be determined based on investor demand for the Class A common stock and in consultation with the underwriters in the IPO. Among the factors that influence the pricing of the IPO are the company's record of operations; its management; its estimated net income; its estimated funds from operations; its estimated cash available for distribution; its anticipated dividend yield; its growth prospects; the current market valuations for comparable REITs; financial performance and dividend yields of publicly traded companies considered by the company and the underwriters to be comparable to the company and the state of the commercial real estate industry and the economy as a whole. The IPO price does not and will not necessarily bear any relationship to the company's book value or the fair market value of the company's assets.

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**THIRD-PARTY PORTFOLIO PROPOSAL**

As a potential alternative to the consolidation, you also are being asked to consent to the sale or contribution of the subject LLC's property interest as part of a sale or contribution of the properties owned by the subject LLCs and the private entities as a portfolio to a third party. Through solicitation of consents, for the first time the properties owned by the subject LLCs and the private entities can be joined as a single portfolio. While the supervisor believes the consolidation and IPO represent the best opportunity for participants in the subject LLCs and the private entities to achieve liquidity and to maximize the value of their respective investments, the supervisor also believes it is in the best interest of all participants for the supervisor to be able to approve offers for the portfolio as a whole.

Market forces are dynamic, unpredictable, and subject to volatility. Should the public awareness of the proposed consolidation and IPO produce potential compelling offers from unaffiliated third parties to purchase the consolidated portfolio, it will be costly and time consuming to solicit consents to allow a sale or contribution of the portfolio to a third party, and there is considerable risk that any opportunity which might appear would be lost without the requested consent in place. Therefore, the supervisor believes that it is advisable to have the flexibility and discretion to accept an offer for the entire portfolio of properties from a third party, rather than pursue the consolidation and IPO, if the supervisor determines the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation. The supervisor only will consider an offer from an unaffiliated third-party for the entire portfolio of properties owned by all of the subject LLCs and all of the private entities, excluding (a) the option properties, (b) certain properties owned by the private entities that are not included in the consolidation, (c) any property interest as to which the required consent is not received, and (d) any property interest as to which customary contract conditions, such as absence of a material adverse change, are not satisfied. A third-party portfolio transaction also could include the management companies.

The third-party portfolio transaction would be undertaken only if the supervisor determines that the offer price includes what the supervisor believes is an adequate premium above the value that is expected to be realized over time from the consolidation and certain other conditions are met. If such a third-party portfolio transaction were to proceed, the consideration will be allocated among the subject LLCs, the private entities and the management companies on a basis consistent with the final exchange values.

A third-party portfolio transaction could take the form of a contribution of the properties and assets of the subject LLCs, the private entities and the management companies to the acquiror or its subsidiaries, a merger of the subject LLCs, the private entities and the management companies with the acquiror or its subsidiaries or a combination thereof. The supervisor may consider third-party offers with no limit on amount of consideration or any other limitation. Any third-party interested in making a portfolio proposal will be instructed to make its offer for all cash. It is possible that participants or the supervisor and its affiliates may be offered an option to receive securities in lieu of all or a portion of the cash.

In connection with a third party portfolio transaction, one or more of the supervisor and the Malkin Family may receive (a) securities for their interests (*i.e.*, stock or partnership interests of the acquiror) even if other participants receive cash or securities with different rights, (b) may retain interests in the subject LLCs and the private entities even if other participants receive cash or other securities, and (c) other interests through a management incentive program, such as shares or overrides in the acquiring entity. Also, the principals and employees of the supervisor could become officers, directors, and/or employees of the acquiring entity after a third-party portfolio transaction.

Because of the inability to act without consent of the subject LLCs and certain of the private entities, the supervisor intends to inform any unaffiliated third-party which expresses interest in making a third-party offer that it will not consider any offer until after completion of the solicitation of consents of the subject LLCs and the private entities. If an offer is submitted during the solicitation period, the supervisor may be required to provide information regarding the proposal to participants, to assist them in their decision regarding the consolidation.



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The supervisor has agreed that it will not accept a third-party offer unless it is unanimously approved by a committee which will include representatives of the supervisor and a representative of the Helmsley estate. This committee will also meet on March 31, 2013, January 1, 2014 and January 1, 2015 if an agreement relating to a third-party portfolio transaction has not been entered into, and determine whether to continue to pursue a third-party portfolio transaction. The supervisor will be authorized to approve offers only if a definitive agreement is entered into prior to December 31, 2015 or such earlier date as the supervisor may set with or without notice or public announcement.

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**VOLUNTARY PRO RATA REIMBURSEMENT PROGRAM FOR EXPENSES OF LEGAL PROCEEDINGS WITH FORMER PROPERTY MANAGER AND LEASING AGENT**

The supervisor is requesting that the participants consent to a voluntary pro rata reimbursement program to reimburse the supervisor and Peter L. Malkin, a principal of the supervisor for all costs, plus interest, incurred in connection with the legal proceedings required to remove and replace the former property manager and leasing agent. The supervisor believes that the voluntary pro rata reimbursement program is fair and reasonable because the successful resolution of the legal proceedings allowed the property to participate in a renovation and repositioning turnaround program, conceived and implemented by the supervisor. The Helmsley estate, as part of an agreement with the supervisor covering this and other matters, has paid the voluntary pro rata reimbursement to the supervisor for its pro rata share of costs advanced, plus interest, which totaled \$5,021,048 with respect to its interest in all the subject LLCs and private entities.

Lawrence A. Wien and Peter L. Malkin, affiliates of the supervisor, organized the subject LLCs, from 1953 to 1961.

The supervisor provided asset management services for, and supervised the operations of, the subject LLCs and the private entities that are the operating lessees. The properties owned by the subject LLCs and leased to the operating lessees were managed by Helmsley-Spear, Inc., the former property manager and leasing agent, from the subject LLCs formation until 2002 in the case of 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. and until 2006 in the case of Empire State Building Associates L.L.C., all subject to the supervisor's supervision.

Over time, the supervisor observed and objected to deterioration in the property management provided by the former property manager and leasing agent to the properties owned by the subject LLCs and the Manhattan office properties, resulting in such problems as deferred maintenance, reduced occupancy and reduced quality of tenants. For that reason, the supervisor brought action to remove the former property manager and leasing agent (after it was sold by entities controlled by Leona M. Helmsley) as property manager and leasing agent of the properties owned by the subject LLCs both for cause and based on contractual removal rights. The ensuing lengthy legal proceedings, included a ruling in favor of the supervisor and Peter L. Malkin in the United States Supreme Court. A gradual transfer of day-to-day management away from the former property manager and leasing agent began in 2002 by votes of the private entities and the remaining litigation was fully settled in 2006. In accordance with a separate litigation against Harry B. Helmsley's widow, Leona M. Helmsley, which was settled in 1997, the supervisor has overseen the engagement of third-party property management and leasing agents beginning in 2002 for these properties, and the transformation of the Empire State Building to a self-management structure, retaining a third-party agent only for leasing.

The supervisor believes that its efforts for the participants in the subject LLCs and the investors in the Manhattan office properties in respect of the legal proceedings against the former property manager and leasing agent enhanced the monitoring of the former property manager and leasing agent's conduct and contributed to the former property manager and leasing agent's replacement by effective property manager and leasing agents, thereby preventing the loss of the investment value of all the parties subject to the former property manager and leasing agent legal proceedings, including the subject LLCs.

While the supervisor has believed from inception that the supervisor and Peter L. Malkin are entitled to be reimbursed for these litigation and arbitration expenses, they advanced all costs pending the outcome of the former property manager and leasing agent legal proceedings. The supervisor also added engineering, marketing and tax/accounting staff to compensate for the former property manager and leasing agent's deficiency. After the settlement, the supervisor was able to deploy its branding strategy for the Manhattan office properties and pursue a program of renovating and repositioning the Manhattan office properties. Now, with the impending consolidation, the supervisor requests of each participant in each subject LLC, on a voluntary and individual basis, consent to the voluntary pro rata reimbursement program.

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The same voluntary pro rata reimbursement program has been approved by holders representing 72.36% of the interests in the 13 private entities and other entities supervised by the supervisor to which the proposal has been made. These approvals include the Helmsley estate, which as part of an agreement with the supervisor covering this and other matters has paid the voluntary pro rata reimbursement to the supervisor for its pro rata share of costs advanced, plus interest, which totaled \$5,021,048. Accordingly, no additional amounts will be deducted from any distributions payable to it or from the consideration payable to it in the consolidation or a third-party portfolio transaction. If you fail to return a signed consent form by the end of the solicitation period, you will be deemed to have not consented to the voluntary pro rata reimbursement program.

If you consent to the voluntary pro rata reimbursement program, the supervisor and Peter L. Malkin will be reimbursed for your pro rata share of costs, plus interest, previously incurred out of your share of the excess cash of your subject LLC that is being distributed to participants, and, to the extent that is insufficient, the consideration that you would receive in the consolidation or the consideration that you would receive in a third-party portfolio transaction, as applicable, will be reduced by the balance and such balance would be paid to the supervisor and Peter L. Malkin in shares of Class A common stock, if the consolidation is consummated, or out of distributions that you would receive from the proceeds of a third-party portfolio transaction, if consummated. To the extent that the supervisor and Peter L. Malkin have not otherwise been reimbursed from distributions in connection with the consolidation, 50% of any distributions to be paid to you in excess of your share of aggregate monthly distributions by the subject LLC equal to \$3,889,333 per annum, \$1,046,320 per annum and \$720,000 per annum, respectively, for Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. for the period commencing January 1, 2008 (including any cumulative deficiency from prior months) will be applied to reimburse the supervisor and Peter L. Malkin for a pro rata share of such advances, including interest at prime from the date of each such advance, until your pro rata share of the costs is paid in full. Cumulative distributions equal to the target amount have been made for the period from January 1, 2008 through the date hereof and therefore there are no past cumulative deficiencies.

Each public LLC's and private entity's share of these costs, which aggregate \$20,510,884 for all public LLCs and private entities including interest at prime from the date of each advance through November 1, 2011 was determined based upon the property's percentage of rentable area of all the Manhattan office properties held by the private entities and the public LLCs. Each subject LLC's share will then be allocated to you based on your investment percentage among all participants in the subject LLC. Thus, advances by the supervisor and Peter L. Malkin would be allocated 14.15285% to Empire State Building Associates L.L.C., 7.0292% to 60 East 42nd St. Associates L.L.C. and 3.11945% to 250 West 57th St. Associates L.L.C. (with the balance allocated to the private entities that hold Manhattan office properties), in each case by rentable area, and then allocated to you in accordance with the participation interest held by you. The table below shows the amount to be received by the supervisor from the subject LLC (assuming that all participants have consented to the voluntary reimbursement) and for each \$1,000 of original investment by a participant pursuant to the voluntary pro rata reimbursement program:

	Exchange Value of Shares of Common Stock to be Received by Participants per \$1,000 Original Investment		Voluntary Reimbursement Per \$1,000 Original Investment <sup>(1)</sup> Total	
Empire State Building Associates L.L.C.	\$	33,085	\$ 101	\$ 3,329,234
60 East 42nd St. Associates L.L.C.	\$	38,972	\$ 236	\$ 1,653,504
250 West 57th St. Associates L.L.C.	\$	35,722	\$ 204	\$ 733,795

- (1) Empire State Building Associates L.L.C.'s, 60 East 42nd St. Associates L.L.C.'s and 250 West 57th St. Associates L.L.C.'s share of the aggregate voluntary reimbursement (before any reimbursements) is \$3,150,896, \$1,564,930, and \$694,487, respectively, plus interest. The amount shown in the table includes accrued interest through September 30, 2011 and does not include interest which will accrue subsequent to September 30, 2011.

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The supervisor requests that each participant consent to the voluntary pro rata reimbursement program on the consent form accompanying this prospectus/consent solicitation. If you consent to the voluntary pro rata reimbursement program and the consolidation or a third-party portfolio transaction is consummated, your share of distributions will be reduced by your pro rata share of the costs, plus interest, advanced by the supervisor and Peter L. Malkin for the former property manager and leasing agent legal proceedings plus interest. If you give such consent but your subject LLC does not participate in the consolidation, your pro rata share of the former property manager and leasing agent legal proceedings advanced costs will be deducted from any future distributions until your pro rata share is paid in full.

**The voluntary pro rata reimbursement program is an independent program. Your consent, withheld consent, or failure to consent to the voluntary pro rata reimbursement program will not have any effect on whether or not your subject LLC participates in the consolidation or a third-party portfolio transaction.**

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**REPORTS, OPINIONS AND APPRAISALS**

**General**

The exchange values were determined as of July 1, 2011 by Duff & Phelps, LLC, the independent valuer and have been assigned to each subject LLC, each private entity and the management companies solely to establish a consistent method of allocating the consideration among the participating entities for purposes of the consolidation. The exchange values were based on an appraisal of the subject LLCs, the private entities and the management companies by the independent valuer.

Duff & Phelps, as independent financial advisor, was engaged by the supervisor on behalf of the subject LLCs, the private entities and the management companies to appraise the properties owned by the subject LLCs and the private entities, value the supervisor and the management companies and to render its opinion as to the fairness, from a financial point of view, to each subject LLC and each private entity and the participants in each subject LLC and each private entity, of the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity.

The independent valuer has delivered a written summary of its analysis, based upon the review, analysis, scope, assumptions, qualifications and limitations described therein, as to the estimated fair market value of the properties owned by the subject LLCs and the private entities as of July 1, 2011 (the Appraisal ). The Appraisal, which contains a description of the assumptions and qualifications made, matters considered and limitations on the review and analysis, is set forth in Appendix B and should be read in its entirety.

Duff & Phelps was engaged based on its experience as a leading global independent provider of financial advisory, real estate, and investment banking services. Duff & Phelps delivers advice principally in the areas of valuation, transactions, financial restructuring, dispute and taxation. Since 2005, Duff & Phelps has completed hundreds of valuations in the real estate investment trust and real estate operating company industry and rendered over 286 fairness opinions in transactions aggregating over \$98 billion. Duff & Phelps has also rendered over 204 solvency opinions in transactions aggregating over \$984 billion.

**Appraisal**

*Summary of Methodology.* In traditional valuation theory, the three approaches to estimating the value of an asset are the cost approach, sales comparison approach, and income capitalization approach. Each approach assumes valuation of the property at the property's highest and best use. From the indications of these analyses, an opinion of value is reached based upon expert judgment within the outline of the appraisal process.

**Income Approach**

The income capitalization approach ( income approach ) simulates the reasoning of an investor who views the cash flows that would result from the anticipated revenue and expense on a property throughout its lifetime. The net income ( NOI ) developed in its analysis is the balance of potential income remaining after vacancy and collection loss, and operating expenses. This net income is then capitalized at an appropriate rate to derive an estimate of value or discounted by an appropriate yield rate over a typical projection period in a discounted cash flow analysis. Thus, two key steps are involved: (1) estimating the net income applicable to the subject and (2) choosing appropriate capitalization rates and discount rates.

The discounted cash flow ( DCF ) analysis focuses on the operating cash flows expected from the property and the anticipated proceeds of a hypothetical sale at the end of an assumed holding period. These amounts are then discounted to their present value. The discounted present values of the income stream and the reversion are

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added to obtain a value indication. Because benefits to be received in the future are worth less than the same benefits received in the present, this method weights income projected in the early years more heavily than the income and the sale proceeds to be received later.

With respect to the DCF analysis, the independent valuer used financial projections of the supervisor and the management companies, in each case provided to the independent valuer by management of the supervisor. In addition, the independent valuer used financial projections of the subject LLCs and private entities and the properties owned by the subject LLCs and private entities. These financial projections were (i) presented by the independent valuer based on the Information (as defined below) provided by management of the supervisor and analysis performed by the independent valuer and (ii) reviewed and approved by management of the supervisor.

The independent valuer relied primarily on the DCF method to determine the market value of the operating properties owned by the subject LLCs and private entities. The independent valuer relied on the sales comparison approach to value the Stamford, CT land. However, the independent valuer corroborated its results through an analysis of the implied capitalization rate for each property. The independent valuer analyzed the implied capitalization rate based on the value determined via the DCF and the first several years of projected NOI.

The income approach was relied upon in determining the market value of the properties owned by the subject LLCs and private entities. This is the approach the independent valuer believes utilized by typical investors and other market participants in the local market of the properties owned by the subject LLCs and private entities, and was therefore determined to be the most reliable indicator of market value.

### Cost Approach

The cost approach considers the cost to replace the existing improvements, less accrued depreciation, plus the market value of the land. The cost approach is based on the understanding that market participants relate value to cost. The value of the property is derived by adding the estimated value of the land to the current cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation in the structure from all causes. Profit for coordination by the entrepreneur is included in the value indication.

The cost approach was omitted from the independent valuer's analysis, as it is not an approach typically utilized by investors in the local market of the properties owned by the subject LLCs and private entities. Additionally, a portion of the properties owned by the subject LLCs and private entities are unique and historic buildings. The reproduction of the improvements would not be possible in many cases, and a replacement of the improvements would not necessarily constitute an adequate substitute, given their unique and historic nature.

### Sales Comparison Approach

The sales comparison approach estimates value based on what other purchasers and sellers in the market have agreed to as price for comparable properties. This approach is based upon the principle of substitution, which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the sales comparison approach, the independent valuer gathered data on reasonably substitutable properties and makes adjustments for transactional and property characteristics. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the property.

The sales comparison approach was considered but omitted from its analysis (with the exception of the Stamford, CT land), as the income approach was deemed by the independent valuer to be a more reliable indicator of market value, as it is the typical approach utilized by investors in the local market of the properties owned by the subject LLCs and private entities. Sales comparables were used to corroborate the independent valuer's value conclusions arrived at using the income approach.

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**Ground Lease and Operating Lease Methodology**

The following table shows the individual properties that are subject to ground leases or operating leases:

<b>Property</b>	<b>Ground Lease Type</b>
The Empire State Building	Operating Lease with Private Entity
One Grand Central Place	Operating Lease with Private Entity
250 W 57th Street	Operating Lease with Private Entity
1350 Broadway	Third-Party
501 Seventh Avenue	Operating Lease with Private Entity

Four of the properties owned by the subject LLCs and private entities listed above are subject to operating leases with a private entity. A subsidiary of Malkin Holdings LLC is supervisor to both the property owner or ground lessee with a third-party and the operating lessee.

One of the properties (which is owned by a private entity) listed above is subject to a third-party ground lease, which is a standard ground lease in which a third-party owns the land, and a subsidiary of the private entity is the lessee of the land and the owner of the building, until ground lease expiration when building ownership reverts back to the ground lessor. The private entity that is the ground lessee makes contractual ground rent payments to the third-party land owner for these properties.

As some of the properties owned by the subject LLCs and private entities are subject to operating leases, the independent valuer determined the value for the private entity or subject LLC that is the property owner or ground lessee with a third-party and the private entity that is the operating lessee. In order to determine the market value of the land and building, the independent valuer used the same discounted cash flow technique highlighted above to estimate the value of the unencumbered property. Secondly, the independent valuer deducted the present value of the fixed rent payments. Lastly, the independent valuer split the adjusted value evenly between the private entity or subject LLC that is the property owner or ground lessee with a third-party and the private entity that is the operating lessee.

The allocated exchange value was allocated 50% to the property owner and 50% to the operating lessee in a two tier entity instead of being allocated in accordance with discounted cash flow based on representations of the supervisor as to the original intent to treat the two tier entities as equivalent to a joint venture and the historical treatment of the two tier entities in this manner. The supervisor has represented that historically, agreements have been entered into to share capital expenditure and financing costs and the operating leases have been extended in connection therewith. As a result, the allocated exchange value has been allocated equally to the property owner and operating lessee, rather than in proportion to discounted cash flow, which would have resulted in a higher allocation to the property owner, which, in the case of Empire State Building Associates L.L.C. would have been significantly higher.

For the property subject to a third-party ground lease, the independent valuer estimated the value of the private entity that is the ground lessee by calculating the present value of the future cash flows through the contractual term including all potential extensions noting that the reversion of the building would flow to the third-party ground lessor.

In applying the discounted cash flow technique, the independent valuer estimated the operating results over a hypothetical 10-year holding period and assumed the properties owned by the subject LLCs and private entities would be sold at the end of the final year for a price calculated by capitalizing the following year's projected net operating income. The independent valuer averaged the 1<sup>st</sup>, 12<sup>th</sup> and 13<sup>th</sup> years to account for any inconsistencies in cash flow. The independent valuer then discounted the cash flows at a rate reflective of market conditions, bearing in mind the investment characteristics of the properties owned by the subject LLCs and private entities. Lastly, the independent valuer selected a terminal capitalization rate reflective of anticipated market conditions, the likely future condition of the properties owned by the subject LLCs and private entities, and the uncertainty associated with estimates of future income and value.

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*Conclusion as to Value.* Based on the valuation methodology described above, the independent valuer estimated the value of properties owned by the subject LLCs and the private entities, before deducting mortgage indebtedness and other liabilities, and the business of the management companies as follows:

<b>Property<sup>(1)</sup></b>	<b>Real Estate or (for the Management Companies) Business Value Conclusion<sup>(2)</sup></b>
Empire State Building	\$ 2,520,000,000
One Grand Central Place	\$ 687,000,000
250 West 57th Street	\$ 316,000,000
1333 Broadway	\$ 189,000,000
1350 Broadway <sup>(3)</sup>	\$ 186,000,000
1359 Broadway	\$ 192,000,000
501 Seventh Avenue	\$ 159,000,000
69-97 Main St.	\$ 25,000,000
77 West 55th Street & 1010 Third Avenue	\$ 56,000,000
Metro Center	\$ 138,000,000
10 Union Square	\$ 49,000,000
103-107 Main Street	\$ 5,000,000
100, 200 & 300 First Stamford Place	\$ 258,000,000
10 Bank Street	\$ 45,000,000
1542 Third Avenue	\$ 32,000,000
383 Main St.	\$ 40,000,000
500 Mamaroneck Avenue	\$ 44,000,000
BBSF LLC	\$ 14,600,000
Supervisor and Management Companies <sup>(4)</sup>	\$ 14,525,000

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an appraised value of \$715,100,000, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) Represents the fee simple values, except as otherwise noted, which have been allocated to the subject LLCs and the private entities as described in Exchange Value and Allocation of Common Stock.
- (3) Reflects the interest in the leasehold only.
- (4) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.

*Compensation and Material Relationships.* The subject LLCs and the private entities paid the independent valuer an aggregate fee of \$1,050,000 for preparing the appraisal and for rendering a fairness opinion. In addition, the independent valuer is entitled to reimbursement for reasonable legal, travel and out-of-pocket expenses incurred in making site visits and preparing the appraisal and the fairness opinion, subject to an aggregate maximum of \$20,000, without the supervisor's written consent, other than expenses of counsel retained by the independent valuer. The independent valuer also is entitled to indemnification against liabilities, including liabilities under federal securities laws from the subject LLCs and the private entities. The fee was negotiated between the subject LLCs, the private entities and the independent valuer and payment thereof is not dependent upon completion of the consolidation. The subject LLCs, the private entities and the management companies have not previously retained the independent valuer to perform services, although the independent valuer has performed a financial reporting appraisal in connection with the consolidation for which customary fees, expense reimbursement, and indemnification were received.



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The following table provides descriptive information regarding the properties proposed to be included in the consolidation.

**Properties Proposed For Inclusion In Consolidation**

Property Name	Appraised Value as of July 1, 2011	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base Rent Per Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Leased Square Foot <sup>(6)</sup>	Number of Leases <sup>(7)</sup>
<b>Manhattan Office Properties</b>									
The Empire State Building	\$ 2,520,000,000	Penn Station-Times Sq. South	1930 / In Process					\$ 39.40	
Office <sup>(8)</sup>				2,675,779	67.3%	\$ 62,642,545	\$ 34.79		282
Retail <sup>(9)</sup>				163,655	89.7%	\$ 14,382,077	\$ 98.01		24
One Grand Central Place	\$ 687,000,000	Grand Central	1930 / In Process					\$ 47.43	
Office				1,157,911	79.7%	\$ 41,343,400	\$ 44.77		306
Retail				68,343	87.1%	\$ 5,713,916	\$ 96.00		19
First Stamford Place <sup>(11)</sup>	\$ 258,000,000	Stamford, Connecticut <sup>(12)</sup>	1986 / 2003	784,487	90.1%	\$ 27,526,218	\$ 38.95	\$ 38.93	36
250 West 57th Street	\$ 316,000,000	Columbus Circle-West Side	1921 / In Process					\$ 42.73	
Office				476,870	84.6%	\$ 15,760,697	\$ 39.05		191
Retail				53,837	100.0%	\$ 4,479,500	\$ 83.20		6
1359 Broadway	\$ 192,000,000	Penn Station-Times Sq. South	1924 / In Process					\$ 37.54	
Office				437,943	96.3%	\$ 15,620,373	\$ 37.03		35
Retail				27,618	78.9%	\$ 1,665,115	\$ 76.37		6
1350 Broadway <sup>(10)</sup>	\$ 186,000,000	Penn Station-Times Sq. South	1929 / In process					\$ 56.29	
Office				359,691	74.7%	\$ 10,651,056	\$ 39.65		74
Retail				30,895	100.0%	\$ 5,724,987	\$ 185.30		6
1333 Broadway	\$ 189,000,000	Penn Station-Times Sq. South	1915 / In Process					\$ 43.98	
Office				296,565	93.2%	\$ 11,391,478	\$ 41.23		10
Retail				50,063	6.4%	\$ 725,713	\$ 226.86		3
501 Seventh Avenue	\$ 159,000,000	Penn Station-Times Sq. South	1915 / In Process					\$ 35.12	
Office				431,971	90.8%	\$ 13,596,266	\$ 34.66		33
Retail				37,765	93.1%	\$ 1,742,195	\$ 49.55		11
Metro Center	\$ 138,000,000	Stamford, Connecticut <sup>(12)</sup>	1987 / 1999	275,608	100.0%	\$ 12,897,836	\$ 46.80	\$ 47.29	24
500 Mamaroneck Avenue	\$ 44,000,000	Harrison, New York <sup>(14)</sup>	1986 / 2004	289,682	91.4%	\$ 7,144,466	\$ 26.98	\$ 27.38	30
10 Bank Street	\$ 45,000,000	White Plains, New York <sup>(15)</sup>	1989 / 2001	228,933	81.7%	\$ 6,186,454	\$ 33.08	\$ 33.97	27
383 Main Avenue	\$ 40,000,000	Norwalk, Connecticut <sup>(13)</sup>	1985 / 1996	260,468	81.3%	\$ 5,836,564	\$ 27.55	\$ 28.00	19
<b>Total/Weighted Average Office Properties</b>	<b>\$ 4,774,000,000</b>			<b>7,675,908</b>	<b>79.9%</b>	<b>\$ 230,597,353</b>	<b>\$ 37.60</b>		<b>1,067</b>



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Property Name	Appraised Value as of July 1, 2011	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base Rent Per Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Leased Square Foot <sup>(6)</sup>	Number of Leases <sup>(7)</sup>
<b>Retail Properties</b>									
10 Union Square	\$ 49,000,000	Union Square	1988 / 1997	58,005	92.1%	\$ 3,668,753	\$ 68.64	\$ 70.01	12
1010 Third Avenue	\$ 56,000,000 <sup>(14)</sup>	Upper East Side	1963 / 2007 <sup>(17)</sup>	44,662	100.0%	\$ 2,812,709	\$ 62.98	\$ 65.88	2
1542 Third Avenue	\$ 32,000,000	Upper East Side	1993 <sup>(16)</sup>	56,250	100.0%	\$ 2,833,796	\$ 50.38	\$ 47.15	3
77 West 55th Street	\$ 56,000,000 <sup>(14)</sup>	Midtown	1962 <sup>(16)</sup>	24,102	100.0%	\$ 2,104,651	\$ 87.32	\$ 79.62	3
69-97 Main Street	\$ 25,000,000	Westport, Connecticut	1922/ 2005	17,103	88.3%	\$ 1,303,460	\$ 86.33	\$ 89.46	4
103-107 Main Street	\$ 5,000,000	Westport, Connecticut	1900 <sup>(16)</sup>	4,330	100.0%	\$ 423,696	\$ 97.85	\$ 94.69	3
<b>Sub-Total / Weighted Average Retail Properties</b>									
	\$ 223,000,000			204,452	96.8%	\$ 13,147,064	\$ 66.44	\$ 65.78	27
<b>Total/Weighted Average Retail Properties<sup>(18)</sup></b>									
				636,628	86.2%	\$ 47,580,568	\$ 86.66		102
<b>Portfolio Total</b>									
	4,997,000,000			8,312,536	80.4%	\$ 278,177,921	\$ 41.64	\$ 41.43	1,169

- (1) For more information regarding the status of ongoing renovations at certain of the company's properties, see The Company Business and Properties Description of the Company's Properties.
- (2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across the company's portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the observatory.
- (3) Based on leases signed and commenced as of September 30, 2011 and calculated as (i) rentable square feet less available square feet divided by (ii) rentable square feet.
- (4) Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$3,659,861. Total annualized base rent, net of abatements and free rent, for the company's office properties is \$226,937,492. Annualized base rent for retail properties (including the retail space in the company's Manhattan office properties) is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements, tenant reimbursements and free rent with respect to the retail properties (including the retail space in the company's Manhattan office properties) for leases in effect as of June 30, 2011 for the 12 months ending June 30, 2012 are \$99,206. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for the company's retail properties is \$47,481,362. Annualized base rent data for the company's office and retail properties is as of September 30, 2011 and does not reflect scheduled lease expirations for the 12 months ending September 30, 2012.
- (5) Represents Annualized Base Rent under leases commenced as of September 30, 2011 divided by leased square feet.
- (6) Net effective rent per leased square foot represents (i) the contractual base rent for leases in place as of September 30, 2011, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of September 30, 2011.
- (7) Represents the number of leases at each property or on a portfolio basis. If a tenant has more than one lease, whether or not at the same property, but with different expirations, the number of leases is calculated equal to the number of leases with different expirations.
- (8) Includes 88,499 rentable square feet of space leased by the company's broadcasting tenants.
- (9) Includes 3,457 rentable square feet of space leased by Host Services of New York, a licensee of the company's observatory.
- (10) Denotes a ground leasehold interest in the property with a remaining term, including unilateral extension rights available to the company, of approximately 39 years (expiring July 31, 2050).
- (11) First Stamford Place consists of three buildings. Fairfax Merrifield Associates L.L.C. owns 62.36% of the fee title in a co-tenancy.
- (12) This submarket is part of the Stamford, Connecticut central business district (CBD) submarket as defined by RCG. See Economic and Market Overview.
- (13) This submarket is part of the South Central Stamford, Connecticut submarket as defined by RCG. See Economic and Market Overview.

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(14) The appraised value of 1010 Third Avenue includes the value of 77 West 55th Street.

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- (14) This submarket is part of the Eastern Westchester County submarket as defined by RCG. See Economic and Market Overview.
- (15) This submarket is part of the White Plains, New York CBD submarket as defined by RCG. See Economic and Market Overview.
- (16) No major renovation activity was undertaken at this property
- (17) This property underwent major renovations in 2007 to coincide with the signing of a significant retail lease.
- (18) Includes 432,176 rentable square feet of retail space in the company's Manhattan office properties.
- (19) 112-122 West 34th Street consists of two parcels having separate owners and ownership structures. The real property interests that the company will acquire with respect to the parcel located at 112-120 West 34th Street consist of (i) a ground leasehold interest currently held by 112 West 34th Street Associates L.L.C., a private entity supervised by the supervisor with whom the company has entered into an option agreement and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C., another private entity supervised by the supervisor with whom the company has entered into an option agreement. The real property interests that the company will acquire with respect to the parcel located at 122 West 34th Street consist of (i) a fee interest and a subleasehold interest currently held by 112 West 34th Street Associates L.L.C. and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C.

**Fairness Opinion**

Duff & Phelps, LLC, the independent valuer, also was engaged by the supervisor to opine as to the fairness, from a financial point of view, to each subject LLC and each private entity and the participants in each subject LLC and each private entity, of the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies and (ii) to the participants in each subject LLC and each private entity (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

The full text of the fairness opinion, which contains a description of the assumptions made, matters considered and limitations on the review and analysis, is attached as Appendix A to this prospectus/consent solicitation and should be read in its entirety. Certain of the material assumptions and limitations to the fairness opinion are described below, but this does not purport to be a complete description of the analyses used by the independent valuer in rendering the fairness opinion. Arriving at a fairness opinion is a complex analytical process not necessarily susceptible to partial analysis or amenable to summary description.

*Selection of the Fairness Opinion Provider.* The supervisor selected the independent valuer because of its experience in real estate valuation and its reputation in valuing real estate assets and real estate entities. The compensation payable by the subject LLCs and private entities to the independent valuer in connection with the rendering of the fairness opinion is not contingent on the approval or completion of the consolidation.

*Summary of Materials Considered and Analysis Performed.*

In connection with its fairness opinion, the independent valuer has made such reviews, analyses and inquiries as it has deemed necessary and appropriate under the circumstances. The independent valuer also took into account its assessment of general economic, market and financial conditions, as well as its experience in securities, business, and real estate valuation, in general, and with respect to similar transactions, in particular. The independent valuer's procedures, investigations, and financial analysis with respect to the preparation of its fairness opinion included, but were not limited to, the items summarized below:

- 1. Reviewed the following documents:
  - a. a draft of this prospectus/consent solicitation in substantially the form intended to be sent to participants in the private entities;
  - b. a draft of the private consent solicitation in substantially the form intended to be provided to the participants in the private entities;
  - c. unaudited segment and pro forma financial information for the subject LLCs and private entities, the supervisor, and the management companies for the years ended December 31, 2010 and 2011 and for the six months ended June 30, 2011, in each case, provided to the independent valuer by the supervisor;

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d. historical operating and financial information including property-level financial data relating to the business, financial condition and results of operations of the subject LLCs and private entities, the properties owned by the subject LLCs and private entities, the supervisor, and the management companies, in each case, provided to the independent valuer by the supervisor;

e. other internal documents relating to the history, current operations, current budgets, and probable future outlook of the subject LLCs and private entities, the properties owned by the subject LLCs and private entities, the supervisor, and the management companies, including financial projections of the supervisor, and the management companies, in each case provided to the independent valuer by management of the supervisor, and financial projections of the subject LLCs and private entities and the properties owned by the subject LLCs and private entities, which financial projections were (i) presented by the independent valuer based on the Information (as defined below) provided by management of the supervisor and analysis performed by the independent valuer and (ii) reviewed and approved by management of the supervisor;

f. a letter dated \_\_\_\_\_ from the supervisor to the independent valuer which made certain representations as to historical financial statements, financial projections and the underlying assumptions for the subject LLCs and private entities, the properties owned by the subject LLCs and private entities, the supervisor, and the management companies, the allocation of fee simple value among certain entities which are ground lessees or operating lessees, and the equity interest allocation worksheets for the subject LLCs and private entities;

g. other documents and information related to the properties owned by the subject LLCs and prepared by management of the supervisor, including: floor plans, re-measurement projections, stacking plans, present market rental package including market rents and concessions, rent rolls, lease abstracts, property tax cards, capital expenditure projections stabilization estimates for the properties, Argus files prepared by the supervisor and operating expense estimates (collectively, the Information );

h. organizational and related documents of the subject LLCs and the private entities and

i. the schedule setting forth the allocation of consideration provided from the supervisor to the independent valuer.

2. Discussed the information referred to above and the background, other elements of the consolidation, conditions in property markets, conditions in the market for sales or acquisitions of properties similar to the properties owned by the subject LLCs and private entities, current and projected operations and performance, financial condition, and future prospects of such properties, the supervisor, and the management companies with the supervisor and professionals from Pearson Partners, Inc. and CBRE Group, Inc., both as representatives of the Helmsley estate, a significant investor in certain of the subject LLCs and the private entities;

3. Reviewed the historical trading price and trading volume of the publicly traded securities of certain other companies that the independent valuer deemed relevant;

4. With respect to the supervisor and the management companies, performed certain valuation and comparative analyses using generally accepted valuation and analytical techniques including a discounted cash flow analysis, and an analysis of selected public companies that the independent valuer deemed relevant;

5. With respect to the properties owned by the subject LLCs and the subject LLCs and private entities, conducted independent valuations using generally accepted valuation and analytical techniques that the independent valuer deemed relevant;

6. Performed site visits for each of the properties owned by the subject LLCs and the private entities, with the exception of the properties located in Westport, CT at 69-97 Main Street and 103-107 Main Street and

7. Conducted such other analyses and considered such other factors as the independent valuer deemed appropriate.

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*Summary of Analysis.* The following is a summary of financial analyses conducted by the independent valuer in connection with, and in support of, the fairness opinion. The summary of the opinion and analysis of the independent valuer set forth in this prospectus/consent solicitation is qualified in its entirety by reference to the full text of such opinion.

*Appraisal.* In preparing its opinion, the independent valuer's scope of work included an investigation, analysis, and valuation of the properties owned by the subject LLCs and the private entities. More specifically, it included inspecting the interior and exterior of the properties owned by the subject LLCs and the private entities (with the exception of 69-97 Main Street and 103-107 Main Street), and examining local and regional market data. The independent valuer spoke with the supervisor's asset managers and the property managers for the properties and consulted local real estate professionals and databases for comparable rentals and sales. Additionally, the independent valuer analyzed local market conditions as well as competitive metrics, economics and yields and placed primary reliance on the income approach to determine the fair market value of the properties owned by the subject LLCs and the private entities as of July 1, 2011.

*Supervisor and Management Companies Business Enterprise Valuations.* The independent valuer estimated the operating business values of each of the management companies and the supervisor. In estimating the operating business values for each of the management companies and the supervisor, the independent valuer utilized a discounted cash flow analysis. In addition, the independent valuer used a selected public companies analysis as a second indication of operating business value for Malkin Construction Corp. The exchange value ascribed to the supervisor and the management companies was derived by reducing their enterprise values by the net liabilities of each of the businesses, as described more fully in Exchange Value and Allocation of Common Stock Derivation of Exchange Values .

*Discounted Cash Flow Analysis.* The independent valuer performed a discounted cash flow analysis of the projected free cash flows of the supervisor and the management companies, with free cash flow defined as cash that is available either to reinvest or to distribute to security holders. The discounted cash flow analysis provided an indication of the operating business value by discounting the future free cash flows utilizing a weighted average cost of capital for the discount rate. The projected free cash flows were based on financial projections and assumptions provided by the supervisor for the years ended December 31, 2011 through 2020.

The independent valuer estimated the present value of all cash flows after 2020, referred to herein as the terminal value, of the supervisor and the management companies by utilizing a perpetuity formula, a commonly accepted terminal value approach, based on the projected free cash flow in 2020. For Malkin Properties, the independent valuer normalized the projected 2020 free cash flow to reflect normalized levels of leasing, financing and other fees.

The independent valuer assumed an 11.5% to 13.5% weighted average cost of capital to discount the projected free cash flows and terminal value for the property management companies and the supervisor. The independent valuer assumed a 15.5% to 17.5% weighted average cost of capital to discount the projected free cash flows and terminal value for Malkin Construction Corp. The discount rates used are equivalent to the rates of return that security holders could expect to realize on alternative investment opportunities with risk profiles similar to those of the management companies and the supervisor.

Based on its assumptions, and the projected financials provided by the supervisor, the independent valuer's discounted cash flow analysis indicated a range of operating business value for the property management companies of \$4.0 million to \$4.6 million, a range of operating business value for the supervisor of \$4.0 million to \$5.0 million, and a range of operating business value for Malkin Construction Corp of \$5.3 million to \$6.3 million. Note that the operating business value of the supervisor excludes the value of any of its or its affiliates overrides in the properties owned by the subject LLCs and the private entities, which are included in the consideration received by the Malkin Holdings group from the subject LLCs and private entities.

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*Selected Publicly Traded Companies Analysis.* The independent valuer compared certain financial metrics of Malkin Construction Corp. to corresponding data and ratios from similar construction companies. For purposes of its analysis, the independent valuer used certain publicly available historical financial data and consensus equity analyst estimates for the selected publicly traded companies. This analysis produced valuation multiples of selected financial metrics which indicated an estimate of the operating business value of Malkin Construction Corp. The five companies included in the selected publicly traded companies analysis were:

Bird Construction Inc.

Balfour Beatty plc

Churchill Corp.

Kier Group plc

Tutor Perini Corporation

The independent valuer selected these companies for its selected publicly traded companies analysis based on its familiarity with companies in the construction industry and their relative similarity, primarily in terms of business model, to that of Malkin Construction Corp.

The table below reflects the observed trading multiples and the historical and projected financial performance, on an aggregate basis, of the peer group.

	EV / 2011E EBITDA	EV / 2012E EBITDA	EV / 2011E Revenue	Revenue Growth 3-YR CAGR	2011E	2012E	EBITDA Margin 2011E	2012E
Minimum	3.3x	2.7x	0.14x	-11.6%	3.3%	2.1%	3.7%	3.8%
Maximum	5.5x	3.9x	0.32x	21.0%	17.2%	22.6%	5.8%	6.9%
Mean	4.1x	3.5x	0.22x	4.5%	8.8%	10.0%	4.6%	5.4%
Median	3.8x	3.7x	0.19x	3.8%	7.4%	7.6%	4.2%	5.7%

CAGR = Compounded Annual Growth Rate

Enterprise Value ( EV ) = (Market Capitalization) + (Debt + Preferred Stock + Minority Interest) (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Note: Financial data as of June 30, 2011.

Source: Bloomberg, Capital IQ, SEC filings

In order to estimate a range of operating business values for Malkin Construction Corp, the independent valuer selected and applied valuation multiples of projected 2011 and 2012 EBITDA ranging from 3.5x to 4.5x and projected 2011 revenue multiples ranging from 0.10x to 0.12x based on the historical and projected financial performance of Malkin Construction Corp. as compared to the selected publicly traded companies. As a result of these selected valuation multiples, the selected publicly traded companies analysis indicated an estimated operating business value for Malkin Construction Corp. of \$5.3 million to \$6.3 million.

None of the companies utilized for comparative purposes in the independent valuer's analysis were identical to Malkin Construction Corp. Accordingly, a complete valuation analysis cannot be limited to a quantitative review of the selected publicly traded companies, and involves



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complex considerations and judgments concerning differences in financial and operating characteristics of such companies, as well as other factors that could affect their value relative to that of Malkin Construction Corp.

*Exchange Value and Allocation.* The independent valuer's evaluation of the fairness from a financial point of view of the allocations of Class A common stock, Class B common stock, operating partnership units or cash consideration among the subject LLCs, private entities, the supervisor, and the management companies employed

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comparisons of the exchange value of each individual interest to the to the aggregate exchange value of all such interests. The exchange values are based on the appraised values of the properties owned by the subject LLCs and private entities, the supervisor, and the management companies and is more fully described in Exchange Value and Allocation of Common Stock Derivation of Exchange Value.

Relying on these exchange values, the independent valuer observed that the allocation of Class A common stock, Class B common stock, operating partnership units or cash consideration among the subject LLCs, private entities, the supervisor, and the management companies, reflects the net value of the assets contributed in the consolidation. The independent valuer believes that basing such allocations on the value of net assets contributed is fair from a financial point of view.

*Conclusions.* Based on the analysis and subject to the assumptions, limitations and qualifications discussed in this consent solicitation and in its fairness opinion, the independent valuer will deliver its opinion to the effect that, subject to the assumptions, limitations and qualifications contained in its opinion, the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) (i) among each subject LLC, each private entity and the management companies is fair from a financial point of view, and (ii) to the participants in each subject LLC and each private entity is fair from a financial point of view (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

*Assumptions, Qualifications and Limiting Conditions.* In performing its analyses and rendering its fairness opinion with respect to the consolidation, the independent valuer, with the supervisors consent relied on certain assumption stated in its fairness opinion, including the following:

1. Relied upon the accuracy, completeness, and fair presentation of the Information and all other information, data, advice, opinions and representations obtained from public sources or provided to it from private sources, including management of the supervisor, and did not independently verify any of the Information or such information;
2. Assumed that any estimates, evaluations, forecasts, projections, documents and information related to the properties owned by the subject LLCs and the private entities prepared by the management of the supervisor and the schedule setting forth the allocation of consideration among the holders of interest in each subject LLC and private entity furnished to the independent valuer were reasonably prepared and based upon the best information currently available to, and the good faith judgment of, the person furnishing the same;
3. Assumed that information supplied and representations made by management of the supervisor are substantially accurate regarding the supervisor and the consolidation;
4. Assumed that the factual statements concerning the subject LLCs, the private entities and their properties made in this prospectus/consent solicitation and in the offering memorandum/consent solicitation (other than descriptions of the Appraisal supplied by the independent valuer) in the solicitation of participants in the private entities do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;
5. Assumed that there has been no material change in the assets, financial condition, business, or prospects of the subject LLCs or private entities, the properties they own, the supervisor or the management companies since the date of the most recent financial statements and other information made available to the independent valuer;
6. Assumed that each of the subject LLCs and private entities will consent to the consolidation, and that the company will acquire all of assets and liabilities of the subject LLCs and private entities, the supervisor, and the management companies (other than certain specific excluded assets);

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7. Assumed that, for the purposes of its analysis, the values of each form of consideration (Class A common stock, Class B common stock, operating partnership units or cash) are equivalent;

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8. Assumed at the direction of the supervisor that, for the purpose of its analysis, the value of each form of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) is equivalent;
  
9. Assumed that all of the conditions required to implement the consolidation will be satisfied and that the consolidation will be completed in accordance with the prospectus/consent solicitation and the offering memorandum/consent solicitation for the private entities without any amendments thereto or any waivers of any terms or conditions thereof and
  
10. Assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the consolidation will be obtained without any adverse effect on the company, the supervisor, or the management companies.

*Limitations and Qualifications of Fairness Opinion.* To the extent that any of the foregoing assumptions or any of the facts on which the fairness opinion is based prove to be untrue in any material respect, the fairness opinion cannot and should not be relied upon. Furthermore, in the independent valuer's analysis and in connection with the preparation of the fairness opinion, the independent valuer has made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the consolidation. For purposes of the fairness opinion, the phrase "the allocation of consideration (Class A common stock, Class B common stock, operating partnership units or cash consideration) to the participants in each subject LLC and each private entity is fair from a financial point of view (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each private entities)" means that, as of the date hereof and in the independent valuer's judgment, the consideration set forth on the schedule of the allocation of consideration provided from the supervisor to the independent valuer opposite each participant or member's name is the consideration to which such participant or member is entitled under the constituent documents of the subject LLCs and private entities as provided to the independent valuer by the supervisor.

The independent valuer has prepared the valuation of the subject LLCs and private entities, their properties, the supervisor and the management companies as of July 1, 2011 and assumes (i) no responsibility for changes in market conditions and (ii) no obligation to revise its analysis to reflect any such changes which occurred subsequent to July 1, 2011. The independent valuer fairness opinion was dated as of 2012. The fairness opinion was necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of 201 , and the independent valuer disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the fairness opinion which may come or be brought to the attention of the independent valuer after the date hereof.

The independent valuer has not been requested to, and did not, (i) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the consolidation, the assets, businesses or operations of the properties owned by the subject LLCs and private entities, the supervisor, or the management companies, or (ii) advise the supervisor or any other party with respect to alternatives to the consolidation.

The independent valuer is not expressing any opinion as to the market price or value of the company, including the price at which the class A common stock may trade at any time, or, except as set forth in the valuation analysis, any particular property, the supervisor or the management companies, either before or after the completion of the consolidation or the IPO. The independent valuer fairness opinion is based on its valuation analyses of the properties owned by the subject LLCs and private entities, the subject LLCs and private entities, the supervisor, and the management companies as of June 30, 2011. The independent valuer's analysis did not take into account (i) the impact of the consolidation with respect to tax consequences for the participants in the subject LLCs or private entities; (ii) the market price or value of the company or, except as set forth in the valuation analysis, any particular property, the supervisor or the management companies, either before or after the completion of the consolidation or the IPO; (iii) any potential incremental value attributable to the portfolio of assets taken as a whole after giving effect to the consolidation and (iv) the effects of variations in aggregate values attributed to the portfolio assets after

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giving effect to the consolidation on relative values of such portfolio assets. The fairness opinion should not be construed as a valuation opinion, credit rating, solvency opinion, an analysis of the supervisor's credit worthiness, as tax advice, or as accounting advice. The independent valuer has not made, and assumes no responsibility to make, any representation, or render any opinion, as to any legal matter.

The fairness opinion is for the information of the supervisor, its officers, managers and members of the subject LLCs and private entities in connection with their consideration of the consolidation and may not be used for any other purpose without the independent valuer's prior written consent. The basis and methodology for the fairness opinion have been designed specifically for the express purposes of the supervisor, the subject LLCs, the private entities and the management companies and may not translate to any other purposes. The fairness opinion (i) does not address the merits of the underlying business decision to enter into the consolidation versus any alternative strategy or transaction, (ii) is not a recommendation as to how the participants of subject LLCs and private entities should vote or act with respect to any matters relating to the consolidation, and (iii) does not address whether the participants of subject LLCs and private entities should elect to receive common stock, limited partnership interests in the operating partnership, or cash, or whether to proceed with the consolidation or any related transaction. The ultimate decision to participate in the consolidation or any related transaction must be made by each subject LLC or private entity and will need to take into account factors unrelated to the financial analysis on which the fairness opinion is based. The fairness opinion should not be construed as creating any fiduciary duty on the part of Duff & Phelps to any party.

*Compensation and Material Relationships.* The subject LLCs and the private entities paid the independent valuer an aggregate fee for of \$1,050,000 preparing the appraisal and to render a fairness opinion set forth under Reports, Opinions and Appraisals Fairness Opinion.

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**EXCHANGE VALUE AND ALLOCATION OF COMMON STOCK**

**Exchange Value Allocation of Common Stock**

*General.* The exchange value for each subject LLC, each private entity and the management companies was determined as of July 1, 2011 to establish a consistent method of allocating common stock and operating partnership units for purposes of the consolidation. The shares of common stock and operating partnership units to be issued to each subject LLC, private entity and the management companies will be allocated based on their respective share of the aggregate exchange value. The number of shares of common stock, on a fully-diluted basis, to be issued in the consolidation, as presented in this prospectus/consent solicitation, was determined by dividing the aggregate exchange value by \$10 and each subject LLC's share of the common stock, on a fully-diluted basis, is equal to its exchange value divided by \$10. The hypothetical value per share of \$10 was an arbitrary amount chosen by the supervisor for the sole purpose of illustrating the allocation of common stock and operating partnership units.

The fair market value of the consideration that you receive will not be known until the pricing of the IPO. The value of the consideration will be based on the enterprise value determined in connection with the pricing of the IPO. The actual number of shares of common stock, on a fully-diluted basis, issued in the consolidation will equal the enterprise value of the company in connection with the IPO (which will be allocated in proportion to the relative share of the aggregate exchange value) divided by the IPO price. The enterprise value may be higher or lower than the aggregate exchange value. Additionally, the IPO price may be more or less than the hypothetical \$10 per share exchange value arbitrarily assigned by the supervisor for illustrative purposes and, after the offering, the shares of Class A common stock may trade above or below the IPO price. See Risk Factors. Accordingly, both the number of shares of common stock and the value of the shares of common stock that each participant will receive for each \$1,000 of original investment could be higher or lower than the hypothetical amounts set forth in this prospectus/consent solicitation. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

No fractional share of common stock will be issued by the company in connection with the consolidation. See No Fractional Share of Common Stock.

*Adjustments to Exchange Value and Allocation of Shares of Common Stock.* All determinations of the exchange value for purposes of allocating the common stock and operating partnership units among the subject LLCs, the private entities and the management companies were determined as of July 1, 2011 in the manner described below under Derivation of Exchange Values. No adjustment will be made to the allocations of any of the subject LLCs, private entities or the management companies. The exchange value will be revised to reflect changes in the balance sheet items included in the calculation of the exchange value in subsequent quarterly balance sheets but will not be revised based on changes in the balance sheets or other events after the final quarterly balance sheet date prior to the closing of the consolidation. As of the date of this prospectus/consent solicitation, the supervisor does not know of any material change regarding any subject LLC, any private entity or the management companies that will affect materially the exchange value for that entity.

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**Derivation of Exchange Values**

The exchange value has been determined for each subject LLC, each private entity and the management companies, as described below.

*The subject LLCs and the private entities for two tier properties in which there is a property owner and an operating lessee* the exchange value of each subject LLC or private entity is determined as follows:

the total allocable value as described below has been allocated equally between the property owner and operating lessee:

the total allocable value equals the sum of:

the appraised value, on a fee simple basis, of a subject LLC's or private entity's property, as determined by the independent valuer's appraisal of such property, as of July 1, 2011 and

the amount by which the actual net working capital of the subject LLC and the private entity exceeds (such value being negative if it is exceeded by) the normalized level of net working capital required to operate the property owned by the subject LLC or private entity, except for cash in excess of the normalized level of working capital which will be retained by the subject LLC and the private entity and distributed to their participants. Net working capital as used in this allocation is defined as current assets (excluding cash and cash equivalents, except to the extent required to maintain the normalized levels of working capital), less current liabilities (excluding the current portion of debt). As of June 30, 2011 the supervisor determined that there was no excess or deficit in the net working capital over the normalized level of working capital at any of the subject LLCs or private entities, with the exception of the unpaid cash overrides addressed below and

the amount of cash held by the subject LLC and private entity that is expressly designated for property improvements, as of June 30, 2011, as provided by the supervisor;

reduced by:

the face value of shared mortgage debt obligations, which are mortgage debt obligations of the property owner that are serviced by basic rent paid by the operating lessee, as of June 30, 2011 and

the present value of the base operating lease payments from the operating lessee to the property owner.

fifty percent of such allocable value is allocated to the property owner and is adjusted as follows to estimate the exchange value of the property owner:

subtract the after-tax present value of supervisory fees paid to the supervisor and unpaid cash flow overrides as of June 30, 2011;

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subtract the property owner debt obligations that are not shared mortgage debt obligations serviced with basic rent paid by the operating lessee as of June 30, 2011 and

add the present value of the base operating lease payments from the operating lessee to the property owner.

fifty percent of such allocable value is allocated to the operating lessee and is adjusted as follows to estimate the exchange value of the operating lessee:

subtract the after-tax net present value of the supervisory fees paid to the supervisor and the unpaid cash overrides as of June 30, 2011.

The allocated exchange value was allocated 50% to the property owner and 50% to the operating lessee in a two tier entity instead of being allocated in accordance with discounted cash flow based on representations of the



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supervisor as to the original intent to treat the two tier entities as equivalent to a joint venture and the historical treatment of the two tier entities in this manner. The supervisor has represented that historically, agreements have been entered into to share capital expenditure and financing costs and the operating leases have been extended in connection therewith. As a result, the allocated exchange value has been allocated equally to the property owner and operating lessee, rather than in proportion to discounted cash flow, which would have resulted in a higher allocation to the property owner, which, in the case of Empire State Building Associates L.L.C. would have been significantly higher.

*The private entities for fee simple properties, properties with co-tenancy arrangements and properties with third-party ground leases* the exchange value of each private entity is determined as follows:

the sum of:

the appraised value of a private entity's (i) property on a fee simple basis when such property is owned, or (ii) leasehold when the lessor of such leasehold is a third party, as determined by the independent valuer's appraisal of such property or leasehold as of July 1, 2011;

the amount by which the actual net working capital exceeds (such value being negative if it is exceeded by) the normalized level of net working capital required to operate the property owned by the subject LLC or private entity and

the amount of cash held in the subject LLC or private entity that is expressly designated for property improvements as of June 30, 2011, as provided by the supervisor;

reduced by:

the face value of its mortgage debt balance as of June 30, 2011 and

the after-tax net present value of the supervisory fees paid to the supervisor.

*The supervisor and management companies* The exchange value of the supervisor and the management companies was determined based on the independent valuer's appraisal of such entities operating business values, as summarized in the following table as of July 1, 2011.

**Appraised Value of the Management Companies**

	Concluded Operating Business Value		
	Low	High	Midpoint
Malkin Holdings, LLC <sup>(1)</sup>	\$ 4,000,000	\$5,000,000	\$ 4,500,000
Malkin Properties	\$ 4,000,000	\$4,550,000	\$ 4,250,000
Malkin Construction Corp.	\$ 5,325,000	\$6,250,000	\$ 5,775,000

(1) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.

The exchange value of the management companies was then computed as the operating business value determined by the independent valuer as of July 1, 2011 plus, in the case of the supervisor, the value of the unpaid cash overrides that are accrued but unpaid.

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The derivation of the exchange value of each subject LLC, each private entity, the supervisor and the management companies, is summarized in the following tables.

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The following table shows the derivation of the total allocable value which is the value that, in the case of Two Tier Properties, is shared equally by the property owner and ground lessee or operating lessee:

Entity <sup>(1)</sup>	Appraised Property Value <sup>(2)</sup>	Shared Debt Obligations <sup>(3)</sup>	Present Value of Base Operating Rent <sup>(4)</sup>	Cash for Improvements	Total Allocable Value <sup>(5)</sup>
Empire State Building	\$ 2,520,000,000	(\$ 98,500,000)	(\$ 81,000,000)	\$ 47,026,456	
Empire State Building Associates L.L.C.					\$ 1,193,763,228
Empire State Building Company L.L.C.					\$ 1,193,763,228
<b>Total</b>	<b>\$ 2,520,000,000</b>	<b>(\$ 98,500,000)</b>	<b>(\$ 81,000,000)</b>	<b>\$ 47,026,456</b>	<b>\$ 2,387,526,456</b>
One Grand Central Place	\$ 687,000,000	(\$ 92,614,558)	(\$ 14,000,000)	\$ 0	
60 East 42nd St. Associates L.L.C.					\$ 290,192,721
Lincoln Building Associates L.L.C.					\$ 290,192,721
<b>Total</b>	<b>\$ 687,000,000</b>	<b>(\$ 92,614,558)</b>	<b>(\$ 14,000,000)</b>	<b>\$ 0</b>	<b>\$ 580,385,442</b>
250 West 57th St.	\$ 316,000,000	(\$ 40,432,051)	(\$ 10,000,000)	\$ 0	
250 West 57th St. Associates L.L.C.					\$ 132,783,974
Fisk Building Associates L.L.C.					\$ 132,783,974
<b>Total</b>	<b>\$ 316,000,000</b>	<b>(\$ 40,432,051)</b>	<b>(\$ 10,000,000)</b>	<b>\$ 0</b>	<b>\$ 265,567,949</b>
1333 Broadway					
1333 Broadway Associates L.L.C.	\$ 189,000,000	(\$ 71,200,000)	\$ 0	\$ 19,000,348	\$ 136,800,348
1350 Broadway <sup>(6)</sup>					
1350 Broadway Associates L.L.C.	\$ 186,000,000	(\$ 40,427,335)	\$ 0	\$ 0	\$ 145,572,665
1359 Broadway					
Marlboro Building Associates L.L.C.	\$ 192,000,000	(\$ 48,398,090)	\$ 0	\$ 0	\$ 143,601,910
501 Seventh Avenue	\$ 159,000,000	(\$ 48,414,235)	(\$ 4,000,000)	\$ 0	
Seventh & 37th Building Associates L.L.C.					\$ 53,292,882
501 Seventh Avenue Associates L.L.C.					\$ 53,292,882
<b>Total</b>	<b>\$ 159,000,000</b>	<b>(\$ 48,414,235)</b>	<b>(\$ 4,000,000)</b>	<b>\$ 0</b>	<b>\$ 106,585,765</b>
69-97 Main Street					
Soundview Plaza Associates II L.L.C.	\$ 25,000,000	(\$ 9,452,274)	\$ 0	\$ 0	\$ 15,547,726
1010 Third Avenue and 79 West 55th Street					
East West Manhattan Retail Portfolio L.P.	\$ 56,000,000	(\$ 29,232,062)	\$ 0	\$ 0	\$ 26,767,938
Metro Center					
One Station Place, Limited Partnership	\$ 138,000,000	(\$ 101,029,940)	\$ 0	\$ 0	\$ 36,970,060
10 Union Square					
New York Union Square Retail L.P.	\$ 49,000,000	(\$ 21,712,399)	\$ 0	\$ 0	\$ 27,287,601
103-107 Main Street					
Westport Main Street Retail L.L.C.	\$ 5,000,000	\$ 0	\$ 0	\$ 0	\$ 5,000,000
First Stamford Place <sup>(7)</sup>	\$ 258,000,000	(\$ 244,243,222)	\$ 0	\$ 0	
Fairfax Merrifield Associates L.L.C.					\$ 4,289,363
Merrifield Apartments Company L.L.C.					\$ 4,289,363
First Stamford Place L.L.C.					\$ 5,178,051
<b>Total</b>	<b>\$ 258,000,000</b>	<b>(\$ 244,243,222)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,756,778</b>
10 Bank Street					
1185 Swap Portfolio L.P.	\$ 45,000,000	(\$ 34,755,853)	\$ 0	\$ 0	\$ 10,244,147
1542 Third Avenue					
1185 Swap Portfolio L.P.	\$ 32,000,000	(\$ 19,866,346)	\$ 0	\$ 0	\$ 12,133,654
383 Main Ave					
Fairfield Merrittview Limited Partnership	\$ 40,000,000	(\$ 31,652,980)	\$ 0	\$ 0	\$ 8,347,020
500 Mamaroneck Ave					
500 Mamaroneck Avenue L.P.	\$ 44,000,000	(\$ 37,831,646)	\$ 0	\$ 0	\$ 6,168,354
BBSF LLC	\$ 14,600,000	\$ 0	\$ 0	\$ 0	\$ 14,600,000
Supervisor and Management Companies					
Malkin Holdings, LLC	\$ 4,500,000	\$ 0	\$ 0	\$ 0	\$ 4,500,000

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Malkin Properties	\$ 4,250,000	\$ 0	\$ 0	\$ 0	\$ 4,250,000
Malkin Construction Corp.	\$ 5,775,000	\$ 0	\$ 0	\$ 0	\$ 5,775,000
<b>Total</b>	<b>\$ 14,525,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,525,000</b>
<b>Total</b>	<b>\$ 4,970,125,000</b>	<b>(\$ 969,762,990)</b>	<b>(\$ 109,000,000)</b>	<b>\$ 66,026,804</b>	<b>\$ 3,957,388,814</b>

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- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having total allocable value of \$544,527,000, determined on a basis consistent with the determination of exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) Represents the fee simple values, except as otherwise noted, which have been allocated to the subject LLCs and the private entities as described in Exchange Value and Allocation of Common Stock.
- (3) Debt obligations, including mortgage debt, and in the case of the Two Tier Properties, shared mortgage debt obligations of the fee owner that are serviced by basic rent paid by the operating lessee.
- (4) Represents the present value of the base operating lease payments from the operating lessee to the fee owner.
- (5) Total Allocable Value that is shared equally by the property owner or ground lessee and the operating lessee associated with the Two Tier Properties, defined below, equals the appraised value of such property minus the sum of shared debt obligations and the present value of base rent payable under the operating lease, plus the cash reserves for improvements. Two Tier properties are those in which one entity is a property owner or ground lessee and the other entity is an operating lessee or operating sublessee.
- (6) Reflects the interest in the leasehold only.
- (7) First Stamford Place L.L.C. is a 37.64% co-tenant with Fairfax Merrifield Associates L.L.C. and Merrifield Apartments Company L.L.C., together owning a 62.36% interest. Merrifield Apartments Company L.L.C. is the operating lessee, owning a 50.00% interest in the co-tenancy, for an aggregate ownership interest of 31.18% in the property.

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The following table shows the additional adjustments to allocable value to derive the exchange value:

Entity <sup>(1)</sup>	Total Allocable Value <sup>(2)</sup>	Present Value of Supervisory Fees <sup>(3)</sup>	Unpaid Cash Overrides <sup>(4)</sup>	Unshared Debt Obligations <sup>(5)</sup>	Present Value of Base Rent <sup>(6)</sup>	Total Exchange Value <sup>(7)</sup>
<b>Empire State Building</b>						
Empire State Building Associates L.L.C.	\$ 1,193,763,228	(\$ 4,820,943)	\$ 0	(\$ 60,500,000)	\$ 81,000,000	\$ 1,209,442,285
Empire State Building Company L.L.C.	\$ 1,193,763,228	(\$ 3,987,647)	\$ 0	\$ 0	\$ 0	\$ 1,189,775,581
<b>Total</b>	<b>\$ 2,387,526,456</b>	<b>(\$ 8,808,589)</b>	<b>\$ 0</b>	<b>(\$ 60,500,000)</b>	<b>\$ 81,000,000</b>	<b>\$ 2,399,217,867</b>
<b>One Grand Central Place</b>						
60 East 42nd St. Associates L.L.C.	\$ 290,192,721	(\$ 1,185,499)	\$ 0	\$ 0	\$ 14,000,000	\$ 303,007,222
Lincoln Building Associates L.L.C.	\$ 290,192,721	(\$ 2,662,580)	(\$ 608,835)	\$ 0	\$ 0	\$ 286,921,306
<b>Total</b>	<b>\$ 580,385,442</b>	<b>(\$ 3,848,079)</b>	<b>(\$ 608,835)</b>	<b>\$ 0</b>	<b>\$ 14,000,000</b>	<b>\$ 589,928,528</b>
<b>250 West 57th St.</b>						
250 West 57th St. Associates L.L.C.	\$ 132,783,974	(\$ 697,707)	\$ 0	\$ 0	\$ 10,000,000	\$ 142,086,267
Fisk Building Associates L.L.C.	\$ 132,783,974	(\$ 709,094)	(\$ 787,443)	\$ 0	\$ 0	\$ 131,287,437
<b>Total</b>	<b>\$ 265,567,949</b>	<b>(\$ 1,406,801)</b>	<b>(\$ 787,443)</b>	<b>\$ 0</b>	<b>\$ 10,000,000</b>	<b>\$ 273,373,704</b>
<b>1333 Broadway</b>						
1333 Broadway Associates L.L.C.	\$ 136,800,348	(\$ 367,944)	\$ 0	\$ 0	\$ 0	\$ 136,432,404
<b>1350 Broadway</b>						
1350 Broadway Associates L.L.C.	\$ 145,572,665	(\$ 515,584)	\$ 0	\$ 0	\$ 0	\$ 145,057,081
<b>1359 Broadway</b>						
Marlboro Building Associates L.L.C.	\$ 143,601,910	(\$ 731,745)	\$ 0	\$ 0	\$ 0	\$ 142,870,166
<b>501 Seventh Avenue</b>						
Seventh & 37th Building Associates L.L.C.	\$ 53,292,882	(\$ 409,934)	\$ 0	(\$ 819,876)	\$ 4,000,000	\$ 56,063,072
501 Seventh Avenue Associates L.L.C.	\$ 53,292,882	(\$ 667,383)	\$ 0	\$ 0	\$ 0	\$ 52,625,499
<b>Total</b>	<b>\$ 106,585,765</b>	<b>(\$ 1,077,317)</b>	<b>\$ 0</b>	<b>(\$ 819,876)</b>	<b>\$ 4,000,000</b>	<b>\$ 108,688,572</b>
<b>69-97 Main Street</b>						
Soundview Plaza Associates II L.L.C.	\$ 15,547,726	(\$ 172,426)	\$ 0	\$ 0	\$ 0	\$ 15,375,300
<b>1010 Third Avenue and 79 West 55th Street</b>						
East West Manhattan Retail Portfolio L.P.	\$ 26,767,938	(\$ 185,355)	\$ 0	\$ 0	\$ 0	\$ 26,582,583
<b>Metro Center</b>						
One Station Place, Limited Partnership	\$ 36,970,060	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,970,060
<b>10 Union Square</b>						
New York Union Square Retail L.P.	\$ 27,287,601	(\$ 189,570)	\$ 0	\$ 0	\$ 0	\$ 27,098,031
<b>103-107 Main Street</b>						
Westport Main Street Retail L.L.C.	\$ 5,000,000	(\$ 74,459)	\$ 0	\$ 0	\$ 0	\$ 4,925,541

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Entity <sup>(1)</sup>	Total Allocable Value <sup>(2)</sup>	Present Value of Supervisory Fees <sup>(3)</sup>	Unpaid Cash Overrides <sup>(4)</sup>	Unshared Debt Obligations <sup>(5)</sup>	Present Value of Base Rent <sup>(6)</sup>	Total Exchange Value <sup>(7)</sup>
First Stamford Place <sup>(8)</sup>						
Fairfax Merrifield Associates L.L.C.	\$ 4,289,363	(\$ 77,228)	\$ 0	\$ 0	\$ 0	\$ 4,212,136
Merrifield Apartments Company L.L.C.	\$ 4,289,363	(\$ 77,228)	\$ 0	\$ 0	\$ 0	\$ 4,212,136
First Stamford Place L.L.C.	\$ 5,178,051	(\$ 345,135)	\$ 0	\$ 0	\$ 0	\$ 4,832,916
<b>Total</b>	<b>\$ 13,756,778</b>	<b>(\$ 499,591)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,257,187</b>
10 Bank Street						
1185 Swap Portfolio L.P.	\$ 10,244,147	(\$ 180,484)	\$ 0	\$ 0	\$ 0	\$ 10,063,663
1542 Third Avenue						
1185 Swap Portfolio L.P.	\$ 12,133,654	(\$ 180,484)	\$ 0	\$ 0	\$ 0	\$ 11,953,171
383 Main Ave						
Fairfield Merrittview Limited Partnership	\$ 8,347,020	(\$ 114,373)	\$ 0	\$ 0	\$ 0	\$ 8,232,647
500 Mamaroneck Ave						
500 Mamaroneck Avenue L.P.	\$ 6,168,354	(\$ 182,214)	\$ 0	\$ 0	\$ 0	\$ 5,986,141
BBSF LLC	\$ 14,600,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,600,000
Supervisor and Management Companies						
Malkin Holdings, LLC <sup>(9)</sup>	\$ 4,500,000	\$ 0	\$ 1,396,278	\$ 0	\$ 0	\$ 5,896,278
Malkin Properties	\$ 4,250,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,250,000
Malkin Construction Corp.	\$ 5,775,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,775,000
<b>Total</b>	<b>\$ 14,525,000</b>	<b>\$ 0</b>	<b>\$ 1,396,278</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,921,278</b>
<b>Total</b>	<b>\$ 3,957,388,814</b>	<b>(\$ 18,535,015)</b>	<b>\$ 0</b>	<b>(\$ 61,319,876)</b>	<b>\$ 109,000,000</b>	<b>\$ 3,986,533,923</b>

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having exchange value of \$551,686,612, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) Total Allocable Value that is shared equally by the property owner or ground lessee and the operating lessee associated with the Two Tier Properties, defined below, equals the appraised value of such property minus the sum of shared debt obligations and the present value of base rent payable under the operating lease, plus the cash reserves for improvements. Two Tier properties are those in which one entity is a property owner or ground lessee and the other entity is an operating lessee or operating sublessee.
- (3) Reflects the after-tax net present value of the supervisory fees paid to the supervisor. The net operating income used to determine the appraised value of the properties was calculated without deducting supervisory fees as an expense. Instead, the after-tax net present value of the supervisory fee was included in determining the appraised value of the supervisor.
- (4) Reflects operating overrides due to the supervisor in respect of cash flow from operations which were unpaid as of June 30, 2011. The appraised value of the supervisor includes an amount equal to the value of the unpaid overrides.
- (5) Debt obligations attributable solely to the fee owner of the Two Tier Properties.
- (6) Represents the present value of the base operating lease payments from the operating lessee to the fee owner.
- (7) The exchange value of each subject LLC, each private entity and the management companies is based on each subject LLC's, each private entity's and the management companies' assets and liabilities included in the quarterly balance sheets of the subject LLCs, the private entities or the management companies, as of June 30, 2011. The exchange value will be revised to reflect changes in the balance sheet items included in the calculation of the exchange value in subsequent quarterly balance sheets but will not be revised based on changes in the balance sheets or other events after the final quarterly balance sheet date prior to the closing of the consolidation.
- (8) First Stamford Place L.L.C. is a 37.64% co-tenant with Fairfax Merrifield Associates L.L.C. and Merrifield Apartments Company L.L.C., together owning a 62.36% interest. Merrifield Apartments Company L.L.C. is the operating lessee, owning a 50.00% interest in the co-tenancy, for an aggregate ownership interest of 31.18% in the property.
- (9) Total exchange value of the management companies excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.





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The method utilized to allocate common stock and operating partnership units is as follows:

**Level 1 Allocation:** The shares of common stock and operating partnership units will be allocated among the subject LLCs, the private entities and the management companies based upon the exchange value of each subject LLC, each private entity and the management companies relative to the aggregate estimated exchange value of all of the subject LLCs, the private entities and the management companies, as determined by the independent valuer and approved by the supervisor. The supervisor believes that the exchange value constitutes a reasonable basis for such allocation. The composition of the consideration issuable to each of the subject LLCs, and private entities will be based on the elections made by the participants.

**Level 2 Allocation:** Within each subject LLC, the Class A common stock and, with respect to the Wien group, operating partnership units and Class B common stock allocable to the subject LLC will be allocated among the participants holding participation interests in the subject LLC (including the supervisor in respect of its override interests) in accordance with the provisions of the subject LLC's operating agreement and other agreements relating to distributions upon liquidation of the subject LLC. To obtain the participants' share of the Class A common stock and operating partnership units of an applicable LLC, the Class A common stock and operating partnership units allocated to each subject LLC (which will be determined in accordance with the Level 1 Allocation) will be allocated to each participant after allocation of the overrides in proportion to the percentage of participation interests it holds. With respect to Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C., which have voluntary override programs, the voluntary capital transaction override then will be deducted only from the distributions allocable to those participants that have consented to the voluntary capital transaction override, and the distributions allocable to participants that have not consented to the voluntary capital transaction override program will be determined without any deduction for these payments. The presentation of the number of shares of Class A common stock that a participant would receive is based on the aggregate exchange value and the hypothetical \$10 per share exchange value arbitrarily assigned by the supervisor for illustrative purposes only. The actual number of shares of Class A common stock and, in the case of the Wien group only, operating partnership units and Class B common stock allocated to each participant and the number of operating partnership units allocated with respect to the voluntary capital transaction overrides, will be determined based on the amount of each subject LLC's allocation (which will be determined in accordance with the Level 1 Allocation) of the Class A common stock, on a fully-diluted basis. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

The following paragraphs describe the allocations.

**Allocation of Common Stock and Operating Partnership Units among the Subject LLCs, the Private Entities and the Management Companies**

The number of shares of common stock and operating partnership units actually issued in the consolidation will be equal to the aggregate enterprise value divided by the IPO price. For illustrative purposes only, this prospectus/consent solicitation includes information regarding the allocation of common stock and operating partnership units based on a hypothetical value of \$10 per share and a hypothetical enterprise value equal to the aggregate exchange value arbitrarily assigned by the supervisor to illustrate the allocation of the common stock and operating partnership units and to determine the hypothetical number of outstanding common stock and operating partnership units.

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The table below shows such illustrative allocation of common stock and operating partnership units among each subject LLC, each private entity and the management companies assuming:

that all subject LLCs participate in the consolidation;

that all private entities participate in the consolidation;

that all participants in each subject LLC receive Class A common stock or, in the case of the Wien group, operating partnership units and Class B shares, and that all participants in the private entities and the equity owners of the management companies receive operating partnership units or shares of common stock. The actual number of shares of common stock and operating partnership units allocated to each subject LLC and private entity upon consummation of the consolidation will be reduced by an amount equal to the number of shares of common stock or operating partnership units that would have been issuable to participants in the subject LLCs and the private entities that receive cash and

that the enterprise value of the company in connection with the IPO is equal to the aggregate exchange value.

Entity <sup>(1)</sup>	Exchange Value	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(2)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis
Empire State Building Associates L.L.C.	\$ 1,209,442,285	120,944,229	30.4%
60 East 42 <sup>nd</sup> St. Associates L.L.C.	\$ 303,007,222	30,300,722	7.6%
250 West 57th St. Associates L.L.C.	\$ 142,086,267	14,208,627	3.5%
Empire State Building Company L.L.C. <sup>(3)</sup>	\$ 1,189,775,581	118,977,558	29.9%
Lincoln Building Associates L.L.C. <sup>(4)</sup>	\$ 286,921,306	28,692,131	7.2%
Fisk Building Associates L.L.C. <sup>(5)</sup>	\$ 131,287,437	13,128,744	3.3%
1333 Broadway Associates L.L.C.	\$ 136,432,404	13,643,240	3.4%
1350 Broadway Associates L.L.C.	\$ 145,057,081	14,505,708	3.7%
Marlboro Building Associates L.L.C.	\$ 142,870,166	14,287,017	3.5%
Seventh & 37th Building Associates L.L.C.	\$ 56,063,072	5,606,307	1.4%
501 Seventh Avenue Associates L.L.C.	\$ 52,625,499	5,262,550	1.2%
Soundview Plaza Associates II L.L.C.	\$ 15,375,300	1,537,530	0.4%
East West Manhattan Retail Portfolio L.P.	\$ 26,582,583	2,658,258	0.6%
One Station Place, Limited Partnership	\$ 36,970,060	3,697,006	0.9%
New York Union Square Retail L.P.	\$ 27,098,031	2,709,803	0.6%
Westport Main Street Retail L.L.C.	\$ 4,925,541	492,554	0.1%
Fairfax Merrifield Associates L.L.C.	\$ 4,212,136	421,214	0.1%
Merrifield Apartments Company L.L.C.	\$ 4,212,136	421,214	0.0%
First Stamford Place L.L.C.	\$ 4,832,916	483,292	0.2%
1185 Swap Portfolio L.P.	\$ 22,016,833	2,201,683	0.5%
Fairfield Merrittview Limited Partnership	\$ 8,232,647	823,265	0.2%
500 Mamaroneck Avenue L.P.	\$ 5,986,141	598,614	0.1%
BBSF LLC	\$ 14,600,000	1,460,000	0.4%
Supervisor and Management Companies			

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Malkin Holdings, LLC <sup>(6)</sup>	\$ 5,896,278	589,628	0.1%
Malkin Properties	\$ 4,250,000	425,000	0.1%
Malkin Construction Corp.	\$ 5,775,000	577,500	0.1%
Total	\$ 15,921,278	1,592,128	0.4%
<b>Total</b>	<b>\$ 3,986,533,923</b>	<b>398,653,392</b>	<b>100.0%</b>

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an aggregate exchange value of \$551,686,612, determined on a basis consistent with the exchange values of the

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- subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) The number of shares of common stock issued, on a fully-diluted basis, equals the number of shares of Class A common stock issued in the consolidation plus shares of Class A common stock issuable upon the redemption of operating partnership units or upon conversion of Class B common stock for shares of Class A common stock on a one-for-one basis. If participants receive cash pursuant to the cash option, the common stock which would have been issued to them, will not be issued. As a result, the number of outstanding shares of common stock will be reduced and the percentage of the common stock each other participant owns will increase. The actual number of shares of common stock, on a fully-diluted basis, and the value allocated to each participant in the subject LLCs and the private entities will be based on the enterprise value in connection with the IPO and the IPO price. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.
- (3) Operating lessee of Empire State Building Associates L.L.C.
- (4) Operating lessee of 60 East 42nd St. Associates L.L.C.
- (5) Operating lessee of 250 West 57th St. Associates L.L.C.
- (6) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.

**Allocation of Common Stock and Operating Partnership Units among the Participants and the Supervisor and the Malkin Holdings group**

The common stock and operating partnership units to be allocated among the subject LLCs, the private entities and the management companies will be allocated among the participants holding participation interests and the supervisor and the Malkin Holdings group in each subject LLC and private entity on account of override interests in accordance with the provisions of the subject LLC's operating agreement and other agreements relating to distributions upon liquidation of the subject LLC.

A description of the allocations for each of the subject LLCs is shown in the supplement for each subject LLC.

Entity <sup>(1)</sup>	Exchange Value	Common Stock or Operating Partnership Unit Allocation <sup>(2)</sup>	Percentage of Total Exchange Value or Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(3)</sup>
<b>Empire State Building Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 1,013,179,880	101,317,988	25.4%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 78,618,177	7,861,818	2.0%
Override Interests <sup>(4)</sup>	\$ 117,644,229	11,764,423	3.0%
<b>Total</b>	<b>\$ 1,209,442,285</b>	<b>120,944,229</b>	<b>30.4%</b>
<b>60 East 42nd St. Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 250,929,947	25,092,995	6.3%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 21,874,553	2,187,455	0.5%
Override Interests <sup>(4)</sup>	\$ 30,202,722	3,020,272	0.8%
<b>Total</b>	<b>\$ 303,007,222</b>	<b>30,300,722</b>	<b>7.6%</b>
<b>250 West 57th St. Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 119,067,333	11,906,733	3.0%
	\$ 9,530,308	953,031	0.2%

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The supervisor and the Malkin Holdings group as holders of participation interests			
Override Interests <sup>(4)</sup>	\$ 13,488,627	1,348,863	0.3%
Total	\$ 142,086,267	14,208,627	3.5%

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<b>Entity<sup>(1)</sup></b>	<b>Exchange Value</b>	<b>Common Stock or Operating Partnership Unit Allocation<sup>(2)</sup></b>	<b>Percentage of Total Exchange Value or Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis<sup>(3)</sup></b>
<b>Empire State Building Company L.L.C.<sup>(5)</sup></b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 1,066,414,295	106,641,430	26.8%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 25,307,051	2,530,705	0.6%
Override Interests <sup>(4)(6)</sup>	\$ 98,054,234	9,805,423	2.5%
<b>Total</b>	<b>\$ 1,189,775,581</b>	<b>118,977,558</b>	<b>29.9%</b>
<b>Lincoln Building Associates L.L.C.<sup>(7)</sup></b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 238,861,987	23,886,199	6.0%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 19,367,188	1,936,719	0.5%
Override Interests <sup>(4)</sup>	\$ 28,692,131	2,869,213	0.7%
<b>Total</b>	<b>\$ 286,921,306</b>	<b>28,692,131</b>	<b>7.2%</b>
<b>Fisk Building Associates L.L.C.<sup>(8)</sup></b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 75,843,963	7,584,396	1.9%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 15,974,739	1,597,474	0.4%
Override Interests <sup>(4)</sup>	\$ 39,468,735	3,946,873	1.0%
<b>Total</b>	<b>\$ 131,287,437</b>	<b>13,128,744</b>	<b>3.3%</b>
<b>1333 Broadway Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 108,837,892	10,883,790	2.7%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 27,594,512	2,759,451	0.7%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 136,432,404</b>	<b>13,643,240</b>	<b>3.4%</b>
<b>1350 Broadway Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 125,338,225	12,533,822	3.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 5,251,758	525,176	0.1%
Override Interests <sup>(4)</sup>	\$ 14,467,098	1,446,710	0.4%
<b>Total</b>	<b>\$ 145,057,081</b>	<b>14,505,708</b>	<b>3.6%</b>
<b>Marlboro Building Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 121,053,175	12,105,318	3.0%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 7,888,994	788,899	0.2%
Override Interests <sup>(4)</sup>	\$ 13,927,997	1,392,800	0.3%
<b>Total</b>	<b>\$ 142,870,166</b>	<b>14,287,017</b>	<b>3.5%</b>

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Seventh & 37th Building Associates L.L.C.				
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$	48,657,052	4,865,705	1.2%
The supervisor and the Malkin Holdings group as holders of participation interests	\$	2,159,713	215,971	0.1%
Override Interests <sup>(4)</sup>	\$	5,246,307	524,631	0.1%
Total	\$	56,063,072	5,606,307	1.4%

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<b>Entity<sup>(1)</sup></b>	<b>Exchange Value</b>	<b>Common Stock or Operating Partnership Unit Allocation<sup>(2)</sup></b>	<b>Percentage of Total Exchange Value or Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis<sup>(3)</sup></b>
<b>501 Seventh Avenue Associates L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 37,668,346	3,766,835	0.9%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 9,694,604	969,460	0.2%
Override Interests <sup>(4)</sup>	\$ 5,262,550	526,255	0.1%
<b>Total</b>	<b>\$ 52,625,499</b>	<b>5,262,550</b>	<b>1.2%</b>
<b>Soundview Plaza Associates II L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 8,646,215	864,621	0.2%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 6,729,085	672,909	0.2%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 15,375,300</b>	<b>1,537,530</b>	<b>0.4%</b>
<b>East West Manhattan Retail Portfolio L.P.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 12,562,596	1,256,259	0.3%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 861,608	86,161	0.0%
Override Interests <sup>(4)</sup>	\$ 13,158,378	1,315,838	0.3%
<b>Total</b>	<b>\$ 26,582,583</b>	<b>2,658,258</b>	<b>0.6%</b>
<b>One Station Place, Limited Partnership</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 3,327,306	332,731	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 33,642,754	3,364,275	0.8%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 36,970,060</b>	<b>3,697,006</b>	<b>0.9%</b>
<b>New York Union Square Retail L.P.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 12,990,104	1,299,010	0.3%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 694,401	69,440	0.0%
Override Interests <sup>(4)</sup>	\$ 13,413,525	1,341,353	0.3%
<b>Total</b>	<b>\$ 27,098,031</b>	<b>2,709,803</b>	<b>0.6%</b>
<b>Westport Main Street Retail L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 4,751,157	475,116	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 174,384	17,438	0.0%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%



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Total	\$	4,925,541	492,554	0.1%
Fairfax Merrifield Associates L.L.C.				
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$	3,286,966	328,697	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$	503,956	50,396	0.0%
Override Interests <sup>(4)</sup>	\$	421,214	42,121	0.0%
Total	\$	4,212,136	421,214	0.1%

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Entity <sup>(1)</sup>	Exchange Value	Common Stock or Operating Partnership Unit Allocation <sup>(2)</sup>	Percentage of Total Exchange Value or Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(3)</sup>
<b>Merrifield Apartments Company L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 2,085,007	208,501	0.0%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 852,957	85,296	0.0%
Override Interests <sup>(4)</sup>	\$ 1,274,171	127,417	0.0%
<b>Total</b>	<b>\$ 4,212,136</b>	<b>421,214</b>	<b>0.0%</b>
<b>First Stamford Place L.L.C.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 2,368,843	236,884	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 71,780	7,178	0.0%
Override Interests <sup>(4)</sup>	\$ 2,392,293	239,229	0.1%
<b>Total</b>	<b>\$ 4,832,915</b>	<b>483,292</b>	<b>0.2%</b>
<b>1185 Swap Portfolio L.P.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 5,616,737	561,673	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 16,400,097	1,640,010	0.4%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 22,016,833</b>	<b>2,201,683</b>	<b>0.5%</b>
<b>Fairfield Merrittview Limited Partnership</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 3,845,771	384,577	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 270,556	27,056	0.0%
Override Interests <sup>(4)</sup>	\$ 4,116,320	411,632	0.1%
<b>Total</b>	<b>\$ 8,232,647</b>	<b>823,265</b>	<b>0.2%</b>
<b>500 Mamaroneck Avenue L.P.</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 5,835,230	598,614	0.1%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 150,911	0	0.0%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 5,986,141</b>	<b>598,614</b>	<b>0.1%</b>
<b>BBSF LLC</b>			
Participants other than the supervisor and the Malkin Holdings group <sup>(4)</sup>	\$ 0	0	0.0%
The supervisor and the Malkin Holdings group as holders of participation interests	\$ 14,600,000	1,460,000	0.4%
Override Interests <sup>(4)</sup>	\$ 0	0	0.0%
<b>Total</b>	<b>\$ 14,600,000</b>	<b>1,460,000</b>	<b>0.4%</b>

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Supervisor and Management Companies <sup>(9)</sup>	\$ 15,921,278	1,592,128	0.4%
<b>Total</b>	<b>\$ 3,986,533,923</b>	<b>398,653,392</b>	<b>100.0%</b>

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an aggregate exchange value of \$551,686,612, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.

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- (2) Assumes all participants in the subject LLCs received common stock and all holders of participation interests in the private entities and the management companies receive operating partnership units or shares of common stock. Each operating partnership unit provides the same rights to distributions as one share of Class A common stock in the company and, subject to limitations, is redeemable into one share of Class A common stock after a one-year period.
- (3) The number of shares of common stock outstanding, on a fully-diluted basis, equals the number of shares of common stock outstanding plus shares of Class A common stock issuable upon the redemption of operating partnership units or upon conversion of Class B common stock for shares of Class A common stock on a one-for-one basis. If participants receive cash pursuant to the cash option, the common stock, on a fully-diluted basis, which would have been issued to them will not be issued. As a result, the number of shares of outstanding common stock, on a fully-diluted basis, will be reduced and the percentage of the common stock, on a fully-diluted basis, each other participant owns will increase.
- (4) The amount shown in the table has been calculated as if all participants in each subject LLC and each private entity that have been solicited with respect to the voluntary capital transaction override program have consented. The voluntary capital transaction override will be deducted only from the distributions allocable to those participants that consented. The distributions allocable to participants that did not consent to the voluntary capital transaction override program and/or the voluntary pro rata reimbursement program will be determined without any deduction for such payments. The actual overrides to the supervisor, based on the actual consents received with respect to the voluntary capital override transaction, are \$111.19 million and \$10.56 million less, respectively, than that shown in the table for Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C. and \$136.10 million in the aggregate less than that shown in the table for all of the private entities and the subject LLCs.
- (5) Operating lessee of Empire State Building Associates L.L.C.
- (6) Does not include \$10,611,894 of additional overrides payable by individual investors to unaffiliated third parties with respect to their interests in an investment entity that owns a membership interest in Empire State Building Company L.L.C.
- (7) Operating lessee of 60 East 42nd St. Associates L.L.C.
- (8) Operating lessee of 250 West 57th St. Associates L.L.C.
- (9) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that Malkin Holdings group holds in the subject LLCs and the private entities.

**Derivation of Consolidation Expenses**

Expenses of the consolidation will be borne by the company. The following table sets forth as of October 31, 2011 expenses of the consolidation allocated to each subject LLC and each private entity based on the exchange value of each entity. No consolidation expenses were allocated to the management companies.

The expenses related to the consolidation are summarized in the following table:

Entity	Appraisal and Fairness Opinion	Solicitation Printing & Mailing	Legal	Accounting	Title, Transfer & Recording	Pre-formation Costs	Total Expenses
Empire State Building Associates L.L.C.	\$ 140,362	\$ 27,347	\$ 2,297,907	\$ 3,657,448	\$ 167	\$ 100,269	\$ 6,223,501
60 East 42nd St. Associates L.L.C.	\$ 35,166	\$ 6,851	\$ 575,705	\$ 916,317	\$ 42	\$ 25,121	\$ 1,559,203
250 West 57th St. Associates L.L.C.	\$ 16,490	\$ 3,213	\$ 269,960	\$ 429,680	\$ 20	\$ 11,780	\$ 731,142
Empire State Building Company L.L.C. <sup>(1)</sup>	\$ 138,080	\$ 26,903	\$ 2,260,541	\$ 3,597,974	\$ 165	\$ 98,639	\$ 6,122,301
Lincoln Building Associates L.L.C. <sup>(2)</sup>	\$ 33,369	\$ 6,501	\$ 546,299	\$ 869,514	\$ 40	\$ 23,838	\$ 1,479,561
Fisk Building Associates L.L.C. <sup>(3)</sup>	\$ 15,328	\$ 2,986	\$ 250,939	\$ 399,405	\$ 18	\$ 10,950	\$ 679,626
1333 Broadway Associates L.L.C.	\$ 15,834	\$ 3,085	\$ 259,218	\$ 412,582	\$ 19	\$ 11,311	\$ 702,049
1350 Broadway Associates L.L.C.	\$ 16,835	\$ 3,280	\$ 275,604	\$ 438,664	\$ 20	\$ 12,026	\$ 746,429
Marlboro Building Associates L.L.C.	\$ 16,581	\$ 3,231	\$ 271,449	\$ 432,050	\$ 20	\$ 11,845	\$ 735,176
Seventh & 37th Building Associates L.L.C.	\$ 6,506	\$ 1,268	\$ 106,518	\$ 169,539	\$ 8	\$ 4,648	\$ 288,487
501 Seventh Avenue Associates L.L.C.	\$ 6,107	\$ 1,190	\$ 99,987	\$ 159,144	\$ 7	\$ 4,363	\$ 270,798



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Entity	Appraisal and Fairness Opinion	Solicitation Printing & Mailing	Legal	Accounting	Title, Transfer & Recording	Pre-formation Costs	Total Expenses
Soundview Plaza Associates II L.L.C.	\$ 1,784	\$ 348	\$ 29,213	\$ 46,496	\$ 2	\$ 1,275	\$ 79,118
East West Manhattan Retail Portfolio L.P.	\$ 3,085	\$ 601	\$ 50,506	\$ 80,388	\$ 4	\$ 2,204	\$ 136,788
One Station Place, Limited Partnership	\$ 4,291	\$ 836	\$ 70,242	\$ 111,800	\$ 5	\$ 3,065	\$ 190,239
New York Union Square Retail L.P.	\$ 3,145	\$ 613	\$ 51,486	\$ 81,947	\$ 4	\$ 2,247	\$ 139,440
Westport Main Street Retail L.L.C.	\$ 572	\$ 111	\$ 9,358	\$ 14,895	\$ 1	\$ 408	\$ 25,346
Fairfax Merrifield Associates L.L.C.	\$ 489	\$ 95	\$ 8,003	\$ 12,738	\$ 1	\$ 349	\$ 21,675
Merrifield Apartments Company L.L.C.	\$ 489	\$ 95	\$ 8,003	\$ 12,738	\$ 1	\$ 349	\$ 21,675
First Stamford Place L.L.C.	\$ 561	\$ 109	\$ 9,182	\$ 14,615	\$ 1	\$ 401	\$ 24,869
1185 Swap Portfolio L.P.	\$ 2,555	\$ 498	\$ 41,831	\$ 66,581	\$ 3	\$ 1,825	\$ 113,293
Fairfield Merrittview Limited Partnership	\$ 955	\$ 186	\$ 15,642	\$ 24,896	\$ 1	\$ 683	\$ 42,363
500 Mamaroneck Avenue L.P.	\$ 695	\$ 135	\$ 11,374	\$ 18,103	\$ 1	\$ 496	\$ 30,803
BBSF LLC	\$ 1,694	\$ 330	\$ 27,740	\$ 44,152	\$ 2	\$ 1,210	\$ 75,128
112 West 34th Street Company L.L.C.	\$ 16,673	\$ 3,248	\$ 272,959	\$ 434,454	\$ 20	\$ 11,911	\$ 739,265
112 West 34th Street Associates L.L.C.	\$ 17,422	\$ 3,394	\$ 285,221	\$ 453,969	\$ 21	\$ 12,446	\$ 772,473
1400 Broadway Associates L.L.C.	\$ 29,931	\$ 5,832	\$ 490,009	\$ 779,920	\$ 36	\$ 21,382	\$ 1,327,109
Total Option Properties	\$ 64,026	\$ 12,474	\$ 1,048,189	\$ 1,668,343	\$ 76	\$ 45,738	\$ 2,838,847
Total	\$ 525,000	\$ 102,288	\$ 8,594,898	\$ 13,680,007	\$ 626	\$ 375,038	\$ 23,277,856

- (1) Operating lessee of Empire State Building Associates L.L.C.
- (2) Operating lessee of 60 East 42nd St. Associates L.L.C.
- (3) Operating lessee of 250 West 57th St. Associates L.L.C.

**Estimated Exchange Value of Common Stock**

The following table sets forth for each subject LLC, each private entity and the management companies:

the exchange value of each subject LLC, each private entity and the management companies;

the percentage of total exchange value and percentage of total shares of common stock, on a fully-diluted basis, to be issued;

the number of shares of common stock, on a fully-diluted basis, to be allocated to each subject LLC, each private entity and the management companies based on the hypothetical exchange value of \$10 per share arbitrarily assigned by the supervisor for illustrative purposes, including the number of operating partnership units to be allocated on account of the override interests of the supervisor and the Malkin Holdings group;

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the value of common stock or operating partnership units based on the hypothetical exchange value of \$10 per share arbitrarily assigned by the supervisor for illustrative purposes for each \$1,000 of original investment in each subject LLC and its operating lessee;

the book value (deficit) of the assets determined in accordance with U.S. generally accepted accounting principles, which is referred to herein as GAAP, per \$1,000 of original investment in each subject LLC and its operating lessee; and

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the number of shares of common stock, on a fully-diluted basis, per \$1,000 original investment in each subject LLC and its operating lessee:

Entity <sup>(1)</sup>	Total Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>	Per \$1,000 Original Investment (except as otherwise noted)		
				Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(7)</sup>
<b>Empire State Building Associates L.L.C.</b>						
Participants	\$ 1,091,798,057	27.4%	109,179,806	\$ 33,085	(\$102)	3,308
Overrides <sup>(7)</sup>	\$ 117,644,229	3.0%	11,764,423	NA	NA	NA
Total	\$ 1,209,442,285	30.4%	120,944,229			
<b>60 East 42nd St. Associates L.L.C.</b>						
Participants	\$ 272,804,500	6.8%	27,280,450	\$ 38,972	(\$1,773)	3,897
Overrides <sup>(7)</sup>	\$ 30,202,722	0.8%	3,020,272	NA	NA	NA
Total	\$ 303,007,222	7.6%	30,300,722			
<b>250 West 57<sup>th</sup> St. Associates L.L.C.</b>						
Participants	\$ 128,597,641	3.2%	12,859,764	\$ 35,722	(\$472)	3,572
Overrides <sup>(7)</sup>	\$ 13,488,627	0.3%	1,348,863	NA	NA	NA
Total	\$ 142,086,267	3.5%	14,208,627			
<b>Empire State Building Company L.L.C.<sup>(8)(9)</sup></b>						
Members and Participants	\$ 1,091,721,347	27.4%	109,172,134	\$ 10,894,423	\$ 2,713,710	1,089,442
Overrides <sup>(7)(10)</sup>	\$ 98,054,234	2.5%	9,805,423	NA	NA	NA
Total	\$ 1,189,775,581	29.9%	118,977,558			
<b>Lincoln Building Associates L.L.C.<sup>(11)</sup></b>						
Members	\$ 258,229,176	6.5%	25,822,918	\$ 258,229	\$ 53,046	25,823
Overrides <sup>(7)</sup>	\$ 28,692,131	0.7%	2,869,213	NA	NA	NA
Total	\$ 286,921,306	7.2%	28,692,131			
<b>Fisk Building Associates L.L.C.<sup>(12)</sup></b>						
Members and Participants	\$ 91,818,702	2.3%	9,181,870	\$ 918,187	\$ 254,767	91,818
Overrides <sup>(7)</sup>	\$ 39,468,735	1.0%	3,946,873	NA	NA	NA
Total	\$ 131,287,437	3.3%	13,128,744			
<b>1333 Broadway Associates L.L.C.</b>						
Members	\$ 136,432,404	3.4%	13,643,240			
<b>1350 Broadway Associates L.L.C.</b>						
Peter L. Malkin 50% Group	\$ 58,061,442	1.5%	5,806,144			
Overrides <sup>(7)</sup>	\$ 14,467,098	0.4%	1,446,710			
David M. Baldwin 50% Group	\$ 72,528,541	1.8%	7,252,854			



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Total	\$ 145,057,081	3.7%	14,505,708
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Entity <sup>(1)</sup>	Total Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>	Per \$1,000 Original Investment (except as otherwise noted)		
				Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(7)</sup>
<b>Marlboro Building Associates L.L.C.</b>						
Members and participants	\$ 128,942,169	3.2%	12,894,217			
Overrides <sup>(7)</sup>	\$ 13,927,997	0.3%	1,392,800			
<b>Total</b>	<b>\$ 142,870,166</b>	<b>3.5%</b>	<b>14,287,017</b>			
<b>Seventh &amp; 37<sup>th</sup> Building Associates L.L.C.</b>						
Participants	\$ 50,816,765	1.3%	5,081,676			
Overrides <sup>(7)</sup>	\$ 5,246,307	0.1%	524,631			
<b>Total</b>	<b>\$ 56,063,072</b>	<b>1.4%</b>	<b>5,606,307</b>			
<b>501 Seventh Avenue Associates L.L.C.</b>						
Member	\$ 47,362,949	1.2%	4,736,295			
Overrides <sup>(7)</sup>	\$ 5,262,550	0.1%	526,255			
<b>Total</b>	<b>\$ 52,625,499</b>	<b>1.2%</b>	<b>5,262,550</b>			
<b>Soundview Plaza Associates II L.L.C.<sup>(13)</sup></b>						
Malkin Co-Investor Capital L.P.(General Partner) <sup>(14)</sup>	\$ 81,335	0.0%	8,134			
Malkin Co-Investor Capital L.P.(Class A LPs)	\$ 8,052,199	0.2%	805,220			
Malkin Co-Investor Capital L.P.(Class B LPs)	\$ 0	0.0%	0			
Peter L. Malkin	\$ 3,713,727	0.1%	371,373			
<b>New Soundview Plaza Associates, Limited Partnership</b>						
Partnership	\$ 3,528,039	0.1%	352,804			
<b>Total</b>	<b>\$ 15,375,300</b>	<b>0.4%</b>	<b>1,537,530</b>			
<b>East West Manhattan Retail Portfolio L.P.</b>						
General Partner <sup>(14)</sup>	\$ 265,826	0.0%	26,583			
Class A LPs	\$ 13,158,378	0.3%	1,315,838			
Class B LP	\$ 13,158,378	0.3%	1,315,838			
<b>Total</b>	<b>\$ 26,582,583</b>	<b>0.6%</b>	<b>2,658,258</b>			
<b>One Station Place, Limited Partnership<sup>(13)</sup></b>						
General Partner <sup>(14)</sup>	\$ 369,701	0.0%	36,970			
Class A LP	\$ 3,327,305	0.1%	332,731			
Class B LPs	\$ 33,273,054	0.8%	3,327,305			

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Total	\$ 36,970,060	0.9%	3,697,006
New York Union Square Retail L.P.			
General Partner <sup>(14)</sup>	\$ 270,980	0.0%	27,098
Class A LPs	\$ 13,413,525	0.3%	1,341,353
Class B LP	\$ 13,413,525	0.3%	1,341,353
Total	\$ 27,098,031	0.6%	2,709,803

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Entity <sup>(1)</sup>	Total Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>	Per \$1,000 Original Investment (except as otherwise noted)		
				Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(7)</sup>
<b>Westport Main Street Retail L.L.C.<sup>(13)</sup></b>						
Manager <sup>(15)</sup>	\$ 49,255	0.0%	4,926			
Class A Members	\$ 4,876,286	0.1%	487,629			
Class B Member	\$ 0	0.0%	0			
<b>Total</b>	<b>\$ 4,925,541</b>	<b>0.1%</b>	<b>492,554</b>			
<b>Fairfax Merrifield Associates L.L.C.</b>						
Participants	\$ 3,790,922	0.1%	379,092			
Overrides <sup>(7)</sup>	\$ 421,214	0.0%	42,121			
<b>Total</b>	<b>\$ 4,212,136</b>	<b>0.1%</b>	<b>421,214</b>			
<b>Merrifield Apartments Company L.L.C.</b>						
55% Members	\$ 2,085,007	0.1%	208,501			
45% Members	\$ 852,957	0.0%	85,296			
Overrides <sup>(7)</sup>	\$ 1,274,171	0.0%	127,417			
<b>Total</b>	<b>\$ 4,212,136</b>	<b>0.0%</b>	<b>421,214</b>			
<b>First Stamford Place L.L.C.</b>						
Class A & A2 Members	\$ 2,392,293	0.1%	239,229			
Manager <sup>(15)</sup>	\$ 48,329	0.0%	4,833			
Class B Member	\$ 2,392,293	0.1%	239,229			
<b>Total</b>	<b>\$ 4,832,916</b>	<b>0.2%</b>	<b>483,292</b>			
<b>1185 Swap Portfolio L.P.<sup>(13)</sup></b>						
<b>1185 Bank L.L.C. (General Partner)<sup>(14)</sup></b>						
	\$ 200,632	0.0%	20,063			
<b>1185 Gotham L.L.C. (General Partner)<sup>(14)</sup></b>						
	\$ 238,302	0.0%	23,830			
<b>Total (General Partner)</b>	<b>\$ 438,935</b>	<b>0.0%</b>	<b>43,893</b>			
<b>1185 Bank L.L.C. (Class 1 LP)</b>						
	\$ 9,863,030	0.2%	986,303			
<b>1185 Gotham L.L.C. (Class 1 LP)</b>						
	\$ 11,714,868	0.3%	1,171,487			
<b>Total (Class 1 LP)</b>	<b>\$ 21,577,899</b>	<b>0.5%</b>	<b>2,157,790</b>			
<b>1185 Bank L.L.C. (Class 2 LP)</b>						
	\$ 0	0.0%	0			
<b>1185 Gotham L.L.C. (Class 2 LP)</b>						
	\$ 0	0.0%	0			
<b>Total (Class 2 LP)</b>	<b>\$ 0</b>	<b>0.0%</b>	<b>0</b>			

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Total (1185 Swap Portfolio L.P.)	\$ 22,016,833	0.5%	2,201,683
Fairfield Merrittview Limited Partnership <sup>(13)</sup>			
General Partner <sup>(14)</sup>	\$ 74,094	0.0%	7,409
Class A LP	\$ 4,042,233	0.1%	404,223
Class B LP	\$ 3,293,056	0.1%	329,306
Overrides <sup>(7)</sup>	\$ 823,265	0.0%	82,326
Total	\$ 8,232,647	0.2%	823,265

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Entity <sup>(1)</sup>	Total Exchange Value <sup>(2)(3)</sup>	Percentage of Total Exchange Value and Percentage of Total Shares of Common Stock Issued, on a Fully-Diluted Basis <sup>(4)</sup>	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(5)</sup>	Per \$1,000 Original Investment (except as otherwise noted)		
				Value of Shares of Common Stock or Operating Partnership Units <sup>(3)(6)</sup>	GAAP Book Value (Deficit) as of September 30, 2011	Number of Shares of Common Stock, on a Fully-Diluted Basis <sup>(7)</sup>
500 Mamaroneck Avenue L.P.						
Class A LPs	\$ 4,444,709	0.1%	444,471			
Class B LPs	\$ 0	0.0%	0			
General Partner <sup>(14)</sup>	\$ 44,896	0.0%	4,490			
Co-Tenant	\$ 1,496,535	0.0%	149,654			
Total	\$ 5,986,141	0.1%	598,614			
BBSF LLC	\$ 14,600,000	0.4%	1,460,000			
Supervisor and Management Companies						
Malkin Holdings, LLC <sup>(16)</sup>	\$ 5,896,278	0.1%	589,628			
Malkin Properties <sup>(17)</sup>	\$ 4,250,000	0.1%	425,000			
Malkin Construction Corp.	\$ 5,775,000	0.1%	577,500			
Total	\$ 15,921,278	0.4%	1,592,128			
<b>Total</b>	<b>\$ 3,986,533,923</b>	<b>100.0%</b>	<b>398,653,392</b>			
Overrides (including Class B interests) held by the Supervisor and the Malkin Holdings group	\$ 328,072,641	8.2%	32,807,641			
Overrides (including Class B interests) of other Persons	\$ 73,157,890	1.8%	7,315,789			

- (1) Excludes three private entities which are the ground lessees and an operating lessee of two properties that are supervised by the supervisor, having an aggregate exchange value of \$551,686,612, determined on a basis consistent with the exchange values of the subject LLCs and the private entities that are supervised by the supervisor. The operating partnership has entered into option agreements pursuant to which it has the option to acquire their property interests upon the final resolution of certain ongoing litigation with respect to their properties.
- (2) The exchange value is determined as described in Exchange Value and Allocation of Common Stock Derivation of Exchange Value.
- (3) The exchange value of each subject LLC, each private entity and the management companies is based on each subject LLC's, each private entity's and the management companies' assets and liabilities included in the quarterly balance sheets of the subject LLC, private entity or the management companies, as of June 30, 2011. The exchange value will be revised to reflect changes in the balance sheet items included in the calculation of the exchange value in subsequent quarterly balance sheets but will not be revised based on changes in the balance sheets or other events after the final quarterly balance sheet date prior to the closing of the consolidation.
- (4) The number of shares of common stock issued, on a fully-diluted basis, equals the number of shares of Class A common stock outstanding plus shares of Class A common stock issuable upon the redemption of operating partnership units or upon conversion of Class B common stock for shares of Class A common stock on a one-for-one basis. If participants elect the cash option, the Class A common stock, which would have been issued to them, will not be issued. As a result, the number of outstanding shares of Class A common stock will be reduced and the percentage of the Class A common stock each participant owns will increase.
- (5) The number of shares of common stock, on a fully-diluted basis, assumes that none of participants in the subject LLC has elected the cash option. The number of shares of common stock, on a fully-diluted basis, issuable to each subject LLC, as set forth in the table, was determined by dividing the exchange value for the subject LLC by \$10, which is the hypothetical value that the supervisor arbitrarily assigned for illustrative purposes. The actual number of common stock, on a fully-diluted basis, and the value allocated to each participant in the subject LLCs and the private entities will be based on the enterprise value in

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connection with the IPO and the IPO price. The enterprise value will be determined by the market conditions and the performance of the portfolio at the time of the IPO. The enterprise value may be higher or lower than the aggregate exchange value. The exchange value used herein is based on the appraisal prepared by the independent valuer. Historically, in a typical initial public offering of a REIT, the enterprise value and initial public offering price are at a discount to the net asset value of the REIT's portfolio of properties, which in turn may be above or below the aggregate exchange value.

- (6) The amount shown in the table has been calculated as if all participants in each subject LLC and each private entity that have been solicited with respect to the voluntary capital transaction override program have consented. The voluntary capital transaction override

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will be deducted only from the distributions allocable to those participants that consented. The distributions allocable to participants that did not consent to the voluntary capital transaction override program and/or the voluntary pro rata reimbursement program will be determined without any deduction for such payments. The actual overrides to the supervisor, based on the actual consents to the voluntary capital override transaction, are \$111.19 million and \$10.56 million, respectively, less than that shown in the table for Empire State Building Associates L.L.C. and 250 West 57th St. Associates L.L.C. and \$136.10 million in the aggregate less than that shown in the table for all of the private entities and the subject LLCs.

- (7) Includes override interests in the subject LLCs and the private entities (i) held by the supervisor and the Malkin Holdings group and (ii) certain other persons, including other members of the Wien group.
- (8) Operating lessee of Empire State Building Associates L.L.C.
- (9) Information is provided per 1% interest instead of per \$1,000 original investment.
- (10) Does not include \$10,611,894 of additional overrides payable by individual investors to unaffiliated third parties with respect to their interests in an investment entity that owns a membership interest in Empire State Building Company L.L.C.
- (11) Operating lessee of 60 East 42nd St. Associates L.L.C.
- (12) Operating lessee of 250 West 57th St. Associates L.L.C.
- (13) Based on financial statements prepared on a tax basis and not in accordance with GAAP.
- (14) The general partner is an affiliate of the supervisor.
- (15) The manager is an affiliate of the supervisor.
- (16) Total exchange value of the supervisor excludes the value attributable to the supervisor's overrides, which are included in the value of the overrides that the Malkin Holdings group holds in the subject LLCs and the private entities.
- (17) Refers collectively to Malkin Properties, L.L.C. Malkin Properties of New York, L.L.C. and Malkin Properties of Connecticut, L.L.C. (collectively Malkin Properties ).



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**CONFLICTS OF INTEREST**

**Supervisor**

The supervisor acts as supervisor to the subject LLCs and the private entities. Members of the supervisor act as agents for groups of participants under the organizational documents of the subject LLCs and certain of the private entities and are general partners or managing members of certain of the private entities. From inception of the subject LLCs, the supervisor and its affiliates have served in these capacities with conflicts of interest and as such have conflicts in connection with the consolidation. The supervisor and its affiliates that act in such capacities have independent obligations to assess whether the terms of the consolidation or a third-party portfolio transaction are fair and equitable to the participants in each subject LLC without regard to whether the consolidation or a third-party portfolio transaction is fair and equitable to any of the participants in other subject LLCs and the private entities. While your supervisor has in good faith sought to discharge its obligations to your subject LLC, there is an inherent conflict of interest in serving, directly or indirectly, in a similar capacity with respect to all other subject LLCs and private entities. If each subject LLC had a separate supervisor and separate agents who did not serve in a similar capacity for any of the other subject LLC or private entity, the supervisor would have had an independent perspective, which might have led it to advocate positions during the negotiations and structuring of the consolidation differently from those taken by the supervisor and may have been more beneficial to the subject LLC. In addition, certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin will be Chairman, Chief Executive Officer, President and a director of the company, and the principals, executives and employees of the supervisor could be officers, directors and/or employees of the acquiring entity following the consummation of a third-party portfolio transaction.

**Substantial Benefits to the Supervisor and its Affiliates**

The supervisor and the Malkin Holdings group currently receive substantial benefits and from inception of the subject LLCs have had conflicts of interest in connection with the subject LLCs, including in connection with the consolidation or a third-party portfolio transaction. The Malkin Holdings group also could receive certain benefits from a third-party portfolio transaction. These benefits could exceed the benefits that the supervisor and its affiliates would receive from continued ownership of their interests in the subject LLCs and continuing to act as supervisor to the subject LLCs, and, as a result, the supervisor may have a conflict of interest in recommending that participants vote **FOR** the consolidation and the third-party portfolio proposal. These conflicts and benefits include:

The supervisor and the Malkin Holdings group will receive shares of Class A common stock, Class B common stock and operating partnership units. If the consolidation is consummated, the Malkin Holdings group will receive 64,220,800 shares of Class A common stock, Class B common stock and operating partnership units in exchange for their interests in the subject LLCs and the private entities, including their override interests, and the management companies, having an aggregate value of \$642,208,000, which they are entitled to receive, and will be allocated to them in accordance with the subject LLCs and private entities organizational documents, and, with respect to their interests in the management companies, in accordance with the valuations of the management companies by the independent valuer, based on the hypothetical \$10 per share exchange value that the supervisor arbitrarily assigned for illustrative purposes. This is in addition to any share of Class A common stock issuable in respect of the voluntary pro rata reimbursement program consented to by participants in the subject LLCs in connection with the solicitation with respect to the consolidation and its share of distributions of any cash available for distribution from the subject LLCs prior to the consolidation.

*Members and officers of the supervisor will become officers and senior management of the company after the consolidation and will receive salary and benefits which will be approved by the board of directors.* Following the consolidation, as is customary in connection with formation of a REIT, certain executives of the supervisor will be members of the senior management team and Anthony E. Malkin, an executive and principal

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of the supervisor, will be Chairman, Chief Executive Officer, President and a director. They may receive equity incentives, including restricted stock grants under the company's performance-based incentive plan and any other plan approved by the stockholders of the company. The benefits that may be realized by them may exceed the benefits that they would expect to derive from the subject LLCs or the private entities if the consolidation does not occur.

*Some individuals will receive benefits under employment agreements with the company.* In publicly traded companies, it is customary practice for the company to enter into employment agreements with key employees. As such, the company intends to enter into an employment agreement with Anthony E. Malkin, providing for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances and issuance of equity awards as described under Management Employment Agreement.

*Some individuals will be relieved of bad boy guarantee obligations.* Anthony E. Malkin and Peter L. Malkin will be released from or indemnified for liabilities arising under certain bad boy guarantees with respect to approximately \$1.12 billion of the mortgage loans (including currently undrawn amounts) on the properties, which will be assumed by the company upon closing of the consolidation. The bad boy guarantees generally involve guarantees of certain bad acts by the borrower, such as fraud, intentional misrepresentations, willful misconduct, misappropriation, transfer or conveyance of the property in violation of the loan agreement, filing by the borrower of a voluntary bankruptcy petition or the borrowers consenting to or joining in an involuntary filing. In connection with this assumption, the company will seek to have the guarantors released from these guarantees and to have the operating partnership assume any such guarantee obligations as a replacement guarantor. To the extent the lenders do not consent to the release of these guarantors, and they remain guarantors on assumed indebtedness following the consolidation, the operating partnership will enter into indemnification agreements with the guarantors pursuant to which the operating partnership will be obligated to indemnify such guarantors for any amounts paid by them under guarantees with respect to such assumed indebtedness.

*Certain loans will be repaid.* In addition, one of the private entities which owns an interest in two entities which will contribute properties to the company in the consolidation will repay a loan in the amount of approximately \$2.0 million relating to a property not included in the consolidation to Anthony E. Malkin, Peter L. Malkin and certain other persons by applying a portion of the consideration received by it in the consolidation.

*Some individuals will be indemnified by the company against claims, including claims for actions on behalf of the supervisor.* Members, managers and officers of the supervisor, who will be employed by the company, will be indemnified by the company for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against them for actions taken as officers and as a director of the company and for actions taken on behalf of the supervisor and other management companies, in their capacities as such, including actions relating to the consolidation.

*Some individuals will have the benefit of a tax protection agreement.* As part of the consolidation, the operating partnership intends to enter into a tax protection agreement with Peter L. Malkin and Anthony E. Malkin pursuant to which the operating partnership will agree to indemnify the Wien group and an additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property), against certain tax liabilities if those tax liabilities result from (i) the operating partnership's sale, transfer, conveyance or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent approximately 17.8% of the company's annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the consolidation, for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both of Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by these properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible or (iii) the operating partnership failing to make available to any of these investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable

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share of \$160 million of aggregate indebtedness meeting certain requirements, until such investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such investor received in the consolidation.

*The company will release certain individuals from liabilities for certain actions, including actions previously taken on behalf of the supervisor.* The company will release Anthony E. Malkin and Peter L. Malkin and certain other officers of the supervisor from all claims, liabilities, damages and obligations against them related to their ownership of the management companies, interests in any of the subject LLCs or the private entities or for serving as an agent for the participants and their employment with the management companies that exist immediately after the closing of the consolidation, other than breaches by them or entities related to them, as applicable, of the employment and non-competition agreement and the contribution agreements entered into by them and these entities in connection with the consolidation.

*If a participant consents to the voluntary pro rata reimbursement program, the supervisor will receive substantial benefits.* If a participant consents to the voluntary pro rata reimbursement program for expenses of the former property manager and leasing agent legal proceedings, the supervisor will be reimbursed for costs previously advanced. You are being asked to consent to the voluntary pro rata reimbursement program under which your share of distributions will be reduced by your pro rata share of the costs advanced by the supervisor and Peter L. Malkin for the former property manager and leasing agent legal proceedings. If you consent to the voluntary pro rata reimbursement program, the supervisor and Peter L. Malkin will be reimbursed for your pro rata share of costs previously incurred out of your share of the excess cash of your subject LLC that is being distributed to participants, and, to the extent that is insufficient, the shares of Class A common stock that you would receive in the consolidation or the consideration that you would receive in a third-party portfolio transaction, as applicable, will be reduced by the balance (valued, if the consolidation is consummated, at the IPO price) and such balance would be paid to the supervisor and Peter L. Malkin in shares of Class A common stock, if the consolidation is consummated, or out of distributions that you would receive from the proceeds of a third-party portfolio transaction, if consummated, or out of distributions from operations of the subject LLC. Your failure to consent to this proposal will not affect whether or not the subject LLC participates in the consolidation or a third-party portfolio transaction.

*There may be conflicts regarding the allocation of the chief executive officer's time.* After the consolidation, the company intends to enter into management agreements with the entities that own interests in certain excluded properties and excluded businesses, which entities are owned in part by Anthony E. Malkin. Anthony E. Malkin is only required to dedicate a majority of his working time to the business of the company. There may be conflicts of interest in the allocation of his time between the company and his other interests. In addition, Anthony E. Malkin will have a conflict of interest in connection with the decision to exercise the option, because he may receive benefits from the exercise of the option not shared by holders of common stock of the company or operating partnership units.

*There may be conflicts regarding the option properties and other excluded properties and excluded businesses.* Affiliates of the supervisor also will retain interests in the option properties with respect to which the company has entered into option agreements, certain other properties to which the company will provide management services and certain excluded businesses. Affiliates of the supervisor are subject to conflicts of interest in connection with the terms of these arrangements.

*Officers of the supervisor will be granted long-term incentive plan units and/or restricted shares of Class A common stock.* Effective upon consummation of the consolidation, the company expects to grant long-term incentive plan units and/or restricted shares of Class A common stock, subject to certain vesting requirements to certain members of the senior management team, including officers of the supervisor.

*The supervisor and its affiliates may have a conflict of interest in deciding whether to approve a third-party portfolio proposal due to the benefits that the supervisor and the Malkin Holdings group could receive in that transaction.* The supervisor or the Malkin Holdings group may receive an interest in the acquiror or its subsidiaries

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in connection with a third-party portfolio transaction. This interest could be of greater value or could provide greater benefits to the supervisor or the Malkin Holdings group than those they would receive in the consolidation. In addition, affiliates of the supervisor could receive other benefits from a third-party portfolio transaction, such as employment agreements or benefits under compensation or incentive plans. On the other hand, the benefits to the supervisor and the Malkin Holdings group from the consolidation could exceed the benefits from a third-party portfolio transaction, particularly since senior executives of the supervisor will be senior executive officers and a director of the company, and the supervisor will receive other benefits from the consolidation described under **Conflicts of Interest Substantial Benefits to the Supervisor and its Affiliates**. Accordingly, the supervisor may have a conflict of interests in determining whether to approve a third-party offer.

*The supervisor and its affiliates may have a conflict of interest in connection with decisions concerning the terms of a third-party portfolio transaction.* The benefits that the supervisor and the Malkin Holdings group may receive from a third-party portfolio transaction may be greater than or different from the benefits received by participants. As a result, the supervisor and its affiliates may have conflicts of interest in making decisions as to amount and form of the consideration to be received in the transaction, the terms of the agreements, and other matters.

*The supervisor and its affiliates could receive tax benefits from a third-party portfolio transaction that are more favorable than those received by other participants.* The supervisor and the Malkin Family could receive consideration for their interests in the subject LLCs and the private entities and their override interests in the form of partnership interests of the unaffiliated third party even if other participants receive shares of common stock or cash from such unaffiliated third party. These partnership interests could be issued in transactions intended to qualify for the deferral of U.S. federal income tax. As a result, as is the case in connection with the consolidation, the supervisor and the Malkin Holdings group could receive tax benefits not available to other participants.

**Different Tax Consequences to Participants in Subject LLCs**

The participants in the subject LLCs will have different U.S. federal income tax and other tax consequences from the tax consequences of participants in the private entities and the Wien group. The participants in the subject LLCs will be issued shares of Class A common stock and/or cash in a taxable transaction. Accordingly, participants will recognize gain or loss for U.S. federal income tax purposes in connection with the consolidation. By contrast, the supervisor and the Wien group will receive operating partnership units and/or shares of Class A common stock and/or Class B common stock in transactions that are intended to qualify, in whole or in part, as tax deferred transactions for U.S. federal income tax purposes. The participants in the private entities also will receive operating partnership units and/or shares of Class A and/or Class B common stock in transactions that are intended to qualify, in whole or in part, as tax deferred transactions for U.S. federal income tax purposes. As a result, the supervisor and the Wien group are not expected to incur U.S. federal income tax with respect to the exchange of their interests in subject LLCs, the private entities and the management companies. In addition, as a result, certain holders of operating partnership units, including the supervisor and its affiliates, may experience different and more adverse tax consequences compared to those experienced by participants in the subject LLCs upon the sale of, or the reduction of indebtedness encumbering, any of the properties. Therefore, such holders may have different objectives regarding the appropriate pricing and timing of any sale or refinancing of an individual property. See **Risk Factors Risks Related to the Tax Consequences of the Consolidation**.

**Lack of Independent Representation of Participants**

While the independent valuer has provided an independent appraisal and fairness opinion, the subject LLCs have not retained any outside representative to act on behalf of the participants in structuring and negotiating the terms and conditions of the consolidation. The supervisor did not retain an independent representative to represent the participants. No group of participants was empowered to negotiate the terms and conditions of the

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consolidation or to determine what procedures should be in place to safeguard the rights and interests of the participants. If a representative or representatives had been retained for the participants, the terms of the consolidation might have been different and, possibly, more favorable to the participants.

### **Terms of the Consolidation with the Other Subject LLCs, the Private Entities and the Management Companies**

The supervisor and the Malkin Holdings group may hold a greater interest (including their share of distributions in respect of the override interests) in other subject LLCs or private entities than in your subject LLC, including the private entity which is the operating lessee of the property your subject LLC owns. Accordingly, they would be benefited to the extent that a greater portion of the exchange value is allocated to other subject LLCs or private entities than to your subject LLC.

The exchange values were determined based on the appraisal by the independent valuer and the independent valuer has rendered a fairness opinion as to the fairness of the allocation of consideration (operating partnership units, Class A common stock, Class B common stock or cash consideration) (i) among each private entity, each subject LLC and the management companies and (ii) to the participants in each private entity and each subject LLC is fair to the participants in the subject LLC and the private entity from a financial point of view (without giving effect to any impact of the consolidation on any particular participant other than in its capacity as a participant in each of the subject LLCs and each of the private entities).

The supervisor believes that these terms are fair and reasonable and that the number of shares of common stock and operating partnership units allocable in respect of the private entities and the management companies was determined on the same basis and using the same methodology as the determination of the number of shares of Class A common stock issuable to the subject LLCs. However, due to the conflicts of interest the supervisor and its affiliates had in determining the terms of the transactions with the subject LLCs, the private entities and the management companies, the transaction was not the result of arm's-length negotiations.

### **Non-Arm's-Length Agreements**

All agreements and arrangements, including those relating to compensation and the contribution of the interests in the properties (and other assets) by the subject LLCs, the private entities and the management companies were determined by the supervisor and its affiliates. The agreements and arrangements were not the result of arm's-length negotiations.

### **Conflicts of Interest in Voting Participation Interests**

The Malkin Holdings group owns participation interests in all of the subject LLCs and have a conflict of interest in voting their participation interests. The company will acquire each subject LLC if the participants in that subject LLC who hold the required percentage of the outstanding participation interests vote in favor of the consolidation. The Wien group collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C.

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**Features Discouraging Potential Takeovers**

The company's management could use provisions of the company's organizational documents to delay, discourage or thwart efforts of third parties to acquire control of, or a significant equity interest in, the company.

Provisions in the partnership agreement of the operating partnership may delay or make more difficult unsolicited acquisitions of the company or changes of control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of the company or change of control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

redemption rights of qualifying parties;

transfer restrictions on units;

the company's ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of the company or the operating partnership without the consent of the limited partners and

the right of the limited partners to consent to transfers of the general partnership interest and mergers or other transactions involving the company under specified circumstances.

In addition, certain provisions of the MGCL may have the effect of deterring a third party from making a proposal to acquire the company or of impeding a change in control under circumstances that otherwise could provide stockholders with the opportunity to realize a premium over the then-prevailing market price of the Class A common stock. Among other things, the company is subject to the business combination, control share acquisition and unsolicited takeover provisions of the MGCL. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for the company or of delaying, deferring or preventing a change in control of the company under the circumstances that otherwise could provide stockholders with the opportunity to realize a premium over the then current market price. Pursuant to the statute, the company's board of directors has by resolution exempted business combinations between the company and any other person, provided that such business combination is first approved by the company's board of directors (including a majority of the directors who are not affiliates or associates of such person). The company's bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of the company's stock. There can be no assurance that these exemptions or provisions will not be amended or eliminated at any time in the future. The charter contains a provision whereby the company has elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the company's board of directors. See Certain Provisions of the Maryland General Corporation Law and the Company's Charter and Bylaws Business Combinations, Control Share Acquisitions and Subtitle 8.

Furthermore, in order for the company to qualify as a REIT for each taxable year after its taxable year ending December 31, 2012, no more than 50% in value of the company's outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own the company's stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year. Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts and some charitable trusts. To assist the company in complying with these limitations, among other purposes, the company's charter generally prohibits any person from directly or indirectly owning more than % by value or number of shares, whichever is more restrictive, of the outstanding shares of the company's capital stock or more than % by value or number of shares, whichever is more restrictive, of the outstanding shares of the company's common stock. As an exception to this general prohibition, the company's charter permits the Malkin Family (as defined in the company's charter) to own up to % by value or number of shares of the company's outstanding shares of common stock or capital stock. In addition, the company intends to grant the Helmsley estate a waiver from this general prohibition, to the extent required. The ownership limitations could have the effect of

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discouraging a takeover or other transaction in which holders of common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

The company's charter's constructive ownership rules are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares of common stock by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares and thus violate the share ownership limits. The company's charter also provides that any attempt to own or transfer shares of the company's common stock or preferred stock (if and when issued) in excess of the stock ownership limits without the consent of the company's board of directors or in a manner that would cause the company to be "closely held" under Section 856(h) of the Code (without regard to whether the shares are held during the last half of a taxable year) will result in the shares being deemed to be transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of the company's shares, any such transfer of the company's shares will be void.

The company's bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the company's board of directors and the proposal of other business to be considered by stockholders may be made only (1) pursuant to the company's notice of the meeting, (2) by or at the direction of the board of directors or (3) by a stockholder who is a stockholder of record both at the time of giving the notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice provisions set forth in the bylaws.

With respect to special meetings of stockholders, only the business specified in the company's notice of meeting may be brought before the meeting. Nominations of individuals for election to the board of directors may be made only (1) by or at the direction of the board of directors or (2) provided, that the meeting has been called in accordance with the bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in the bylaws.

The purpose of requiring stockholders to give the company advance notice of nominations and other business is to afford the board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by the board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although the bylaws do not give the board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to the company and its stockholders.

The charter and bylaws of the company and the partnership agreement of the operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for the common stock or that the stockholders otherwise believe to be in their best interest.

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**COMPARISON OF OWNERSHIP OF PARTICIPATION INTERESTS AND  
SHARES OF COMMON STOCK**

The information below highlights a number of the significant differences between the subject LLCs and the company relating to, among other things, form of organization, investment objectives, policies and restrictions, asset diversification, capitalization, management structure, compensation and fees and investor rights, and compares the principal legal rights associated with the ownership of participation interests in the subject LLCs and shares of common stock. These comparisons have been included to assist you in understanding how your investment will change if, as a result of the consolidation, your participation interest is exchanged for Class A common stock. This discussion is only a summary and does not constitute a complete discussion. The company strongly encourages you to review this prospectus/consent solicitation, as well as the accompanying supplement for your subject LLC for additional information.

The interests in each subject LLC are held by members of such subject LLC, each of whom holds that interest for the benefit of participants in that agent's participating group.

**Form of Organization and Purpose**

**Subject LLCs**

The three subject LLCs are publicly-registered limited liability companies originally formed as partnerships or joint ventures to acquire the fee title or long-term ground lease interest in an office property located in New York, New York and to lease the property to an operating lessee, which operates the property.

The company will have broader business opportunities than the subject LLCs, which each own an interest in a single office building, subject to an operating lease, and will have access to financing opportunities that are currently not accessible to the subject LLCs. Inherent in several of the additional financing opportunities are risks which do not exist in the case of your subject LLC, and the company encourages you to review Risk Factors for a detailed description of such risks.

**The Company**

The company is a Maryland corporation which intends to elect and to qualify to be taxed as a REIT under the Code. Its primary focus will be to own and manage its current portfolio and continue to operate, acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

**Length and Type of Investment**

**Subject LLCs**

Each subject LLC was originally formed between 1953 and 1961 without a stated term. The investment objective of each subject LLC was to acquire and hold for the long-term the fee or leasehold interest in the property it now owns and for which it receives rental income. As a participant in your subject LLC, you are entitled to receive cash distributions out of your subject LLC's net operating income, if any. While historically the supervisor generally has not reinvested the proceeds from a sale, it is not restricted from doing so. Net proceeds of such a sale which are not reinvested or reserved in the supervisor's discretion would be distributed to the participants in accordance with each subject LLC's operating agreement and participating agreements.

**The Company**

The company will have a perpetual term and intends to continue its operations for an indefinite time period. To the extent the company sells or refinances its assets, the net proceeds therefrom will generally be reinvested in additional properties or retained by the company for working capital and other corporate purposes, except to the extent distributions must be made to permit the company to continue to qualify as a REIT for U.S. federal income tax purposes.



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The investment objective of each subject LLC was to acquire and hold for the long-term the fee or leasehold interest in the property it now owns and for which it receives rental income. The supervisor does not expect to reinvest net proceeds from a sale and net proceeds of such a sale which are not reinvested or reserved in the supervisor’s discretion would be distributed to the participants in accordance with each subject LLC’s operating agreement and participating agreements. In contrast, the company generally will be an operating company and will reinvest the proceeds of asset dispositions, if any, in new properties or other appropriate investments consistent with the company’s investment objectives.

**Business and Property Diversification**

**Subject LLCs**

The investment portfolio of each subject LLC currently consists of an interest in one office property subject to an operating lease and assets related to the property.

**The Company**

Assuming all of the properties of the subject LLCs and private entities are acquired by the company, the company will own, indirectly through the operating partnership, an interest in a portfolio of 12 office properties encompassing in the aggregate approximately 7.7 million rentable square feet of office space and 432,176 rentable square feet of retail space and six retail properties encompassing 204,755 rentable square feet in the aggregate. Additionally, the company will have fully entitled land in Stamford, Connecticut that will support the development of an approximately 340,000 rentable square foot office building and garage.

The assets of each subject LLC currently consist of one office property. The consolidation of the properties owned by the subject LLCs and the private entities under the company ownership will result in a more diversified investment than your investment in your subject LLC. The company will have a larger number of properties and broader types of properties, tenants and geographic locations. This diversification will reduce the dependence of your investment upon the performance of, and the exposure to the risks associated with, the one property your subject LLC owns.

**Borrowing Policies**

**Subject LLCs**

The operating agreements of Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. require the consent of 100% of the agents to enter into a mortgage financing. 250 West 57th St. Associates L.L.C.’s operating agreement requires the consent of at least 75% of the agents to enter into a mortgage financing. Each subject LLC’s respective participation agreements require an agent to obtain the required consent of the participants, as set forth in Voting Rights below, to enter into a mortgage financing of the interest in the subject LLC. As a practical matter the amount which each subject LLC can borrow is limited by its size.

**The Company**

The company expects to employ leverage in its capital structure in amounts determined from time to time by its board of directors. Although the company’s board of directors has not adopted a policy that limits the total amount of indebtedness that the company may incur, it will consider a number of factors in evaluating the company’s level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or floating rate. The company’s charter and bylaws do not limit the amount or percentage of indebtedness that it may incur nor do they restrict the form in which its indebtedness will be taken (including, but

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**Subject LLCs**

**The Company**

not limited to, recourse or non-recourse debt and cross collateralized debt). The company's board of directors may from time to time modify its leverage policies in light of the then current economic conditions, relative costs of debt and equity capital, market values of the company's properties, general market conditions for debt and equity securities, fluctuations in the market price of the company's common stock, growth and acquisition opportunities and other factors.

Each subject LLC has incurred mortgage indebtedness, with a debt to total assets ratio ranging from 6.31% to 13.40%. The consent of participants is required for incurrence of debt. As a stockholder, you will become an investor in an entity that may incur debt in the ordinary course of business without the consent of stockholders and that may invest proceeds from borrowings. The ability of the company to incur indebtedness in the ordinary course of business increases the risk of your investment in common stock.

**Other Investment Restrictions**

**Subject LLCs**

The operating agreement for each subject LLC does not restrict the entity from investment of net proceeds of a sale of its property or the purchase of additional real property. However, the supervisor does not expect to reinvest net proceeds from a sale and net proceeds of such a sale which are not reinvested or reserved in the supervisor's discretion would be distributed to the participants in accordance with each subject LLC's operating agreement and participating agreements. Such agreement in each case provides that the subject LLC will continue until it has disposed of all its assets.

**The Company**

The company may diversify its real estate investments in terms of property locations, size and market or submarket, and it does not have any limit on the amount or percentage of its assets that may be invested in any one property or any one geographic area. The company does not have a specific policy to acquire assets primarily for capital gain or primarily for income. The company may purchase or lease income-producing commercial and other types of properties for long-term investment, expand and improve the properties it presently owns or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant. Although the company does not presently intend to invest in mortgages or deeds of trust, other than in a manner that is ancillary to an equity investment, it may elect to invest in mortgages and other types of real estate interests, including, without limitation, participating or convertible mortgages; provided, in each case, that such investment is consistent with its qualification as a REIT. The company does not currently have any policy limiting the types of entities in which it may make investments in securities or the proportion of assets to be so invested, whether through acquisition of an entity's common stock, limited liability or partnership interests, interests in another REIT or entry into a joint venture, however, the company intends to invest primarily in entities that own commercial real estate.

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Neither the operating agreement for the subject LLCs nor the participation agreements for the participating groups contemplate the reinvestment of cash available for distribution for the purchase of additional real property. However, there is no specific restriction on the authority of the agents to consent to the subject LLC reinvesting its sales proceeds. The organizational documents of the company provide it with discretion in selecting the type of investments it may pursue and reinvesting sales proceeds.

### **Management Control**

#### **Subject LLCs**

Under the operating agreement for each subject LLC, the supervisor is appointed to supervise the operation of the agreement. The operating agreements for the subject LLCs do not address the participation of members in the management of the subject LLC except that generally the property held by the subject LLC shall not be sold, mortgaged or transferred in any way, nor the lease modified, nor a new lease made, unless approved by agents owning 100% of Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. and at least 75% of the membership interests of 250 West 57th St. Associates L.L.C., respectively. The participation agreements provide that the agents may act in accordance with the operating agreement on all matters and that the actions of the agents will bind the participants in the group. However, for the agent to consent to certain actions such as the sale, transfer or mortgaging of the property, or the making or modification of a lease affecting the same, the agent must receive the required consent of participants in the participating group, as set forth in **Voting Rights** below. The participation agreements for 250 West 57th St. Associates L.L.C. do not give the participants the right to remove the agent. The participation agreements for Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. provide that an agent for participants pursuant to a participation agreement may be removed by the written direction of participants owning at least 75% of such participating group.

Under the operating agreement and participation agreements for the subject LLCs, the participants are not involved in management, except on certain matters where consent of participants in the participating groups is required, as set forth in **Voting Rights** below. Under the charter and bylaws, the board of directors directs management of the company. Except for their vote in the elections of directors and their vote in major transactions, as set forth above, stockholders have no control over the management of the company.

#### **The Company**

After the consolidation, decisions regarding major transactions will be made for the company by the company's management, subject to oversight by the company's board of directors, but, except for certain extraordinary transactions, without any vote or approval of the company's stockholders. The company's board of directors and management will also have broad discretion, without being subject to stockholder vote or approval, to make decisions regarding the company's policies, including its policies with respect to investment, financing, growth, acquisitions, development, debt, capitalization and dividends.

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**Fiduciary Duties**

**Subject LLCs**

Each subject LLC was originally formed as a partnership or a joint venture under the laws of New York and each was converted to a limited liability company under New York law. The agents hold their membership interests in the subject LLCs as agents for the participants in their respective participating group. The agents for each participating group are fiduciaries for the participants in their respective participating group and owe such participants a duty of loyalty and a duty of care, and are required to exercise good faith and fair dealing in conducting the affairs of the subject LLC in which they hold membership interests.

**The Company**

The company's directors and officers have duties under applicable Maryland law to act in good faith, in a manner reasonably believed to be in the company's best interest and with the care of an ordinarily prudent person in a like position under similar circumstances. At the same time, in its capacity as the general partner of the operating partnership, the company has fiduciary duties to manage the operating partnership in a manner beneficial to the operating partnership and its partners. The company's duties, as the general partner, to the operating partnership and its limited partners, therefore, may come into conflict with the duties of the company's directors and officers to the company and its stockholders. The company will be under no obligation to give priority to the separate interests of the limited partners of the operating partnership or its stockholders in deciding whether to cause the operating partnership to take or decline to take any actions. The limited partners of the operating partnership have agreed that in the event of a conflict in the duties owed by the company's directors and officers to the company and its stockholders and the fiduciary duties owed by the company, in its capacity as general partner of the operating partnership, to such limited partners, the company will fulfill its fiduciary duties to such limited partners by acting in the best interests of its stockholders. The limited partners of the operating partnership expressly acknowledged that the company is acting for the benefit of the operating partnership, the limited partners and its stockholders, collectively.

The agents of a participating group and the directors of the company, respectively, owe duties to their constituent parties. It is unclear, however, whether, or to what extent, there are actual differences in such duties.

**Management's Liability and Indemnification**

**Subject LLCs**

The participation agreements provide that the agent of a participating group shall not be personally liable for any act performed in good faith, nor for any action except for willful misconduct or gross negligence. The participation agreements for Empire State Building Associates L.L.C. provide that an agent may also be personally liable for liabilities under the Securities Act. Each participation agreement for 250 West 57th St. Associates L.L.C. and 60 East 42nd St. Associates L.L.C. provides that the participants in a participating

**The Company**

The Maryland General Corporation Law, or the MGCL, allows a Maryland corporation to include a provision in its charter limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The company's charter contains a provision which

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**Subject LLCs**

group shall indemnify the agent, in proportion to their participation interests, against any liability to which the agent may be subject by reason of holding record title to the participation interests in his name. For Empire State Building Associates L.L.C., the agents are indemnified for any loss or liability arising out of their actions as agent, and the indemnity obligation by the participants in a participating group does not apply where the agent incurs a loss or liability as a result of bad faith or contravention of the participation agreement.

**The Company**

eliminates the liability of its directors and officers to the maximum extent permitted by the MGCL. The MGCL requires the company (unless the company's charter provides otherwise, which it does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits the company to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that: (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty; (ii) the director or officer actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. The company's charter and bylaws require the company to indemnify its directors and officers to the maximum extent permitted by the MGCL. The company will obtain a policy of insurance under which its directors and officers will be insured against certain losses arising from claims made against such directors and officers by reason of any acts or omissions covered under such policy in their respective capacities as directors or officers, including certain liabilities under the Securities Act. Additionally, the company intends to enter into indemnification agreements with each of its directors and executive officers upon the closing of the IPO.

The agent of a participating group will generally be held liable only for their own willful misconduct or gross negligence or acts not performed in good faith, and may be indemnified in certain cases. The liability of the company's directors and officers is limited to the fullest extent permitted under the MGCL, and such directors and officers are indemnified by the company to the fullest extent permitted by the MGCL.

**Takeover Provisions**

**Subject LLCs**

The operating agreements for the subject LLCs do not provide for removal of a member. For each participating group of 250 West 57th St. Associates L.L.C., a change

**The Company**

Certain provisions of the MGCL and the company's charter and bylaws may have the effect of delaying, deferring or preventing a transaction or a change in

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**Subject LLCs**

in the agent may be effected only by resignation, death, incompetence or other disability of the agent (who are agents for participants). The participation agreements for the other subject LLCs require the consent of 75% of the participants in a participating group to remove the agent for that participating group.

**The Company**

control of the company that might involve a premium price for stockholders or otherwise be in their best interests. See Certain Provisions of the Maryland General Corporation Law and the Company's Charter and Bylaws.

The agents, who are the members of your subject LLCs, recently created a new class of membership interests, which were divided into series. A separate series was deemed to be distributed to holders of each participating group in your subject LLC. The new series provide protections similar to those under a shareholder rights plan for a corporation. Each new series corresponds to a participating group for which a member acts as agent. The new series will not affect voting rights, except with respect to any person or group that acquires 6%, 3%, or 7.5% or more, respectively, of the outstanding participation interests in the applicable participating group (an acquiring person) for each of Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. If there is an acquiring person, the effect of the new series is that approval of the consolidation proposal and the third-party portfolio proposal by a participating group will require approval by the requisite consent of the participants in the participating group, as holders of the new series of membership interests, excluding the acquiring person.

The new series will not affect distributions unless there is an acquiring person. Each participant in the applicable participating group other than an acquiring person prior to the closing of the consolidation will have the right to receive distributions on the new series (equal to three times the distributions on the participations) and as a result if there is an acquiring person prior to the closing of the consolidation, the distributions to the acquiring person will be reduced and the distributions of other participants in the participating group in which there is an acquiring person will be correspondingly increased.

Restrictions on removal of agents by the participants could deter attempts to obtain control of the subject LLCs. Certain provisions of the organizational documents of the company could be used to deter attempts to obtain control of the company in transactions not approved by the company's board of directors.

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**Sale**

**Subject LLCs**

The operating agreements of the subject LLCs require the consent of the members, as set forth under **Management Control** above, who are agents for the participants, to sell or transfer the property held by the subject LLCs. The participation agreements for each subject LLC require the consent of participants, as described in **Voting Rights** below for each agent to consent to a sale or transfer of property.

**The Company**

Under the MGCL and the company's charter, the sale of all or substantially all of the assets of the company must be declared advisable by the board of directors and approved by the affirmative vote of the stockholders entitled to cast a majority of all the votes entitled to be cast on the matter. No approval of the stockholders is required for the sale of less than substantially all of the company's assets. In addition, under the tax protection agreement, transferring of certain of the company's properties will be restricted without the consent of the parties to the tax protection agreement. See the section entitled, **The Consolidation Description of the Tax Protection Agreement**.

Under the operating agreements and participation agreements, the sale or transfer of property may be affected with the required consent of participants, as set forth in **Voting Rights** below. Under the charter of the company, the sale of assets which do not amount to all or substantially all of the assets of the company does not require any consent of the stockholders; however, a sale of all or substantially all of the company's assets requires stockholder consent.

**Dissolution**

**Subject LLCs**

Each subject LLC shall dissolve when the all of the property owned by it shall have been disposed of pursuant to its operating agreement. Each participating group shall dissolve when all of the participation interests held by the participating group shall have been disposed of pursuant to its participation agreement.

**The Company**

Under the MGCL and the company's charter, the dissolution of the company must be declared advisable by the board of directors and approved by the affirmative vote of the stockholders entitled to cast a majority of all votes entitled to be cast on the matter.

Under each subject LLC's operating agreement and participation agreements the entity or participating group shall be dissolved when its property shall be disposed of. Under the charter of the company, the entity may be dissolved with the consent of stockholders entitled to cast a majority of all votes entitled to be cast on the matter.

**Amendments**

**Subject LLCs**

The operating agreements of the subject LLCs do not address the vote required for amendment of the operating agreement. The operating agreements provide that the agents will have the same rights and liabilities in relation to the other members of the subject LLC after conversion of the subject LLCs to limited liability companies as they would have under New York partnership law. Under New York partnership law, unanimous consent of the agents would be required to

**The Company**

Generally, amendments to the charter must be declared advisable by the board of directors and approved by the affirmative vote of holders of shares entitled to cast a majority of all of the votes entitled to be cast on the matter.

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**Subject LLCs**

amend the operating agreement of each subject LLC. The agents are not required to obtain the consents of the participants in their respective participating groups to consent to an amendment of the operating agreement. The participation agreements for Empire State Building Associates L.L.C. specify that amendment of the participation agreement requires consent of all of the participants in such participating group. The participation agreements for the subject LLCs, other than Empire State Building Associates L.L.C., do not address the vote required for amendment of the operating agreements. As a result, an amendment of the participation agreements requires the consent of all the participants in such participating group.

Amendment of the operating agreement for the subject LLCs would require the consent of all of the agents and the amendment of the participation agreements would require the consent of all of the participants in such participating group. Amendment of the charter of the company requires the approval of both the board of directors and majority of the votes entitled to be cast at a meeting of stockholders.

**The Company**

**Review of Investor Lists**

**Subject LLCs**

Neither the operating agreement nor participation agreements for the subject LLCs address the right of investors to receive an investor list. Under New York limited liability company law, a member would have the right to inspect and make copies of investor lists at its own expense for any purpose reasonably related to the member's interest as a member. Under the New York partnership law, which may apply to participation agreements, a participant in a participating group would have the right to access and to make copies of the participating group's books, which would include the list of participants.

The members and participants in the subject LLCs and the stockholders of the company may be entitled, subject to certain limitations, to inspect and, at their own expense, make copies of investor lists.

**The Company**

The company's bylaws require that it must maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate stock ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder. Under the MGCL, any stockholder may make a written request for a statement showing all stock and securities issued by the corporation during a specified period of not more than 12 months before the date of the request, and the corporation must prepare and have available a sworn statement containing (i) the number of shares or amounts of each class of stock or other securities issued during the specified period; (ii) the consideration received per share or unit, which may be aggregated as to all issuances for the same consideration per share or unit and (iii) the value of any consideration other than money as set in a resolution of the board of directors. The MGCL provides additional rights of inspection to a person or persons who, for at least six months, have held an aggregate of 5% of the outstanding stock of any class of the company, including the right to inspect the company's stock ledger or a list of its stockholders.



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The following discussion describes the investment attributes and legal rights associated with your ownership of participation interest and shares of Class A common stock.

**Nature of Investment**

**Participation Interest**

The participation interest you hold constitutes an equity interest entitling you to your pro rata share of distributions made to the participants in your subject LLC. The distributions to participants are made after distributions to the supervisor of its share of cash distributions under its override on distributions and, to the extent that a participant has consented, its share of distributions of capital proceeds pursuant to the overrides. The distributions payable by your subject LLC to its participants are not fixed in amount and depend upon the operating results and net sales or refinancing proceeds available from the disposition or refinancing of your subject LLC's assets.

**Common Stock**

The shares of common stock constitute equity interests in the company. As a stockholder, you will be entitled to your pro rata share of any distributions paid with respect to the common stock. The distributions payable to you are not fixed in amount and are only paid if, as and when authorized by the board of directors of the company and declared by the company. In order for the company to qualify as a REIT, the company must distribute to its stockholders, on an annual basis, at least 90% of its REIT taxable income, determined without the deduction for dividends paid and excluding net capital gains. In addition, the company will be subject to U.S. federal income tax at regular corporate rates to the extent that the company distributes less than 100% of its net taxable income (including any net capital gains) and will be subject to a 4% nondeductible excise tax on the amount, if any, by which the company's distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws.

The participation interest and the common stock constitute equity interests. As a participant in your subject LLC, you are entitled to your pro rata share of the cash distributions of your subject LLC, and as a stockholder, you will be entitled to your pro rata share of any dividends or distributions of the company which are paid with respect to the common stock. Distributions and dividends payable with respect to participation interest and common stock depend on the performance of your subject LLC and the company, respectively.

**Additional Equity/Potential Dilution**

**Participation Interest**

Neither the operating agreements nor the participating agreements of the subject LLCs address whether the subject LLCs or the agents for each applicable participating group is authorized to issue additional equity securities. It would be necessary to amend the applicable operating agreement or participating agreement to issue additional membership interests or participation interests, which would require the consent set forth in Amendments above.

**Common Stock**

At the discretion of the board of directors, the company may issue additional equity securities, including shares of common stock, and may classify or reclassify unissued shares into one or more classes or series of common stock or preferred stock with certain terms or preferences set by the board of directors. The issuance of additional equity securities by the company will result in the dilution of your percentage ownership interest in the company. See Description of Capital Stock Power to Reclassify the Company's Unissued Shares of Stock and Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock.

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The issuance of additional equity securities by the subject LLCs was not contemplated by the operating agreements of the subject LLCs, although the agents may have the authority to authorize the subject LLCs to issue additional equity securities without the consent of the participants in their participating group. As a stockholder, your percentage ownership interest will be diluted if the company issues additional common stock (or securities convertible into common stock). Furthermore, the company may issue preferred stock with priorities or preferences with respect to dividends and liquidation proceeds.

### **Liability of Investors**

#### **Participation Interest**

Since the subject LLCs are limited liability companies, the agents are not personally liable for the debts and obligations of such limited liability company, subject to certain limitations under New York law. The participants are only participants in these membership interests, and, as such, are not personally liable for the debts and obligations of the limited liability company.

As a holder of a participation interest, your liability for the debts and obligations of your subject LLC is limited to the amount of your investment. As a stockholder, you generally would have no liability for the debts and obligations of the company.

#### **Common Stock**

Under the MGCL, you will not be personally liable for the debts or obligations of the company.

### **Voting Rights**

#### **Participation Interest**

Generally, with some exceptions, you and the other participants in the subject LLCs have voting rights only on the sale, mortgage or transfer of the interest in the property, modification of the existing lease on the property held by your subject LLC or entry into a new lease affecting the same.

The participation interests in each subject LLC are divided into separate participating groups. Each participating group has an agent who holds its interests in the subject LLC for the benefit of the participants in the participating group. Participants holding 100% of the outstanding participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. must consent for the agent of their participating group to consent to an action requiring the consent of the participants. Participants holding greater than 75% of the outstanding participation interests in at least eight out of ten of the participating groups of 250 West 57th St. Associates L.L.C. must consent for the agent of their participating group to consent to an action requiring the consent of the participants. If holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation

#### **Common Stock**

The company is managed under the direction of a board of directors, as elected by the stockholders at the annual meeting of stockholders of the company. The MGCL and the company's charter generally require that major actions, including most amendments to the charter, be approved by the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter. You will have one vote for each share of Class A common stock that you own and will have the right to vote in the election of directors.

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**Participation Interest**

interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve an action, the agent of any such participating group will be entitled to purchase the participation interest of any participant in such participating group that voted **AGAINST** such action or that did not submit a consent form at a purchase price equal to the participant's original fractional interest in the agent's share of the capital of the subject LLC, less any repayment thereon, but in no event will the purchase price be less than \$100. If the agent purchases these participation interests, the requirement for consent of participants holding 100% of the participation interests of that participating group will be satisfied.

**Common Stock**

The agents, who are the members of your subject LLCs, recently created a new class of membership interests, which were divided into series. A separate series was deemed to be distributed to holders of a participating group in your subject LLC. The new series will not affect voting rights, except with respect to any person or group that acquires 6%, 3%, or 7.5% or more, respectively, of the outstanding participation interests in the applicable participating group (an acquiring person) for each of Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. See Takeover Provisions above.

The participation interests in each subject LLC are divided into separate participating groups, each of which has an agent who holds his interests in the subject LLC for the benefit of the participants in the participating group. Consent of participants is required to approve certain transactions, including the consolidation. As a stockholder, you will have voting rights that permit you to elect the board of directors and to approve or disapprove certain major actions.

**Liquidity**

**Participation Interest**

The participation interest that represents your ownership interest in your subject LLC is a relatively illiquid investment with a limited resale market. The trading volume of the participation interest in the resale market is limited and the prices at which your subject LLC's participation interests trade may not reflect the fair market value. In addition, transfer restrictions in the participation agreements 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. could affect the development of a more active or substantial market for the participation interest. Neither you nor any other participant, individually, can require your subject

**Common Stock**

Shares of common stock of the company will be freely transferable upon registration under the Securities Act subject to the restrictions on transfer and ownership set forth in the charter. See Description of Capital Stock Restrictions on Ownership and Transfer. The company expects its shares of Class A common stock to be listed on the NYSE, and the company expects a public market for the shares of common stock to develop. The breadth and strength of this market will depend upon, among other things, the amount of shares of the company's Class A common stock that are outstanding, the

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**Participation Interest**

LLC to dispose of its assets or redeem your or any other participants interests in your subject LLC.

Your participation interest has a limited resale market. The Class A common stock you receive will be freely transferable, subject to the restrictions of the applicable U.S. federal and state securities laws and after expiration of the lock-up period as described in this prospectus/consent solicitation and subject to the restrictions on transfer and ownership set forth in the charter, and the company expects such Class A common stock to be listed on the NYSE. As a stockholder of the company, you will have the opportunity to achieve liquidity by trading the Class A common stock in the public market.

**Common Stock**

company's financial results and prospects, and the general interest in the company's dividend yield and growth potential compared to that of other debt and equity securities. See The Consolidation Consideration.

**Expected Distributions and Payments**

**Participation Interest**

Your subject LLC makes annual distributions to the extent of available cash flow, if any. Amounts distributed to you are derived from your pro rata share of cash flow from operations or cash flow from sales or financings. See Selected Financial Information of the subject LLCs for a presentation of the cash distributions to you and the other limited partners of the subject LLCs over the five most recent calendar years.

Your subject LLC makes annual distributions to the extent of available cash flow. Dividends will be paid if, as and when authorized by the board of directors in its discretion out of funds legally available therefor and declared by the company. If you become a stockholder, you will receive your pro rata share of the dividends and distributions made with respect to your shares of common stock. The amount of such dividends and distributions will depend upon the company's revenues, operating expenses, debt service payments, capital expenditures, and funds set aside for renovations or improvements of properties.

**Common Stock**

The company intends to make quarterly dividend and distribution payments to the holders of its common stock. The amount of such dividends and distributions will be established by the board of directors, taking into account the capital requirements of the company, funds from operations, yields available to stockholders, the market price for the common stock, the requirements for qualification as a REIT and the MGCL. In order for the company to qualify as a REIT, the company must distribute to its stockholders, on an annual basis, at least 90% of its REIT taxable income, determined without the deduction for dividends paid and excluding capital gains. Unlike the subject LLCs, the company is not required to distribute net proceeds from the sale or refinancing of properties.

**Taxation of Taxable Investors**

**Participation Interest**

Each subject LLC is intended to be treated as a partnership for U.S. federal income tax purposes. As a partnership, a subject LLC is generally not subject to U.S. federal income tax at the entity-level. Participants must report their allocable share of partnership income, gain, loss and deduction on their tax return, regardless of

**Common Stock**

As a general matter, the company will be able, as a REIT, to deduct dividends paid to stockholders, generally eliminating entity-level taxation to the extent that such income is distributed. In order to qualify as a REIT, the company must distribute, on an annual basis, at least 90% of its REIT taxable income

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**Participation Interest**

whether cash distributions are made by the relevant subject LLC.

A participant's allocable share of income or loss from the subject LLC generally constitutes passive activity income or loss, subject to the passive activity rules of Section 469 of the Code.

Generally, by February 15 of each year, you receive an annual Schedule K-1 with respect to information about your subject LLC for inclusion on your U.S. federal income tax returns.

You must file state income tax returns and incur state income tax in the state in which your subject LLC owns its interest in a property.

Each subject LLC is intended to be treated as a partnership for U.S. federal income tax purposes. As a partnership, a subject LLC is generally not subject to U.S. federal income tax at the entity-level. Participants must report their allocable share of partnership income, gain, loss and deduction on their tax return, regardless of whether cash distributions are made by the relevant subject LLC. A participant's allocable share of income or loss from the subject LLC generally constitutes passive activity income or loss, subject to the passive activity rules of Section 469 of the Code. By contrast, as a general matter, the company will be able, as a REIT, to deduct dividends paid to stockholders for U.S. federal income tax purposes, generally eliminating entity level taxation to the extent that such income is distributed. In order to qualify as a REIT, the company must distribute, on an annual basis, at least 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gain). As a general matter, the company will be subject to U.S. federal corporate income tax on its income and capital gain for a given taxable year that it does not distribute. Distributions by the company to the stockholders will generally be treated as taxable dividends to the extent of the company's accumulated earnings and profits. Distributions received by a stockholder and gain or loss from a disposition of common stock by a stockholder generally does not constitute income from a passive activity for purposes of Section 469 of the Code, and therefore cannot be offset by passive losses. Corporate stockholders will not be able to claim the dividends received deduction for dividends distributed by the company.

**Common Stock**

(determined without regard to the deduction for dividends paid and excluding net capital gain). As a general matter, the company will be subject to U.S. federal corporate income tax on its income and capital gain for a given taxable year that it does not distribute. The company may also be subject to certain other taxes (including U.S. federal excise taxes and state and local taxes).

Distributions by the company to the stockholders will generally be treated as taxable dividends to the extent of the company's accumulated earnings and profits. The company will mail stockholders an annual 1099-DIV in January.

Distributions received by a stockholder and gain or loss from a disposition of common stock by a stockholder generally does not constitute income from a passive activity for purposes of Section 469 of the Code, and therefore cannot be offset by passive losses.

As a general matter, stockholders will not be obligated to file state income tax returns in states in which the company has properties solely as a result of owning common stock of the company.

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**Taxation of Tax-Exempt Investors**

**Participation Interest**

Allocations of income from a subject LLC and gain from the disposition of an interest in a subject LLC are characterized as unrelated business taxable income, or UBTI, to a tax-exempt investor, only to the extent that the tax-exempt investor incurs acquisition indebtedness with respect to its interest in the public partnership or to the extent the subject LLC incurs acquisition indebtedness.

A tax-exempt entity is treated as owning and carrying on the business activity conducted by a partnership in which such entity owns an interest. Income received from a tax-exempt entity must not constitute UBTI for the tax-exempt investor to avoid U.S. federal income tax on such income. Income from the public partnership does not constitute UBTI except to the extent the public partnership incurs acquisition indebtedness or the tax-exempt investor incurs acquisition indebtedness with respect to its interest in the public partnership. In general, income attributable to the common stock is not UBTI.

**Common Stock**

Dividends received from the company and gain from a disposition of common stock will generally not constitute UBTI except to the extent the tax-exempt investor finances the common stock with acquisition indebtedness, or, in the case of certain tax-exempt investors, unless the company is a pension-held REIT. See U.S. Federal Income Tax Considerations Taxation of Tax-Exempt U.S. Stockholders.

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**Compensation and Fees**

Under each subject LLC's operating agreement or pursuant to the consent of the participants, the management companies and the Malkin Holdings group receive distributions, reimbursements, fees and sales proceeds. The following chart details the nature of the supervisor's compensation for each subject LLC and compares it to the company.

	<b>250 West 57th St. Associates L.L.C.</b>	<b>Empire State Building Associates L.L.C.</b>	<b>60 East 42nd St. Associates L.L.C.</b>	<b>The Company</b>
<b>Interest in Cash Flow, and Partnership Management Fee</b>	<p>Basic supervisory fee was equal to \$40,000 per annum prior to July 1, 2010 and was increased to equal to \$102,000 per year after July 1, 2010, plus an annual adjustment for inflation after July 1, 2010.</p> <p>Supervisory fee for special services, such as legal and accounting services, payable at hourly rates.</p> <p>Distributions of cash flow of 10% of all cash distributions (other than from mortgage, sale or condemnation proceeds) in excess of 15% on the remaining cash investment in any one year.</p> <p>The Malkin Holdings group also receive distributions on account of interests owned by them on the same basis as other participants.</p>	<p>Basic supervisory fee was equal to \$100,000 per annum prior to July 1, 2010 and was increased to \$725,000 per year after July 1, 2010, plus an annual adjustment for inflation after July 1, 2010.</p> <p>Supervisory fee for special services, such as legal and accounting services, payable at hourly rates.</p> <p>Distributions of (i) 6% of any distributions of overage rent received under the operating sublease; (ii) 6% of 50% of savings from mortgage elimination; and (iii) 6% of 50% of scheduled reductions in ground rent in 1992 and 2013 except to participants who approved the voluntary compensation plan for the management companies.</p>	<p>Basic supervisory fee was equal to \$24,000 per annum prior to July 1, 2010 and was increased to \$180,000 per year after July 1, 2010, plus an annual adjustment for inflation.</p> <p>Supervisory fee for special services, such as legal and accounting services, payable at hourly rates.</p> <p>Distributions of cash flow of 10% of all cash distributions in excess of 14% on the remaining cash investment in any one year.</p> <p>The Malkin Holdings group also receive distributions on account of interests owned by them on the same basis as other participants.</p>	<p>The company will pay all management expenses. Such management expenses will reduce the funds available for distribution by the company. The officers and directors of the company will receive compensation for their services as described herein under Management. The company will not otherwise pay any management fees, other than property management fees paid to third party property manager.</p> <p>As an internally-advised REIT, the company will not otherwise pay a portion of net cash flow or allocations to management, except for distribution pro rata in accordance with ownership of the company's common stock and operating partnership units.</p>

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	<b>250 West 57th St. Associates L.L.C.</b>	<b>Empire State Building Associates L.L.C.</b>	<b>60 East 42nd St. Associates L.L.C.</b>	<b>The Company</b>
<b>Reimbursements</b>	<p>Disbursements and regular accounting fees related to the supervisor s maintenance of the books and records of 250 West 57th St. Associates L.L.C. and supervision of the operation of the 250 West 57th St. Associates L.L.C. operating agreement are paid by 250 West 57th St. Associates L.L.C.</p> <p>In addition to the basic supervisory fee and overrides, the supervisor receives payments for time charges for services not included in the supervisory fee, that include administrative fees for tax information (k-1) preparation, fees for investing funds, internal disbursements (<i>i.e.</i> copies, fax), third party disbursements (postage and delivery, supplies, filing fees) and third party billings advanced by the supervisor.</p>	<p>The Malkin Holdings group also receive distributions on account of interests owned by them on the same basis as other participants.</p> <p>Disbursements and regular accounting fees related to the supervisor s maintenance of the books and records of Empire State Building Associates L.L.C. and supervision of the operation of the Empire State Building Associates L.L.C. operating agreement are paid by Empire State Building Associates L.L.C.</p> <p>In addition to the basic supervisory fee and overrides, the supervisor receives payments for time charges for services not included in the supervisory fee, that include administrative fees for tax information (k-1) preparation, fees for investing funds, internal disbursements (<i>i.e.</i> copies, fax), third party disbursements (postage and delivery, supplies, filing fees) and third party billings advanced by the supervisor.</p>	<p>Disbursements and regular accounting fees related to the management companies maintenance of the books and records of 60 East 42nd St. Associates L.L.C. and supervision of the operation of the 60 East 42nd St. Associates L.L.C. operating agreement are paid by 60 East 42nd St. Associates L.L.C.</p> <p>In addition to the basic supervisory fee and overrides, the supervisor receives payments for time charges for services not included in the supervisory fee, that include administrative fees for tax information (k-1) preparation, fees for investing funds, internal disbursements (<i>i.e.</i> copies, fax), third party disbursements (postage and delivery, supplies, filing fees) and third party billings advanced by the supervisor.</p>	<p>The company will pay all management expenses. Such management expenses will reduce the funds available for distribution by the company.</p>



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	<b>250 West 57th St. Associates L.L.C.</b>	<b>Empire State Building Associates L.L.C.</b>	<b>60 East 42nd St. Associates L.L.C.</b>	<b>The Company</b>
<b>Property Management Fees</b>	None.	None.	None.	None.
<b>Real Estate Disposition Fees</b>	None.	None.	None.	None.
<b>Distribution of Net Sales Proceeds</b>	Under the voluntary capital transaction override program, approximately 79.6% of participants approved paying a portion of their distributions to the supervisor as follows: if cumulative net proceeds received by a participant from all capital transactions (including a partial or full sale, mortgage, pledge or assignment of the property or substantially all the interests in 250 West 57th St. Associates L.L.C.) exceed two times the original cash investment, then 10% of the excess shall be paid to the supervisor.	Under the voluntary capital transaction override program, approximately 94% of participants approved paying a portion of their distributions to the supervisor as follows: (i) if cumulative net sale and refinancing proceeds received by a participant exceed the participants original cash investment, then 10% of the excess shall be paid to the supervisor; (ii) 10% of the master lease reductions (other than those scheduled for 1992 and 2013) shall be paid to the management companies; and (iii) if the annual financing charges under the senior mortgage are less than \$1,970,000 through 2012 and \$1,723,750 thereafter, then 10% of the difference shall be paid to the management companies.	None.	Distributions will be made pro rata in accordance with ownership of the company's common stock and operating partnership units.

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**VOTING PROCEDURES FOR THE CONSOLIDATION PROPOSAL AND THE THIRD-PARTY PORTFOLIO PROPOSAL**

**Distribution of Solicitation Materials**

This prospectus/consent solicitation, together with the accompanying supplement, transmittal letter and consent form constitute the solicitation materials being distributed to you and the other participants to obtain their votes **FOR** or **AGAINST** your subject LLC's participation in the consolidation and the third-party portfolio proposal. The power of attorney and participant consent is referred to, collectively, as the consent form.

Participants are being asked to vote on both the proposed consolidation and the third-party portfolio proposal. The participants holding the required percentage of the outstanding participation interests of your subject LLC must approve each proposal in order for such proposal to be approved by your subject LLC. If the consolidation is approved by your subject LLC and the consolidation is consummated, your subject LLC will consolidate with the company in the manner described in this prospectus/consent solicitation and in the supplement relating to your subject LLC. If you vote **FOR** the consolidation and your subject LLC participates in the consolidation, you effectively will be voting against the alternatives to the consolidation, other than a third-party portfolio transaction, unless you vote **AGAINST** the third-party portfolio proposal. These alternatives include continuation of your subject LLC and a sale of your subject LLC's interest in the property and distribution of the net proceeds to participants. If the consolidation is not approved your subject LLC and a third-party portfolio transaction is not consummated, the supervisor expects the operations of your subject LLC to continue. You should complete and return the consent form before the expiration of the solicitation period, which is the time period during which participants may vote **FOR** or **AGAINST** the consolidation and the third-party portfolio proposal. The solicitation period will commence upon delivery of the solicitation materials to you which is on or about \_\_\_\_\_, and will continue until the later of: (i) \_\_\_\_\_ or (ii) such later date as the supervisor may select. At its discretion, the supervisor from time to time may elect to extend the solicitation period for one or more proposals for one or more of the subject LLCs without extending for other proposals or subject LLCs. Any consent form will be effective provided that such consent form has been properly completed and signed if received by MacKenzie Partners, Inc., which the company hired to tabulate your votes, prior to 5:00 p.m. Eastern time, on \_\_\_\_\_, 2012, unless the supervisor extends the solicitation period for one or more proposals, in such case, the last day of such extended solicitation period.

If you return a signed consent form but fail to indicate whether you are voting **FOR**, **AGAINST** or **ABSTAIN** from the consolidation proposal or the third-party portfolio proposal, you will be deemed to have voted **FOR** such proposal. If you fail to return a signed consent form by the end of the solicitation period, your participation interest will be counted as voting **AGAINST** the consolidation proposal and the third-party portfolio proposal.

The consent form seeks your consent to the consolidation and the third-party portfolio proposal. If you own participation interests in more than one subject LLC, for each subject LLC in which you own a participation interest you will receive a transmittal letter, supplement and consent form. Regardless of how many subject LLCs in which you own a participation interest, you will receive a single copy of the prospectus/consent solicitation. Participants in each subject LLC will vote separately on whether or not to approve the consolidation and the third-party portfolio proposal. Accordingly, if you hold interests in more than one subject LLC, you must complete one consent form for each subject LLC in which you are a participant.

The consent form also includes a section which permits participants to elect to exercise the cash option. See [The Consolidation Cash Option](#).

**Required Vote for the Consolidation Proposal and the Third-Party Portfolio Proposal and Other Conditions**

The participation interests in each subject LLC are divided into separate participating groups. Participants are being asked to vote on both the proposed consolidation and the third-party portfolio proposal. For each

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proposal to be approved, participants holding 100% of the outstanding participation interests in Empire State Building Associates L.L.C. and 60 East 42nd St. Associates L.L.C. must approve that proposal, and participants holding greater than 75% of the outstanding participation interests in eight out of the ten participating groups of 250 West 57th St. Associates L.L.C. must approve that proposal. Approval by the required vote of the participants in 250 West 57th St. Associates L.L.C. in favor of a proposal will be binding on you if you are a participant in 250 West 57th St. Associates L.L.C. even if you vote **AGAINST** such proposal. Each of these proposals is subject to a separate consent and approval of each proposal is not dependent on approval of any other proposal.

If holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve the consolidation, the agent of any such participating group will purchase, pursuant to each subject LLC's organizational documents, on behalf of the subject LLC the participation interest of any participant in such participating group that voted **AGAINST** or **ABSTAIN** with respect to the consolidation or that did not submit a consent form, at a price that would be substantially lower than the exchange value.

If holders of 80% of the participation interests in any of the three participating groups in Empire State Building Associates L.L.C. or holders of 90% of the participation interests in any of the seven participating groups in 60 East 42nd St. Associates L.L.C. approve the third-party portfolio proposal, the agent of any such participating group will purchase on behalf of the subject LLC the participation interest of any participant in such participating group that voted **AGAINST** or **ABSTAIN** with respect to the third-party portfolio proposal or that did not submit a consent form, at a price that would be substantially lower than the exchange value regardless of whether there is a third-party portfolio offer and even if the consolidation is consummated and the participant voted in favor of the consolidation.

Prior to an agent purchasing the participation interests of non-consenting participants, an agent will give such participants not less than ten days notice after the required consent is received by a subject LLC to permit them to consent to the consolidation or the third-party portfolio proposal, as applicable, in which case their participation interests will not be purchased. The agents will purchase the participation interests for the benefit of the subject LLC and not for their own account and will be reimbursed by the subject LLC for the cost of such buyout. If the agent purchases these participation interests, the requirement for consent of participants holding 100% of the participation interests of that participating group will be satisfied.

The agents, who are the members of your subject LLCs, recently created a new class of membership interests, which were divided into series. A separate series was deemed to be distributed to holders of a participating group in your subject LLC. The new series provide protections similar to those under a shareholder rights plan for a corporation. Each new series corresponds to a participating group for which a member acts as agent. The new series will not affect voting rights, except with respect to any person or group that acquires 6%, 3%, or 7.5% or more, respectively, of the outstanding participation interests in the applicable participating group (an acquiring person) for each of Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. If there is an acquiring person, the effect of the new series is that approval of the consolidation proposal and the third-party portfolio proposal by a participating group will require approval by the requisite consent of the participants in the participating group, as holders of the new series of membership interests, excluding the acquiring person.

The buyout amount would be substantially lower than the exchange value. These buyout amounts are \$100 for the interest held by a participant in Empire State Building Associates L.L.C. and \$100 for the interest held by a participant in 60 East 42nd St. Associates L.L.C., as compared to the exchange value of \$33,085 per \$1,000 original investment for Empire State Building Associates L.L.C. and \$38,972 per \$1,000 original investment for 60 East 42nd St. Associates L.L.C., respectively. The cash required to buyout non-consenting participants will not be paid from the proceeds from the IPO.

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The Wien group collectively owns participation interests in the subject LLCs and has advised that it will vote in favor of the consolidation and the third-party portfolio proposal. These participation interests represent the following percentage ownership for each subject LLC: 8.5921% for Empire State Building Associates L.L.C., 8.7684% for 60 East 42nd St. Associates L.L.C. and 7.3148% for 250 West 57th St. Associates L.L.C. For a more detailed discussion relating to your subject LLC, please review the accompanying supplement.

*Outstanding Participation interests.* Holders of participation interests for all subject LLCs as of \_\_\_\_\_, 2012 are entitled to vote. As of September 30, 2011, the following numbers of participation interests were held by the number of participants indicated below:

Subject LLC	Number of Participants	Number of Participation Interests Held <sup>(1)</sup>
Empire State Building Associates L.L.C.	2,813	3,300
60 East 42nd St. Associates L.L.C.	837	700
250 West 57th St. Associates L.L.C.	622	720

(1) Based on an original investment per participation interest of \$10,000.

You are entitled to one vote for each participation interest held. Accordingly, the number of participation interests entitled to vote with respect to the consolidation and the third-party portfolio proposal is equivalent to the number of participation interests held on the last day of the consent solicitation period.

*Investor Lists.* Under Rule 14a-7 of the Securities Exchange Act of 1934, as amended, which is referred to herein as the Exchange Act, your subject LLC is required, upon your written request, to provide to you:

a statement of the approximate number of participants in your subject LLC and

the estimated cost of mailing a proxy statement, form of proxy or other similar communication to your subject LLC's participants. In addition, you have the right, at your option, either:

to have your subject LLC mail (at your expense) copies of any consent statement, consent form or other soliciting materials to be furnished by you to the other participants in your subject LLC or

to have the subject LLC deliver to you, within five business days of the receipt of the request, a reasonably current list of the names, addresses and participation interests held by the participants in your subject LLC.

The right to receive the list of participants is subject to your payment of the cost of mailing and duplication at a rate of \$0.20 fee per page.

*Tabulation of Votes.* An automated system administered by Mackenzie Partners, Inc. will tabulate the votes and consents. Abstentions will be tabulated with respect to the consolidation and other matters to be voted on. Abstentions will have the effect of a vote **AGAINST** the consolidation, as will the failure to return a consent form and broker nonvotes. Broker nonvotes are where a broker submits a consent but does not have authority to vote a participant's participation interest the consolidation proposal.

*Revocability of Consent.* You may withdraw or revoke your consent form at any time before the later of the date that consents from participants holding the required percentage of outstanding participation interests are received by your subject LLC and the 60<sup>th</sup> day after the date of this prospectus/consent solicitation. You can send the supervisor a written statement that you would like to revoke your consent, or you can send the supervisor a new consent form. This written statement or new consent form should be sent to the same address as the original consent form.



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**CONSENT PROCEDURES FOR VOLUNTARY PRO RATA REIMBURSEMENT PROPOSAL**

The consent form being distributed to you and the other participants also seeks to obtain your consent to the payment of a voluntary pro rata reimbursement to the supervisor and Peter L. Malkin for costs advanced, plus interest, for the former property manager and leasing agent legal proceedings.

If you return a signed consent form but fail to indicate whether you consent to or disapprove of the voluntary pro rata reimbursement program, you will be deemed not to have consented to the voluntary pro rata reimbursement program. If you fail to return a signed consent form by the end of the solicitation period, you will be deemed not to have consented to the voluntary pro rata reimbursement program.

The solicitation of consents for the voluntary pro rata reimbursement program will continue until the later of: (i) \_\_\_\_\_ or (ii) such later date as the supervisor from time to time may select. At its discretion, the supervisor may elect to extend the solicitation period for such proposal. Any consent form will be effective provided that such consent form has been properly completed and signed if received by MacKenzie Partners, Inc., which the company hired to tabulate your votes, prior to 5:00 p.m. Eastern time, on \_\_\_\_\_ 2012, unless the supervisor extends the solicitation period for such proposal, and, in such case, the last day of such extended solicitation period.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF EMPIRE STATE REALTY TRUST**

*This prospectus/consent solicitation contains forward-looking statements that involve risks and uncertainties. The company's actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus/consent solicitation. The company's results of operations and financial condition, as reflected in the accompanying combined financial statements and related notes, are subject to the company's management's evaluation and interpretation of business conditions, changing capital market conditions and other factors that could affect the ongoing viability of the company's tenants. You should read the following discussion with Forward-Looking Statements and the combined financial statements and related notes included elsewhere in this prospectus/consent solicitation.*

*Upon completion of the IPO and the consolidation, the historical operations of the predecessor and the properties that have been operated through the predecessor, will be combined with the company, the operating partnership and/or their subsidiaries. The following discussion and analysis should be read in conjunction with Selected Financial and Other Data, the company's combined financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 and the notes related thereto, the company's unaudited combined financial statements as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 and the company's unaudited condensed consolidated pro forma financial information appearing elsewhere in this prospectus/consent solicitation. Since the company's formation, the company has not had any corporate activity. Accordingly, the company believes a discussion of its results of operations would not be meaningful, and this Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State Realty Trust therefore only discusses the historical operations of the predecessor and the unaudited pro forma results of the company.*

*Unless the context otherwise requires or indicates, references in this section to the company, refer to (i) the company and its consolidated subsidiaries (including the operating partnership) after giving effect to the consolidation and the IPO and (ii) the predecessor before giving effect to the consolidation and the IPO.*

**Overview**

The company is a self-administered and self-managed REIT that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. The company was formed to continue and expand the commercial real estate business of the supervisor and its affiliates. The company's primary focus will be to continue to own, manage and operate its current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

For the periods presented, this Management's Discussion and Analysis of Financial Condition and Results of Operations discusses only the historical financial condition and results of operations of the predecessor which owns controlling interests in 16 properties and non-controlling interests in the following four office properties, which are accounted for under the equity method of accounting: the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue. The fee ownership interests of the Empire State Building and 501 Seventh Avenue are included in the predecessor's portfolio but the operating lease interests of these two properties are part of the predecessor's equity interest in non-controlled entities. These non-controlled interests will represent a significant part of the company's operations following the consolidation and the IPO (51.0% of the company's pro forma revenues for the nine months ended September 30, 2011) when they become consolidated into the company's operations. Therefore, the company does not show historical consolidated financial information for the company's entire portfolio following the consolidation and the IPO. For the periods following the consummation of the consolidation and the IPO, the company's operations will consolidate the operations of the non-controlled entities (as defined below) which will result in a material change in the company's disclosure of the company's financial condition and results of operations. The company also presents

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in this prospectus/consent solicitation pro forma financial information for the company reflecting the company's entire portfolio on a consolidated basis as of September 30, 2011 and for the nine months ended September 30, 2011 and the year ended December 31, 2010.

The company operates an integrated business that currently consists of two operating segments: real estate and construction contracting.

As of September 30, 2011, the company's Manhattan and greater New York metropolitan area office properties were 76.9% (or 80.6% giving effect to leases signed but not yet commenced as of that date) and 89.5% leased, respectively, and the company's office properties as a whole were 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). The company's ability to increase occupancy and rental revenue at its office properties depends on the successful completion of the company's repositioning program and market conditions. The other component of the company's real estate segment, retail leasing, comprises both standalone retail properties and retail space in the company's Manhattan office properties. The company's retail properties, including retail space in its Manhattan office properties, were 86.2% leased as of September 30, 2011.

Although construction contracting represented approximately 17.7% and 11.0%, respectively, of the company's revenues for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, its relative contribution to the company's net income was much less significant than its contribution to the company's revenues.

The Empire State Building is the company's flagship property and accounted for 41.0% of the company's total pro forma revenues for the nine months ended September 30, 2011. The Empire State Building provides the company with a diverse source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. During the nine months ended September 30, 2011 and the year ended December 31, 2010, the Empire State Building generated approximately \$62.9 million and \$78.9 million of revenue, respectively, from its observatory operations which represented approximately 16.5% and 16.6% of the company's pro forma revenues, respectively. The company anticipates that the observatory operations will be a separate accounting segment following the consolidation and the IPO.

From 2002 through 2006, the supervisor gradually gained day-to-day management of the company's Manhattan office properties. Since then, the supervisor has been undertaking a comprehensive renovation and repositioning strategy of the Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. From 2002 through September 30, 2011, the private entities and the subject LLCs have invested a total of approximately \$296.0 million (excluding tenant improvements and leasing commissions) into its Manhattan office properties pursuant to this program. The company currently intends to invest between \$175.0 million and \$215.0 million of additional capital through the end of 2013. The company expects to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, the company currently estimates that between \$55.0 million and \$65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which the company expects to complete substantially in 2016 due to the size and scope of the company's remaining work and its desire to minimize tenant disruptions at the property. These estimates are based on the supervisor's current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change.

The company intends to fund these capital improvements through a combination of operating cash flow and borrowings. These improvements, within the company's renovation and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of the company's properties and have contributed significantly to the company's tenant repositioning efforts, which see to increase its occupancy; raise the company's rental rates;



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increase rentable square feet; increase the company's aggregate rental revenue; lengthen its average lease term; increase its average lease size; and improve its tenant credit quality. The company has also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in The Company Business and Properties Renovation and Repositioning Case Studies, and the company believes has the potential to improve the company's operating margins and cash flows in the future. The company believes it will continue to enhance its tenant base and improve rents as the company's pre-renovation leases continue to expire and be re-leased.

Historically, the supervisor has operated the business to preserve capital through conservative debt levels. Upon completion of the consolidation and the IPO, the company will have no debt maturing in 2012 and approximately \$58.3 million of debt maturing in 2013 and the company expects to have pro forma total debt outstanding of approximately \$1.04 billion, with a weighted average interest rate of 5.29% and a weighted average maturity of 4.5 years. Additionally, the company expects to have approximately \$179.1 million of available borrowing capacity under its loans on a pro forma basis. The company's overall leverage will depend on the company's mix of investments and the cost of leverage. The company's charter does not restrict the amount of leverage that the company may use.

The company is a Maryland corporation that was formed on July 29, 2011. The company conducts all of its business activities through its operating partnership, of which the company is the sole general partner. The company intends to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2012.

### ***The Predecessor***

The predecessor is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which are owned by certain entities that are owned or controlled by the sponsors (Anthony E. Malkin and Peter L. Malkin) and/or their affiliates and family members, which are collectively referred to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities which are collectively referred to as the non-controlled entities, and are presented as uncombined entities in the company's combined financial statements. Specifically, the term the predecessor means (i) Malkin Holdings LLC, a New York limited liability company that acts as the supervisor of, and performs various asset management services and routine administration with respect to, certain of the existing entities (as described below), which the company refers to as the supervisor; (ii) the limited liability companies or limited partnerships that currently (a) own, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operate, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acts as the supervisor but that are not consolidated into the predecessor for accounting purposes) and entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage that the company will own after the consolidation, which the company refers to as the existing entities; (iii) Malkin Properties, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Manhattan, which the company refers to as Malkin Properties; (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which the company refers to as Malkin Properties NY; (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that serves as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which the company refers to as Malkin Properties CT; and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provides services to certain of the existing entities and third parties (including certain tenants at the properties in the company's portfolio), which the company refers to as Malkin Construction. The term the predecessor's management companies refers to the supervisor, Malkin Properties, Malkin Properties NY,

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Malkin Properties CT and Malkin Construction, collectively. The predecessor accounts for its investment in the non-controlled entities under the equity method of accounting.

***Controlled Entities***

As of September 30, 2011, properties controlled by the sponsors and/or their affiliates and family members and whose operations are 100% consolidated into the financial statements of the predecessor include:

*Office:*

One Grand Central Place, New York, New York

250 West 57th Street, New York, New York

1359 Broadway, New York, New York

First Stamford Place, Stamford, Connecticut

Metro Center, Stamford, Connecticut

383 Main Avenue, Norwalk, Connecticut

500 Mamaroneck Avenue, Harrison, New York

10 Bank Street, White Plains, New York

Fee ownership position of 350 Fifth Avenue (Empire State Building), New York, New York

Fee ownership position of 501 Seventh Avenue, New York, New York

*Retail:*

10 Union Square, New York, New York

1010 Third Avenue, New York, New York

77 West 55th Street, New York, New York

1542 Third Avenue, New York, New York

69-97 Main Street, Westport, Connecticut

103-107 Main Street, Westport, Connecticut

*Land Parcels:*

The company owns entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of the company's office properties that will support the development of an approximately 340,000 rentable square foot office building and garage.

The acquisition of interests in the company's predecessor will be recorded at historical cost at the time of the consolidation.

***Non-Controlled Entities***

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As of September 30, 2011, properties in which the sponsors and/or their affiliates and family members own non-controlling interests and whose operations are reflected in the predecessor's combined financial statements as an equity interest include:

*Office:*

Master operating lease position of 350 Fifth Avenue, New York, New York Empire State Building Company L.L.C.

Master operating lease position of 1350 Broadway, New York, New York 1350 Broadway Associates L.L.C. (long term ground lease)

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1333 Broadway, New York, New York 1333 Broadway Associates L.L.C.

Master operating lease position of 501 Seventh Avenue, New York, New York 501 Seventh Avenue Associates L.L.C.

All of the company's business activities will be conducted through its operating partnership. The company will be the sole general partner of the company's operating partnership. Pursuant to the consolidation, the company's operating partnership will (i) acquire interests in the office and retail properties owned by the controlled entities (including the predecessor management companies) and the non-controlled entities and (ii) assume related debt and other specified liabilities of such assets and businesses, in exchange for shares of the company's Class A common stock, Class B common stock, operating partnership units, and/or cash.

***Consolidation Transactions***

Prior to or concurrently with the completion of the IPO, the company will engage in the consolidation pursuant to which the company will acquire, through a series of contributions and merger transactions, (i) the 18 properties owned by the controlled and non-controlled entities, (ii) one development parcel in which the predecessor owns a controlling interest and (iii) the business and assets of the predecessor management businesses. In the aggregate, these interests will comprise the company's ownership of its property portfolio. The company will not acquire its predecessor's affiliates' interests in the option properties, the excluded properties or the excluded businesses.

To acquire the properties to be included in the company's portfolio from the current owners the company will issue to the holders of interests in the predecessor and the non-controlled entities shares of the company's Class A common stock, shares of the company's Class B common stock and operating partnership units, and the company will pay cash to those holders of interests in the predecessor and the non-controlled entities that are non-accredited and accredited investors that are charitable organizations but choose cash consideration. Cash amounts will be provided from the net proceeds of the IPO. These contributions and other transactions will be effected prior to or substantially concurrently with the completion of the IPO.

The company has determined that its predecessor is the acquirer for accounting purposes, and therefore the contribution of the assets of, or acquisition by merger of, the controlled entities is considered a transaction between entities under common control since the sponsors control a majority interest in each of the controlled entities comprising the predecessor. As a result, the acquisition of interests in the controlled entities will be recorded at the company's historical cost. The contribution of the assets of, or acquisition by merger of, the non-controlled entities (including the predecessor's non-controlling interest in these entities) will be accounted for as an acquisition under the acquisition method of accounting and recognized as the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification, or ASC, Section 805-10, *Business Combinations*, or ASC 805 (formerly known as Statement of Financial Accounting Standards (SFAS) No. 141 (SFAS No. 141)), which was later replaced by SFAS 141 (R)). The company's methodology for allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. The company estimates the fair value of acquired tangible assets (consisting of land, buildings and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value and acquired below-market leases) and assumed debt.

Based on these estimates, the company allocates the purchase price to the applicable assets and liabilities. The value allocated to in-place leases costs (tenant improvements and leasing commissions) are amortized over the related lease term and reflected as depreciation and amortization. The value of in-place lease assets and assumed above- and below-market leases is amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for in-place lease assets above-market leases) to rental income. The fair value of the debt assumed is determined using current market interest rates for comparable debt financings.

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### **Factors That May Influence Future Results of Operations**

#### ***Rental Revenue***

The company derives revenues primarily from rents, rent escalations, expense reimbursements and other income received from tenants under existing leases at each of the company's properties. Escalations and expense reimbursements consist of payments made by tenants to the company under contractual lease obligations to reimburse a portion of the property operating expenses and real estate taxes incurred at each property.

The company believes that the average rental rates for in-place leases at its properties are generally below the current market rates, although individual leases at particular properties presently may be leased above, at or below the current market rates within its particular submarket.

The amount of net rental income and reimbursements that the company receives depends principally on the company's ability to lease currently available space, re-lease space to new tenants upon the scheduled or unscheduled termination of leases or renew expiring leases and to maintain or increase the company's rental rates. Factors that could affect the company's rental incomes include, but are not limited to: local, regional or national economic conditions; an oversupply of, or a reduction in demand for, office or retail space; changes in market rental rates; the company's ability to provide adequate services and maintenance at its properties; and fluctuations in interest rates could adversely affect the company's rental income in future periods. Future economic or regional downturns affecting the company's submarkets or downturns in the company's tenants' industries could impair the company's ability to lease vacant space and renew or re-lease space as well as the ability of the company's tenants to fulfill their lease commitments, and could adversely affect the company's ability to maintain or increase the occupancy at its properties.

#### ***Tenant Credit Risk***

The economic condition of the company's tenants may also deteriorate, which could negatively impact their ability to fulfill their lease commitments and in turn adversely affect the company's ability to maintain or increase the occupancy level and/or rental rates of the company's properties. The recent economic downturn has resulted in many companies shifting to a more cautionary mode with respect to leasing. Many potential tenants are looking to consolidate, reduce overhead and preserve operating capital and many are also deferring strategic decisions, including entering into new, long-term leases at properties.

#### ***Leasing***

The company has seen an improvement since 2008 in leasing activity. For example, during 2010, on a pro forma basis, the company signed 1,197,170 rentable square feet of new leases and lease renewals, an increase of 4.5% over 2009 and 45.0% over 2008. Additionally, during the nine months ended September 30, 2011, the company signed 1,223,036 rentable square feet of new leases and lease renewals.

Due to the relatively small number of leases that are signed in any particular quarter, one or more larger leases may have a disproportionately positive or negative impact on average base rent, tenant improvement and leasing commission costs for that period. As a result, the company believes it is more appropriate when analyzing trends in average base rent and tenant improvement and leasing commission costs to review activity over multiple quarters or years. Tenant improvement costs include expenditures for general improvements occurring concurrently with, but that are not directly related to, the cost of installing a new tenant. Leasing commission costs are similarly subject to significant fluctuations depending upon the length of leases being signed and the mix of tenants from quarter to quarter.

As of September 30, 2011, the company's Manhattan and greater New York metropolitan area office properties were 76.9% (or 80.6% giving effect to leases signed but not yet commenced as of that date) and 89.5% leased, respectively, and the company's office properties as a whole were 79.9% leased (or 83.0% giving effect

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to leases signed but not yet commenced as of that date). As of September 30, 2011, there was approximately 1.4 million rentable square feet of space in the company's portfolio available to lease (excluding leases signed but not yet commenced) representing 16.7% of the net rentable square footage of the properties in the company's portfolio. In addition, leases representing 2.4% and 8.2% of net rentable square footage of the properties in the company's portfolio will expire in the remainder of 2011 (including month-to-month leases) and in 2012, respectively. These leases are expected to represent approximately 2.6% and 9.5%, respectively, of the company's annualized base rent for such periods. The company's revenues and results of operations can be impacted by expiring leases that are not renewed or re-leased or that are renewed or re-leased at base rental rates equal to above or below the current average base rental rates. Further, the company's revenues and results of operations can also be affected by the costs the company incurs to re-lease available space, including payment of leasing commissions, renovations and build-to-suit remodeling that may not be borne by the tenant.

***Market Conditions***

The properties in the company's portfolio are located in Manhattan and the greater New York metropolitan area, which includes Fairfield County, Connecticut and Westchester County, New York. Positive or negative changes in conditions in these markets, such as business hirings or layoffs or downsizing, industry growth or slowdowns, relocations of businesses, increases or decreases in real estate and other taxes, costs of complying with governmental regulations or changed regulation, can impact the company's overall performance.

***Taxable REIT Subsidiaries***

Following the consolidation and the IPO, Empire State Realty Observatory TRS, LLC, a New York limited liability company, which is referred to herein as Observatory TRS, and Empire State Realty Holdings TRS, LLC, a Delaware limited liability company, which is referred to herein as Holding TRS, will be wholly owned subsidiaries of the operating partnership. The company intends to elect, together with Observatory TRS and Holding TRS, to treat Observatory TRS and Holding TRS as TRSs of the company's for U.S. federal income tax purposes. A TRS generally may provide non-customary and other services to the company's tenants and engage in activities that the company may not engage in directly without adversely affecting the company's qualification as a REIT, although a TRS may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. See U.S. Federal Income Tax Considerations Taxation of the Company Requirements for Qualification General Effect of Subsidiary Entities Taxable REIT Subsidiaries. The company may form additional TRSs in the future, and the operating partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to Observatory TRS and Holding TRS. Any income earned by a TRS of the company's will not be included in the company's taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to the company as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. See U.S. Federal Income Tax Considerations Requirements for Qualification General Gross Income Tests. Because a TRS is subject to entity-level U.S. federal income tax and state and local income tax (where applicable) in the same manner as other taxable corporations, the income earned by a TRS of the company's generally will be subject to an additional level of tax as compared to the income earned by the company's other subsidiaries.

The observatory operations at the Empire State Building have historically been part of the financial results of the Empire State Building Company L.L.C., one of the non-controlled entities, and therefore, have not been consolidated into the predecessor's financial statements. Instead, they have been a component of the predecessor's equity investment in non-controlled entities. Following the consolidation and the IPO, these operations will be part of the company's consolidated results and the company anticipates it will constitute a separate accounting segment. The revenues from the company's observatory operations will represent a significant portion of the company's operations following the consolidation and the IPO representing 16.5% and 16.6% of the company's pro forma revenues for the nine months ending September 30, 2011 and the year ended December 31, 2010, respectively. For the year ended December 31, 2010, the lease payment from the observatory operations to the Empire State Building Company L.L.C. was \$44.8 million. These operations will be run by Observatory TRS. The company's operating

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partnership and Observatory TRS are party to a lease which is structured to pay the operating partnership a fixed minimum rent plus variable gross participations in certain operations of the company's observatory. Therefore, the amounts payable under this lease will be dependent upon the following: (i) the number of tourists (domestic and international) that come to New York City and visit the observatory, as well as any related tourism trends; (ii) the prices per admission that can be charged; (iii) seasonal trends affecting the number of visitors to the observatory; (iv) competition, in particular from the planned observation in the new property under construction at One World Trade Center; and (v) weather trends.

***Operating expenses***

The company's operating expenses generally consist of repairs and maintenance, security, utilities, property-related payroll, bad debt expense and prior to the IPO, third-party management fees. Factors that may affect the company's ability to control these operating costs include: increases in insurance premiums, tax rates, the cost of periodic repair, renovation costs and the cost of re-leasing space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws and interest rate levels. Also, as a public company, the company's annual general and administrative expenses will be meaningfully higher compared to historical expenses due to legal, insurance, accounting and other expenses related to corporate governance, SEC reporting, other compliance matters and the costs of operating as a public company. If the company's operating costs increase as a result of any of the foregoing factors, the company's future cash flow and results of operations may be adversely affected.

The expenses of owning and operating a property are not necessarily reduced when circumstances, such as market factors and competition, cause a reduction in income from the property. If revenues drop, the company may not be able to reduce the company's expenses accordingly. Costs associated with real estate investments, such as real estate taxes and maintenance generally, will not be materially reduced even if a property is not fully occupied or other circumstances cause the company's revenues to decrease. As a result, if revenues decrease in the future, static operating costs may adversely affect the company's future cash flow and results of operations. If similar economic conditions exist in the future, the company may experience future losses.

***Cost of funds and interest rates***

The company expects future changes in interest rates will impact the company's overall performance. Subject to maintaining its qualification as a REIT for U.S. federal income tax purposes, the company may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. While the company may seek to manage the company's exposure to future changes in rates, portions of the company's overall outstanding debt will likely remain at floating rates. Following the IPO and the consolidation, the company expects to have floating rate mortgage loans on 501 Seventh Avenue (third lien), 250 West 57th Street (third lien), 1350 Broadway (second lien) and the company's secured term loan on the Empire State Building, which collectively represent 16.0% of the company's pro forma indebtedness. The company's floating rate debt may increase to the extent the company uses available borrowing capacity under its loans to fund capital improvements. The company continually evaluates its debt maturities, and, based on the company's management's current assessment, believes it has viable financing and refinancing alternatives that will not materially adversely impact the company's expected financial results. Upon completion of the consolidation and the IPO, the company will have no debt maturities in 2012 and maturities in the amount of \$58.3 million in 2013.

***Competition***

The leasing of real estate is highly competitive in Manhattan and the greater New York metropolitan market in which the company operates. The company competes with numerous acquirers, developers, owners and operators of commercial real estate, many of which own or may seek to acquire or develop properties similar to the company's in the same markets in which the company's properties are located. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased.

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In addition, the company faces competition from other real estate companies including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than the company does or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than the company is willing to pursue. In addition, competition from observatory and/or broadcasting operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center and the existing broadcasting facility at Four Times Square, could have a negative impact on revenues from the company's observatory and/or broadcasting operations. Adverse impacts on domestic travel and changes in foreign currency exchange rates may also decrease demand in the future, which could have a material adverse effect on the company's results of operations, financial condition and ability to make distributions to its stockholders. Additionally, completion of the new Vornado Tower currently under construction at 15 Penn Plaza may provide a source of competition for office and retail tenants, due to its close proximity to the Empire State Building. If the company's competitors offer space at rental rates below current market rates, below the rental rates the company currently charges its tenants, in better locations within the company's markets or in higher quality facilities, the company may lose potential tenants and may be pressured to reduce its rental rates below those the company currently charges in order to retain tenants when its tenants' leases expire.

**Critical Accounting Policies*****Basis of Presentation and Principles of Combination***

The accompanying combined financial statements of the supervisor are prepared in accordance with U.S. generally accepted accounting principles, or GAAP and with the rules and regulations of the U.S. SEC. The effect of all significant intercompany balances and transactions has been eliminated. The combined financial statements include all the accounts and operations of the supervisor. The real estate entities included in the accompanying combined financial statements have been combined on the basis that, for the periods presented, such entities were under common control, common management and common ownership of the sponsors and/or their affiliates and family members. Equity interests in the combining entities that are not controlled by the sponsors and/or their affiliates and family members are shown as investments in uncombined entities. The company will also acquire these interests.

In June 2009, the Financial Accounting Standards Board, or FASB, amended the guidance for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Adoption of this guidance on January 1, 2010 did not have a material impact on the company's combined financial statements. The company's management does not believe that the company has any variable interests in VIEs.

The company will assess the accounting treatment for each investment it may have in the future. This assessment will include a review of each entity's organizational agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, the company will review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance and benefit. In situations where the company or its partner could approve, among other things, the annual budget, the entity's tax return before filing, and leases that cover more than a nominal amount of space relative to the total rentable space at each property, the company would not consolidate the investment as the company considers these to be substantive participation rights that result in shared power of the activities that would most significantly impact the performance and benefit of such joint venture investment. Such agreements could also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the investment and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.



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A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are required to be presented as a separate component of equity in the combined balance sheets and in the combined statements of income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests. As the financial statements of the supervisor have been prepared on a combined basis, there is no non-controlling interest for the periods presented.

**Accounting Estimates**

The preparation of the combined financial statements in accordance with GAAP requires the company's management to use estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant items subject to such estimates and assumptions include allocation of the purchase price of acquired real estate properties among tangible and intangible assets, determination of the useful life of real estate properties and other long-lived assets, valuation and impairment analysis of combined and uncombined commercial real estate properties and other long-lived assets, estimate of percentage of completion on construction contracts, and valuation of the allowance for doubtful accounts. These estimates are prepared using the company's management's best judgment, after considering past, current, and expected events and economic conditions. Actual results could differ from those estimates.

**Real Estate**

Commercial real estate properties are recorded at cost, less accumulated depreciation and amortization. The recorded cost includes cost of acquisitions, development and construction and tenant allowances and improvements. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. Significant replacements and betterments which improve or extend the life of the asset are capitalized. Tenant improvements which improve or extend the life of the asset are capitalized. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any tenant improvements are written off if they are replaced or have no future value.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Category	Term
Building (fee ownership)	39 years
Building improvements	Shorter of remaining life of the building or useful life
Building (leasehold interest)	Lesser of 39 years or remaining term of the lease
Furniture and fixtures	Four to seven years
Tenant improvements	Shorter of remaining term of the lease or useful life

For commercial real estate properties acquired after June 30, 2001, the company assesses the fair value of acquired tangible and intangible assets (including land, buildings, tenant improvements, above- and below-market leases, origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities) in accordance with guidance included in ASC 805, and allocates the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings as if vacant, based on estimated fair values. The company assesses and considers fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that the company deems appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known and anticipated trends, and market and economic conditions. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. The company also considers an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenant's credit quality and expectations of lease renewals. Based on the company's acquisitions to

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date, the company's allocation to customer relationship intangible assets has been immaterial. Real estate properties acquired prior to July 1, 2001 were accounted for under the provisions of Accounting Principles Board ( APB ) 16, or APB 16, using the purchase method. Under the provisions of APB 16, the company did not allocate any of the purchase prices to acquired leases. APB 16 was superseded by SFAS 141 and later SFAS 141(R).

Acquired in-place lease costs (tenant improvements and leasing commissions) are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Acquired in-place lease assets and assumed above- and below-market leases are amortized on a straight-line basis as an adjustment to rental revenue over the remaining term of the underlying leases, including, for below-market leases, fixed option renewal periods, if any. To date, all such acquired lease intangibles were deemed to be immaterial and have been recorded as part of the cost of the acquired building.

Results of operations of properties acquired are included in the combined statements of income from the date of acquisition. Effective January 1, 2009, the date the company adopted ASC 805, the company was required to expense all acquisition related costs as incurred. Prior to this date, directly related acquisition costs were treated as part of consideration paid and were capitalized. No properties were acquired during the periods presented, nor did the company incur any acquisition related costs.

Should a tenant terminate its lease, any unamortized acquired in-place lease costs, in-place lease assets and acquired above- and assumed below-market leases associated with that tenant will be written off to amortization expense or rental revenue, as indicated above.

For properties which the company constructs, the company capitalizes the cost to acquire and develop the property. The costs to be capitalized include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development.

Construction in progress is stated at cost, which includes the cost of construction, other direct costs and overhead costs attributable to the construction. Interest is capitalized if deemed material. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

The company ceases capitalization on the portions of a construction property substantially completed and occupied or held available for occupancy, and capitalizes only those costs associated with the portions under construction.

As a part of and concurrent with the consolidation and the IPO, the company will distribute its interest in certain residential buildings and land located in Stamford, Connecticut, which is zoned for residential use and held for future development. These interests have a historical cost of \$15.6 million as of September 30, 2011 and such residential buildings and land will be distributed to certain of the owners of the supervisor and therefore will not be acquired by the company.

A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Once an asset is held for sale, depreciation expense is no longer recorded and the historic results are reclassified as discontinued operations.

## **Investments in Non-Controlled Entities**

The company accounts for its investments under the equity method of accounting where the company does not have control but has the ability to exercise significant influence. Under this method, the company's investments are recorded at cost, and the investment accounts are adjusted for the company's share of the entities' income or loss and for distributions and contributions. Equity income (loss) from non-controlled entities

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is allocated based on the portion of the company's ownership interest that is controlled by the sponsor in each entity. The agreements may designate different percentage allocations among investors for profits and losses; however, the company's recognition of the entity's income or loss generally follows the entity's distribution priorities, which may change upon the achievement of certain investment return thresholds.

To the extent that the company contributed assets to an entity, the company's investment in the entity is recorded at cost basis in the assets that were contributed to the entity. Upon contributing assets to an entity, the company makes a judgment as to whether the economic substance of the transaction is a sale. If so, gain or loss is recognized on the portion of the asset to which the other partners in the entity obtain an interest.

To the extent that the carrying amount of these investments on the company's combined balance sheets is different than the basis reflected at the entity level, the basis difference would be amortized over the life of the related asset and included in the company's share of equity in net income of the entity.

On a periodic basis, the company assesses whether there are any indicators that the carrying value of the company's investments in entities may be impaired on an other than temporary basis. An investment is impaired only if the company's management's estimate of the fair value of the investment is less than the carrying value of the investment on an other than temporary basis. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the fair value of the investment. None of the company's investments in non-controlled entities are other than temporarily impaired.

The company recognizes incentive income in the form of overage fees from certain uncombined entities (which include non-controlled and other properties not included in the supervisor) as income to the extent it has been earned and not subject to a clawback feature.

If the company's share of distributions and net losses exceeds its investments for certain of the equity method investments and if the company remains liable for future obligations of the entity or may otherwise be committed to provide future additional financial support, the investment balances would be presented in the accompanying combined balance sheets as liabilities. The effects of material intercompany transactions with these equity method investments are eliminated. None of the entity debt is recourse to the company.

The revenues and expenses of the company's non-controlled entities, including those generated by the company's observatory operations and the company's broadcasting operations, are not included in the historical operating results of the supervisor. These revenues and expenses are included in the non-controlled entities' financial statements and the company recognizes its share of net income, including those generated by the company's observatory operations and the company's broadcasting operations, through its share of equity in earnings. Upon completion of the consolidation and the IPO, the operations of the company's non-controlled entities, including the company's observatory operations and the company's broadcasting operations, will be combined with the company, the operating partnership and/or the company's subsidiaries. The revenue and expense recognition accounting policies in the financial statements of the company's non-controlled entities are substantially the same as those of the historical predecessor. For the company's observatory operations, revenues consist of admission fees to visit the company's observatory and are recognized as income when admission tickets are sold. The company also recognizes rental revenue attributable to a retail tenant which operates the concession space in the observatory. In addition, the company also participates in revenues generated by concession operators from photography, audio and other products and services which are recognized as income at the time of sale. For the company's broadcasting operations, revenues consist of broadcasting licenses and related leased space. The company recognizes broadcast licenses on a straight-line basis over the terms of the license agreements. The company also receives rental revenue from certain broadcasting tenants which the company recognizes on a straight-line basis over the terms of the separate lease agreements. Expenses for the company's observatory and broadcasting operations are recognized as incurred.

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**Table of Contents****Impairment of Long-Lived Assets**

Long-lived assets, such as commercial real estate properties and purchased intangible assets subject to amortization, are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. On a periodic basis, the company assesses whether there are any indicators that the value of the company's real estate properties may be impaired or that its carrying value may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. The company does not believe that the value of any of its properties and intangible assets were impaired during the nine months ended September 30, 2011 or during the years ended December 31, 2010, 2009 and 2008.

**Income Taxes**

The company intends to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2012. So long as the company qualifies as a REIT, the company generally will not be subject to U.S. federal income tax on the company's net income that it distributes currently to its stockholders. To maintain the company's qualification as a REIT, the company is required under the Code to distribute at least 90% of its REIT taxable income (without regard to the deduction for dividends paid and excluding net capital gains) to the company's stockholders and meet certain other requirements. If the company fails to qualify as a REIT in any taxable year, the company will be subject to U.S. federal income tax on its taxable income at regular corporate rates. Even if the company qualifies for taxation as a REIT, the company may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on the company's undistributed taxable income.

During the periods presented, the entities included in the combined financial statements are treated as partnerships or S corporations for U.S. federal and state income tax purposes and, accordingly, are not subject to entity-level tax. Rather, each entity's taxable income or loss is allocated to its owners. Therefore, no provision or liability for U.S. federal or state income taxes has been included in the accompanying combined financial statements.

Two of the limited liability companies in the combined group have non-real estate income that is subject to New York City unincorporated business tax, or NYCUBT. In the periods presented, these entities have generated losses for NYCUBT purposes, for which it is estimated that it is more likely than not that those losses will not provide future benefit. Consequently, no provision or liability for federal, state, or local income taxes has been included in these combined financial statements.

The company accounts for uncertain tax positions in accordance with ASC 740, Income Taxes. ASC No. 740-10-65 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC No. 740-10-65, the company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC No. 740-10-65 also provides guidance on de-recognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosures. As of December 31, 2010 and 2009, the company does not have a liability for uncertain tax positions. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of the income tax provision. As of December 31, 2010, the tax years ended December 31, 2007 through December 31, 2010 remain open for an audit by the IRS. The company has not received a notice of audit from the IRS for any of the open tax years.

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**Table of Contents****Segment Reporting**

The company's management has determined that the predecessor operates in two reportable segments: a real estate segment and a construction contracting segment. The real estate segment includes all activities related to ownership, management, the operation, acquisition, repositioning and disposition of the company's real estate assets, including properties which are accounted for by the equity method. The construction segment includes all activities related to providing construction services to tenants and to other entities within and outside the company. These two lines of businesses are managed separately because each business requires different support infrastructures, provides different services and has dissimilar economic characteristics such as investments needed, stream of revenues and different marketing strategies. The company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. Although the company's observatory operations are currently not presented as a segment in the predecessor's historical financial statements since the predecessor has a non-controlling interest in such observatory operations, the company anticipates that the operations of the company's observatory will encompass a reportable segment upon completion of the consolidation and the IPO. The company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

**Goodwill**

Certain of the properties the company will acquire in the consolidation are owned in two-tier structures with one entity owning a fee or master leasehold interest in the property and the other entity owning an operating or sub leasehold interest. This structure was implemented at inception to achieve flow through tax treatment. The operating lessee controls the operations of the property with the operating lease structured in a manner that shares net operating results, including capital expenditures and debt service, between these two entities. Two of the operating lessees, Empire State Building Company L.L.C. and 501 Seventh Avenue Associates L.L.C., are non-controlled entities and only the predecessor's non-controlling interest in the operations of these two entities are part of the predecessor's historical operations. In the remainder of these two-tier structures, the operations of both the owner and the operating lessee are part of the historical predecessor and are consolidated into the predecessor's historical financial statements.

The interests in the predecessor will be recorded at historical cost at the time of the consolidation. Using the preliminary aggregate exchange values, as of September 30, 2011, on a pro forma basis, the carrying value of the company's assets is substantially below their fair value. The acquisition of the controlling interests in the non-controlled entities, including the two operating lessees, will be accounted for as an acquisition under the acquisition method of accounting and the company will recognize the estimated fair value of the assets and liabilities acquired at the time of the consummation of the consolidation. When the company acquires the controlling interest in the assets of these two non-controlled operating lessees, the operating lease will be cancelled as the operations of the properties will be consolidated into the company's operations. The purchase price will be allocated to any identified tangible or intangible assets the company is acquiring from these two entities. Since the non-controlled operating lessees have no interest in the land or base building the excess of the purchase price over any identified tangible and intangible assets for Empire State Building Company L.L.C. and 501 Seventh Avenue Associates L.L.C. will be recognized as goodwill on its balance sheet.

Using the preliminary aggregate exchange values for the acquisition of these two non-controlled operating leaseholds, the company expects to record approximately \$1.13 billion of goodwill. Approximately \$229.0 million of the expected goodwill represents the fair value of the observatory operations of the Empire State Building after adjustment for an estimated market rent that the observatory would incur to the property owner, and approximately \$900.6 million of the expected goodwill represents the remainder of the excess of the purchase price over identified tangible and intangible assets, of which approximately \$888.8 million is attributable to Empire State Building Company L.L.C. and approximately \$11.8 million is attributable to 501 Seventh Avenue Associates, L.L.C. Goodwill is not amortized and, therefore, will not affect the company's future cash flows but may affect its income statement, if impaired. Based upon the preliminary aggregate exchange values as of September 30, 2011, the fair value of the assets of the company subsequently would have to decrease by over 63.1% or \$2.5 billion, for a determination that the goodwill may be impaired.

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The company will review goodwill annually for impairment and whenever events or changes in circumstances indicate the carrying value of goodwill may be impaired. Goodwill impairment evaluation requires the company to perform a two-step impairment test. In the first step, the company will compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the second step of the impairment test is performed in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the company will record an impairment write-off equal to the difference. After completion of the consolidation, the company may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. This assessment can consider relevant events and circumstances such as macro economic conditions, industry and market considerations, overall report general financial performance and other relevant entity-specific events.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, discount rates and future economic and market conditions. The company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur.

The preliminary aggregate exchange value was determined by the independent valuer for the purpose of allocating equity interests in the 18 office and retail assets, one development parcel and the management companies that are being contributed to the company pursuant to the consolidation. The independent valuer's preliminary appraisal was prepared for the purpose of determining these allocations and not for the purpose of establishing the absolute enterprise value of the company. The independent valuer's preliminary appraisal may be materially different from the market determination of the enterprise value of the company in the IPO.

## **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term liquid investments with original maturities of three months or less when purchased. The majority of the company's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date, the company has not experienced any losses on its invested cash.

## **Restricted Cash**

Restricted cash consists of amounts held by lenders and/or escrow agents to provide for future real estate tax expenditures and insurance expenditures, tenant vacancy related costs, debt service obligations and amounts held for tenants in accordance with lease agreements such as security deposits, as well as amounts held by the company's third-party property managers.

## **Revenue Recognition**

### ***Rental Revenue***

Rental revenue includes base rents that each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease which includes the effects of rent steps and rent abatements under the leases. The company commences rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and the leased space is substantially ready for its intended use. In addition, many of the company's leases contain fixed percentage increases over the base rent to cover escalations. The company accounts for all of its leases as operating leases.

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Deferred rent receivables, including free rental periods and leasing arrangements allowing for increased base rent payments are accounted for in a manner that provides an even amount of fixed lease revenues over the respective non-cancelable lease terms. Differences between rental income recognized and amounts due under the respective non-cancelable lease agreements are recognized as an increase or decrease to deferred rents receivable.

The timing of rental revenue recognition is impacted by the ownership of tenant improvements and allowances. When the company is the owner of the tenant improvements, revenue recognition commences after both the improvements are completed and the tenant takes possession or control of the space. In contrast, if the company determines that the tenant allowances it is funding are lease incentives, then the company commences revenue recognition when possession or control of the space is turned over to the tenant. Tenant improvement ownership is determined based on various factors including, but not limited to, whether the lease stipulates how and on what a tenant improvement allowance may be spent, whether the tenant or landlord retains legal title to the improvements at the end of the lease term, whether the tenant improvements are unique to the tenant or general-purpose in nature, and whether the tenant improvements are expected to have any residual value at the end of the lease.

In addition to base rent, the company's tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the Consumer Price Index over the index value in effect during a base year.

The company will recognize rental revenue of acquired in-place above- and below-market leases at their fair values over the terms of the respective leases.

Lease cancellation fees are recognized when the fees are determinable, tenant vacancy has occurred, collectability is reasonably assured, the company has no continuing obligation to provide services to such former tenants and the payment is not subject to any conditions that must be met or waived. Such fees are included in other income and fees in the company's combined statements of income.

Upon completion of the consolidation and the IPO, the operations of the company's non-controlled entities, including the company's observatory operations and the company's broadcasting operations, will be combined with the company, the company's operating partnership and/or the company's subsidiaries. For the company's observatory operations, revenues consist of admission fees to visit the company's observatory and the company will recognize them as income when admission tickets are sold. For the company's broadcasting operations, revenues consist of broadcasting licenses and related leased space. The company recognizes broadcasting licenses on a straight-line basis over the terms of the license agreements. The company also receives rental revenue from certain broadcasting tenants which the company recognizes on a straight-line basis over the terms of the separate lease agreements.

The company also earns concession revenues from photography, gifts and other products and services related to the company's observatory operations which are recognized at the time of sale.

### ***Gains on Sale of Real Estate***

The company records a gain on sale of real estate when title is conveyed to the buyer and the company has no substantial economic involvement with the property. If the sales criteria for the full accrual method are not met, the company defers some or all of the gain recognition and accounts for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Gains from sales of depreciated properties are included in discontinued operations and the proceeds from the sale of these properties are classified in the investing activities section of the combined statements of cash flows. During the periods presented, the company does not sell any properties.

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### ***Third-Party Management, Leasing and Other Fees***

The company earns revenue arising from contractual agreements with affiliated entities of the sponsors that are not presented as controlled entities. This revenue is recognized as the related services are performed under the respective agreements in place.

### ***Construction Revenue***

Revenues from construction contracts are recognized under the percentage-of completion method. Under this method, progress towards completion is recognized according to the ratio of incurred costs to estimated total costs. This method is used because management considers the cost-to-cost method the most appropriate in the circumstances.

Contract costs include all direct material, direct labor and other direct costs and an allocation of certain overhead related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

### **Allowance for Doubtful Accounts**

The company maintains an allowance against tenant and other receivables and deferred rents receivables for future potential tenant credit losses. The credit assessment is based on the estimated accrued rental revenue that is recoverable over the term of the respective lease. The company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants' payment history and current credit status, as well as certain industry or geographic specific credit considerations. If the company's estimate of collectability differs from the cash received, then the timing and amount of the company's reported revenue could be impacted. Bad debt expense is included in marketing, general and administrative expenses on the company's combined statements of income and is an offset to allowance for doubtful accounts on the company's combined balance sheets.

### **Discontinued Operations**

The company reclassifies material operations related to properties sold during the period or held for sale at the end of the period to discontinued operations for all periods presented. There were no discontinued operations in the periods presented.

### **Deferred Lease Costs**

Deferred lease costs consist of fees and direct costs incurred to initiate and renew leases, are amortized on a straight-line basis over the related lease term and the expense is included in depreciation and amortization in the company's combined statements of income. Upon the early termination of a lease, unamortized deferred leasing costs are charged to expense.

### **Deferred Financing Costs**

Fees and costs incurred to obtain long-term financing have been deferred and are being amortized as a component of interest expense in the company's combined statements of income over the life of the respective mortgage on the straight-line method which approximates the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking debt, which do not close, are expensed in the period in which it is determined that the financing will not close.



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**Advertising and Marketing Costs**

Advertising and marketing costs are expensed as incurred.

**Fair Value**

Fair value is a market-based measurement, not an entity-specific measurement, and is determined based on the assumptions that market participants use in pricing the asset or liability. Under GAAP, the company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). The company follows the FASB guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1:* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access at the measurement date.
- Level 2:* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:* inputs are unobservable inputs for the asset or liability, which are typically based upon an entity's own assumptions, as there is little if any, related market activity.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Changes in assumptions or estimation methodologies can have a material effect on these estimated values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

As of September 30, 2011 and December 31, 2010, 2009, and 2008, the company does not have any assets or liabilities subject to Level 1, 2, or 3 fair value measurements.

**Offering Costs**

The company has incurred external offering costs of approximately \$8.7 million for the nine months ended September 30, 2011 and approximately \$3.9 million for the year ended December 31, 2010 which are included in deferred costs, net in the company's combined balance sheets. Such costs are comprised of accounting fees, legal fees and other professional fees. The company has deferred such costs, which will be recorded as a reduction of proceeds of the IPO upon consummation of the IPO. Additional offering costs for work done by employees of the supervisor of approximately \$842,000 for the nine months ended September 30, 2011 and \$453,000 for the year ended December 31, 2010 were incurred and advanced by the supervisor and have been reimbursed to the supervisor by the existing entities. These costs have been eliminated as intercompany transactions in the predecessor's historical financial statements. Additionally, the non-controlled entities have incurred external offering costs of approximately \$7.3 million for the nine months ended September 30, 2011 and approximately

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\$3.3 million for the year ended December 31, 2010 that are not included in the predecessor's historical financial statements. Further, additional offering costs for work done by employees of the supervisor of \$706,000 for the nine months ended September 30, 2011 and \$380,000 for the year ended December 31, 2010 were incurred and advanced by the supervisor and have been reimbursed to the supervisor by the non-controlled entities.

**Recently Adopted Accounting Pronouncements**

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU No. 2010-06 amends ASC 820 and requires disclosure of details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy and inclusion of gross purchases, sales, issuances, and settlements in the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. The guidance also clarifies and expands existing disclosure requirements related to the disaggregation of fair value disclosures and inputs used in arriving at fair values for assets and liabilities using Level 2 and Level 3 inputs within the fair value hierarchy. These disclosure requirements were effective for interim and annual reporting periods beginning after December 15, 2009. Adoption of this guidance on January 1, 2010, excluding the Level 3 rollforward, did not result in any additional disclosures in the company's combined financial statements. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010. The company is currently evaluating the impact the adoption of the remainder of the standard will have on the company's combined financial statements. The adoption of this guidance, while it will likely be applicable to the company, is not expected to have a material impact on the company's combined financial statements. The company did not have any financial instruments that would be materially impacted by this standard as of September 30, 2011.

**New Accounting Pronouncements Not Yet Adopted**

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. This ASU clarifies for which periods supplemental disclosure of pro forma revenue and net income is required when a business combination occurs in the current period. The guidance clarifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. In the company's case, the guidance is in effect for the 2011 annual reporting period. The adoption of this guidance, while it will likely be applicable to the company, is not expected to have a material impact on the company's combined financial statements.

In May 2011 the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards (IFRS), or ASU 2011-04. ASU 2011-04 represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurements. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this ASU are required to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The company does not expect that the adoption of ASU 2011-04 will have a significant impact on the company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. The update provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other

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comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In addition, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of the comprehensive income are presented. The amendments in this update are to be applied retrospectively and are effective for fiscal years ending after December 15, 2012 for nonpublic entities except for the amendment to the presentation of reclassifications of items out of accumulated other comprehensive income which the FASB issued a deferral of the effective date on November 8, 2011. The company is currently evaluating the impact of adopting this new accounting standards update on its combined financial statements.

In September 2011, the FASB issued a new Accounting Standards Update (ASU) to enhance the disclosure requirements about an employer's participation in a multiemployer pension plan. Employers that participate in a multiemployer pension plan will be required to provide a narrative description of the general nature of the plans and the employer's participation in the plans that would indicate how the risks of these plans are different from single-employer plans and a disclosure of the minimum contributions required by the agreement. For each multiemployer pension plan that is individually significant, employers are required to provide additional disclosures including disaggregation of information. The additional disclosures will be adopted retrospectively and effective for annual periods ending after December 15, 2011. The company is currently evaluating the impact of adopting this new accounting standards update on its combined financial statements.

## **Results of Operations**

### *Overview*

For the periods presented, the predecessor's portfolio was comprised of interests in ten office properties and six retail properties and non-controlled interests in the following four office properties, which are accounted for under the equity method of accounting: the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue. The fee ownership interests of the Empire State Building and 501 Seventh Avenue are included in the predecessor's portfolio but the operating lease interests of these two properties are part of the predecessor's equity interest in non-controlled entities. These non-controlled interests will represent a significant part of the company's operations following the consolidation and the IPO (51.0% of the company's pro forma revenues for the nine months ended September 30, 2011) when they become consolidated into the company's operations. Also, for the periods presented below, rental revenue includes rental revenue earned by the Empire State Building and 501 Seventh Avenue related to leasehold rent (which leasehold rent will be eliminated in consolidation), which upon acquisition by the company will be eliminated in consolidation. The following comparative discussion of results of operations discusses only the operations of the predecessor (which reflects its interest in the non-controlled entities as an equity investment). Therefore, for periods following the completion of the consolidation and the IPO, the company's results of operations will be materially different as they will consolidate the non-controlled entities and will disclose more detailed information concerning the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue.

**Table of Contents***Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010 (in thousands)*

The following table summarizes the historical results of operations of the predecessor for the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,			
	2011	2010	Change	%
<b>Revenues:</b>				
Rental revenue <sup>(1)</sup>	\$ 126,768	\$ 122,632	\$ 4,136	3.4%
Tenant expense reimbursement	22,869	24,549	(1,680)	(6.8%)
Third-party management and other fees	4,671	2,829	1,842	65.1%
Construction revenue	35,323	23,713	11,610	49.0%
Other income and fees	9,909	13,026	(3,117)	(23.9%)
<b>Total Revenues</b>	<b>199,540</b>	<b>186,749</b>	<b>12,791</b>	<b>6.8%</b>
<b>Expenses:</b>				
Operating expenses	40,520	44,043	(3,523)	(8.0%)
Marketing, general and administrative expenses	13,431	13,031	400	3.1%
Construction expenses	34,121	23,258	10,863	46.7%
Real estate taxes	21,968	20,310	1,658	8.2%
Depreciation and amortization	25,773	25,048	725	2.9%
<b>Total Operating Expenses</b>	<b>135,813</b>	<b>125,690</b>	<b>10,123</b>	<b>8.1%</b>
<b>Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities</b>				
	<b>63,727</b>	<b>61,059</b>	<b>2,668</b>	<b>4.4%</b>
Interest expense, net	41,732	39,162	2,570	6.6%
<b>Income from Operations before Equity in Net Income of Non-controlled Entities</b>				
	<b>21,995</b>	<b>21,897</b>	<b>98</b>	<b>0.4%</b>
Equity in net income of non-controlled entities	12,239	12,376	(137)	(1.1%)
<b>Net Income</b>	<b>\$ 34,234</b>	<b>\$ 34,273</b>	<b>\$ (39)</b>	<b>(0.1%)</b>

<sup>(1)</sup> Includes \$9.6 million and \$9.8 million of leasehold rent for the nine months ended September 30, 2011 and September 30, 2010, respectively.

**Rental Revenue**

Rental revenue increased by \$4,136, or 3.4%, to \$126,768 for the nine months ended September 30, 2011 from \$122,632 for the nine months ended September 30, 2010. This increase was primarily attributable to (i) new, renewal and expansion leases at One Grand Central Place and 500 Mamaroneck that collectively accounted for \$2,658 of the increase; (ii) new leases including a significant retail lease at 250 West 57th Street that commenced in July 2010 that accounted for \$860 of the increase; and (iii) a write-off in 2010 of deferred straight-line receivable for cancellation of the previous retail tenant's lease that accounted for \$1,559 of the increase, partially offset by a reduction of \$459 at 383 Main Avenue attributable to vacancies.

**Tenant Expense Reimbursement**

Tenant expense reimbursement decreased by \$1,680, or 6.8%, to \$22,869 for the nine months ended September 30, 2011 from \$24,549 for the nine months ended September 30, 2010. Generally, under the company's leases, the company is entitled to reimbursement from the company's tenants for increases in specific operating expenses associated with the leased property over the amount incurred for these operating expenses in the first year of the leases. Therefore, no tenant reimbursements are typically earned during the first year of a lease term. The decrease in tenant

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expense reimbursements for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010 was primarily attributable to (i) operating expense

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reimbursements, which decreased by \$1,603 mainly due to no reimbursement for the base year of new and renewal leases commenced in 2011; (ii) a decline in electric income of \$693, which is reimbursable; (iii) Consumer Price Index income, which decreased by \$622; (iv) real estate tax escalation income, which increased by \$977 mainly due to increased real estate tax expense; (v) cleaning income, which increased by \$122 and (vi) security and repairs income, which increased by \$130.

***Third-Party Management and Other Fees***

Third-party management and other fees increased by \$1,842, or 65.1%, to \$4,671 for the nine months ended September 30, 2011 from \$2,829 for the nine months ended September 30, 2010. This increase is primarily attributable to increased supervisory and professional fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses. The company earned (i) supervisory fees from such entities of \$2,699 and \$1,422 for the nine months ended September 30, 2011 and 2010, respectively, and (ii) property management fees from such entities of \$1,530 and \$822 for the nine months ended September 30, 2011 and 2010, respectively.

***Construction Revenue***

Construction revenue increased by \$11,610, or 49.0%, to \$35,323 for the nine months ended September 30, 2011 from \$23,713 for the nine months ended September 30, 2010. This increase is attributable to greater construction activity in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. In 2011, the company experienced a significant increase in the project size of its construction projects. The aggregate billings for the five largest projects in the nine months ended September 30, 2011 was \$29,540, while the aggregate billings for the five largest projects in the nine months ended September 30, 2010 was \$18,000. The company does not expect this increase in the project size and quantity of its construction projects to continue in the immediate future.

***Other Income and Fees***

Other income and fees decreased by \$3,117, or 23.9%, to \$9,909 for the nine months ended September 30, 2011 from \$13,026 for the nine months ended September 30, 2010. This decrease is attributable to lease cancellation income which was \$9,416 higher in the nine months ended September 30, 2010, related to three tenants at 1359 Broadway and 250 West 57<sup>th</sup> Street, all of which vacated their spaces in 2010. This decrease was partially offset by \$5,068 of income received from the Helmsley estate as a voluntary reimbursement of legal expenses previously incurred by the company, and \$717 of professional fees earned from the option properties for the nine months ended September 30, 2011. Additionally, the overage rent earned was \$666 higher in the nine months ended September 30, 2011.

***Operating Expenses***

Operating expenses decreased by \$3,523, or 8.0%, to \$40,520 for the nine months ended September 30, 2011 from \$44,043 for the nine months ended September 30, 2010. This decrease is primarily attributable to a decrease in electricity expense of \$1,931 following a change in electric provider at certain of the company's Manhattan office properties resulting in better rates. The company's bad debt expense also declined by \$1,969 in 2011 due to improved collections. These decreases were partially offset by an increase to payroll of \$792.

***Marketing, General and Administrative Expenses***

Marketing, general and administrative expenses increased by \$400, or 3.1%, to \$13,431 for the nine months ended September 30, 2011 from \$13,031 for the nine months ended September 30, 2010. This increase is primarily attributable to an increase in administrative payroll.

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### ***Construction Expenses***

Construction expenses increased by \$10,863, or 46.7%, to \$34,121 for the nine months ended September 30, 2011 from \$23,258 for the nine months ended September 30, 2010. This increase correlates with the increase in the new construction projects that were commenced in the nine month period ended September 30, 2010 and 2011.

### ***Real Estate Taxes***

Real estate taxes increased by \$1,658, or 8.2%, to \$21,968 for the nine months ended September 30, 2011 from \$20,310 for the nine months ended September 30, 2010. The increase was primarily attributable to increases of \$848 at First Stamford Place and \$267 at Metro Center, both attributable to prior year refunds received in the nine months ended September 30, 2010, and an increase of \$236 at One Grand Central Place.

### ***Depreciation and Amortization***

Depreciation and amortization increased by \$725, or 2.9%, to \$25,773 for the nine months ended September 30, 2011 from \$25,048 for the nine months ended September 30, 2010. The increase in depreciation and amortization expense was primarily the result of improvements made at the Empire State Building and One Grand Central Place partially offset by the write-off of unamortized tenant improvements and leasing costs at 1359 Broadway in 2010 associated with the early termination of leases.

### ***Interest Expense, net***

The company's interest expense, net (including amortization of mortgage costs) increased by \$2,570, or 6.6%, to \$41,732 for the nine months ended September 30, 2011 from \$39,162 for the nine months ended September 30, 2010. The increase was primarily attributable to (i) a prepayment fee of \$2,343 and increased amortization of prior mortgage costs of \$772 less lower interest expense of \$365 with respect to the company's new secured term loan at the Empire State Building which closed in July 2011; (ii) increased mortgage interest expense at 500 Mamaroneck Avenue due to increased borrowings (approximately \$215); and (iii) partially offset at 10 Union Square due to the 2010 prepayment of debt (\$155 of increase in expense for the nine months ended September 30, 2010) respectively.

### ***Equity in Income of Non-controlled Entities***

Equity in income of non-controlled entities decreased by \$137, or 1.1%, to \$12,239 for the nine months ended September 30, 2011 from \$12,376 for the nine months ended September 30, 2010. The company's share of equity in net income of non-controlled entities benefitted from increased net income at the company's equity investments in 1333 Broadway, 1350 Broadway and 501 Seventh Avenue. This increase resulted from increased occupancy and lower operating expenses and was offset by a slight decrease of the company's share of equity in income at the Empire State Building due to lower operating income due to increased operating expenses and depreciation and amortization from capital expenditures partially offset by higher rents and net observatory income primarily attributable to revenues resulting from higher admission prices and increased attendance.

**Table of Contents****Year Ended December 31, 2010 Compared To Year Ended December 31, 2009 (in thousands)**

The following table summarizes the historical results of operations of the predecessor for the years ended December 31, 2010 and 2009:

	Year Ended December 31,		Change	%
	2010	2009		
<b>Revenues:</b>				
Rental revenue <sup>(1)</sup>	\$ 166,159	\$ 167,556	\$ (1,397)	(0.8%)
Tenant expense reimbursement	32,721	36,309	(3,588)	(9.9%)
Third-party management and other fees	3,750	4,296	(546)	(12.7%)
Construction revenue	27,139	15,997	11,142	69.7%
Other income and fees	16,776	8,157	8,619	105.7%
<b>Total Revenues</b>	<b>246,545</b>	<b>232,315</b>	<b>14,230</b>	<b>6.1%</b>
<b>Expenses:</b>				
Operating expenses	60,356	58,850	1,506	2.6%
Marketing, general and administrative expenses	13,924	16,145	(2,221)	(13.8%)
Construction expenses	27,581	17,281	10,300	59.6%
Real estate taxes	27,585	28,937	(1,352)	(4.7%)
Depreciation and amortization	34,041	29,327	4,714	16.1%
<b>Total Operating Expenses</b>	<b>163,487</b>	<b>150,540</b>	<b>12,947</b>	<b>8.6%</b>
<b>Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities</b>				
	<b>83,058</b>	<b>81,775</b>	<b>1,283</b>	<b>1.6%</b>
Interest expense, net	52,264	50,738	1,526	3.0%
<b>Income from Operations Before Equity in Net Income of Non-Controlled Entities</b>				
	<b>30,794</b>	<b>31,037</b>	<b>(243)</b>	<b>(0.8%)</b>
Equity in net income of non-controlled entities	15,324	10,800	4,524	41.9%
<b>Net Income</b>	<b>\$ 46,118</b>	<b>\$ 41,837</b>	<b>\$ 4,281</b>	<b>10.2%</b>

<sup>(1)</sup> Includes \$17.1 million and \$19.7 million of leasehold rent for the years ended December 31, 2010 and December 31, 2009, respectively.

**Rental Revenue**

Rental revenue decreased by \$1,397, or 0.8%, to \$166,159 for the year ended December 31, 2010 from \$167,556 for the year ended December 31, 2009. This decrease was primarily attributable to a decrease in additional leasehold rent received from the operating lessee at the Empire State Building in the amount of \$3,459. Additional leasehold rent is calculated as a function of the property's operating income and is reduced by capital expenditures made by the lessee. Rent was further reduced by the expiration or early termination of tenant leases at various properties (including a retail lease at 250 West 57<sup>th</sup> Street), which resulted in lower revenues. The retail lease cancellation resulted in reduced rents of \$1,500. New leasing at One Grand Central Place added \$3,000 of rental revenue in 2010 compared to 2009. Additionally, rental revenue at First Stamford Place increased by \$783. The decline was mitigated by new leases and increases to rent from various assets.

**Tenant Expense Reimbursement**

Tenant expense reimbursement decreased by \$3,588, or 9.9%, to \$32,721 for the year ended December 31, 2010 from \$36,309 for the year ended December 31, 2009. The decrease was primarily the result of a decrease in real estate tax escalation reimbursement of \$2,506, caused by a decrease in real estate tax expense, as well as leasing of vacant space in 2010 and portions of 2009. Additionally, the decrease has also been caused by a reduction in operating escalations of \$1,309 as a result of the expiration and termination in 2010 of several leases.





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with comparatively higher escalation billings. The decrease was offset by an increase in CPI escalations of \$868 resulting from higher CPI in 2010 and several new tenants with CPI based escalations.

### ***Third-Party Management and Other Fees***

Third-party management and other fees decreased by \$546, or 12.7%, to \$3,750 for the year ended December 31, 2010 from \$4,296 for the year ended December 31, 2009. This decrease is attributable to decreased supervisory fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses.

### ***Construction Revenue***

Construction revenue increased by \$11,142, or 69.7%, to \$27,139 for the year ended December 31, 2010 from \$15,997 for the year ended December 31, 2009. This increase is attributable to a general increase in construction activity in 2010. In 2010, the company experienced a significant increase in the project size of its construction projects. Most notably, there were three projects which commenced in 2010 which were not present in 2009 totaling approximately \$11,400 of construction revenue in 2010.

### ***Other Income and Fees***

Other income and fees increased by \$8,619, or 105.7%, to \$16,776 for the year ended December 31, 2010 from \$8,157 for the year ended December 31, 2009. This increase is primarily attributable to an increase in lease cancellation fees in 2010 of \$7,832. Three tenants terminated their leases in 2010 at 1359 Broadway, First Stamford Place, and 250 West 57<sup>th</sup> Street resulting in \$10,877 of other income in 2010. Comparatively, one tenant at One Grand Central Place accounted for \$2,900 of the cancellation income in 2009.

### ***Operating Expenses***

Operating expenses increased by \$1,506, or 2.6%, to \$60,356 for the year ended December 31, 2010 from \$58,850 for the year ended December 31, 2009. The company's property-related payroll expenses increased by \$1,155 due to increased staffing. Additionally, the company's bad debt expense increased by \$705 due to increased reserves. These increases were offset by lower repairs and maintenance which declined by \$1,073.

### ***Marketing, General and Administrative Expenses***

Marketing, general and administrative expenses decreased by \$2,221, or 13.8%, to \$13,924 for the year ended December 31, 2010 from \$16,145 for the year ended December 31, 2009. The decrease is primarily due to lower administrative payroll expense of \$1,699 in 2010 compared to 2009.

### ***Construction Expenses***

Construction expenses increased by \$10,300, or 59.6%, to \$27,581 for the year ended December 31, 2010 from \$17,281 for the year ended December 31, 2009. In 2010, the company experienced a significant increase in the project size of its construction projects. Most notably, there were three projects which commenced in 2010 which were not present in 2009 totaling approximately \$10,300 of construction expense in 2010.

### ***Real Estate Taxes***

Real estate taxes decreased by \$1,352, or 4.7%, to \$27,585 for the year ended December 31, 2010 from \$28,937 for the year ended December 31, 2009. The decrease was attributable to reduced assessments and prior year refunds for First Stamford Place (\$1,300) and Metro Center (\$400), offset by increases at other properties.

### ***Depreciation and Amortization***

The company's depreciation and amortization expense increased by \$4,714, or 16.1%, to \$34,041 for the year ended December 31, 2010 from \$29,327 for the year ended December 31, 2009. This resulted from an



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approximately 14% increase in 2010, which was primarily associated with tenant improvements concentrated at One Grand Central Place, First Stamford Place, and 10 Bank Street.

**Interest Expense, net**

The company's interest expense, net increased by \$1,526, or 3.0%, to \$52,264 for the year ended December 31, 2010 from \$50,738 for the year ended December 31, 2009. The increase was attributable to increased borrowings to fund capital expenditures, tenant improvements and leasing commissions at the Empire State Building, One Grand Central Place and 10 Union Square.

**Equity in Income of Non-controlled Entities**

Equity in income of non-controlled entities increased by \$4,524, or 41.9%, to \$15,324 for the year ended December 31, 2010 from \$10,800 for the year ended December 31, 2009. This increase was due to (i) increased rental income at 1350 Broadway as a result of two large retail tenants whose leases commenced in April and May 2009 and several other new leases entered into in 2010 partially offset by expiring leases; (ii) improved operating results at 1333 Broadway where in 2009, the entity incurred a net loss whereas in 2010, it generated net income; and (iii) increased net income at the Empire State Building due to higher observatory revenues and licensing fees. These increases were partially offset by lower net income at 501 Seventh Avenue due to higher repairs and maintenance, increased depreciation expense on improvements placed in service during 2009 and 2010 and higher overage rent payable to the company.

**Year Ended December 31, 2009 Compared To Year Ended December 31, 2008 (in thousands)**

The following table summarizes the historical results of operations of the predecessor for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		Change	%
	2009	2008		
<b>Revenues:</b>				
Rental revenue <sup>(1)</sup>	\$ 167,556	\$ 162,194	\$ 5,362	3.3%
Tenant expense reimbursement	36,309	35,684	625	1.8%
Third-party management and other fees	4,296	5,916	(1,620)	(27.4%)
Construction revenue	15,997	56,561	(40,564)	(71.7%)
Other income and fees	8,157	8,442	(285)	(3.4%)
<b>Total Revenues</b>	<b>232,315</b>	<b>268,797</b>	<b>(36,482)</b>	<b>(13.6%)</b>
<b>Expenses:</b>				
Operating expenses	58,850	55,291	3,559	6.4%
Marketing, general and administrative expenses	16,145	17,763	(1,618)	(9.1%)
Construction expenses	17,281	56,080	(38,799)	(69.2%)
Real estate taxes	28,937	24,863	4,074	16.4%
Depreciation and amortization	29,327	26,838	2,489	9.3%
<b>Total Operating Expenses</b>	<b>150,540</b>	<b>180,835</b>	<b>(30,295)</b>	<b>(16.8%)</b>
<b>Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities</b>	<b>81,775</b>	<b>87,962</b>	<b>(6,187)</b>	<b>(7.0%)</b>
Interest expense, net	50,738	48,664	2,074	4.3%
<b>Income from Operations Before Equity in Net Income of Non-Controlled Entities</b>	<b>31,037</b>	<b>39,298</b>	<b>(8,261)</b>	<b>(21.0%)</b>
Equity in net income of non-controlled entities	10,800	13,422	(2,622)	(19.5%)
<b>Net Income</b>	<b>\$ 41,837</b>	<b>\$ 52,720</b>	<b>\$ (10,883)</b>	<b>(20.6%)</b>

<sup>(1)</sup> Includes \$19.7 million and \$15.4 million of leasehold rent for the years ended December 31, 2009 and December 31, 2008, respectively.

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**Table of Contents*****Rental Revenue***

Rental revenue increased by \$5,362, or 3.3%, to \$167,556 for the period ended December 31, 2009 from \$162,194 for the period ended December 31, 2008. Basic and additional rent paid by the lessee of the Empire State Building increased by \$1,790 and \$4,061, respectively, and additional rent paid by the lessee of 501 Seventh Avenue decreased by \$1,515. The change to basic rent for the Empire State Building was related to increased borrowings for improvements made during the period, and the related change to basic rent to fund the debt service payments. Additional leasehold rent is calculated as a function of the property's operating income and is reduced by capital expenditures made by the lessee. Higher rents and new leasing added to the increase in rents for 2009.

***Tenant Expense Reimbursement***

Tenant expense reimbursement increased by \$625, or 1.8%, to \$36,309 for the period ended December 31, 2009 from \$35,684 for the period ended December 31, 2008. Generally, under the company's leases, the company is entitled to reimbursement from the company's tenants increases in specific operating expenses associated with the leased property over the amount incurred for these operating expenses in the first year of the leases. Therefore, no tenant reimbursements are typically earned during the first year of a lease term. The increase was primarily the result of an increase in real estate tax escalation reimbursements caused by increased real estate tax expenses.

***Third-Party Management and Other Fees***

Third-party management and other fees income decreased by \$1,620, or 27.4%, to \$4,296 for the period ended December 31, 2009 from \$5,916 for the period ended December 31, 2008. This decrease is primarily attributable to a \$1,602 decrease related to professional and service fees earned from related parties that are managed by the predecessor and mortgage origination fees received in 2008 that were not received in 2009. This decrease is also attributable to decreased supervisory fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses.

***Construction Revenue***

Construction revenue decreased by \$40,564, or 71.7%, to \$15,997 for the year ended December 31, 2009 from \$56,561 for the year ended December 31, 2008. This decrease is attributable to a decrease in construction activity due to the economic downturn and the completion of several large projects in 2008.

***Other Income and Fees***

Other income and fees decreased by \$285, or 3.4%, to \$8,157 for the year ended December 31, 2009 from \$8,442 for the year ended December 31, 2008.

***Operating Expenses***

Operating expenses increased by \$3,559, or 6.4%, to \$58,850 for the year ended December 31, 2009 from \$55,291 for the year ended December 31, 2008. This increase is primarily attributable to an increase of \$3,550 in repairs and related work performed on vacant space. \$2,406 of the increase relates to repairs and maintenance at One Grand Central Place, which performed asbestos testing, painting, and other building repairs in 2009. This increase was offset by lower insurance premiums, utility expenses and property-related payroll expenses across the company's portfolio.

***Marketing, General and Administrative Expense***

The company's marketing, general and administrative expenses decreased by \$1,618, or 9.1%, to \$16,145 for the period ended December 31, 2009 from \$17,763 for the period ended December 31, 2008. This decrease was primarily attributable to lower professional fees during 2009.

**Table of Contents*****Construction Expenses***

Construction expenses decreased by \$38,799, or 69.2%, to \$17,281 for the period ended December 31, 2009 from \$56,080 for the period ended December 31, 2008. This decrease corresponds to the decrease in construction activity in 2009 compared to 2008.

***Real Estate Taxes***

Real estate taxes increased by \$4,074, or 16.4%, to \$28,937 for the year ended December 31, 2009 from \$24,863 for the year ended December 31, 2008. This increase is attributable to an increase in real estate tax rates and assessed values in 2009 related to One Grand Central Place, 1359 Broadway, 250 West 57<sup>th</sup> Street, First Stamford Place and Metro Center. The properties received higher tax value assessments; additionally, the City of Stamford increased the millage rate for the 2009/2010 tax year, further increasing the tax for the second half of 2009 for the properties located there.

***Depreciation and Amortization***

The company's depreciation and amortization expense increased by \$2,489, or 9.3%, to \$29,327 for the year ended December 31, 2009 from \$26,838 for the year ended December 31, 2008. The increase in depreciation and amortization expense was the result of higher capital expenditures during 2008 and 2009. Tenant improvements increased approximately 14% from 2008 to 2009, with the largest increase at One Grand Central Place. The building was undergoing improvements and increased leasing activity during 2008 and 2009, resulting in the capitalization of additional assets at a faster rate than assets were written off. Additional smaller increases were due to the amortization of deferred leasing costs, which also increased from 2008 to 2009 because of new tenant leases signed during the period.

***Interest Expense, net***

The company's interest expense, net increased by \$2,074, or 4.3%, to \$50,738 for the year ended December 31, 2009 from \$48,664 for the year ended December 31, 2008. The increase was attributable to increased borrowings to fund capital expenditures and tenant improvements at the Empire State Building and One Grand Central Place.

***Equity in income of non-controlled entities***

Equity in income of non-controlled entities decreased by \$2,622, or 19.5%, to \$10,800 for the year ended December 31, 2009 from \$13,422 for the year ended December 31, 2008. This decrease was due to (i) net income at 1333 Broadway and 1350 Broadway declined due to higher interest expense resulting from increased borrowings to fund property improvements and tenancing costs, and (ii) basic rent and overage rent payable by the Empire State Building to the company was lower due to higher debt service and lower capital expenditures both of which increase rent payable. Although observatory revenues remained relatively consistent from 2008 to 2009, observatory expenses were higher in 2008 due to higher expenditures.

***Liquidity and Capital Resources***

Liquidity is a measure of the company's ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain the company's assets and operations, including lease-up costs, fund the company's renovation and repositioning programs, acquire properties, make distributions to the company's stockholders and other general business needs. Based on the historical experience of the supervisor and the company's business strategy, in the foreseeable future the company anticipates it will generate positive cash flows from operations. In order to qualify as a REIT, the company is required under the Code to distribute to the company's stockholders, on an annual basis, at least 90% of the company's REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. The company expects to make quarterly distributions to the company's stockholders.

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While the company may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond the company's control and which would affect the company's financial condition and results of operations. For example, the company may be required to comply with new laws or regulations that cause the company to incur unanticipated capital expenditures for the company's properties, thereby increasing the company's liquidity needs. Even if there are no material changes to the company's anticipated liquidity requirements, the company's sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. The company's primary sources of liquidity will generally consist of cash on hand and cash generated from the company's operating activities and mortgage financings. The company expects to meet the company's short-term liquidity requirements, including distributions, operating expenses, working capital, debt service, and capital expenditures from cash flows from operations, the net proceeds from the IPO and \$179.1 million of available borrowing capacity under the company's loans on a pro forma basis following the consolidation and the IPO (based on September 30, 2011 pro forma outstanding balances). The \$179.1 million of available borrowing capacity is comprised of \$141.0 million with respect to the company's secured term loan on the Empire State Building, \$20.1 million with respect to the company's mortgage loan on 250 West 57th Street and \$18.0 million of available borrowing capacity with respect to the company's mortgage loan on 1350 Broadway. The availability of these borrowings is subject to the conditions set forth in the applicable loan agreements. The company expects to meet the company's long-term capital requirements, including acquisitions (including potentially the option properties), redevelopments and capital expenditures through the company's cash flows from operations, the net proceeds from the IPO, mortgage financings, debt issuances, common and/or preferred equity issuances and asset sales.

The company does not intend to use any of the net proceeds from the IPO to fund distributions to the company's stockholders, but to the extent the company uses the net proceeds to fund distributions, these payments will be treated as a return of capital to the company's stockholders for U.S. federal income tax purposes. Pending the use of the net proceeds, the company intends to invest such portion of the net proceeds in interest-bearing accounts and short-term, interest-bearing securities that are consistent with the company's intention to qualify for taxation as a REIT.

The company expects to have approximately \$1.04 billion of total consolidated indebtedness outstanding and \$179.1 million of available borrowing capacity under the company's loans on a pro forma basis upon consummation of the consolidation and the IPO (based on September 30, 2011 pro forma outstanding balances). The company's overall leverage will depend on the company's mix of investments and the cost of leverage. The company's charter does not restrict the amount of leverage that the company may use.

The company's properties require periodic investments of capital for individual lease related tenant improvements allowances, general capital improvements and costs associated with capital expenditures.

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The following table summarizes the company's tenant improvement costs, leasing commission costs and the company's capital expenditures for the 18 properties the company will own following the consolidation and the IPO as if they were consolidated for each of the periods presented:

**Office Properties<sup>(1)</sup>**

	Nine Months Ended September 30, 2011	Year Ended December 31,		
		2010	2009	2008
<b>Total New Leases and Renewals</b>				
Number of leases signed	185	312	253	224
Total Square Feet	1,177,067	1,111,221	1,036,962	797,529
Leasing commission costs <sup>(2)</sup>	\$ 21,120,331	\$ 11,412,065	\$ 11,716,091	\$ 11,823,226
Tenant improvement costs <sup>(2)</sup>	\$ 47,322,323	\$ 35,493,556	\$ 39,275,220	\$ 22,665,740
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 68,442,654	\$ 46,905,621	\$ 50,991,311	\$ 34,488,966
Leasing commission costs per square foot <sup>(2)</sup>	\$ 17.94	\$ 10.27	\$ 11.30	\$ 14.82
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 40.20	\$ 31.94	\$ 37.88	\$ 28.42
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 58.15	\$ 42.21	\$ 49.17	\$ 43.24

**Retail Properties<sup>(3)</sup>**

	Nine Months Ended September 30, 2011	Year Ended December 31,		
		2010	2009	2008
<b>Total New Leases and Renewals</b>				
Number of leases signed	14	21	26	9
Total Square Feet	45,990	85,949	107,717	12,591
Leasing commission costs <sup>(2)</sup>	\$ 1,788,030	\$ 2,666,173	\$ 2,885,227	\$ 1,565,062
Tenant improvement costs <sup>(2)</sup>	\$ 212,088	\$ 760,650	\$ 215,000	\$ 25,000
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 2,000,118	\$ 3,426,823	\$ 3,100,227	\$ 1,590,062
Leasing commission costs per square foot <sup>(2)</sup>	\$ 38.88	\$ 31.02	\$ 26.79	\$ 124.30
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 4.61	\$ 8.85	\$ 2.00	\$ 1.99
Total leasing commissions and tenant improvement costs per square foot <sup>(4)</sup>	\$ 43.49	\$ 39.87	\$ 28.78	\$ 126.29
<b>Total Portfolio</b>				
Capital expenditures <sup>(4)</sup>	\$ 20,192,056	\$ 46,729,861	\$ 57,221,197	\$ 58,031,971

(1) Excludes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. Includes the Empire State Building broadcasting licenses and observatory operations.

(2) Presents all tenant improvement and leasing commission costs as if they were incurred in the period in which the lease was signed, which may be different than the period in which they were actually paid.

(3) Includes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. Excludes the Empire State Building broadcasting licenses and observatory operations.

(4) Includes all capital expenditures, excluding tenant improvement and leasing commission costs, which are primarily attributable to the renovation and repositioning program conducted at the company's Manhattan office properties.

As of September 30, 2011, on a pro forma basis, the company expects to incur additional costs of approximately \$75.1 million relating to obligations on signed new leases. This consists of approximately \$70.6 million for tenant improvements and other improvements related to new leases and approximately \$4.5 million on leasing commissions.



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The company currently intends to invest between \$175.0 million and \$215.0 million of additional capital through the end of 2013 (excluding leasing commissions and tenant improvements) in continuation of the company's renovation and repositioning program for the company's Manhattan office properties. The company expects to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation and repositioning program. In addition, the company currently estimates that between \$55.0 million and \$65.0 million of capital is needed beyond 2013 to complete the renovation and repositioning program at the Empire State Building, which the company expects to complete substantially in 2016 due to the size and scope of the company's remaining work and the company's desire to minimize tenant disruptions at the property. However, these estimates are based on current budgets and are subject to change.

During the nine months ended September 30, 2011,

- (i) the company arranged a variable-rate mortgage loan on 501 Seventh Avenue in the amount of \$6.5 million, bearing interest at LIBOR plus 200 basis points in connection with improvements as part of the company's renovation and repositioning program.
- (ii) the company refinanced mortgage loans on the Empire State Building totaling \$92.0 million with a new secured term loan in the amount of up to \$300.0 million (of which \$159.0 million was drawn in 2011) bearing interest at 250 basis points over the 30-day LIBOR rate, in connection with improvements as part of the company's renovation and repositioning program.

During 2010,

- (i) the company borrowed \$9.1 million under an existing mortgage loan on 1333 Broadway bearing interest at 6.32% per annum in connection with improvements as part of the company's renovation and repositioning program; and
- (ii) the company refinanced a maturing \$18.4 million loan on 10 Union Square with a \$22.0 million mortgage bearing interest at a rate of 6.00% per annum. The net proceeds were used for tenant improvements, loan costs and to distribute \$3.1 million to existing investors.

During 2009,

- (i) the company borrowed approximately \$31.5 million through a fixed-rate mortgage loan on the Empire State Building bearing interest at 6.50% per annum, in connection with improvements as part of the company's renovation and repositioning program;
- (ii) the company borrowed approximately \$16.0 million through a fixed-rate mortgage loan on One Grand Central Place bearing interest at 7.00% per annum, in connection with improvements as part of the company's renovation and repositioning program;
- (iii) the company arranged a variable-rate mortgage loan on 250 West 57th Street in the amount of \$21.0 million (of which \$0.9 million was drawn in 2009), bearing interest at a rate of Prime plus 100 basis points with a minimum floor of 6.50% per annum, in connection with improvements as part of the company's renovation and repositioning program;
- (iv) the company arranged a variable-rate mortgage loan on 1350 Broadway in the amount of \$18.7 million (of which \$0.7 million was drawn in 2010), bearing interest at a rate of Prime plus 100 basis points with a minimum floor of 6.50% per annum; and

- (v)

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the company borrowed a total of \$23.7 million under existing mortgage loans on 1350 Broadway, 250 West 57th Street, and 1333 Broadway bearing interest at 5.87%, 6.13%, and 6.32% per annum, respectively, in connection with improvements as part of the company's renovation and repositioning program.

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During 2008,

- (i) the company arranged a fixed-rate mortgage loan on 1350 Broadway in the amount of \$39.8 million (of which \$34.0 million was drawn in 2008) bearing interest at a rate of 5.87% per annum, in connection with improvements as part of the company's renovation and repositioning program;
- (ii) the company borrowed \$29.2 million under an existing a fixed-rate mortgage loan on 1333 Broadway bearing interest at a rate of 6.32% per annum, in connection with improvements as part of the company's renovation and repositioning program; and
- (iii) the company borrowed \$3.0 million under an existing mortgage loan on 250 West 57th Street bearing interest at a rate of 6.13% per annum, in connection with improvements as part of the company's renovation and repositioning program.

These principal amounts and rates of interest represent the fair values at the date of financing.

## **Leverage Policies**

The company expects to employ leverage in the company's capital structure in amounts determined from time to time by the company's board of directors. Although the company's board of directors has not adopted a policy that limits the total amount of indebtedness that the company may incur, the company anticipates that its board of directors will consider a number of factors in evaluating the company's level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or floating rate. The company's charter and bylaws do not limit the amount or percentage of indebtedness that the company may incur nor do they restrict the form in which the company's indebtedness will be taken (including, but not limited to, recourse or non-recourse debt and cross collateralized debt). The company's board of directors may from time to time modify the company's leverage policies in light of the then current economic conditions, relative costs of debt and equity capital, market values of the company's properties, general market conditions for debt and equity securities, fluctuations in the market price of the company's common stock, growth and acquisition opportunities and other factors.

## **Consolidated Indebtedness to be Outstanding After the IPO**

Upon completion of the consolidation and the IPO, the company expects to have pro forma total indebtedness outstanding of approximately \$1.04 billion (based on September 30, 2011 pro forma outstanding balances). This indebtedness is comprised of 23 mortgage loans secured by 17 of the company's properties including the secured term loan on the Empire State Building, 84.0% of which is anticipated to be at fixed rates. The weighted average interest rate on the total indebtedness is expected to be 5.29% per annum.

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The following table (in thousands) sets forth certain information with respect to the mortgage indebtedness as of September 30, 2011 that the company expects will be outstanding after the consolidation and the IPO.

Property Name	Stated Interest Rate	Principal Balance as of September 30, 2011	Debt Service Nine months Ended September 30, 2011	Amortization Commencement Date/Period	Maturity Date <sup>(1)</sup>	Estimated Principal Balance at Maturity
69-97 Main Street, Westport, CT				05/01/07;		
	5.64%	\$ 9,402	\$ 519	30 years	05/01/13	\$ 9,150
501 Seventh Avenue (first lien mortgage loan)				02/07/05;		
	5.75%	\$ 1,118	\$ 74	25 years	08/01/13	\$ 1,053
(second lien mortgage loan) <sup>(2)</sup>	5.75%; 6.04%	\$ 41,271	\$ 2,736	25 years <sup>(3)</sup>	08/01/13	\$ 38,913
(third lien mortgage loan)	LIBOR + 2.0%	\$ 6,540	\$ 25 <sup>(4)</sup>	Interest Only	08/01/13	\$ 6,540
The Empire State Building (secured term loan) <sup>(5)</sup>	LIBOR + 2.5%	\$ 159,000	\$ 439	Interest Only	07/26/14	\$ 159,000
1359 Broadway (first lien mortgage loan)				02/16/05;		
	5.75%	\$ 10,323	\$ 685	25 years	08/01/14	\$ 9,366
(second lien mortgage loan) <sup>(6)</sup>				02/16/05;		
	5.75%; 5.87%; 6.40%	\$ 37,765	\$ 2,484	25 years	08/01/14	\$ 34,781
One Grand Central Place	5.34%; 7.00%	\$ 92,050	\$ 5,588	25 years <sup>(7)</sup>	11/05/14	\$ 84,411
500 Mamaroneck Avenue				02/01/07;		
	5.41%	\$ 34,075	\$ 1,858	30 years	01/01/15	\$ 31,827
250 West 57th Street (first lien mortgage loan)				01/05/07;		
	5.33%	\$ 27,409	\$ 1,658	25 years	01/05/15	\$ 24,680
(second lien mortgage loan)				04/05/09;		
(third lien mortgage loan)	6.13%	\$ 11,842	\$ 729	25 years	01/05/15	\$ 10,937
	Greater of 6.50% and Prime + 1% <sup>(8)</sup>	\$ 935	\$ 46	Interest Only	01/05/15	\$ 935
Metro Center (Note 1) <sup>(9)</sup>				12/31/03;		
	5.80%	\$ 61,701	\$ 3,707	30 years	01/01/16	\$ 55,144
				08/01/09;		
(Note 2) <sup>(9)</sup>	6.02%	\$ 38,856	\$ 2,163	30 years	01/01/16	\$ 36,225

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					04/28/10;		
10 Union Square	6.00%	\$ 21,645	\$ 1,198	30 years	05/01/17	\$ 19,752	
					07/01/09;		
10 Bank Street	5.72%	\$ 34,628	\$ 1,872	30 years	06/01/17	\$ 31,194	
					05/09/07;		
1540 Third Avenue	5.90%	\$ 19,788	\$ 1,132	30 years	06/01/17	\$ 17,569	
First Stamford Place	5.65%	\$ 250,000	\$ 10,711	Interest Only <sup>(10)</sup>	07/05/17	\$ 231,607	
					08/05/09;		
383 Main Avenue	5.59%	\$ 31,536	\$ 1,677	30 years	07/05/17	\$ 28,278	
1010 Third Avenue and 77 West 55th Street					08/05/09;		
	5.69%	\$ 29,126	\$ 1,565	30 years	07/05/17	\$ 26,160	
1333 Broadway	6.32%	\$ 79,946 <sup>(11)</sup>	\$ 3,375	Interest Only <sup>(12)</sup>	01/05/18	\$ 66,602	
1350 Broadway (first lien mortgage loan)	5.87%	\$ 43,892 <sup>(17)</sup>	\$ 1,750	Interest Only <sup>(14)</sup>	04/05/18	\$ 36,983	
(second lien mortgage loan)	Greater of 6.50% and Prime + 1% <sup>(16)</sup>	\$ 777 <sup>(16)</sup>	\$ 34	Interest Only	04/05/18 <sup>(17)</sup>	\$ 677	
<b>Total/Weighted Average:</b>	<b>5.29%</b>	<b>\$ 1,043,625</b>	<b>\$ 46,026</b>			<b>\$ 961,784</b>	

(1) Pre-payment is generally allowed for each loan upon payment of a customary pre-payment penalty.

(2) Represents the two tranches of the second lien mortgage loan.

(3) Amortization began on April 1, 2005 as to \$39,424 original principal and on April 1, 2006 as to \$8,276 original principal.

(4) Loan made on June 29, 2011.

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- (5) Loan is secured by the Empire State Building. This loan closed in July 2011. For a description of the loan, see Description of Certain Debt Empire State Building Secured Term Loan below.
- (6) Represents three tranches of the second lien mortgage loan.
- (7) Amortization began on August 7, 2007 as to \$84,000 original principal and on November 5, 2009 as to \$16,000 original principal.
- (8) The company has the option to fix the interest rate on all or any portion of the principal, up to three times during the term of the loan and in minimum increments of \$5,000 to an annual rate equal to either (i) the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Fed Reserve Board as of two days prior to the effective date of the fixing of the interest rate, and (ii) the greater of (a) 6.75% or (b) 325 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of 30 days prior to the effective date of the fixing of the interest rate. If option (i) is selected, the company will be subject to the payment of pre-payment fees, and if option (ii) is selected, the company may prepay the loan without any pre-payment fees.
- (9) Notes 1 and 2 are pari passu.
- (10) Amortization will begin on August 5, 2012, with a period of 30 years.
- (11) Includes unamortized premium of \$8,746.
- (12) Amortization will begin on February 5, 2013, with a period of 30 years.
- (13) Includes unamortized premium of \$4,142.
- (14) Amortization will begin on May 5, 2013, with a period of 30 years.
- (15) Prior to October 10, 2014, the company has the option to fix the interest rate on all or any portion of the principal, up to three times and in minimum increments of \$5,000 to an annual rate equal to either (i) the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to October 10, 2014 as most recently made available by the Fed Reserve Board as of two business days prior to the effective date of the fixing of the interest rate. Upon the earlier of (i) October 10, 2012, or (ii) 90 days after 90% of the loan has been advanced, the interest rate on the remaining portion of the loan that has not been previously fixed shall be fixed until October 10, 2014 at an annual rate equal to the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to October 14, 2014 as most recently made available by the Federal Reserve Board as of two business days prior to the effective date of the fixing of the interest rate.
- (16) Includes unamortized premium of \$100.
- (17) The company has the right to extend the maturity date to April 5, 2018. If the company elects to extend the term of the loan, the interest rate will be reset at an annual rate equal to, at the company's option, either: (i) the greater of (a) 6.5% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to April 5, 2018 as most recently made available by the Fed Reserve Board as of 30 days prior to the first day of the extended term of the loan or (ii) the greater of (a) 6.75% or (b) 325 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to April 5, 2018 as most recently made available by the Federal Reserve Board as of 30 days prior to the first day of the extended term of the loan. If option (i) is selected, the company will be subject to the payment of pre-payment fees, and if option (ii) is selected, the company may prepay the loan without any pre-payment fees.

***Description of Certain Debt***

The following is a summary of the material provisions of the secured term loan agreement with respect to the loan secured by the Empire State Building.

***Empire State Building Secured Term Loan***

On July 26, 2011, the company entered into a three-year term loan, or the company's secured term loan, with institutional lenders, including HSBC Bank USA, National Association as agent and HSBC Bank USA, National Association and DekaBank Deutsche Girozentrale as lead arrangers. The secured term loan is secured by the Empire State Building. The secured term loan was amended by the First Amendment to Loan Agreement, Ratification of Loan Documents and Omnibus Amendment dated as of November 2, 2011 to provide for additional commitments from Capital One, National Association so that, collectively, the loan was increased to \$300.0 million. No additional funds were drawn at the time of the modification.

The lenders provided the company with an initial advance of \$159.0 million and, subject to the conditions set forth in the secured term loan agreement (as amended), agreed to provide the company with additional advances of up to \$141.0 million. Provided no event of default has occurred, and subject to other conditions, upon the company's request, HSBC has also agreed to source further additional commitments aggregating up to \$200 million in the sole discretion of the lenders. If this is accomplished, the secured term loan would increase to \$500 million.

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The outstanding principal amount of the secured term loan bears interest at a rate equal to 2.5% per annum above 30-day LIBOR, unless such rate is not available, in which event the secured term loan would bear interest at 2.5% per annum in excess of (i) HSBC's prime rate or (ii) the BBA LIBOR Daily Floating Rate. The initial advance noted above accrued interest at the BBA LIBOR Daily Floating Rate plus the margin of 2.5% per annum until August 1, 2011. In connection with this loan, the company issued promissory notes, a mortgage encumbering the Empire State Building in favor of the lenders, and other customary security and other loan documents. The maturity date of this loan is July 26, 2014, which the company may extend to July 26, 2015 and thereafter to July 26, 2016, in each case, upon payment of an extension fee of 0.25% of the total availability under the secured term loan agreement at the time of such extension. Such extensions are subject to customary conditions, including the satisfaction of certain loan-to-value and debt yield ratios at the time the extension is requested and the absence of an event of default.

The initial advance of \$159.0 million was used to pay and discharge then existing secured mortgage loans relating to the Empire State Building and to fund operations and working capital requirements related to the Empire State Building (including for improvements).

Payment obligations relating to the secured term loan may be accelerated upon the occurrence of an event of default under the secured term loan agreement. Events of default under the secured term loan agreement include, subject in some cases to specified cure periods: payment defaults; failure by the company to pay taxes; failure to keep certain insurance policies in effect; breaches of representations and covenants contained in the mortgage; defaults in the observance or performance of covenants; inaccuracy of representations and warranties in any material respect; bankruptcy and insolvency related defaults; and the entry of one or more final judgments for the payment of more than \$1 million that are not satisfied within 30 days.

The secured term loan agreement contains affirmative and negative covenants customary for financings of this type. Negative covenants in the secured term loan agreement limit the company's ability, subject to certain exceptions, to transfer all or substantially all of the company's property; incur indebtedness and liens; dissolve, liquidate or enter into mergers or similar transactions; change the company's line of business; cancel debt; enter into transactions with affiliates; rezone the company's property; sell the company's assets; make certain distributions to investors; and change the company's organizational documents. The company must also maintain a debt yield as specified in the secured term loan agreement.

### *Restrictive Covenants*

The terms of the company's mortgage debt include certain restrictions and covenants which may limit, among other things, certain investments, the incurrence of additional indebtedness and liens and the disposition or other transfer of assets and interests in the borrower and other credit parties, and requires compliance with certain debt yield, debt service coverage and loan to value ratios. In addition, the company's secured term loan restricts the payment of dividends prior to the payment of operating expenses.

**Table of Contents****Contractual Obligations**

The following table summarizes the amounts due in connection with the company's contractual obligations described below as of December 31, 2010 for the years ended December 31, 2011 (assuming all debt obligations as of September 30, 2011 were outstanding as of January 1, 2011) through 2016 and thereafter on a pro forma basis (in thousands). For a description of the pro forma adjustments made to the predecessor's historical financial statements, See Unaudited Pro Forma Financial Information.

	Pro Forma							Total
	Year Ended December 31,							
	2011	2012	2013	2014	2015	2016	Thereafter	
Mortgages and other debt <sup>(1)</sup>								
Interest expense	\$ 54,544	\$ 54,103	\$ 52,067	\$ 45,915	\$ 33,445	\$ 27,659	\$ 18,535	\$ 286,268
Amortization	\$ 10,318	\$ 12,275	\$ 15,468	\$ 14,841	\$ 10,203	\$ 8,400	\$ 5,616	\$ 77,121
Principal repayment			\$ 55,543	\$ 287,211	\$ 68,426	\$ 91,369	\$ 458,822	\$ 961,371
Ground leases	\$ 108	\$ 108	\$ 108	\$ 108	\$ 108	\$ 108	\$ 2,763	\$ 3,411
Operating leases								
Tenant improvement and leasing commission costs <sup>(2)</sup>	\$ 72,741	\$ 37,536						\$ 110,277
Total	\$ 137,711	\$ 104,022	\$ 123,186	\$ 348,075	\$ 112,182	\$ 127,536	\$ 485,736	\$ 1,438,448

(1) Assumes no extension options are exercised.

(2) The timing of the amounts due in connection with the company's contractual obligations associated with tenant improvement and leasing commission costs are not ascertainable and, accordingly, such amounts have been recorded equally in both 2011 and 2012.

**Off-Balance Sheet Arrangements**

As of September 30, 2011, the company does not have any off-balance sheet arrangements.

**Distribution Policy**

In order to qualify as a REIT, the company must distribute to the company's stockholders, on an annual basis, at least 90% of the company's REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, the company will be subject to U.S. federal income tax at regular corporate rates to the extent that the company distributes less than 100% of the company's net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount, if any, by which the company's distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. The company intends to distribute the company's net income to the company's stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax liability on the company's income and the 4% nondeductible excise tax.

Before the company pays any distribution, whether for U.S. federal income tax purposes or otherwise, the company must first meet both the company's operating requirements and obligations to make payments of principal and interest, if any. However, under some circumstances, the company may be required to use cash reserves, incur debt or liquidate assets at rates or times that the company regards as unfavorable or make a taxable distribution of the company's shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year. However, the company currently has no intention to use the net proceeds from the IPO to make distributions nor does the company currently intend to make distributions using shares of the company's common stock.



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**Cash Flows**

***Comparison of Nine Months Ended September 30, 2011 to Nine Months Ended September 30, 2010 (in thousands)***

***Net cash.*** Cash on hand was \$125,924 and \$80,482, respectively, as of September 30, 2011 and 2010.

***Operating activities.*** Net cash provided by operating activities increased by \$10,951 to \$61,507 for the nine months ended September 30, 2011 compared to \$50,556 for the nine months ended September 30, 2010. This increase primarily resulted from an increase in net operating income generated by the company's properties.

***Investing activities.*** Net cash used in investing activities increased \$11,513 to \$42,218 for the nine months ended September 30, 2011 compared to \$30,705 for the nine months ended September 30, 2010. This increase resulted primarily from a \$12,890 increase in tenant improvement costs.

***Financing activities.*** Net cash provided in financing activities increased \$52,292 to \$18,836 for the nine months ended September 30, 2011 compared to \$33,456 of net cash used for the nine months ended September 30, 2010. This increase primarily resulted from a \$67,000 increase in net borrowings in connection with the Empire State Building, partially offset by financing charges of \$6,554 on the new loan and an increase in deferred costs of \$8,744 relating to the consolidation.

***Comparison of Year Ended December 31, 2010 to Year Ended December 31, 2009 (in thousands)***

***Net cash.*** Cash on hand was \$88,031 and \$94,087, respectively, as of December 31, 2010 and 2009.

***Operating activities.*** Net cash provided by operating activities increased \$15,872 to \$74,381 for the year ended December 31, 2010 compared to \$58,509 for the year ended December 31, 2009. This increase primarily resulted from an increase in net operating income generated by the company's properties and the timing in which the company settled accounts payable and accrued expenses.

***Investing activities.*** Net cash used in investing activities decreased \$3,780 to \$34,837 for the year ended December 31, 2010 compared to \$38,617 for the year ended December 31, 2009. This decrease of net cash used in investing activities primarily resulted from a decrease in capital expenditures and costs associated with the development of Metro Tower of \$14,353 partially offset by an increase in tenant improvements of \$10,862.

***Financing activities.*** Net cash used in financing activities increased \$40,565 to \$45,600 for the year ended December 31, 2010 compared to \$5,035 for the year ended December 31, 2009. This increase primarily resulted from a decrease in net borrowings, including financing charges, of \$43,212 and a decrease in contributions of \$1,615 partially offset by a decrease in distributions of \$8,152.

***Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008 (in thousands)***

***Net cash.*** Cash on hand was \$94,087 and \$79,230, respectively, as of December 31, 2009 and 2008.

***Operating activities.*** Net cash provided by operating activities decreased \$16,901 to \$58,509 for the year ended December 31, 2009 compared to \$75,410 for the year ended December 31, 2008. This decrease primarily resulted from a decrease in net operating income generated by the company's properties (\$10,883) plus changes in operating assets and liabilities (\$16,274), offset by a decrease in investment in non-controlled entities (\$2,622) and an increase in depreciation and amortization (\$2,698).

***Investing activities.*** Net cash used in investing activities increased \$24,849 to \$38,617 for the year ended December 31, 2009 compared to \$13,768 for the year ended December 31, 2008. This increase of net cash used in investing activities primarily resulted from an increase in capital expenditures of \$20,955, an increase in tenant improvements of \$2,716 and a decrease in restricted cash used for investing activities of \$1,520 partially offset by a decrease in costs associated with the development of Metro Tower of \$342.

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**Financing activities.** Net cash used in financing activities decreased \$60,789 to \$5,035 for the year ended December 31, 2009 compared to \$65,824 for the year ended December 31, 2008. This decrease primarily resulted from an increase in net borrowings, including financing charges, of \$40,783, a decrease in distributions of \$18,584 and an increase in contributions of \$1,422.

**Net Operating Income**

Following the closing of the IPO, the company's financial reports will include a discussion of property net operating income, or NOI. NOI is a non-GAAP financial measure of performance. NOI is used by investors and the company's management to evaluate and compare the performance of the company's properties and to determine trends in earnings and to compute the fair value of the company's properties as it is not affected by: (i) the cost of funds of the property owner, (ii) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP, or (iii) general and administrative expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from net operating income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by the company regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in the company's office or retail properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing the company's operating results to the operating results of other real estate companies that have not made similarly timed, purchases or sales. The company believes that eliminating these costs from net income is useful because the resulting measure captures the actual revenue, generated and actual expenses incurred in operating the company's properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the company's properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income which further limits its usefulness.

NOI is a measure of the operating performance of the company's properties but does not measure the company's performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, the company's NOI may not-be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as the company does.

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The following table presents a reconciliation of the company's historical and pro forma net income, the most directly comparable GAAP measure, to NOI for the periods presented (in thousands):

	Pro Forma			Historical		
	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31,		
				2010	2009	2008
Net income <sup>(1)</sup>	\$ 71,045	\$ 84,609	\$ 34,234	\$ 46,118	\$ 41,837	\$ 52,720
Add:						
Marketing, general and administrative expenses	\$ 23,083	\$ 23,534	\$ 13,431	\$ 13,924	\$ 16,145	\$ 17,763
Total depreciation and amortization <sup>(2)</sup>	\$ 41,811	\$ 57,481	\$ 31,245	\$ 40,121	\$ 33,986	\$ 31,066
Interest expense, net <sup>(3)</sup>	\$ 46,237	\$ 57,290	\$ 44,519	\$ 55,851	\$ 53,768	\$ 50,483
Construction expenses	\$ 34,121	\$ 27,581	\$ 34,121	\$ 27,581	\$ 17,281	\$ 56,080
Less:						
Construction revenue	\$ (35,323)	\$ (27,139)	\$ (35,323)	\$ (27,139)	\$ (15,977)	\$ (56,561)
Third-party management and other fees	\$ (4,671)	\$ (3,750)	\$ (4,671)	\$ (3,750)	\$ (4,296)	\$ (5,916)
<b>Net operating income</b>	<b>\$ 176,303</b>	<b>\$ 219,606</b>	<b>\$ 117,556</b>	<b>\$ 152,706</b>	<b>\$ 142,744</b>	<b>\$ 145,635</b>

**Other Net Operating Income Data**

Straight line rental revenue	\$ 6,591	\$ 12,635	\$ 2,434	\$ 4,032	\$ 1,149	\$ 1,982
Net Increase (decrease) in rental revenue from the amortization of in place lease assets, above and below-market lease assets and liabilities	\$ 1,243	\$ (6,716)				
Amortization of assumed below market ground lease <sup>(4)</sup>	\$ 1,226	\$ 1,635				
Ground rent earned from non-controlled entities <sup>(4)</sup>			\$ 9,593	\$ 17,106	\$ 19,717	\$ 15,380
Management fees from non-controlled entities			\$ 2,324	\$ 1,254	\$ 1,383	\$ 1,834

(1) Excludes gains/losses from sales.

(2) Includes adjustment for proportionate share of depreciation and amortization expense relating to non-controlled entities of \$5,472 for the nine months ended September 30, 2011 and \$6,080, \$4,659 and \$4,228 for the three years ended December 31, 2010.

(3) Includes adjustment for proportionate share of interest expense, net related to non-controlled entities of \$2,787 for the nine months ended September 30, 2011 and \$3,587, \$3,030 and \$1,819 for the three years ended December 31, 2010.

(4) Upon completion of the IPO and the consolidation, the company will incur amortization of the assumed below-market ground lease attributable to 1350 Broadway, in addition to the contractual ground rent payment of \$108.

**Funds from Operations**

Presented below is a discussion of funds from operations, or FFO. The company computes FFO in accordance with the White Paper on FFO published by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) (determined in accordance with GAAP), excluding impairment writedowns of investments in depreciable real estate and investments in in-substance real estate investments, gains or losses from debt restructurings and sales of depreciable operating properties, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs), less distributions to non-controlling interests and gains/losses from discontinued operations and after adjustments for unconsolidated partnerships and joint ventures. FFO is a widely recognized non-GAAP financial measure for REITs that the company believes, when

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considered with financial statements determined in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITs. In addition, FFO is useful to investors as it captures features particular to real estate performance by recognizing that real estate has generally appreciated over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand an equity REIT's operating performance. The company presents FFO because the company considers it an important supplemental measure of the company's operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the company's properties that results from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of the company's properties, all of which have real economic effect and could materially impact the company's results from operations, the utility of FFO as a measure of the company's performance is limited. There can be no assurance that FFO presented by the company is comparable to similarly titled measures of other REITs. FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income (loss) determined in accordance with GAAP or to cash flow from operating activities determined in accordance with GAAP. FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Although FFO is a measure used for comparability in assessing the performance of REITs, as the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another.

The following table presents a reconciliation of the company's historical and pro forma net income, the most directly comparable GAAP measure, to FFO for the periods presented (in thousands):

	Pro Forma			Historical		
	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 2009 2008		
Net income <sup>(1)</sup>	\$ 71,045	\$ 84,609	\$ 34,234	\$ 46,118	\$ 41,837	\$ 52,720
Add:						
Real estate depreciation and amortization <sup>(2)</sup>	\$ 41,280	\$ 56,703	\$ 30,978	\$ 39,709	\$ 33,621	\$ 30,793
<b>Funds from operations</b>	<b>\$ 112,325</b>	<b>\$ 141,312</b>	<b>\$ 65,212</b>	<b>\$ 85,827</b>	<b>\$ 75,458</b>	<b>\$ 83,513</b>

(1) Excludes gains/losses from sales.

(2) Includes adjustment for proportionate share of real estate depreciation and amortization expense relating to non-controlled entities of \$5,337 for the nine months ended September 30, 2011 and \$5,915, \$4,559 and \$4,208 for the three years ended December 31, 2010.

**EBITDA**

Presented below is a discussion of EBITDA. The company computes EBITDA as net income plus interest expense, net of interest income, income taxes and depreciation and amortization. The company presents EBITDA because the company believes that EBITDA, along with cash flow from operating activities, investing activities and financing activities, provides investors with an additional indicator of the company's ability to incur and service debt. EBITDA should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the company's financial performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of the company's liquidity.

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The following table presents a reconciliation of the company's historical and pro forma net income, the most directly comparable GAAP measure, to EBITDA for the periods presented (in thousands):

	Pro Forma			Historical		
	For the Nine Months Ended September 30, 2011	For the Year Ended December 31, 2010	For the Nine Months Ended September 30, 2011	For the Year Ended December 31,		
				2010	2009	2008
Net income <sup>(1)</sup>	\$ 71,045	\$ 84,609	\$ 34,234	\$ 46,118	\$ 41,837	\$ 52,720
Add:						
Income taxes <sup>(2)</sup>	\$ 6,300	\$ 2,200				
Interest expense, net <sup>(3)</sup>	\$ 46,237	\$ 57,290	\$ 44,519	\$ 55,851	\$ 53,768	\$ 50,483
Total depreciation and amortization <sup>(4)</sup>	\$ 41,811	\$ 57,481	\$ 31,245	\$ 40,121	\$ 33,986	\$ 31,066
<b>EBITDA</b>	<b>\$ 165,393</b>	<b>\$ 201,580</b>	<b>\$ 109,998</b>	<b>\$ 142,090</b>	<b>\$ 129,591</b>	<b>\$ 134,269</b>

(1) Excludes gains/losses from sales.

(2) Includes additional federal, state and local tax expense of \$6,300 and \$2,200 the company expects to incur for the nine months ended September 30, 2011 and for the year ended December 31, 2010 related to the company's observatory operations through a TRS.

(3) Includes adjustment for proportionate share of interest expense, net related to non-controlled entities of \$2,787 as of the nine months ended September 30, 2011 and \$3,587, \$3,030 and \$1,819 for the three years ended December 31, 2010.

(4) Includes adjustment for proportionate share of depreciation and amortization expense relating to non-controlled entities of \$5,472 for the nine months ended September 30, 2011 and \$6,080, \$4,659 and \$4,228 for the three years ended December 31, 2010.

**Distribution to Equity Holders:**

Distributions have been made to equity holders in 2008, 2009, 2010 and for the nine months ended September 30, 2011 as follows:

**For the year ended:**

December 31, 2008	\$ 67,410,000
December 31, 2009	\$ 48,826,000
December 31, 2010	\$ 40,674,000

**For the nine months ended:**

September 30, 2011	\$ 34,751,000
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**Inflation**

Substantially all of the company's leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. The company believes inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. The company does not believe inflation has had a material impact on the company's historical financial position or results of operations.

**Seasonality**

The company does not consider the company's business to be subject to material seasonal fluctuations, except that the company's observatory business is subject to tourism trends and weather, and therefore does experience some seasonality. Over the past ten years, the number of visitors to the observatory, on average, has been slightly higher in the third quarter and slightly lower in the first quarter of each year.

**Quantitative and Qualitative Disclosures About Market Risk**

The company's future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices



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and interest rates. One of the principal market risks facing the company is interest rate risk on the company's floating rate indebtedness. Following the consolidation and the IPO, the company expects to have floating rate mortgage loans on 501 Seventh Avenue (third lien), 250 West 57<sup>th</sup> Street (third lien), 1350 Broadway (second lien) and the company's secured term loan on the Empire State Building, which collectively represents 16.0% of the company's pro forma indebtedness.

Subject to maintaining the company's qualification as a REIT for U.S. federal income tax purposes, the company may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. The company's primary objectives when undertaking hedging transactions and derivative positions will be to reduce the company's floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn will reduce the risk that the variability of cash flows will impose on floating rate debt. However, the company can provide no assurances that the company's efforts to manage interest rate volatility will successfully mitigate the risks of such volatility on the company's portfolio. The company is not subject to foreign currency risk.

The company is exposed to interest rate changes primarily through (i) property-specific floating rate construction financing, and (ii) other property-specific floating rate mortgages. The company's objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower the company's overall borrowing costs. To achieve these objectives, the company may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps or caps in order to mitigate the company's interest rate risk on a related floating rate financial instrument. The company does not enter into derivative or interest rate transactions for speculative purposes.

As of September 30, 2011 and December 31, 2010, the company had total outstanding pro forma floating rate mortgage debt obligations of \$167.3 million and \$1.6 million, respectively. Based on the company's variable balances, interest expense would have increased by approximately \$1.7 million for the 12 months ended September 30, 2011, if short-term interest rates had been 1% higher. As of September 30, 2011 and December 31, 2010, the weighted average interest rate on the \$863.5 million and \$963.2 million, respectively, of pro forma fixed-rate indebtedness outstanding was 5.77% per annum, each with maturities at various dates through April 5, 2018.

As of September 30, 2011, the company's pro forma outstanding debt was approximately \$1.04 billion which was approximately \$13.0 million more than the historical book value as of such date. Interest risk amounts were determined by considering the impact of hypothetical interest rates on the company's financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, the company may take actions to further mitigate the company's exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in the company's financial structure.

**Table of Contents****ECONOMIC AND MARKET OVERVIEW**

*Unless otherwise indicated, all information in this Economic and Market Overview section is derived from the market studies prepared by Rosen Consulting Group, or RCG, a national commercial real estate advisory company in January 2012. Market data not derived from the market studies prepared by RCG were derived from publicly available information and other industry sources. These sources generally state that the information they provide has been obtained from sources believed to be reliable. Forecasts are based on data (including third-party data), models and experience of these sources, and are based on various assumptions, all of which are subject to change without notice. There is no assurance any of the projected amounts will be achieved. The company believes the data others have compiled are reliable, but the company has not independently verified this information. The manner in which the company defines its property markets and submarkets differs from how RCG has done so in its market study included herein. Further, RCG's definition of the New York metropolitan area differs from the company's definition of the greater New York metropolitan area in that it includes Putnam County and Rockland County in New York and Bergen County, Hudson County, and Passaic County in Northern New Jersey and excludes Fairfield County in Connecticut.*

**New York Metropolitan Division Economy and Demographics****New York City Overview**

As the financial and entertainment capital of the United States, New York City is a destination for new residents, businesses, and tourists alike. New York City is an international hub for entertainment, finance, culture, cuisine, art, education, political affairs and media. Home to major conglomerates in the areas of finance, entertainment, and advertising, New York City is also one of the most-prized office markets in the world. The market's high barriers to entry and wide array of office demand driving industries provides stability through economic cycles and a foundation for the market's growth over the long-term. The city's lively, 24-7 environment makes New York City a go-to destination for both domestic and international tourists and attracts close to 50 million visitors annually, which helps to maintain the market's status as one of the most expensive retail markets in the country. Reaching a record-breaking 50.2 million visitors in 2011, New York City remains a top tourist destination among U.S. cities. One of the world's premiere gateway cities, New York, with its large, diversified economy, will play a central role in the expanding global economy.

*Regional Overview*

The New York metropolitan division, which includes New York City, three suburban counties located north of New York City: Putnam County, Rockland County, and Westchester County, and three counties located in Northern New Jersey: Bergen County, Hudson County, and Passaic County, is the largest regional economy in the United States, with an employment base that totaled approximately 5.2 million as of November 2011. The New York metropolitan statistical area, which in addition to the aforementioned New York metropolitan division includes Long Island and parts of northern and central New Jersey, had a nominal gross product of \$1.3 trillion in 2010, the latest data available and the largest in the United States. Because of its global reach and available professional, educational and cultural resources, the New York metropolitan division is a highly desirable location for businesses and new residents. While New York City remains the global financial capital, the regional economic base is diverse and driven by other major industries such as business services, education, health care, technology, tourism, media and publishing.

In November 2011, year-over-year employment growth in the Manhattan borough (New York County) increased for a second consecutive month, rising by 0.5% to approximately 933,000 jobs, according to the BLS Household Survey.

**Major Economic Drivers**

Anticipated to be one of the fastest-growing employment sectors during the forecast period, the professional and business services sector accounted for 15.4% of the total labor force and 14.6% of the New York



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metropolitan statistical area's gross metropolitan area product in 2010, the latest available data for this sector, for a total of \$187.4 billion. Payroll expansion in the professional and business services, trade, educational and health services, and leisure and hospitality sectors contributed to a healthy level of private sector hiring. Job growth within these sectors can be largely attributed to gains in tourism spending, the growth of New York's diverse array of technology-related industries, and favorable demographic trends in the area. Capitalizing on the area's concentration of technical and creative talent, the New York regional professional and businesses sector encompasses a variety of professions from engineering and law to architecture, fashion design, and marketing. The anticipated rise in demand for specialized services such as law, consulting, accounting, and architecture should increase as the larger economy recovers from recent lows, which should fuel growth in the sector. In New York City, the growth of companies in the professional and business services sector is closely tied to the health of the heavily concentrated finance and media industries. New York City's large, diverse and educated workforce should facilitate the continued growth of companies in research and development, as well as in computer systems design. A promising trend for both the New York City economy and office market is the expansion of high-tech companies in the market, which have contributed to the growth of the New York City economy during the recent decade, and will play a prominent role in the recovery of the economy and future expansion. The New York regional tech industry is the East Coast's answer to California's Silicon Valley. The area's proximity to existing media and entertainment networks, as well as the availability of highly-skilled talent and venture capital firms, should continue to attract tech entrepreneurs to New York City. This trend should support accelerated growth and visibility among burgeoning tech companies and the expansion of existing companies such as Foursquare, BuzzFeed, and Tumblr.

Despite the New York metropolitan division economy's increasing diversity, the financial activities sector remains a major growth driver in the economy, particularly because of the sector's concentration of high-income jobs and the business services needed to support operations. Many other sectors of the economy depend on the financial industry for growth including business services, retail trade, residential and commercial real estate, arts and leisure, and many others. Understandably, the unwinding of the financial markets had a disproportionately large effect on the New York region's financial services sector. During the two-year period following the onset of the national recession in December 2007, the New York region's financial services sector lost more than 200,000 jobs but has since recovered. As of late 2011, employers restaffed approximately 40% of the total jobs cut since the recession.

The educational and health services sector is also a major economic driver in the area, accounting for 20.0% of total employment or just over one million jobs as of November 2011. Expected to be one of the fastest-expanding employment sectors during the forecast period, educational services will benefit from the continued growth of younger age-cohorts combined with the heightened need for health services from aging baby-boomers. The sector recorded a gross product totaling \$109.9 billion in 2010, the latest available data, or 8.5% of the total metropolitan statistical area economy. According to the 2009 American Community Survey, approximately 891,000 or 7.6% of the New York metropolitan division's estimated 11.7 million residents were enrolled in higher education. With more than 110 colleges and universities located within New York City, education is a major service industry in the local economy. The city's four medical schools are all attached to tertiary-care hospitals, forming academic medical centers that provide advanced care to local residents and the thousands of out-of-area patients who visit the area specifically to receive treatment in these centers. The strength of the sector is further bolstered by several major medical research facilities in the area. New York State's total funding by the National Institutes of Health was the second-highest of all states for 2009, with many recipients located in New York City.

A source for media and entertainment for both national and international audiences, the New York metropolitan division's information services sector, which accounts for 3.7% of total employment, encompasses a wide range of industries such as traditional print publishing, motion picture and audio recording, broadcasting, telecommunications, and others. The New York region is the country's largest media market and is home to some of the country's largest and most influential newspapers and publishing houses. The area is also home to the country's major television and record industry conglomerates and the world's largest advertising agencies. These

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firms form a large base of tenants for New York City's office market. The information services sector gross product totaled \$96.5 billion in 2010, the latest available data, or 7.5% of the overall economy. Going forward, while New York City is expected to maintain its place as the global center for television, music and publishing, long-term dynamic factors like technological advancements, shifting consumer preferences, and rising popularity of other forms of media are likely to cause continued shifts within the media and entertainment industry.

Dependent upon consumer spending habits and the area's bustling tourism industry, the New York metropolitan division's trade and leisure and hospitality sectors combined, to account for 22.2% of total employment with more than 1.1 million jobs as of November 2011. Fueled by retail sales and visitor spending, New York City's tourism industry is an integral part of the continued success of the local economy. In 2010, 48.7 million domestic tourists (80%) and international tourists (20%) visited New York City, accounting for approximately \$31 billion in spending, which supports more than 300,000 jobs in the area. This surpasses the 2009 total of 45 million domestic visitors and \$28.2 billion in spending. Following the stronger-than-expected recovery in the local tourism industry through 2010, the anticipated continuation of this trend should allow the city to reach its goal of attracting 50 million visitors annually by 2012.

The fashion industry remains an important source of job growth and office demand in New York City. According to the New York Economic Development Corporation, New York City's fashion industry—the largest in the country—employs approximately 165,000 people, accounting for approximately 5.5% of the city's workforce, and serves as the headquarters for more than 900 fashion companies. The New York metropolitan division's fashion industry consists of jobs in fashion/apparel design and trade, which are largely concentrated in the Manhattan's Garment Center District, as well as Chinatown and Long Island City.

***Demographic Characteristics***

The New York metropolitan division has the largest and one of the wealthiest populations of any U.S. metropolitan region, with approximately 11.6 million residents living within the 11-county metropolitan division defined by the Census, as of 2010. Historically, the New York metropolitan division's large and stable population base generally grows more slowly than the national average in percentage terms. Through the previous decade, the New York metropolitan division's population growth averaged 0.3% annually, rising at a slower pace in comparison with the national average of 0.9% growth per year. However, the New York metropolitan area's population grew by 574,107 people in the ten years through 2010, making it the ninth-fastest-growing region during the previous decade in terms of total new residents added. In 2010, the New York metropolitan division's mean per capita income was \$52,963. During the most recent recession, the onset of the credit crunch and subsequent financial crisis led to a significant deceleration in the New York metropolitan division's per capita income growth but, more recently, trended upwards to 1.5% in 2010. As a result of accommodative federal fiscal and monetary policies initiated in 2007, a decline in per capita income in 2008 and 2009 was prevented. As per capita income levels rebound as a result of improvements to the local job market, the resulting rise in disposable income levels should drive more robust retail sales activity in the coming years.

As of 2010, an estimated 4.3 million households were located in the New York metropolitan division. A variety of factors influence the rate of household creation, including job growth, housing supply and costs, and overall population growth, among others. Through the last decade, the total number of households in the New York metropolitan division grew at a slower pace than the national average, rising by 0.3% annually on average between 2000 and 2010 compared to household growth nationally, which increased at an annual average rate of 1.1% during the same period. More recently, since the onset of the national recession in 2007, household creation in the New York metropolitan division has accelerated at a time when the national rate of household creation has decelerated as the decline in rental rates combined with positive job growth facilitated new household creation.

***Forecast and Outlook***

Driven by positive net migration through the forecast period resulting from a continued influx of new residents from other states and other countries, the company expects the New York metropolitan division's

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population to rise at a relatively strong rate compared with the last decade. In the forecast period through 2015, population is forecasted to grow at an average annual rate of 0.5%. In absolute terms, the forecast calls for population to increase by 314,000 through 2015. As new residents move into vacant housing units and sustained job creation encourages households to unbundle, the rate of household creation is expected to closely mirror the rate of population growth through forecast period. Total households will likely grow, on average, 0.5% annually during the five years through 2015. The national household growth rate is expected to surpass that of the New York metropolitan division and average 0.9% growth annually through 2015.

The company's expectations for positive population growth and household formation are driven by its forecast for sustained job growth and moderate economic recovery during the forecast period. Following the moderate improvements to payroll levels in 2011, the company expects total payroll employment to expand at a healthy pace through the remainder of the forecast period as the recovery and restaffing within the private sector gains momentum. Much of the employment growth will be concentrated in Manhattan.

Following an anticipated pullback in the pace of job creation through the near-term forecast period to 0.4% in 2012, job growth throughout the metropolitan division should accelerate through the latter half of the forecast period, reaching a year-over-year rate of 1.4% by the end of 2015, led by healthy gains in the professional and

business services, financial activities, and educational and health services sectors. Supporting the expansion of the labor force during this time will be the strong rebound in leisure and hospitality employment fueled by the recovery in tourism and business travel by both domestic and international visitors. By comparison, the rate of employment growth at the national level is forecasted to rise to by 1.2% in 2012. Job growth at the local level is expected to ease through 2012 fueled by stagnant job growth across the financial services industry. Following this slowdown in the rate of job creation, job growth in the New York metropolitan division is expected to increase to 1.0% by 2013 and 1.4% by 2014, outpacing the rate of job growth nationally during this period. By 2015, job creation in the New York metropolitan division is expected to rise by 1.4%, closely mirroring the pace of job creation at the national level.

Despite recent turmoil in the financial services industry and rising influence from financial centers in other countries, New York City will maintain its role as the primary financial capital of the world. The New York regional economy will be further strengthened as the metropolitan division's economic base adapts and diversifies in lockstep with the evolution of the business and regulatory environment. Looking forward, industries such as new media, health care, business services, and education will drive growth in the market, strengthening New York City's appeal to tourists and business travelers. These favorable economic and demographic trends during the forecast period will likely translate into a healthy, though moderate, rebound in retail sales during this time.

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### **Stamford Metropolitan Statistical Area Economy and Demographics**

#### *Regional Overview*

The Stamford metropolitan statistical area encompasses all of Fairfield County, the most populous county in the State of Connecticut, which includes the cities of Stamford and Norwalk and the towns of Greenwich, New Canaan, Darien, Westport, Weston, and Wilton. With an employment base that totaled approximately 395,000 jobs as of November 2011, the area is home to companies from a broad range of industries such as television, computer software, chemicals, and manufacturing, in addition to industry-leading hedge funds and investment management firms. In addition to the metropolitan statistical area's financial prowess, the regional economy is also driven by trade, professional and business services, and educational and health services sectors. Fairfield County's diverse economic base should promote the influx of companies into the area, promoting the area's long-term economic and demographic growth, as well as for the health of the area's commercial real estate market.

#### *Major Economic Drivers*

Home to numerous corporate divisions and major players in the financial services industry, Fairfield County has one of the largest concentrations of financial services companies and corporations, which include UBS, RBS Securities, and GE Capital. The City of Stamford remains the economic engine of Fairfield County and is home to a number of Fortune 500 companies. Companies headquartered or with large operating divisions housed within the metro division include Nestle, Starwood, Thomson Reuters, Xerox, Elizabeth Arden, and Pitney Bowes.

A major driver of the Stamford metropolitan statistical area economy is the financial activities sector, which employed approximately 42,200 people as of November 2011 and accounted for roughly 10.7% of the total labor force and 26.2% of total earnings in the metropolitan statistical area as of 2008, the latest data available. In 2010, the finance industry accounted for approximately 40.2% of GDP growth in the Stamford metropolitan statistical area.

Employment in professional and business services composed 16.0% of the total labor force with close to 64,000 employed as of November 2011. Second only to the area's finance industry, the professional and business services sector accounts for approximately 14.6% of the Stamford metropolitan statistical area GDP in 2010.

With more than 68,300 people employed in educational and health services as of November 2011, 17.3% of total employment was in this sector, the largest employment sector by total number of people employed.

Trade is also a major driver of the economy, employing 59,200 people as of November 2011, accounting for 15.0% of total employment in the area. The City of Stamford is the major retail center of Fairfield County.

#### *Demographic Characteristics*

Fairfield County is often the preferred location to raise families due to the high quality of life offered by Southwestern Connecticut's suburban neighborhoods. The expansion of companies in the area in addition to the area's high-quality residential product, cultural amenities, and convenient public transportation has led to an increase in the number of workers commuting into Fairfield County from surrounding locations, many of which utilize the area's public transportation network. The area's extensive network is centered on the Stamford Transportation Center, which is in close proximity to the city's major retail and office hubs. More than 30% of all riders passing through the transit center commute for work into the Stamford metropolitan statistical area. The busiest New Haven Line station outside of New York City, the Stamford Transportation Center has facilitated the rise in the number of reverse commuters into Fairfield County from New York City, which doubled during the 10-year period from 1997 to 2007, with approximately 1,900 riders commuting into the Fairfield County area as of 2007. Commonly referred to as the Gold Coast, the southwestern portion of Fairfield County is known for

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its concentration of exceptional wealth. The region is known for having some of the wealthiest towns and neighborhoods in the country, which include the towns of New Canaan, Greenwich, and Weston.

In 2010, households with incomes of \$100,000 or greater made up 38.8% of all households in Fairfield County, surpassing the number of \$100,000 or greater income households nationally (19.9%) and in the state of Connecticut (29.9%), according to the 2010 American Community Survey. An indication of the extreme concentration of wealth in the area, the percentage of households with incomes of \$200,000 or greater was 14.3% in Fairfield County compared to 3.9% nationally and 7.6% in the State of Connecticut.

The concentration of wealthy households in the area should increase as financial markets stabilize and employment levels in the region gradually revert to pre-recession levels. Per capita income in the Stamford metropolitan statistical area was \$75,868 in 2010, a 2.4% increase from the previous year the first annual increase in per capita personal income since 2007.

## **Forecast and Outlook**

In comparison to the previous decade, the company expects total population in the area to rise at a faster rate, driven by positive net migration through the forecast period, which is expected to average 1,300 residents annually through the forecast period ending in 2015. The total population is forecasted to grow at an average annual rate of 0.6%. In absolute terms, the forecast calls for population to increase by close to 30,000 through 2015. The company's household formation forecast is expected to follow a similar trend and increase by an annual average rate of 0.6%.

The company expects total employment in Fairfield County to increase through the near-term forecast period, as a result of the on-going recovery in the financial markets and increased job growth across a broader array of industries. Following the estimated 0.4% decline in total employment in 2011, the company expects more robust job creation, particularly among the economy's largest job employment sectors, to result in an annual employment growth rate of 0.9% in 2012 followed by a 0.6% rise in 2013. As the economy enters a more prosperous phase of the economic cycle, job growth is expected to rise to 1.1% by 2014 as companies in the financial activities, leisure and hospitality, as well as educational and health services employment sectors re-staff at a more brisk pace. The company expects the economy to regain momentum, resulting in a 1.2% employment growth rate in 2015. The forecasted 14,100 net jobs added during the five-year period from 2010 to 2015 replenishes 53% of the roughly 27,000 jobs lost during the two-year period following the onset of the national recession in December 2007.

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**Office Markets***Manhattan*

Manhattan's office market is by far the largest in the United States measured by total square footage. With approximately 393 million square feet of office space, the island leads every other major city by a healthy margin. For comparison, the Washington, D.C. and Chicago office markets contain 289 million square feet and 214 million square feet, respectively. Rounding out the top five are Los Angeles with 194 million square feet of space and Boston with 183 million square feet. Manhattan is further split into three major markets: Midtown, Midtown South and Downtown. Midtown is defined to include the land north of 32<sup>nd</sup> Street east of 6<sup>th</sup> Avenue and north of 30<sup>th</sup> Street west of 6<sup>th</sup> Avenue. Midtown South is between Midtown and 14<sup>th</sup> Street. Downtown is defined to include all areas south of Canal Street and the Manhattan Bridge. The depth of New York's workforce, economic ties with countries around the globe, and clusters of sophisticated service industries make Manhattan a highly desirable place to do business, which together drive strong demand for office space irrespective of economic cycles. While the local office tenant base is broad, several industries cluster in Manhattan office space, including financial activities, legal, consulting and other professional services, media and publishing, advertising, communications, and fashion/apparel.

*Demand-Supply Analysis*

The recovery of the Manhattan office market is well underway, with each submarket recording positive net absorption for 2011. Demand for office space bounced back through the year, with leasing activity in 2011 increased 14% over 2010 to its highest level in a decade, according to Cushman & Wakefield. Positive net absorption totaled approximately 5.5 million square feet during the year. Office employment grew by 1.3% year-to-date through November 2011, which translates into approximately 18,200 new office jobs. The overall vacancy rate, which includes all non-owner-occupied, Class A, B and C office buildings in Manhattan, decreased to 9.1% as of the fourth quarter of 2011 from 10.5% at year-end 2010. No new multi-tenant buildings came online in Manhattan during 2011. In Midtown, the office vacancy rate decreased by 1.0 percentage points to 9.6% during the year. The Downtown office vacancy rate decreased 1.4 percentage points to 9.5%. Within the Midtown South submarket, the vacancy rate decreased 2.2 percentage points to 6.4%. Manhattan's vacancy rate compares favorably with other U.S. gateway cities. Its overall office vacancy rate was lower than Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. since at least 2005. As of the fourth quarter of 2011, the vacancy rates in these other gateway cities ranged between 11.4% in San Francisco and 18.9% in Chicago, compared with 9.1% in Manhattan. The Manhattan vacancy rate also compares favorably to other major CBDs. As of the end of 2011, the vacancy rate in the CBDs of these gateway cities ranged from 9.7% in San Francisco to 19.1% in Los Angeles.

Leasing office space in Manhattan and, in particular, within the Midtown market is the most expensive in terms of overall average gross asking rents among major office markets within the United States, far exceeding those of other gateway cities. As of the fourth quarter of 2011, the overall total market average gross asking rents in the Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. office markets, which include all building classes within the CBD submarket, ranged between \$31.28 per square foot in Chicago and \$49.70 per square foot in Washington, D.C. Manhattan's overall average gross asking rent was recorded at \$57.25 per square foot, with Midtown averaging \$65.42 per square foot. On the whole, the overall average asking rental rate in Manhattan started growing in 2011. The overall average asking rent, which includes all non-owner-occupied office space, grew by 1.9% to \$57.25 per square foot in the fourth quarter of 2011. On a year-over-year basis, the average asking rent increased to 5.4% greater than at year-end 2010.

Barriers to entry in Manhattan's office market are high. Following the delivery of 1.5 million square feet of new space to the Manhattan office market in 2010, no new buildings came online 2011.

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*Outlook*

RCG's outlook for Manhattan's office market as a whole is positive. RCG believes continued hiring among office-using industries and continued strength in business confidence should drive new leasing activity as well as the withdrawal of sublease space from the market. RCG expects Midtown to benefit from much of the new office demand in addition to the restructuring demand base and general migration of major firms from Downtown. Furthermore, while the bounce back in demand during 2010 and 2011 was concentrated among the top-tier trophy assets and from tenants making lateral moves, including consolidations and trading up, the recovery going forward will be more broad-based, with Class B/C fundamentals likely to improve going forward.

Overall, Manhattan's office vacancy rate, which covers all office space in Midtown, Midtown South and Downtown, is forecasted to decrease through the forecast period to ultimately reach around 7.4% by 2014 from 9.1% in 2010 a 1.7 percentage-point drop. The market should considerably tighten in both Midtown and Downtown by the end of the five-year forecast period; the expected drop in the Midtown South vacancy rate is not likely to match the magnitude of Midtown or Downtown, given that its vacancy rate is already low and new supply is expected to come online within the five-year horizon. Manhattan's overall vacancy rate is forecasted to decrease to 7.4% by 2015 from 9.1% in 2011.

RCG's forecast calls for the overall average asking rent in the Manhattan office market to continue rising on a year-over-year basis through 2015. A falling vacancy rate should enable building owners to raise rents. Also the influx of unleased space on the market at new speculative office buildings through the forecast period will

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add an upward bias on the average rent calculation. RCG expects the average asking rent to increase by 5.9% in 2012 and by 9.2% in 2013. Annual rent growth is likely to peak in 2014 when the average rent is forecasted to increase by 14.3%, followed by slower growth of 8.1% in 2015. Manhattan office average asking rent growth is forecasted to exceed other U.S. gateway cities through the forecast period, an effect of strong demand and constraints on new supply. Compared with an annual average of 9.4% growth in Manhattan, average annual rent growth in other U.S. gateway city CBDs through 2015 are forecasted to range between 3.3% in Los Angeles and 8.3% in Boston.

RCG does not expect any new multi-tenant buildings to come online in 2012, a result of the economic and financial market turmoil in 2007-2009 that caused the suspension or cancellation of several major office construction projects that would have been delivered during this period. Through the medium term, RCG expects four major office towers to come online in 2013 and 2014. 1 World Trade Center is currently under construction and is scheduled to deliver 2.6 million square feet of new space to the Downtown market in 2013. Above-ground construction work on the 1.8 million square-foot 4 World Trade Center is under way and likely on pace for a 2014 delivery. Construction work on the 896,000 square-foot 250 West 55<sup>th</sup> Street resumed in 2011 in time for a 2014 delivery date. The first phase on the Hudson Yards project on the west side of Midtown an office tower whose non-owner-occupied portion totals 1.1 million square foot office tower is scheduled to be completed by 2015.



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*Midtown*

Midtown's office market spans the island of Manhattan from 30<sup>th</sup> Street north to Central Park. Approximately 241 million square feet of rentable space are contained within Midtown's multi-tenant office buildings, making it the largest CBD office market in the country by far. For a size comparison, Downtown Chicago and the Washington, D.C. CBD combine for a total of just 226 million square feet of office space. Three-quarters 74.9% of Midtown's office stock is classified as Class A with total square footage of 181 million square feet. Approximately 44.6 million square feet of Midtown office space is counted as Class B stock, accounting for 18.5% of the total market. The remaining 6.5% of Midtown office space (16.4 million square feet) is categorized as Class C space.

Midtown is split into 11 submarkets: The Grand Central submarket is defined as the area bound by Fifth Avenue to the west, Second Avenue to the east, 39<sup>th</sup> Street to the south and 47<sup>th</sup> Street to the north, excluding Park Avenue north of 43<sup>rd</sup> Street. The Penn Station-Times Square South submarket it is defined as the area bound by Sixth Avenue to the east, the Hudson River to the west, 42<sup>nd</sup> Street to the north and 30<sup>th</sup> Street to the south. The West Side submarket is defined to include all office properties north of 42<sup>nd</sup> Street, west of 7<sup>th</sup> Avenue, with 59<sup>th</sup> Street and 57<sup>th</sup> streets forming a border to the north and the Hudson River forming the western boundary. Other submarkets include: 6<sup>th</sup> Ave/Rockefeller Center, Madison/Fifth, Park Avenue, East Side, Murray Hill, Lincoln Center and United Nations.

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*Demand-Supply Analysis*

The Midtown office market is considered one of the world's premier central business districts based on its mix of tenants, deep and broad available labor force, excellent transportation access and overall prestige. Included among its major tenants are world-class media conglomerates and publishing houses, international corporate businesses and major financial institutions. In addition to these major tenants, sophisticated professional services firms, including accounting, advertising, legal and consulting, among others, also congregate in Midtown to locate near clients.

RCG believes the Midtown office market as a whole is in the midst of a recovery. Despite uncertainty in the global economy and volatility in the capital markets during the second half of 2011, tenants are still trading up into higher quality space and consolidating into more central locations in order to lock in long-term leases for desirable locations at favorable pricing. Leasing activity overall in 2011 was relatively flat to 2010, approximately 19.0 million square feet of office space were leased throughout Midtown during 2011, even with 2010.

Leasing trends varied among Class B and C space. While a market-wide flight-to-quality led the bounce back in demand for high-quality assets, building owners' financial health continues to prove an important deciding variable in driving leasing activity. A total of 3.2 million square feet of Class B space were leased in 2011, a decrease of 0.9% from 2010. Leasing volume of Class C space increased 10.7% to 920,000 square feet.

The improving economic climate has also pushed some office users to withdraw sublease space from the market. The removal of sublease space reflects positively on market statistics since available sublease space raises the vacancy rate and exerting a twofold negative impact on the average rent by biasing average asking rent

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calculation downward and reducing landlords' pricing power on direct availabilities. The amount of space available for sublease in Midtown declined to 3.9 million square feet as of the fourth quarter of 2011—a 51.9% drop from the second quarter of 2009. By comparison, the total amount of vacant space available in Midtown has declined by 17.0% during the same period. Sublease availabilities are generally less prevalent in Class B and C buildings than Class A. As of the fourth quarter of 2011, the overall vacancy rate, which covers all of Midtown office space, decreased by 3.0 percentage points since the first quarter of 2010 to reach 9.6%.

Based on high demand, RCG believes the cyclical decline in the overall average asking rent covering all of Midtown office space has passed. Midtown's overall average gross asking rent increased by 4.7% to \$65.42 per square foot in 2011. Because 80% of Midtown's total vacant office stock is located in Class A buildings, Midtown's market-wide overall average gross asking rent, which is weighted on vacant stock, was heavily biased by the Class A concentration. Leading this trend have been the trophy buildings, particularly those clustered along the desirable Park and Madison Avenue corridors and near Central Park, where owners have been able to raise asking rents as space availabilities decline. RCG believes that falling vacancy rates have enabled landlords to raise asking rents for high-quality spaces. At the lower-end of the market, however, concessions still drive new leasing transactions, attributable to the imbalance between available supply and current demand among smaller office spaces and tenants specifically looking for smaller spaces.

Because of the difficulty and high costs associated with new building activity in Midtown, purely speculative construction projects have been rare in recent years. These constraints on supply also generally limit office development to dense high-rise office towers. During the past cycle, building activity has been concentrated to the immediate south of Times Square and around Bryant Park. In fact, three buildings delivered within two city blocks of each other account for 61% of the total amount of new multi-tenant office space delivered in Manhattan between 2004 and 2010. The 1.5 million square-foot New York Times building was completed in 2007 at 620 Eighth Avenue, followed by Bank of America's 2.1 million square-foot One Bryant Park tower in 2008. Despite the difficulties associated with purely speculative construction projects in Midtown, particularly at a time when construction financing was largely unavailable, SJP Properties delivered the 1.1 million square-foot 11 Times Square tower, located directly adjacent to the New York Times Building, in early 2010 completely vacant. The law firm Proskauer Rose subsequently signed on for approximately 400,000 square feet of space.

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*Outlook*

Based on the likelihood of a sustained demand recovery and a muted supply response, RCG's outlook for Midtown's office market is positive. Underpinning this demand recovery are several factors. While rents are still relatively inexpensive, firms will likely continue to take advantage of favorable opportunities to sign long-term leases at rents well-below recent peak levels. As of 2011, Midtown's overall average asking rent, which is calculated from all available space in the submarket, was \$65.42 per square foot.

While top-quality spaces in desirable locations have led the market's early stage recovery, RCG believes that sustained job growth will drive office demand for smaller spaces and in second-tier locations going forward. In particular, recent data suggest job growth among smaller office space users will likely drive much of the leasing and expansion activity in the Midtown market in the future. Illustrating the significance of smaller firms on overall office demand, small firms expand at a disproportionately rapid rate compared with large firms, a trend that bodes well for the demand of small-scale office spaces in Midtown. During the last multi-year period of consistent job growth in New York State, from 2004 through 2008, smaller firms outgrew large firms by a wide margin. Firms employing 1 to 49 workers expanded total payrolls by a total of 6.2% during the five-year period. By contrast, companies in New York State with 1,000 or more employees only grew 1.7% during the five-year period. In terms of absolute magnitude, firms employing 1 to 250 workers accounted for 82% of the total number of new jobs added during the 2004 to 2008 period throughout New York. While statistics specifically describing Midtown firms' staffing levels are not available, the patterns are likely similar to the New York state-wide trends.

As firms grow beyond the capacity of their existing locations and become increasingly confident in the economic climate going forward, expansion into larger office spaces becomes more likely. As a result, office employment growth should more directly translate to strengthening office demand through the medium term. Various employment statistics covering Manhattan, New York City and the New York metropolitan division indicate that job growth recovery continued through late 2011. The federal government's establishment survey, which counts total jobs, indicates that in the 11-county metropolitan division, which in addition to New York City includes Bergen, Hudson and Passaic Counties in New Jersey and Putnam, Rockland and Westchester Counties in New York, employers added a total of 32,200 jobs year-over-year through November 2011, a 0.6% year-over-year increase. A large majority of these new jobs were located in New York City: within the five boroughs, employers added 23,300 jobs in the 12 months through November 2011, expanding total employment by 0.6%. According to the government's survey of households, which counts number of persons employed (as opposed to the establishment survey's jobs tally), approximately 3,100 more Manhattan residents were employed as of November 2011 compared with the year prior, a 0.2% expansion. RCG's New York employment forecast, which covers the 11-county metropolitan division, calls for office employment to grow by 79,900 jobs through the 2012-2015 period at an average annual rate of 1.3%.

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With concessions likely to drive leasing activity in the lower-end of the market through the immediate- to near-term, well-capitalized owners that are able to fund tenant improvement packages and other concessions should lead the recovery within the second-tier segment. Through the near term, RCG expects the overall vacancy rate, which covers all of Midtown office space, to fluctuate while following a gradual trend downward. By the end of 2012, the overall vacancy rate should reach 9.0% from 9.6% in the fourth quarter of 2011. In the years that follow, RCG predicts Midtown's office vacancy rate will decrease to ultimately reach 7.6% in 2015.

Midtown's overall average asking rent, which is calculated based on all available office space in Midtown, is likely to continue rising in spite of any near-term slowdown in leasing activity as a result of decreasing availability of space. Midtown's overall average asking rent is forecasted to grow at a fourth quarter-over-fourth quarter rate of 5.5% to \$69.02 per square foot in 2012. Beyond 2012, RCG expects the overall average asking rent to rise at an accelerating pace as the market tightens and pricing power shifts in favor of landlords. With steady absorption and just one new building expected to come online in Midtown between 2011 and 2014, suitable office space is likely to be available only in short supply, particularly for tenants looking for large blocks in a single building. As tenants continue to expand and landlords gain more pricing power on lease negotiations, the likelihood of market-wide rent spikes increases. The average asking rent is forecasted to grow at a fourth quarter-over-fourth quarter rate of 11.2% to \$76.75 per square foot in 2013 and 17.1% to \$89.87 per square foot in 2014. By 2015, RCG's forecast calls for the average asking rent to grow 7.8% to \$96.88.

*Penn Station-Times Square South Submarket*

The Penn Station-Times Square South submarket, located on the west side of Midtown Manhattan, to the south and west of Times Square and Bryant Park, is the largest office submarket in Midtown Manhattan by total office inventory at more than 45.8 million square feet. The submarket includes a portion of Times Square, Penn Station, Madison Square Garden, the James Farley Post Office, Macy's flagship store, the Herald Square retail district, the Port Authority Bus Terminal, the Jacob K. Javits Convention Center, and many other landmarks. Whereas Midtown as a whole is comprised of mostly Class A office space, the opposite is true in the Penn Station-Times Square South submarket. Class A buildings represent just 30% of the total square footage, while Class B and C buildings make up 44% and 26%, respectively. The Penn Station-Times Square South submarket's unique set of features attracts a diverse tenant base. The area's low cost compared with Midtown's other submarkets attracts large firms in a variety of industries, including fashion and retail, media and publishing, corporate, and professional services firms.

One of the main attractions for office tenants is the excellent connectivity via mass transit to other parts of Manhattan, the outer boroughs, New Jersey, Connecticut, Long Island and Upstate New York. The submarket's eponymous transit node, Pennsylvania Station, is one of the busiest rail stations in the world, serving approximately 600,000 passengers per day. The Port Authority Bus Terminal, located on 8<sup>th</sup> Avenue between 41<sup>st</sup>

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and 42<sup>nd</sup> Streets, is the largest bus terminal in the United States and the busiest in the world by passenger count, serving more than 58 million passengers passed through the terminal in 2008, or an average of nearly 159,000 per day, according to the latest available data. The Times Square-42<sup>nd</sup> Street subway station, which services 11 lines (1, 2, 3, 7, A, C, E, N, Q, R and shuttle to Grand Central), connected more passengers in 2010 than any other in the city's network with annual ridership totaling approximately 58.4 million. Three subway nodes along 34<sup>th</sup> Street serve the Penn Station and Herald Square area, with combined annual ridership totaling 88.9 million in 2010.

Counter to the trend in the overall Midtown market, the Penn Station-Times Square South vacancy rate increased slightly in 2011 to 9.8% from 9.4% in 2010. Driving an increase in the vacancy rate are new arrivals of large blocks of vacant space on the market. As of the fourth quarter of 2011, 12 large blocks of space, defined as 100,000 square feet or more, totaling 2.6 million square feet were available. By contrast, five block large blocks of space totaling 1.4 million square feet were available at year-end 2010. The vacancy rate excluding large blocks of space was measured at 4.1% at year-end 2011, down from 6.3% one year earlier.

The Penn Station-Times Square South overall average asking rent, which is calculated from all available office space in the submarket, increased 2.7% year-over-year to \$50.63 per square foot as of the fourth quarter of 2011.

Two major office towers came online in the submarket during the last several years, both of which were located on opposite corners of the 8<sup>th</sup> Avenue and 41<sup>st</sup> Street intersection. The 1.5 million square-foot New York Times Building, located adjacent the Port Authority Bus Terminal at 620 8<sup>th</sup> Avenue, was completed in 2007. The New York Times has since subleased a portion of its original footprint in the building. The second tower, 11 Times Square, consists of 1.1 million square feet and was delivered without an anchor tenant in early 2010. Law firm Proskauer Rose subsequently leased approximately 36% of the space, followed by another law firm Zukerman Gore Brandeis & Crossman leasing just over 17,000 square feet in 2011.

RCG does not expect any additional office buildings to be completed in the Penn Station-Times Square South submarket through at least 2014. Nevertheless, two office development projects are in various stages of development: the Related Companies' large-scale and multi-use Hudson Yards project and Vornado's proposed 15 Penn Plaza. Hudson Yards is likely on a shorter development schedule than 15 Penn Plaza. With respect to the Hudson Yards project, preliminary site preparation and planning work, including demolishing an existing building began in 2010, though structural work on the new complex has not yet commenced. The first office tower will contain approximately 1.7 million square feet of space. Coach Inc. pledged in late 2011 to purchase and occupy 600,000 square feet of the tower, leaving the remainder open for lease. Construction will reportedly commence in 2012 with a tentative completion date of 2015. Physical construction work on 15 Penn Plaza, on the other hand, is not likely for several years, with a completion date likely beyond 2015.

### *Grand Central Submarket*

The Grand Central submarket is the second-largest office submarket in Midtown Manhattan with 43.7 million square feet and is located on the east side of Midtown Manhattan, to the north of Murray Hill and to the south of the Park Avenue corridor. The large majority of office space in the Grand Central submarket is contained within high quality office towers. Approximately 83% of the office space within the Grand Central submarket is classified as Class A. Respectively, Class B and C office space comprise 17% and 0.6% of submarket. The Grand Central submarket has benefitted over the last two decades as financial firms and professional service firms that support them have migrated to Midtown from Downtown. Midtown's high-rise office buildings offered greater flexibility and prestige versus Downtown's older office stock, while Midtown's excellent transit connectivity is an important advantage for workers commuting from Upstate New York, Connecticut and New Jersey. The Grand Central Terminal specifically is the largest train station in the world by number of platforms. In addition, advancement in computing and telecommunications technology over the past several decades have allowed securities traders to operate at a distance to the major exchanges on Wall Street.

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Other features of the Grand Central submarket include proximity to the top-quality, trophy office buildings along the Fifth Avenue, Madison Avenue, Park Avenue corridors at significantly lower rents, a particularly attractive trait to cost-sensitive firms with clients on the east side of Midtown. Demand for space has bounced back strongly since the recession, marked by the jump in leasing activity since 2009. Total leasing volume increased to 4.2 million square feet in 2011, 21.6% greater than the 2010 volume. In 2011, more office space was leased in Grand Central than any other Midtown submarket. Despite the sharp rise in leasing activity, the overall submarket vacancy rate, which covers all office space, dropped only 0.1 percentage point to 11.2%.

Grand Central's overall average asking rent, which is calculated from all available office space in the submarket, decreased 6.5% year-over-year to \$55.03 per square foot as of the fourth quarter of 2011.

Development opportunities in the Grand Central submarket are scarce, making new office construction a rarity. The last new building to come online in the submarket was the 296,000 square-foot CIT Building in 2006, at 505 Fifth Avenue and East 42<sup>nd</sup> Street, adjacent to Bryant Park. Though the building sits on a formerly vacant plot of land, most development requires assembling multiple parcels and demolition work, which extends the build-out timelines of new construction and increases the overall complexity of the development process. As a result of the lead time associated with major new construction projects in Manhattan, RCG does not expect any new office space to come online through at least 2014.

### *West Side Submarket*

The West Side office submarket, located to the south and west of Central Park and including the area around Columbus Circle, consists of 25.4 million square feet of office space. The diverse submarket includes Manhattan's Theater District, a portion of Times Square and the Hell Kitchen's residential/commercial district. Like the Grand Central submarket, non-prime Class B and C office spaces make up a relatively small share of the West Side submarket's total. Approximately 12% and 9% of the submarket's total office space is categorized as Class B and C, respectively. Class A spaces account for 79% of the submarket's office stock. Office-using firms are drawn to the top-quality high-rise office buildings that line the 7<sup>th</sup> Avenue corridor, while transit connectivity allows firms to recruit from all areas of the vast greater New York metropolitan region. Firms from a variety of industries cluster in the West Side submarket, including publishing, media, finance, legal, consulting, retail and lodging. Furthermore, several high-profile corporations have headquarters or a major base of operations in and around Times Square, including Viacom, Conde Nast, Ernst & Young, Thomson Reuters, Barclays, Morgan Stanley, and many others. In 2011, Nomura signed a 900,000 square-foot lease for Worldwide Plaza, the largest lease in Midtown since 2004.

Much like elsewhere in Midtown, demand for space in the submarket has rebounded since the recession. A total of 2.7 million square feet of space was leased in the submarket during 2011, an increase of 74.9% from

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2010. Though the Nomura lease represents a large portion of the total volume of leased space in 2011, excluding it from the annual total would still yield a 16.8% annual increase. At 7.6% as of the fourth quarter of 2011, the West Side's vacancy rate, which covers all submarket office space, has fallen 4.5 percentage points since year-end 2010.

West Side's overall average gross asking rent, which is calculated from all available office space in the submarket, averaged \$59.86 per square foot as of the fourth quarter of 2011, a 5.0% increase year-over-year. By comparison, the overall asking rent for Midtown as a whole, which includes both direct and sublease spaces, averaged \$65.46 per square foot.

On the supply side, RCG expects a new office building located at 250 West 55<sup>th</sup> Street in the West Side submarket will come online by the end of 2014. Boston Properties resumed construction on the office tower in 2011 following a lease commitment by law firm Morrison & Foerster for nearly 20% of the building.

## **Westchester County**

Westchester County contains approximately 28.4 million square feet of office space and is split into six major submarkets: White Plains CBD and non-CBD, Northern, Central, Eastern and Southern. Office-using firms are attracted to the Westchester office market for its lower costs of occupancy but still close proximity to New York City, suburban towns within Westchester County and Upstate New York, as well as Southwestern Connecticut, Northeastern New Jersey and Long Island. The availability of on-site amenities, scalability of office space usage and transportation infrastructure attract corporate tenants and a variety of other industries including financial services, insurance, professional services, technology, biotech, consumer products, fashion/apparel, healthcare and pharmaceuticals. Westchester's lower rents, a more diverse tenant base compared with Manhattan and a near-complete lack of new building activity during the last expansion period shielded the office market from a sharp rise in vacancy and steep rent declines during the recession. With sustained economic growth expected going forward, renewed hiring in key sectors should boost office demand through the near- to medium term.

### **Demand-Supply Analysis**

While heavy dependence on the financial sector proved to be a drag on office markets in Manhattan and many of its surrounding suburban submarkets during the recession, Westchester's diversity and high barriers to entry are a stabilizing force. RCG believes that the Westchester office market bottomed during 2010 and 2011 and is poised for recovery. The New York metropolitan division, within which Westchester is located, registered office employment growth at a rate of approximately 1.8% and 1.3% in 2010 and 2011, respectively, implying the creation of 44,700 new office-using jobs during the two-year span. Despite this job growth, however, fresh office demand has not yet grown significantly. In Westchester, the vacancy rate fluctuated during 2011, and ended even with 2010.



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Evidence suggests large blocks of vacant space at properties formerly occupied by single tenants, often large corporate users, are contributing significantly to a high office vacancy rate in Westchester County. Reader's Digest recently vacated 200,000 at 480 Bedford Road in Pleasantville, which added to the existing block of 136,000 square feet of direct vacant space at the property. In addition, partially resulting from Starwood's relocation to neighboring Fairfield County, 350,000 square feet are now vacant at its two former buildings, along with another 100,000 square feet from Nokia leaving 102 Corporate Park Drive. Combined these blocks of space represent 18.2% of the total vacant space in the market, or 3.1% of the total office stock.

With the vacancy rate still at an elevated level, landlords lack pricing power on rent negotiations for second- and third-tier spaces. For top-tier buildings in desirable locations such as those near highways and transit nodes landlords have begun to regain some negotiating leverage. The average asking rent continued to decline through 2011. At \$29.37 per square foot as of the fourth quarter of 2011, the average asking rent was 2.8% less in the fourth quarter than at year-end 2010.

New office construction in Westchester County is rare, attributable to its high barriers to entry that originate from a lack of suitable land in desirable submarkets and high costs of construction. No new buildings have come online in Westchester County since 2005 when two properties totaling 91,000 square feet were completed. Prior to that, approximately 168,000 square feet of new space come online in 2002. In total, new construction expanded Westchester's total office inventory by just 0.9% between 1998 and the fourth quarter of 2011. By comparison, total office stock grew by 4.9% in Manhattan, where building is notoriously difficult, between 1998 and 2011. High barriers to entry, which have limited new building in the past, contributed to a relatively minor increase in the vacancy rate during the recession.

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*Outlook*

While the recovery in office market fundamentals has been choppy since the end of the recession, RCG believes that several factors suggest an imminent recovery in the demand-supply balance for the market. Sustained job growth is expected across a range of industries, including healthcare, professional services, and technology particularly among small and medium-sized firms that prefer to operate in multi-tenant suburban office space. Among office employment, RCG expects job growth to average 1.3% annually through 2015, translating to the creation of 79,900 positions. Office employment growth will directly boost office demand in Westchester County and the region as a whole. Demand will likely rise steadily in the future, while the supply response is likely to be muted.

RCG forecasts net absorption, a proxy for fluctuations in office space demand, to turn positive in 2012. As a result, the overall vacancy rate, which covers all office space in Westchester County, is expected to stabilize at 16.4% through the year-end 2012. Through the remainder of the forecast period, the vacancy rate is likely to continue moving downward as demand grows and high barriers to entry prevent a swift supply response. By 2015, RCG's forecast calls for the vacancy rate to reach 15.0%, roughly equal with pre-recession levels from 2005.

RCG believes there is potential for rental rate expansion in Westchester County. A gradual tightening of the market going forward will likely transfer negotiating power on lease terms to the landlord from the prospective tenant, where it currently lies. As a result, rent growth is forecasted to turn positive as the vacancy rate drops down from cyclical highs through the near term. After a 2.8% drop in 2011, the average asking rent is forecasted to grow 1.2% to \$29.72 per square foot in 2012. Rent growth should gain momentum through the medium term as the vacancy rate drops to pre-recession levels. By 2015, coinciding with a drop in the vacancy rate and an expected high demand for high-quality office space in multi-tenant properties, RCG expects the average asking rent to grow at a fourth quarter-over-fourth quarter rate of 4.6% to \$33.04 per square foot, up from 2.7% and 3.5% growth in 2013 and 2014, respectively.

High-quality multi-tenant office buildings in desirable locations that cater to high-value tenants will likely outperform the market in terms of demand and rent growth going forward. Firms in the corporate sector, as well as financial services and professional services industries prefer to occupy these spaces based on proximity to transportation and executive and employee housing as well as the higher quality-of-life amenities, like parking, on-site dining, nearby commercial districts, views, and others. Although a shortage of these high-quality, trophy spaces is expected to emerge later in the forecast period, RCG does not expect any new construction to be completed by 2015.

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***White Plains CBD Submarket***

The White Plains CBD is situated in south central Westchester County, along the Cross-Westchester Expressway (Interstate 287) corridor between the Sprain Brook Parkway and the Hutchinson River Parkway. The submarket consists of approximately 6.3 million square feet of office space and is defined to include the area south of Barker Avenue, north of Quinby Avenue, east of the Bronx River Parkway and west of South Broadway/Post Road. Within the submarket is a thriving and densely developed central business district that has attracted office users of varying size. In 2008, an estimate from the city mayor's office placed the worker population at approximately 250,000, compared with a resident population of 60,000.

Workers commute into White Plains via a number of major roadway connections and the Metro-North Railroad, which connects to Grand Central Terminal. Its central location among Westchester County towns and villages makes White Plains an easy commute for upstate residents. Roadway access to the CBD is granted from both the Bronx River Parkway and the Cross Westchester Expressway (Interstate 287), while the White Plains Metro North Transportation Center provides a rail connection to Grand Central Terminal. With travel times as low as 31 minutes, the direct rail connection between Grand Central Terminal in Midtown Manhattan and the

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White Plains CBD gives local employers access to one of the deepest labor pools in the world. Furthermore, because of close proximity to transportation, office locations within walking distance of the White Plains MetroNorth station are more desirable than locations. Its accessibility and dense clustering of firms in the financial services and professional services industries are major positives for the market. Local amenities including retail, restaurants and luxury multifamily housing have also been instrumental in luring tenants to the submarket.

As of the fourth quarter of 2011, approximately 16.2% of the White Plains CBD office market was available for lease. This compares favorably with the overall Westchester office market, where the vacancy rate stood at 17.1% in the fourth quarter of 2011. While the overall vacancy rate translates to approximately 1.0 million square feet of vacant office space, large blocks of space are in short supply. Asking rent on office space in the White Plains CBD averaged \$32.36 per square foot overall as of the fourth quarter of 2011, 0.7% increase year-over-year. For comparison, the overall average asking rent on all Westchester County office space decreased by 2.8% on a year-over-year basis to \$29.37 per square foot through the fourth quarter of 2011.

### *Eastern Submarket*

Westchester's Eastern office submarket consists of 6.5 million square feet of space and is located to the east of White Plains, between New Rochelle and the Connecticut state border. By definition, the submarket encompasses the towns of Harrison, Hartsdale, Larchmont, Mamaroneck, Port Chester, Purchase, Rye, Rye Brook and Scarsdale. A dense network of transportation infrastructure weaves through the various towns in the submarket, making accessibility a strong advantage for office properties competing for tenants. In addition to Interstate 95, the Cross-Westchester Expressway (Interstate 287) and the Hutchinson River Parkway, two lines along the Metro-North Railroad pass through the Eastern Submarket with several stops between New York City and Connecticut. While office development is less dense in these towns than in the White Plains CBD, the submarket is still an attractive location for office tenants. Based on the strength of its transportation infrastructure and the close proximity of amenities like banks, restaurants, hotels, executive conference centers and recreational resources, firms that choose to locate in the Eastern submarket are able to recruit high quality employees from nearby suburban towns, New York City and Connecticut.

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The submarket's vacancy rate, which includes Class A, B and C office space, was recorded at 17.7% in the fourth quarter of 2011, up from 16.3% one year earlier.

Driving up the current vacancy rate are a collection of large office properties along the Cross-Westchester Expressway corridor in Harrison and Rye that were built in the 1950s and 1960s for large, corporate users that have since vacated the premises. Many of the properties are now functionally obsolete and are otherwise not suitable for the small and medium-sized tenants that prefer to occupy modernized multi-tenant office buildings. However, adaptive re-use of these outdated facilities, which has already begun in some cases, should correct the problem of unused and unmarketable office space in the area, which is attractive based on its access to transportation and rail lines. Fordham University opened a campus along the corridor in 2008 in a former office building. Memorial Sloan-Kettering Cancer Center has proposed and is awaiting regulatory approval to build a treatment center in the former Verizon complex, a 114,000 square-foot building. Life Time Fitness plans to demolish the former Gannett Suburban Newspapers office building and construct a new 109,000 square-foot facility. Histogenics, a biotech firm, bought the 118,000 square-foot building at 104 Corporate Park Drive, formerly occupied by Malcolm Pirnie Inc. before it relocated to White Plains, with the intention of repurposing the property.

Average rental rates calculated from all available office space in the Eastern submarket exceed Westchester County as a whole. As of the fourth quarter of 2011, the overall average asking rent was recorded at \$29.96 per square foot, a 4.3% decline from one year earlier.

### **Fairfield County**

Consisting of approximately 40 million square feet of office space, the Fairfield County office market is driven largely by the presence of major corporate tenants and key players in the financial services industries. Key submarkets in the area include: Stamford CBD, Stamford Non-CBD, South Central, Greenwich, Central, Eastern, and Greater Danbury. The Stamford CBD and Stamford Non-CBD office submarkets make up the Stamford office market, which consists of approximately 15.2 million square feet of space. The Stamford CBD office submarket is bordered by Broad St. to the north and extends south past I-95 and encompassing the Stamford Transit Center and office properties along State St., Station Place, and First Stamford Place. The South Central office submarket contains approximately 8.5 million square feet of office space, encompassing the areas of Norwalk, Darien/New Canaan, and Wilton/Weston. The Greenwich office submarket consists of 4.3 million square feet and located within the city of Greenwich. The Central Fairfield submarket includes 2.9 million square feet of office space across the cities of Westport, Southport, and Fairfield. The Eastern Fairfield submarket consists of 6.7 million square feet of office space located within in the cities of Bridgeport, Shelton, Stratford, and Trumbull. The Greater Danbury office submarket includes 3.3 million square feet of office space spread across the cities of Danbury, Bethel, Redding, Brookfield, Newtown, and Ridgefield. Having benefitted from the migration of corporate tenants from adjacent office markets during recent decades, the high concentration of

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financial services tenants in the market warrants the presence of professional and business services companies in the areas of law, accounting, and other technical services such as engineering, research, and consulting. Given the area's diversifying tenant base, established finance cluster, and rising prominence as a multimedia hub, the health of the Fairfield County economy is less dependent on growth in neighboring New York in comparison with previous economic cycles. The on-going diversification of the Stamford metropolitan statistical area economy should bolster job growth, as well as office demand in the area, providing greater stability through future economic cycles as it continues to evolve into a more self-sustaining, dynamic economy.

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### **Demand-Supply Analysis**

RCG believes that the Fairfield County office market is in the midst of a recovery fueled by favorable office employment growth trends and a recent influx of high profile tenants, which is resulting in increased office absorption. Having withstood the brunt of the financial crisis on the local economy and office market conditions, office employment payrolls trended upwards through the second half of 2010 and through much of 2011, as companies slowly began to re-staff in response to stabilization in financial market conditions and an improving national economic outlook. Though office employment levels declined by 1.9% year-over-year through November 2011, office-using employment still increased by a net 500 jobs during the previous two-year span. Despite a slowdown in office employment growth through the second half of 2011, which mirrored the job trend nationally, office employment levels remain stable and companies continued to lease space at a more hurried pace. Given this improvement in leasing activity, market conditions in the Fairfield County office market have tightened in recent quarters, with the vacancy rate declining to 20.5% in the fourth quarter of 2011 from 21.0% in the second quarter of 2011. In 2011, leasing activity totaled more than 2.4 million square feet, which followed the 2.9 million square feet leased in 2010. As leasing activity rebounded, the overall office lease rate increased 0.7% to \$33.02 per square foot in 2011.

Though vacancy rates edged downward through the second half of 2011 a trend the company expects to continue through much of the forecast period, vacancy rates remain elevated in comparison to recent history. The continued flight-to-quality trend in the market has led to a reduction in sublease inventory, particularly for Class A sublease space. Available Class A sublease space in the market contracted to 845,000 square feet from 928,000 square feet in 2010. The rising demand for high-quality space placed upward pressure on Class A rates during this time, as the overall Class A lease rate increased by 3.9% in 2011 to \$35.65 per square foot. Given the company's expectations for more robust office employment growth through the forecast period, and with minimal supply-side pressure in the market, market conditions are expected to tighten more significantly as companies begin leasing office space in earnest to accommodate this growth.

An indication of the area's diversifying economy, a number of high profile companies announced plans to relocate operations to Fairfield County. In late 2010, NBC Sports Group announced plans to build a number of studios in the Stamford, bringing 450 new jobs to the area and \$100 million in capital improvements and consolidating much of its northeast operations beginning in 2012. Starwood Hotels has begun to relocate its operations in the Westchester submarket to Stamford, occupying 250,000 square feet at 333 Ludlow St. in the Harbor Point area. The completion of both of these blockbuster deals was facilitated by attractive tax incentives, loans, and sales tax exemptions afforded by both state and local development authorities.

As companies in the office employment sector begin to re-staff, RCG expects the rebound in the financial activities and professional services employment sectors to lead the market's recovery. Also, job growth in a number of other key industries is expected to drive the economy's resurgence: information services, re-insurance, shipping, media, as well as health and education. With the pace of employment growth expected to increase in

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2012 and through the remainder of the forecast period, office absorption should continue to trend upwards during this time, placing downward pressure on the office vacancy rate through 2015.

During the 10-year period between 2000 and 2010, approximately 2.3 million square feet of new office space were added to the market an increase of 6.1% in total office stock. Practically all new office construction during this period took place in the suburban office market with much of the new office construction in recent years concentrated in the South Central, Stamford non-CBD, and Eastern submarkets. In 2011, 445,000 square feet were added to the market with the delivery of several office projects, the largest of which was the completion of Harbor Point I and II in the Stamford non-CBD submarket. Although the Harbor Point area is technically located within the non-CBD office submarket, the project area's proximity to downtown and the Stamford Transit Center allow it to compete for tenants against office properties within the CBD. With a lower-cost environment, high-quality buildings and proximity to New York City, Fairfield County is a highly desirable location for large corporate headquarters. The professional and business services sector provides ancillary support to these headquarters operations that come from a wide variety of industries. The anticipated rebound in the professional and business services employment sector should be the primary driver of improvements in the office demand fundamentals through the forecast period. With no office construction projects in the development pipeline, there will be limited supply-side pressure in the market, which should facilitate the office market's return to equilibrium. The limited supply of developable land in the Stamford area minimizes supply-side pressure on the market, restricting new construction to redevelopment in existing commercial areas.

**Outlook**

RCG's outlook for the Fairfield County office market is positive. RCG believes continued hiring among office-using industries should drive new leasing activity and erode much of the sublease space weighing on the market. RCG expects Stamford to benefit from the influx of companies in growing industries such as multimedia and the recovery in financial services employment to drive the new office demand going forward. Rising investor confidence and business creation in the coming period should support job creation in office employment sectors and a tightening in office market conditions. RCG anticipates more broad-based leasing activity going forward, resulting in the absorption of commodity space and improving fundamentals in this segment of the office market.

As job growth in the market accelerates into the coming year, RCG expects the vacancy rate to decline to 19.8% in 2012 and 19.4% in 2013. By 2013, the overall office rental rate should increase at a rate of 2.5% to \$34.92 per square foot. Into the latter part of the forecast period, as office employment payroll growth accelerates, RCG expects this trend to push the vacancy rate to 18.7% in 2014 followed by a 17.9% vacancy rate in 2015. By 2015, the average office lease rate should reach \$37.17 per square foot, surpassing pre-recession rent levels. During the five-year period ending in 2015, forecasted office employment levels in the metropolitan statistical area are expected to increase by close to 7,000 jobs, replenishing close to 60% of all office employment jobs lost during the two-year period following the onset of the national recession in December 2007.

**Stamford CBD Submarket**

Encompassing the commercial areas surrounding the Stamford Transit Center and the area north of the I-95 to Broad St., the Stamford CBD office submarket consists of approximately 6.8 million square feet of space tenanted by a number of major corporations and investment companies including UBS, Royal Bank of Scotland, Thomson-Reuters, and Jefferies. Approximately 93% of all office space in the CBD market is Class A space. The market's proximity to Manhattan and location along the region's transportation network help to incent the location of companies to the area. The City of Stamford is less than one hour from midtown Manhattan by commuter rail or interstate highway and is located directly on the major rail lines and is intersected by highway I-95, which connects New York and Boston. For Metro-North express trains to New York City, the average express trip is approximately 45 minutes. The area is also within easy driving distance of the major New York area airports and approximately 20 minutes from the Westchester County Airport. Technological advancement will likely drive the decentralization of financial market activities going forward, strengthening the demand for



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office space in suburban office markets. And, though the Stamford office market will continue to benefit from its relatively lower costs and proximity to New York and Boston as office hiring accelerates, the growing concentration of housing and companies in other office-using industries that facilitate the area's development into a 24/7 live-work environment should support the market's recovery going forward. In particular, properties located in close proximity to major transit nodes are better positioned to benefit from the local economy's on-going recovery in comparison to properties in adjacent submarkets.

As of the fourth quarter of 2011, the overall CBD vacancy rate rose to 26.6% from 23.1% in 2010 and remains elevated in comparison with market conditions four years prior, at which point the vacancy rate stood at 14.2%.

Tenant interest in parts of the submarket is also heightened by incentives provided through the Stamford enterprise zone, which encompasses the portion of the City of Stamford that is south of the I-95. Under the enterprise zone incentive program, qualified companies may receive benefits such as an 80%, five-year local property tax abatement on eligible real and personal property, as well as a 25% or 50% credit on the state corporate business tax, depending upon the program type and location of the certified project. The additional savings to tenants provided by these incentive programs should continue to draw new companies to this developing portion of the city.

**South Central Submarket**

Located along the southern edge of Fairfield County, the South Central office submarket consists of approximately 8.5 million square feet of office space, encompassing the areas of Norwalk, Darien/New Canaan,

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and Wilton/Weston. Close to two-thirds of the office submarket's inventory is located in the Norwalk submarket. The office market is home to many large corporations, which include Virgin Atlantic Airways, SoBe, Priceline.com, Siemens IT Solutions and Services, Xerox, Kayak.com, Pepperidge Farm, Emcor Group, and Arch Chemicals. With an average lease rate of less than \$30 per square foot and its proximity to major highways and transit nodes, the South Central submarket's relative affordability and location continues to attract companies to the area.

As of the fourth quarter of 2011, the submarket vacancy rate reached 20.7%, an increase from the 20.0% in 2010, 17.1% vacancy rate in 2009 and 14.2% vacancy rate in 2008. Lingering uncertainty and the availability of more centralized, high-quality space at deep discounts from previous highs placed upward pressure on the vacancy rate for office space located in tertiary submarkets. Despite the still softened market conditions, the overall average lease rate rose 1.4% to \$28.73 per square foot in 2011, following a 5.9% decline in 2010.

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### **Retail Markets**

#### *New York*

New York's retail market benefits from positive long-term fundamentals, including favorable demographics, a very high income population, significant barriers to entry and a strong local demand base, as well as a high volume of domestic and international visitors. In addition to the 11.8 million residents living within the New York-White Plains-Wayne, NY-NJ Metropolitan Division, approximately 8.3 million residents live in the surrounding region, including Newark, Central New Jersey, Long Island and Connecticut's Fairfield County. With this combined population greater than 20 million, the Greater New York City region is by far the most populous in the country and second only to Mexico City in North America.

New York's long-term economic base is supported by the region's talented workforce, its dense base of customers and clients for businesses, and its highly integrated network of potential partners and investors that convene on the city from all parts of the world. High-paying, knowledge-based industry clusters such as finance, legal services, consulting, media and publishing and others fuel growth in other sectors of the economy. Furthermore, residents come from a highly diverse background: 33.5% of the New York metropolitan division's population was born outside the United States as of 2009, compared with 12.5% for the country as a whole. All types of retailers from discount, family-oriented outlets all the way to high-end, exclusive luxury are required to serve the heterogeneous population.

Domestic and international leisure travelers are drawn to New York City for its theaters, historical sites, museums, shopping and other cultural opportunities. As heightened focus on public safety and sanitation has helped to transform New York City, and Manhattan specifically, into a family-friendly tourist destination through the last two decades, tourism has come to account for a large share of the local economy. A record high of 50.2 million travelers visited New York City in 2011, according to NYC & Company, reaching Mayor Bloomberg's goal of 50 million visitors by 2012 one year early. Direct visitor spending in New York City reached \$32 billion in 2011, up from \$14.7 billion in 1998. According to the latest available data from 2009 when visitor volume totaled 45.6 million, or 9.2% less than the 2011 total, visitor spending supported nearly 304,000 jobs, \$16.6 billion in total wages and generated \$7.5 billion in taxes for the area.

Other measures indicate rising volumes of tourism and business-related travel, which bodes well for retail demand in the region. Total passenger traffic at New York-area airports grew to 105.5 million in the 12 months through October 2011, an increase of 1.7% over the previous 12-month period. An estimated 364,000 people passed through Times Square on a daily basis in 2009, an increase of 8% compared with the year prior, according to the Times Square Alliance. As of the summer of 2010, Saturday pedestrian traffic volume in Times Square increased 89% over the same period a year earlier.

On the supply side, New York's retail market has high barriers to entry, including limited available land to develop, long lead times on new construction, ambiguous zoning regulations, a difficult planning approval process, and high costs of construction. Major new construction projects are rare, particularly within Manhattan's main corridors, and are generally limited to the outer boroughs and the suburbs of Northern New Jersey and Upstate New York.

Although job growth in New York slowed during second half of 2011, RCG's outlook for New York's retail market is positive. With job growth expected to remain positive, decreasing unemployment and stabilizing home values should encourage local residents to loosen spending habits, bolstering demand from local residents, the primary driver of retail demand in the New York area. Siena Research Institute's Current Consumer Confidence Index for New York City registered 62.2 as of the fourth quarter of 2011, a decrease of 9.6 points from the first quarter of 2011, likely due to the ongoing European economic troubles and political gridlock in the federal government. The forward-looking Future Economic Expectations Index increased slightly to 68.6 during the fourth quarter, suggesting increased economic optimism about the near future.

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While barriers to entry in New York City's retail market are significant, select major projects are likely to continue construction through the foreseeable future. The number of projects in the planning and proposal stage has increased through the 2011 calendar year. One of the largest projects under development is the retail component of the World Trade Center complex, which totals 500,000 square feet of space. A public plaza that includes retail space is planned along 42<sup>nd</sup> Street between Sixth Avenue and Broadway. Several large projects planned in the Bronx include a 780,000 square-foot shopping mall at Bay Plaza in Co-op City, an 80,000 square-foot parcel on Broadway and 230<sup>th</sup> Street, and the 162,000 square-foot retail complex at the former Stella D' Oro factory anchored by BJ's Wholesale Club.

### *Manhattan*

The borough of Manhattan contains approximately 110 million square feet of retail space, according to the Real Estate Board of New York, and is split into six major submarkets: East Side, West Side, Midtown, Midtown South, Downtown and North Manhattan. The majority (78%) of the space is located within Midtown South, Midtown and Downtown. Spaces in prime corridors, which are spread out among the major submarkets, are among the most highly sought-after real estate in the world and also among the most expensive in terms of rental rates per square foot. Retail demand in the borough is driven by an affluent local population, commuters from outside the borough and a high concentration of business and leisure travelers.

On various measures of income, Manhattan exceeds surrounding geographies and the nation as a whole by wide margins according to the 2009 Census American Community Survey. Manhattan's median household

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income was recorded at \$68,706 in 2009, compared with \$50,033 for all of New York City, \$54,967 for the New York metropolitan division and \$50,221 at the national level. Manhattan's per capita income was recorded at \$61,992 as of 2009, much greater than \$30,885 for all of New York City, \$32,696 throughout the New York metropolitan division and \$26,409 for the United States as a whole.

Midtown, the area loosely defined to span between 31<sup>st</sup> and 59<sup>th</sup> streets, is among the premier commercial districts in the world and is home to a diverse base of office tenants, retail stores, entertainment venues, theaters, hotels, and residences, along with some light manufacturing, warehouse and storage. Midtown accounts for more than 61% of Manhattan's office space. Retail sales in Midtown totaled an estimated \$23.7 billion in 2010, or 48% of Manhattan's total. Given the primacy of its commercial activities, Midtown accounts for a relatively small percentage of Manhattan's residential population. In fact, approximately 197,200 residents live within the area, equating to roughly 12% of Manhattan's total. Indicated by several income statistics, however, Midtown's residential population is more affluent than Manhattan as a whole, which helps to support retail demand in the area. The median household income within Midtown Manhattan was estimated at \$86,902 in 2010, compared with \$66,851 for all of Manhattan.

Demand is recovering, driven by job growth and tourism activity in 2010. According to the latest available data, the average vacancy rate among major retail corridors decreased to 7.2% in the second quarter of 2011 from 8.2% one year earlier. In terms of rents, prime retail corridors command very high rents, though a very small sample size leads to volatile average measures. According to Cushman & Wakefield, average rents in the Upper Fifth Avenue corridor averaged \$2,075 per square foot in the third quarter of 2010, a 10.4% year-over-year decrease. Rents on Times Square retail space averaged \$842 per square foot, 29.3% greater than one year earlier. In total, rents grew by an average of 1.9% year-over-year in Manhattan's five most-expensive retail submarkets. Overall Manhattan average asking rents declined slightly between Fall 2009 and Fall 2010 to \$112 per square foot from \$118, according to the Real Estate Board of New York.

As with the New York metropolitan division as a whole, RCG's outlook for Manhattan's retail market is positive. The main retail corridors have improved during the early stages of economic recovery as consumer spending stabilized and tourism activity rebounded. While rents are rising in the majority of the prime submarkets, rents are still relatively low in Manhattan's second-tier submarkets, like the Flatiron District, Meatpacking District and Columbus Avenue, among others. Discounted lease rates present opportunities for small-scale and somewhat cost-sensitive retailers to enter the market where they have been previously priced out in the past. On the supply side, major new construction projects in Manhattan will likely be limited to the area north of Central Park, with the exception of the World Trade Center complex. One example is the conversion of a former manufacturing facility in Harlem into a Target- and Costco-anchored retail center. Smaller-scale deliveries, like conversion of old building stock into retail boutiques, will likely account for the dominant share of new supply in high-traffic, desirable submarkets.

Driving retail demand near Penn Station is a critical mass of pedestrian traffic in the neighborhood, comprised of office workers, tourists and inhabitants of the surrounding area. Office development, retail shops and Pennsylvania Station all drive pedestrian traffic in the area. The 34<sup>th</sup> Street Partnership estimated that 185,000 people work in offices in the area surrounding Penn Plaza and Herald Square in 2009. Approximately 27,000 people were counted leaving Penn Station in one hour on an average weekday in December 2009, also according to the 34<sup>th</sup> Street Partnership, while nearly 11,000 pedestrians per hour were counted at the corner of Seventh Avenue and 34<sup>th</sup> Street. Madison Square Garden is regularly ranked number one in North America for total ticket sales across the wide variety of events housed in the arena, including professional and collegiate basketball, professional hockey, live music events, one-time events like professional wrestling, and many others. Approximately 4 million tourists visit the Empire State Building observation decks each year, where tickets cost between \$16 and \$55 each. Approximately 30,600 residents occupy 17,300 households within one-half mile of the intersection Broadway and West 36<sup>th</sup> Street, around which 1333 Broadway, 1350 Broadway and 1359 Broadway are clustered. The median household income within the same area was estimated at \$79,847, greater than \$66,851 for all of Manhattan.

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The East/West Manhattan Retail Portfolio consists of two properties located in Midtown Manhattan: 1010 Third Avenue and 77 West 55<sup>th</sup> Street. Located at the intersection of Third Avenue and East 60<sup>th</sup> Street, the retail space at 1010 Third Avenue is located within the Decorative Arts District: four blocks west of the Fifth Avenue entrance to Central Park, adjacent to 59<sup>th</sup> Street-Lexington multi-line subway stop and one block from the Queensboro Bridge off ramp. Other retail outlets cluster in this high-pedestrian traffic neighborhood, most prominently including Bloomingdales, along with luxury hotels, highly desirable residential buildings and major office tenants. The median household income within a half-mile radius of 1010 Third Avenue was an estimated \$105,076 in 2010, higher than Manhattan's overall median household income of \$66,851. Retail activity in the immediate area is extraordinarily high: 2010 total retail sales reached an estimated \$4.5 billion within a half-mile radius of the property. Other major retail locations in the area include Savoy Plaza with 33,800 square feet and the Shops at Citicorp Center with 70,000 square feet.

Also in Midtown, 77 West 55<sup>th</sup> Street is located at the intersection of West 55<sup>th</sup> Street and Sixth Avenue. While Sixth Avenue is not known as a high-end retail corridor, pedestrian foot traffic is high, attributable to major office tenants and dense residential development in the area. High costs of living in the area surrounding the property have further concentrated an affluent population. The median household income within a half-mile radius of 77 West 55<sup>th</sup> Street was \$106,031 in 2010. Retail sales in 2010 were estimated at \$1.9 billion. Only one other major retail center is located within a half-mile of the property, the 70,000 square-foot Shops at Citicorp Center.

The ground-level retail at 10 Union Square East is located on the eastern edge of Union Square where Park Avenue South meets 14<sup>th</sup> Street. With high-quality open spaces, a wide variety of pop-up markets, excellent transit accessibility, and active clusters of retail, education, healthcare, office tenants and other residential and commercial development, Union Square is one of the most heavily-trafficked pedestrian areas in Manhattan. Measured over a 14-hour period in July of 2011, weekday pedestrian traffic totaled 176,000 and 159,000 on the weekend. Overall, pedestrian traffic has increased 28% over the most recent five-year period, according to Union Square Partnership. Furthermore, three major subway lines (L, N/Q/R, 4/5/6) converge on Union Square, connecting the neighborhood to New York's outer boroughs as well as Long Island, Connecticut, New Jersey and suburban Upstate New York. The 14<sup>th</sup> Street-Union Square subway station served 34.7 million riders during 2010, a 1.4% increase over 2009 and 39.4% greater than 2000, making it the fourth-largest station in New York City. While area retailers benefit from customers that live at considerable distances to Union Square, affluent local residents also provide a stable demand base. The median household income within a half-mile radius was estimated at \$98,642 in 2010, compared with \$66,851 for all of Manhattan. Retail sales volume within a half-mile radius of 10 Union Square East totaled \$3.8 billion in 2010. Though Union Square is a major retail submarket within Manhattan, large shopping centers are still in short supply in the surrounding area. Union Square South is the only shopping center within a half-mile radius of 10 Union Square East. Demand for space in Union Square South has been strong by national retail chains. Following the closure of Circuit City and Virgin Megastores, both of which occupied the property at a point in time, retail space at Union Square South was subsequently re-leased to Best Buy and Nordstrom Rack. Also at the property is Regal Cinemas. Other major retailers are in the neighborhood as well, including Whole Foods, Forever 21, Diesel, Barnes & Noble and many others. Within a one-mile radius of 10 Union Square East are two other major shopping centers: the 170,000 square-foot Manhattan Mall at Broadway and West 33<sup>rd</sup> Street and the 92,200 square-foot Kips Bay Shopping Center.

The Gotham retail property is located on the Upper East Side at the intersection of East 86<sup>th</sup> Street and Third Avenue, among a cluster of residential buildings, retail stores and entertainment spaces. One block from the 86<sup>th</sup> Street-Lexington subway stop, the area is easily accessible from other areas around New York City. Major landmarks in the surrounding area include the Metropolitan Museum of Art and the Guggenheim Museum. The neighborhood population is more affluent than Manhattan as a whole. The median household income within a half-mile radius was estimated at \$97,865 in 2010, compared with \$66,851 for all of Manhattan. Retail sales volume within a half-mile radius of the Gotham totaled \$1.5 billion in 2010. According to Claritas, not a single major shopping center exists within a one-mile radius of the Gotham.

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*Fairfield County*

Fairfield County's favorable demographics and high concentration of high-paying professionals and wealthy households drives high-end retail sales in the area. The region is studded with luxury retail establishments consisting of high-end boutiques and department stores. High-end retail stores cluster in affluent Fairfield County neighborhoods where residents live and work, particularly in Greenwich, New Canaan, and Westport retail submarkets which command the highest retail rents in the area. In the second quarter of 2011, the retail vacancy rate increased by 30 basis points from 2010 to 4.5%, while the average asking retail lease rate in Fairfield County slipped 0.8% through the first half of 2011 to \$27.68 per square foot, according to Cassidy Turley Research. Historic average annual rent growth in the market is 1.7%. In 2010, total consumer expenditures in Fairfield County retail establishments totaled \$15.2 billion, according to Claritas. Because of the area's concentration of middle-aged, high net worth professionals, Fairfield County is one of the most affluent counties in the country, representing a concentrated market for high-end and luxury retail goods, and services like restaurants, spas, and golf courses/clubs.

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Driven by the recent resurgence in job growth and increasingly positive economic outlook, retail sales in the area quickly rebounded from recent lows a trend RCG expects to continue through the forecast period. An indication of improving retail demand fundamentals, state sales and use tax collections, a proxy for retail sales volume in Connecticut, increased by 2.3% in 2010 and 13.6% in 2011 to \$1.5 billion, following the 7.4% drop in sales tax revenue in 2009.

Going forward, the continued stabilization of home values and acceleration in job growth should fuel retail sales activity, supported higher levels of retail space absorption in the coming years. As employment levels rebound from recent lows, the improvements to the local economy should also drive an increase in population and household growth through the forecast period, supplying the market with consumers to support local retail sales. Through the forecast period, RCG expects both total population and total household levels to increase at an annual average rate of 0.6% through 2015, resulting in the addition of approximately 28,000 new residents and the formation of more than 10,000 new households during this time. The area's favorable demographic trends suggest that its retail market will be healthy through the forecast period.

Located in the Town of Westport, 69-97 Main St. is situated in one of the town's most affluent shopping districts located along the main thoroughfare. The high concentration of major national and regional retail tenants in the area include retailers such as Coach, Tiffany & Co., Restoration Hardware, and Williams Sonoma. Not surprisingly, the surrounding neighborhood population is more affluent in comparison to other submarkets in Fairfield County. The median household income within a one-mile radius was estimated at \$141,945 in 2010, with households making more than \$200,000 accounting for 35% of all households in the area. Retail sales volume within a one-mile radius of the retail property totaled approximately \$129 million in 2010.

Also located along Westport's main thoroughfare, 103-107 Main St. is located in the main shopping district. Given the property's central location within the area's most affluent shopping districts, the median household income is high relative to surrounding submarket. Within a one-mile radius the median household income was \$142,587 and \$118,523 within a two-mile radius of the property in 2010. Retail sales volume within a one-mile radius of the retail property totaled approximately \$127 million in 2010.



**Table of Contents****THE COMPANY BUSINESS AND PROPERTIES****Overview**

The company is a self-administered and self-managed real estate investment trust, or REIT, that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. The company was formed to continue and expand the commercial real estate business of the supervisor and its affiliates. The company's primary focus will be to continue to own, manage and operate its current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

As of September 30, 2011, the company owned 12 office properties encompassing approximately 7.7 million rentable square feet of office space, which were approximately 79.9% leased (or 83.0%, giving effect to leases signed but not yet commenced as of that date). Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.8 million rentable square feet of office space, including the Empire State Building, the world's most famous office building. The company's Manhattan office properties also contain an aggregate of 432,176 rentable square feet of premier retail space on their ground floor and/or lower levels. The company's remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing in the aggregate approximately 1.8 million rentable square feet. The majority of the square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, the company has entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of the company's office properties, that will support the development of an approximately 340,000 rentable square-foot office building and garage, which is referred to herein as Metro Tower. As of September 30, 2011, the company's portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,452 rentable square feet in the aggregate. As of September 30, 2011, the company's standalone retail properties were approximately 96.8% leased in the aggregate (or 96.8%, giving effect to leases signed but not yet commenced as of that date). The company's portfolio represents all of the Manhattan and greater New York metropolitan area office and retail assets owned by the entities organized and supervised by the company.

In addition, the company has an option to acquire from three private entities supervised by the supervisor two additional Manhattan office properties encompassing approximately 1.4 million rentable square feet of office space and 153,298 rentable square feet of ground floor retail space. These option properties currently are subject to ongoing litigation and the company has an option to acquire fee, long-term leasehold, sub-leasehold and/or sub-subleasehold interests in these two properties, as applicable, after such litigation is resolved. These properties are referred to herein as the option properties. For more information, please see Description of Option Properties.

The company has a comprehensive knowledge of its markets that has been developed through its senior management team's substantial experience, and the company believes it is a recognized owner and operator of office properties. All of the company's properties are located in Manhattan and the greater New York metropolitan area, which, according to RCG, is one of the most prized office markets in the world and a world-renowned retail market due to a combination of supply constraints, high barriers to entry, near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. From 2002 through 2006, the supervisor gradually gained day-to-day management of the company's Manhattan office properties. Since then, the company has been undertaking a comprehensive renovation and repositioning strategy of the supervisor's Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. Since the supervisor assumed day-to-day management of the company's Manhattan office properties, beginning with One Grand Central Place in 2002 and through September 30, 2011, the company has invested a total of approximately \$296.0 million (excluding tenant improvement costs and leasing commissions) in its Manhattan office properties pursuant to this program. The company currently intends to invest between \$175.0 million and \$215.0 million of additional capital through the end of 2013. The company expects to complete substantially the program by the end of 2013, except with respect to the Empire State

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Building, which is the last Manhattan office property that began its renovation program. In addition, the company currently estimates that between \$55.0 million and \$65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which the company expects to complete substantially in 2016, due to the size and scope of the company's remaining work and its desire to minimize tenant disruptions at the property. These estimates are based on the supervisor's current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. The company intends to fund these capital improvements through a combination of operating cash flow and borrowings.

These improvements, within the company's renovation and repositioning program, include restored, renovated and upgraded or new lobbies, elevator modernization, renovated public areas and bathrooms, refurbished or new windows, upgrade and standardization of retail storefront and signage, façade restorations, modernization of building-wide systems, and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of the company's properties and have contributed significantly to the company's tenant repositioning efforts, which seek to increase the company's occupancy; raise its rental rates; increase rentable square feet; increase the company's aggregate rental revenue; lengthen its average lease term; increase its average lease size; and improve its tenant credit quality. The company has also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in *Renovation and Repositioning Case Studies*, and the company believes has the potential to improve its operating margins and cash flows in the future. The company believes it will continue to enhance its tenant base and improve rents as the company's pre-renovation leases continue to expire and be re-leased.

The Empire State Building is the company's flagship property. The 102-story building comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space. The building also includes the company's observatory and broadcasting operations. The building occupies the entire blockfront from 33rd Street to 34th Street on Fifth Avenue, anchoring the east side of the 34th Street corridor in midtown Manhattan. The ongoing repositioning of the Empire State Building is representative of the company's strategic vision for its Manhattan office properties. After the supervisor gained day-to-day management of the Empire State Building in August 2006, the company developed and began implementing a restoration and renovation plan for the property and, as of September 30, 2011, the subject LLCs and the private entities had invested a total of approximately \$123.0 million. The company currently estimates that between \$190.0 million and \$230.0 million of additional capital is needed to complete this renovation plan, which the company expects to complete substantially in 2016, due to the size and scope of the company's remaining work and its desire to minimize tenant disruptions at the property. These estimates are based on the supervisor's current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. The company intends to fund these capital improvements through a combination of operating cash flow and borrowings. These improvements include restored and upgraded the landmark art deco lobby, renovated public areas and bathrooms, refurbished 6,514 windows, renovated the observatories and broadcasting facilities and modernized building-wide systems. In addition, the company pioneered a process for a replicable, world-leading energy efficiency retrofit program. Future planned renovation expenditures include additional improvements to the building lobby, restroom renovations, elevator modernization, corridor upgrades, and enhanced ventilation and security systems. Plans are also in place for the development of a tenants-only fitness center and a conference center in the building. The few remaining details of the comprehensive renovation program for the observatory are expected to be completed substantially by 2013. As part of the supervisor's effort to increase the quality of its tenants, the supervisor has embarked on a renovation and repositioning program over time to aggregate smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. To date the company believes these efforts have accelerated the company's ability to lease space to new higher credit-quality tenants, including: LF USA; Skanska; Coty, Inc.; the Federal Deposit Insurance Corporation; Funaro & Co.; LinkedIn; Noven Pharmaceuticals; People's Daily Online USA; Taylor Global; Turkish Airlines; and World Monuments Fund. The company believes completing the repositioning program for the Empire State Building, as well as its other Manhattan office properties, represents a significant growth opportunity for the company. Monuments Fund. The company believes

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completing the repositioning program for the Empire State Building, as well as its other Manhattan office properties, represents a significant growth opportunity for the company.

The Empire State Building provides the company with a significant and diversified source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. For the years ended December 31, 2007 through December 31, 2010 and for the nine months ended September 30, 2011, the number of visitors to the observatory was approximately 3.67 million, 4.03 million, 3.75 million, 4.03 million and 3.06 million, respectively. The average ticket revenue per admission for each of the 11 years from 2000 to 2010 increased at a compound annual growth rate of 9.9% and the growth rate during each of those years, on a year-over-year basis, has never been negative. For the years ended December 31, 2007 through December 31, 2010, the company increased the average ticket revenue per admission from \$15.47 to \$17.37 and, for the nine months ended September 30, 2011, the average ticket revenue per admission was \$18.61. In addition, the company has 74 broadcasting licenses with an average remaining term of 7.5 years as of September 30, 2011. On a pro forma basis, during the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, the company generated approximately \$156.7 million and \$197.4 million of revenue from the Empire State Building, which included approximately \$62.9 million and \$78.9 million of revenue, respectively, from its observatory operations and approximately \$11.8 million and \$16.1 million of revenue, respectively, from its broadcasting licenses and related leased space.

The company is led by Anthony E. Malkin, the company's Chairman, Chief Executive Officer and President, who has a strong reputation in the industry for quality management, repositioning and marketing expertise. Mr. Malkin, together with the company's senior management team, has developed the company's strategy with a focus on tenant and broker relationships and the cultivation of the company's brand to attract higher credit-quality tenants to its improved buildings and negotiate attractive rental terms. Mr. Malkin has over 23 years of real estate experience specifically in expanding, renovating, repositioning and managing this portfolio. The company's senior management team has an average of approximately 28 years of experience covering all aspects of real estate, including asset and property management, leasing, marketing, acquisitions, construction, development, legal and finance, and Messrs. Malkin, Durels and Keltner have worked together for the supervisor for over 22 years, and have supervised the design and implementation of the company's renovation and repositioning program.

**History**

The Manhattan office properties that will be included in the company's initial portfolio were acquired between 1950 and 1979 through the business ventures of Lawrence A. Wien in partnership with Harry B. Helmsley, and later with his son-in-law and the company's Chairman Emeritus Peter L. Malkin. Three properties, the Empire State Building, One Grand Central Place and 250 West 57th Street, were acquired through public partnerships from 1953 to 1961, following earlier transactions on structures developed by Lawrence A. Wien, which are credited as the first flow-through tax treatment real estate syndications ever conducted, including other Manhattan office properties, 1333 Broadway, 1350 Broadway, 1359 Broadway and 501 Seventh Avenue, which were acquired through private partnerships from 1950 to 1979. With respect to the Manhattan office properties, Lawrence A. Wien and Peter L. Malkin were responsible for the syndication of the transactions, and Harry B. Helmsley was responsible for the identification of opportunities and the management and leasing of the properties once purchased. The principals of the supervisor during this period consisted of Lawrence A. Wien, until his death in 1988 and, beginning in 1958, Peter L. Malkin. Anthony E. Malkin joined Peter L. Malkin as a principal in 1989. All of the standalone retail assets and most of the Fairfield County and Westchester County office properties that will be included in the company's initial portfolio were acquired from 1989 to 2006 under the direction of Anthony E. Malkin.

The supervisor historically provided asset management services for most of the company's properties. The company's Manhattan office properties were managed, subject to the supervision of the supervisor, by Helmsley-Spear until 2002, in the case of One Grand Central Place, 250 West 57th Street and 501 Seventh Avenue; 2003, in the case of 1359 Broadway; and 2006, in the case of the Empire State Building, 1350 Broadway, 1333 Broadway and the option properties.

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Over time, the supervisor observed and objected to a deterioration in the property management and leasing services provided by Helmsley-Spear to the Manhattan office properties, resulting in deferred maintenance, reduced occupancy and/or rents and reduced tenant quality. The supervisor brought legal action to remove Helmsley-Spear as manager (after it was sold by entities controlled by Leona M. Helmsley) of these properties both for cause and based on contractual removal rights. The resolutions of the ensuing arbitrations and litigations resulted in a gradual transfer of day-to-day management away from Helmsley-Spear beginning in 2002 and were fully settled in 2006. Upon such transfer, Mr. Malkin and the company's senior management team conceived and designed the company's renovation and repositioning program for the company's Manhattan office properties, and a majority of the work on such program has taken place since 2008. The supervisor oversaw the engagement of third-party property management and leasing agents for these properties, and eventually the transformation of the Empire State Building to a self-managed structure, retaining a third party agent only for leasing.

Separately, the entities organized and supervised by the supervisor acquired certain office, city-center retail and multi-family residential properties outside of Manhattan, which other than the private entities' greater New York metropolitan area properties, will not be part of the company's portfolio upon completion of the consolidation and the IPO. It developed and implemented a branding strategy for brokers and tenants for this portfolio. The branded portfolio provides tenants with a consistently high quality level of services, installations, maintenance and amenities and has built strong relationships with the broker community.

As the Helmsley-Spear management disputes progressed and were resolved, the supervisor conceived, planned and executed a comprehensive program to renovate and improve the Manhattan office properties in the company's portfolio with a combination of operating cash flow and debt financing. The improvements included restored and improved or new lobbies; elevator modernization; common hallway upgrades; bathroom renovations; roof and façade restorations; new windows; and building-wide systems upgrades. As each property renovation was put in place, the supervisor established its brand by deploying the same branding strategy with tenants and brokers as had succeeded with the office and retail properties in Fairfield County, Connecticut and Westchester County, New York.

### **The Company's Competitive Strengths**

The company believes that it distinguishes itself from other owners and operators of office and retail properties as a result of the following competitive strengths:

**Irreplaceable Portfolio of Office Properties in Midtown Manhattan.** The company's Manhattan office properties are located in one of the most prized office markets in the world due to a combination of supply constraints, high barriers to entry, near-term and long-term prospectus for job creation, vacancy absorption and rental rate growth. The company's management believes these properties could not be replaced today on a cost-competitive basis, if at all. As of September 30, 2011, the company owned seven Manhattan office properties, encompassing approximately 5.8 million rentable square feet of office space, including the Empire State Building, the company's flagship property and the world's most famous office building. Unlike traditional office buildings, the Empire State Building provides the company with a significant source of income from its observatory and broadcasting operations. All of these properties include premier retail space on their ground floor and/or lower levels, which comprise 432,176 rentable square feet in the aggregate and all of which have recently undergone significant renovations. The company believes the high quality of its buildings, services and amenities, their desirable locations and commuter access to mass transportation should allow the company to increase rents and occupancy to generate positive cash flow and growth.

**Expertise in Repositioning and Renovating Manhattan Office Properties.** The company has substantial expertise in renovating and repositioning Manhattan office properties, having invested a total of approximately \$296.0 million (excluding tenant improvement costs and leasing commissions) in the Manhattan office properties since the supervisor assumed day-to-day management of these properties, beginning with One Grand Central Place in November 2002. The company has gained substantial experience in upgrading, renovating and modernizing (or are in the process thereof) all

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building lobbies, corridors, bathrooms and elevator cabs and old, antiquated spaces to include new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning, as well as enhanced tenant amenities). The company has successfully aggregated and is continuing to aggregate smaller spaces and to offer larger blocks of space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. As part of this program, the company converted some or all of the ground office floors of certain of its Manhattan office properties to higher rent retail space. The company believes that the post-renovation high quality of the company's buildings and the service the company provides also attract higher credit-quality tenants and allow the company to grow cash flow. In addition, the company believes that, based on the results of the company's energy retrofitting efforts at the Empire State Building, the company can derive cost savings through innovative energy efficiency retrofitting and sustainability initiatives, reducing direct and indirect energy costs paid both by tenants and by the company throughout the company's other Manhattan office properties.

**Leader in Energy Efficiency Retrofitting.** The company has pioneered certain practices in energy efficiency at the Empire State Building where the company has partnered with the Clinton Climate Initiative, Johnson Controls Inc., Jones Lang LaSalle and the Rocky Mountain Institute to create and implement a groundbreaking, replicable process for integrating energy efficiency retrofits in the existing built environment. The reduced energy consumption reduces costs for the company and its tenants, and the company believes creates a competitive advantage for its properties. The company believes that higher quality tenants in general place a higher priority on sustainability, controlling costs and minimizing contributions to greenhouse gases. The company believes its expertise in this area gives it the opportunity to attract higher quality tenants at higher rental rates and to reduce the company's expenses. As a result of the company's efforts, the Empire State Building is now an Energy Star building and has been awarded LEED EBOM-Gold certification. The Company plans on implementing energy efficiency retrofitting projects in its Manhattan office properties based on its work at the Empire State Building. Finally, the company maintains a series of management practices utilizing recycling of tenant and construction waste, recycled content carpets, low off-gassing paints and adhesives, green pest control and cleaning solutions, and recycled paper products throughout the company's office portfolio. The company believes that its portfolio's attractiveness is enhanced by these practices and that this should result in higher rental rates, longer lease terms and higher quality tenants.

**Attractive Retail Locations in Densely Populated Metropolitan Communities.** As of September 30, 2011, the company's portfolio also included six standalone retail properties and retail space at the ground floor and/or lower levels of the company's Manhattan office properties, encompassing 636,628 rentable square feet in the aggregate, which were approximately 86.2% leased in the aggregate (or 87.0%, giving effect to leases signed but not yet commenced as of that date). All of these properties are located in premier retail corridors with convenient access to mass transportation, a diverse tenant base and high pedestrian traffic and/or main destination locations. The company's retail portfolio includes 615,195 rentable square feet located in Manhattan and 21,433 rentable square feet located in Westport, Connecticut. The company's retail tenants cover a number of industries, including financial services, and include AT&T; Ann Taylor; Bank of America; Bank Santander (Sovereign Bank); Best Buy; Billabong; Charles Schwab; Chipotle; Duane Reade; Ethan Allen; the GAP; HSBC; JP Morgan Chase; Loews Theatre; Lululemon; Men's Wearhouse; Nike; Panera Bread; Sprint; Starbucks; Theory; TJ Maxx; and Walgreens. The company's Westport, Connecticut retail properties are located on Main Street, the main pedestrian thoroughfare in Westport, Connecticut, and have the advantage of being adjacent to one of the few available large-scale parking lots in town.

**Experienced and Committed Management Team with Proven Track Record.** The company's senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. The company has developed relationships it believes enable it to both secure high credit-quality tenants on attractive terms, as well as provide the company with potential acquisition opportunities. The company has substantial in-house

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expertise and resources in asset and property management, leasing, marketing, acquisitions, construction, development and financing and a platform that is highly scalable. Members of the company's senior management team have worked in the real estate industry for an average of approximately 28 years, and Messrs. Malkin, Durels and Keltner have worked together for the supervisor for over 22 years. The company takes an intensive, hands-on approach to the management of the company's portfolio and quality brand building. Upon completion of the consolidation and the IPO, the company's senior management team is expected to own \_\_\_\_\_% of the company's common stock on a fully diluted basis, and therefore their interests are expected to be aligned with those of the company's stockholders, and they are incentivized to maximize returns for the company's stockholders.

**Strong Balance Sheet Well Positioned For Future Growth.** Upon completion of the consolidation and the IPO, the company expects to have pro forma total debt outstanding of approximately \$1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, the company expects to have approximately \$179.1 million of available borrowing capacity under the company's loans on a pro forma basis. Upon completion of the consolidation and the IPO and on a pro forma basis for the year ended December 31, 2010, the company had a debt-to-earnings before interest, income tax, depreciation and amortization, or EBITDA, ratio of approximately 5.18x. For the year ended December 31, 2010, the company's pro forma EBITDA and pro forma net income were approximately \$201.6 million and \$84.6 million, respectively. The company has no debt maturing in 2012 and approximately \$58.3 million maturing in 2013. The company's fiscal strength and disciplined ownership and operation of its business has enabled the company to weather multiple market downturns and challenging financing environments. The company operates its business to preserve capital through conservative debt levels and to provide adequate capital for maintenance and improvements.

### **Business and Growth Strategies**

The company's primary business objectives are to maximize cash flow and total returns to the company's stockholders and to increase the value of the company's properties through the pursuit of the following business and growth strategies:

**Lease-up Available Space at Manhattan Office Properties.** As of September 30, 2011, the company's Manhattan office properties were approximately 76.9% leased (or 80.6%, giving effect to leases signed but not yet commenced as of that date) and had approximately 1.1 million rentable square feet of available space (excluding leases signed but not yet commenced). This compares to an average of 90.4% leased in midtown Manhattan according to RCG as of December 31, 2011. The company believes the renovation and repositioning program for its Manhattan office properties is a catalyst for additional lease-up. The company has created large blocks of available space and intends to continue to create such blocks over the next several years as part of the company's comprehensive repositioning strategy to attract larger, higher credit-quality tenants at higher rents for longer lease terms with higher average retention rates and greater prospects for growth. Individual and multiple floors have been assembled and are being assembled for larger users. To date the company believes these efforts have accelerated its ability to lease space to new higher credit-quality tenants, many of which have expanded the office space they lease from the company over time. Examples of this include LF USA, Coty, Inc., the Federal Deposit Insurance Corporation, and Actimize which collectively have leases signed with the company for over 1,275,265 rentable square feet that represent additional annualized base rent of \$51,117,013 as of September 30, 2011. LF USA, the company's largest tenant based on both total leased square feet and annualized base rent, signed a lease for 482,399 square feet of office space in the Empire State Building in January 2011 that represents an additional \$18,813,561 of annualized base rent and, in November 2011, signed another lease for an additional 106,545 square feet that represents an additional \$4,155,255 of an annualized base rent. In order to accommodate the initial lease, the company relocated two other tenants to other available space in the building in order to provide LF

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USA with space on two consecutive floors. As of September 30, 2011, LF USA leased an aggregate of 630,615 rentable square feet of office space at three of the company's office properties, representing approximately 7.6% of the total rentable square feet and approximately 8.6% of the annualized base rent in the company's portfolio. The company also employs a pre-built suite strategy in selected portions of some of its properties to appeal to many credit-worthy smaller tenants by fitting out some available space with new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning) for immediate occupancy. These pre-built suites deploy energy efficiency strategies developed in the company's work at the Empire State Building and are designed with efficient layouts sought by a wide array of users which the company believes will require only minor painting and carpeting for future re-leasing thus reducing the company's future costs.

**Increase Existing Below-Market Rents.** The company believes it can capitalize on the successful repositioning of the company's Manhattan office portfolio and improving market fundamentals to increase rents. For example, the company expects to benefit from the re-leasing of 26.1%, or approximately 1.5 million rentable square feet (including month-to-month leases), of the company's Manhattan office leases expiring through December 31, 2014, which the company generally believes are currently at below market rates. These expiring leases represent a weighted average base rent of \$35.72 per square foot based on current measurements. As older leases expire, the company expects to continue to upgrade certain space to further increase rents and the company expects to increase the total rentable square footage of such space as a result of remeasurement and application of market loss factors to the company's space which the company expects will generate additional rental revenue. The company's concentration in Manhattan and the greater New York metropolitan area should also enable the company to benefit from increased rents associated with current and anticipated near-term improvements in the financial and economic environment in these areas. The company also expects to benefit from the lack of development of office and retail space in midtown Manhattan for the foreseeable future due to the recent economic downturn, scarcity of available development sites, and long lead time for new construction.

**Complete the Redevelopment and Repositioning of the Company's Current Portfolio.** The company intends to continue to increase occupancy, improve tenant quality and enhance cash flow and value by completing the renovation and repositioning of the company's Manhattan office properties. The company intends selectively to continue to allow leases for smaller spaces to expire or relocate smaller tenants in order to aggregate, demolish and re-demise existing office space into larger blocks of vacant space, which the company believes will attract higher credit-quality tenants at higher rental rates. The company applies rigorous underwriting analysis to determine if aggregation of vacant space for future leasing to larger tenants will improve the company's cash flows over the long term. In addition, the company is a leader in developing economically justified energy efficiency retrofitting and sustainability and has made it a portfolio-wide initiative. The company believes this makes its properties desirable to high credit-quality tenants at higher rental rates and longer lease terms.

**Pursue Attractive Acquisition and Development Opportunities.** The company also opportunistically pursue attractive opportunities to acquire office and retail properties including the option properties. The company intends to focus its acquisition strategy primarily on Manhattan office properties and, to a lesser extent, office and multi-tenanted retail properties in densely populated communities in the greater New York metropolitan area and other markets it may identify in the future. The company believes it can utilize its industry relationships (including well-known real estate owners in Manhattan), brand recognition, and its expertise in redeveloping and repositioning office properties to identify acquisition opportunities where the company believes it can increase occupancy and rental rates. The company's strong balance sheet, access to capital, and ability to offer operating partnership units in tax deferred acquisition transactions should give the company significant flexibility in structuring and consummating acquisitions. Further, the company has a development site, Metro Tower at the Stamford Transportation Center, which is adjacent to the company's Metro Center property, which the company believes to be one of the premier office buildings in Connecticut. All required

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zoning approvals have been obtained to allow development of an approximately 340,000 rentable square foot office tower and garage. The company intends to develop this site when it deems the appropriate combination of market and other conditions are in place.

**Proactively Manage the Company's Portfolio.** The company believes its proactive, service-intensive approach to asset and property management helps increase occupancy and rental rates. The company utilizes its comprehensive building management services and its strong commitment to tenant and broker relationships and satisfaction to negotiate attractive leasing deals and to attract high credit-quality tenants. The company proactively manages its rent roll and maintains continuous communication with its tenants. The company fosters strong tenant relationships by being responsive to tenant needs. The company does this through the amenities it provides, the quality of the company's buildings and services, its employee screening and training, energy efficiency initiatives, and preventative maintenance and prompt repairs. The company's attention to detail is integral to serving its clients and building the company's brand. The company's properties have received numerous industry awards for their operational efficiency. The company believes long-term tenant relationships will improve the company's operating results over time by reducing leasing, marketing and tenant improvement costs and reducing tenant turnover.

**Renovation and Repositioning Case Studies**

Over the period beginning from 2002 through 2006, the company gradually gained day-to-day management of its Manhattan office properties. Since then, the company has been undertaking a comprehensive renovation and repositioning strategy of its Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. The company expects to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program, which it expects to complete substantially in 2016, due to the size and scope of its remaining work and its desire to minimize tenant disruptions at the property. The improvements undertaken in connection with the renovation and repositioning program include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of company properties and have contributed significantly to its tenant repositioning efforts, which seek to increase its occupancy; raise its rental rates; increase its rentable square feet; increase its aggregate rental revenue; lengthen its average lease term; increase its average lease size; and improve its tenant credit quality. This strategy has shown attractive results to date as illustrated by the case studies which are set forth below. There can be no assurance that the company's renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost or that the results the company expects to achieve will be accomplished. Accordingly, the information presented in the case studies should not be considered as indicative of the company's possible results and you should not rely on this information as an indication of its future performance.

The pre-renovation and repositioning statistics in the tables below represent the leases existing on the applicable floor of the applicable building at a date within a three-year period prior to the commencement of tenant repositioning efforts which were implemented on such floor and which generally represented the highest occupancy for such floor during such period. The tenant repositioning efforts include the exercise of the company's rights to relocate tenants, negotiated relocations of tenants, the strategic expiration of existing leases to aggregate large blocks of space, including whole floors, as well as the implementation of marketing efforts in such space including the signing of significant tenants prior to the onset of the renovation work. Post-renovation and repositioning statistics in the table below represent full floors where the company has concluded its renovation and repositioning efforts and reflect leases signed for such space. In certain circumstances, certain tenants have signed leases where only a portion of their lease has commenced with the remainder of the lease to commence through 2012, except with respect to one tenant where such tenant's leases will commence through 2014. The information in the tables below presents statistics as if all such space under such leases have commenced.



**Table of Contents****Empire State Building Case Study**

After the company gained day-to-day management of the Empire State Building in August 2006, it developed and began implementing a restoration and renovation program at the property. As of September 30, 2011, the company had completed substantially the renovation and repositioning of 22 of the 81 non-retail and non-observatory floors in the building where it has aggregated smaller spaces in order to seek larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. In order to maximize space utilization, the company aggregated smaller spaces to offer large blocks of space, including whole floors, by employing several strategies including the exercise of the company's rights to relocate tenants to alternative space, negotiated relocations of tenants and the strategic expiration of existing leases. As illustrated by the table below, for these 22 floors, the company has increased (i) annualized gross rent by an aggregate of approximately \$23.4 million, representing a 118.5% increase, (ii) weighted average annualized gross rent per leased square foot by \$6.19 in the aggregate, representing an 17.5% increase and (iii) total rentable square footage by 244,598 square feet in the aggregate, representing a 30.4% increase.

	Number of Leases	Total Rentable Square Feet <sup>(1)</sup>	Percent Leased <sup>(2)</sup>	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent <sup>(3)</sup>	Weighted Average Annualized Gross Rent per Leased Square Foot <sup>(4)</sup>
<b>Floors 3 - 10</b>							
Pre	77	415,966	76.6%	4,139	9.4	\$ 11,723,671	\$ 36.79
Post	1	555,204	100.0%	555,204	16.3	\$ 21,653,904	\$ 39.00
<b>Change</b>	<b>(76)</b>	<b>139,238</b>	<b>23.4%</b>	<b>551,065</b>	<b>6.8</b>	<b>84.7%</b>	<b>6.0%</b>
<b>Floor 11</b>							
Pre	7	33,465	89.1%	4,259	5.4	\$ 1,309,999	\$ 43.94
Post	2	50,006	100.0%	25,003	13.4	\$ 2,121,027	\$ 42.42
<b>Change</b>	<b>(5)</b>	<b>16,541</b>	<b>10.9%</b>	<b>20,744</b>	<b>8.0</b>	<b>61.9%</b>	<b>(3.5%)</b>
<b>Floors 12 - 13</b>							
Pre	21	82,256	29.7%	1,164	5.3	\$ 724,379	\$ 29.64
Post	1	105,613	100.0%	105,613	10.1	\$ 4,684,680	\$ 44.36
<b>Change</b>	<b>(20)</b>	<b>23,357</b>	<b>70.3%</b>	<b>104,449</b>	<b>4.8</b>	<b>546.7%</b>	<b>49.6%</b>
<b>Floors 14 - 17</b>							
Pre	43	156,021	68.1%	2,472	8.1	\$ 3,223,231	\$ 30.33
Post	1	193,798	100.0%	193,798	16.8	\$ 8,841,424	\$ 45.62
<b>Change</b>	<b>(42)</b>	<b>37,777</b>	<b>31.9%</b>	<b>191,326</b>	<b>8.8</b>	<b>174.3%</b>	<b>50.4%</b>
<b>Floors 32 - 33</b>							
Pre	2	21,906	14.6%	1,596	4.9	\$ 134,099	\$ 42.01
Post	1	25,057	100.0%	25,057	15.0	\$ 1,219,550	\$ 48.67
<b>Change</b>	<b>(1)</b>	<b>3,151</b>	<b>85.4%</b>	<b>23,461</b>	<b>10.1</b>	<b>809.4%</b>	<b>15.9%</b>
<b>Floor 37</b>							
Pre	1	22,800	100.0%	22,800	5.5	\$ 810,359	\$ 35.54
Post	1	25,346	100.0%	25,346	11.0	\$ 785,726	\$ 31.00
<b>Change</b>		<b>2,546</b>	<b>0.0%</b>	<b>2,546</b>	<b>5.5</b>	<b>(3.0%)</b>	<b>(12.8%)</b>
<b>Floor 38</b>							
Pre	1	18,255	100.0%	18,255	15.4	\$ 562,233	\$ 30.80
Post	1	25,294	100.0%	25,294	10.5	\$ 1,107,855	\$ 43.80
<b>Change</b>		<b>7,039</b>	<b>0.0%</b>	<b>7,039</b>	<b>(4.9)</b>	<b>97.0%</b>	<b>42.2%</b>



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	Number of Leases	Total Rentable Square Feet <sup>(1)</sup>	Percent Leased <sup>(2)</sup>	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent <sup>(3)</sup>	Weighted Average Annualized Gross Rent per Leased Square Foot <sup>(4)</sup>
<b>Floor 41</b>							
Pre	1	17,293	3.2%	545	2.6	\$ 18,193	\$ 33.38
Post	1	21,405	100.0%	21,405	12.5	\$ 1,040,416	\$ 48.61
<b>Change</b>		<b>4,112</b>	<b>96.8%</b>	<b>20,860</b>	<b>9.9</b>	<b>5,618.7%</b>	<b>45.6%</b>
<b>Floor 53</b>							
Pre	6	17,634	90.2%	2,652	6.4	\$ 538,459	\$ 33.84
Post	4	26,032	57.7%	3,753	8.7	\$ 627,743	\$ 41.81
<b>Change</b>	<b>(2)</b>	<b>8,398</b>	<b>(32.6%)</b>	<b>1,101</b>	<b>2.4</b>	<b>16.6%</b>	<b>23.6%</b>
<b>Floor 75</b>							
Pre	8	20,150	93.9%	2,364	4.2	\$ 742,841	\$ 39.27
Post	5	22,589	100.0%	4,518	6.3	\$ 1,153,922	\$ 51.08
<b>Change</b>	<b>(3)</b>	<b>2,439</b>	<b>6.1%</b>	<b>2,154</b>	<b>2.1</b>	<b>55.3%</b>	<b>30.1%</b>
<b>Total</b>							
<b>Pre</b>	<b>167</b>	<b>805,746</b>	<b>69.4%</b>	<b>3,346</b>	<b>8.5</b>	<b>\$ 19,787,463</b>	<b>\$ 35.41</b>
<b>Post</b>	<b>18</b>	<b>1,050,344</b>	<b>99.0%</b>	<b>57,740</b>	<b>14.8</b>	<b>\$ 43,236,247</b>	<b>\$ 41.60</b>
<b>Change</b>	<b>(149)</b>	<b>244,598</b>	<b>29.6%</b>	<b>54,394</b>	<b>6.3</b>	<b>118.5%</b>	<b>17.5%</b>

- (1) The change in total rentable square footage results from a combination of remeasurement of, and changes in loss factor applied to, the renovated spaces. Post-renovation and repositioning property measurements are based on the Real Estate Board of New York measurement standards. Includes leases that have been signed but have not yet commenced.
- (2) Percent leased is calculated as (a) rentable square feet less available square feet divided by (b) rentable square feet.
- (3) Pre-renovation and repositioning annualized gross rent represents the last annualized fully escalated gross rent prior to the start of the renovation and repositioning of the floor and Post-renovation and repositioning annualized gross rent represents annualized contractual first monthly base rent (after free rent periods) for leases that have been signed and assumes the lease has commenced.
- (4) Represents annualized gross rent divided by leased square feet.

**Table of Contents****1333 Broadway Case Study**

Since the company gained day-to-day management of 1333 Broadway in August 2006, it developed and began implementing a restoration and renovation program at the property. As of September 30, 2011, the company had completed substantially the renovation and repositioning of eight of the ten non-retail floors in the building where it has aggregated smaller spaces in order to offer larger blocks of office space in a similar manner to the program undertaken with respect to the Empire State Building. As illustrated by the table below, for these eight floors, the company has increased (i) annualized gross rent by an aggregate of approximately \$6.4 million, representing a 184.1% increase, (ii) weighted average annualized gross rent per leased square foot by \$11.07 in the aggregate, representing a 36.0% increase and (iii) total rentable square footage by 18,715 square feet in the aggregate, representing an 8.6% increase.

	Number of Leases	Total Rentable Square Feet <sup>(1)</sup>	Percent Leased <sup>(2)</sup>	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent <sup>(3)</sup>	Weighted Average Annualized Gross Rent per Leased Square Foot <sup>(4)</sup>
<b>Floor 3</b>							
Pre	6	26,696	86.0%	3,826	8.6	\$ 646,730	\$ 28.17
Post	3	28,866	100.0%	9,622	5.9	\$ 1,293,374	\$ 44.81
<b>Change</b>	<b>(3)</b>	<b>2,170</b>	<b>14.0%</b>	<b>5,796</b>	<b>(2.7)</b>	<b>100.0%</b>	<b>59.0%</b>
<b>Floor 4</b>							
Pre	2	24,639	37.5%	4,614	1.3	\$ 254,888	\$ 27.62
Post	1	29,075	100.0%	29,075	10.5	\$ 1,657,275	\$ 57.00
<b>Change</b>	<b>(1)</b>	<b>4,436</b>	<b>62.5%</b>	<b>24,461</b>	<b>9.2</b>	<b>550.2%</b>	<b>106.4%</b>
<b>Floor 6</b>							
Pre	3	26,316	10.3%	905	3.5	\$ 83,553	\$ 30.77
Post	1	29,566	100.0%	29,566	15.0	\$ 1,360,036	\$ 46.00
<b>Change</b>	<b>(2)</b>	<b>3,250</b>	<b>89.7%</b>	<b>28,661</b>	<b>11.5</b>	<b>1,527.8%</b>	<b>49.5%</b>
<b>Floors 8, 9, 10, 11, &amp; 12</b>							
Pre	48	138,971	55.9%	1,620	4.0	\$ 2,483,572	\$ 31.95
Post	1	147,830	100.0%	147,830	15.4	\$ 5,543,625	\$ 37.50
<b>Change</b>	<b>(47)</b>	<b>8,859</b>	<b>44.1%</b>	<b>146,211</b>	<b>11.5</b>	<b>123.2%</b>	<b>17.4%</b>
<b>Total</b>							
<b>Pre</b>	<b>59</b>	<b>216,622</b>	<b>52.0%</b>	<b>1,909</b>	<b>4.6</b>	<b>\$ 3,468,743</b>	<b>\$ 30.80</b>
<b>Post</b>	<b>6</b>	<b>235,337</b>	<b>100.0%</b>	<b>39,223</b>	<b>13.3</b>	<b>\$ 9,854,310</b>	<b>\$ 41.87</b>
<b>Change</b>	<b>(53)</b>	<b>18,715</b>	<b>48.0%</b>	<b>37,314</b>	<b>8.7</b>	<b>184.1%</b>	<b>36.0%</b>

- (1) The change in total rentable square footage results from a combination of remeasurement of, and changes in loss factor applied to, the renovated spaces. Post-renovation and repositioning property measurements are based on the Real Estate Board of New York measurement standards. Includes leases that have been signed but have not yet commenced.
- (2) Percent leased is calculated as (a) rentable square feet less available square feet divided by (b) rentable square feet.
- (3) Pre-renovation and repositioning annualized gross rent represents the last annualized fully escalated gross rent prior to the start of the renovation and repositioning of the floor and post-renovation and repositioning annualized gross rent represents annualized contractual first monthly base rent (after free rent periods) for leases that have been signed and assumes the lease has commenced.
- (4) Represents annualized gross rent divided by leased square feet.

**Table of Contents****The Company's Portfolio Summary**

As of September 30, 2011, the company's portfolio consisted of 12 office properties and six standalone retail properties totaling approximately 8.3 million rentable square feet and was approximately 80.4% leased (or 83.3%, giving effect to leases signed but not yet commenced as of that date). In addition, the company owned entitled land that will support the development of an approximately 340,000-rentable-square-foot office building and garage (Metro Tower) at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of the company's office properties, as of September 30, 2011. The table below presents an overview of the company's portfolio and the company's option properties as of September 30, 2011:

Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base		Number of Leases <sup>(7)</sup>
						Rent Per Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Leased Square Foot <sup>(6)</sup>	
<b>Manhattan Office Properties</b>								
The Empire State Building	Penn Station- Times Sq. South	1930 /In process					\$ 39.40	
Office <sup>(8)</sup>			2,675,779	67.3%	\$ 62,642,545	\$ 34.79		282
Retail <sup>(9)</sup>			163,655	89.7%	\$ 14,382,077	\$ 98.01		24
One Grand Central Place	Grand Central	1930 /In process					\$ 47.43	
Office			1,157,911	79.7%	\$ 41,343,400	\$ 44.77		306
Retail			68,343	87.1%	\$ 5,713,916	\$ 96.00		19
250 West 57th Street	Columbus Circle-  West Side	1921 /In process					\$ 42.73	
Office			476,870	84.6%	\$ 15,760,697	\$ 39.05		191
Retail			53,837	100.0%	\$ 4,479,500	\$ 83.20		6
501 Seventh Avenue	Penn Station- Times Sq. South	1923 /In process					\$ 35.12	
Office			431,971	90.8%	\$ 13,596,266	\$ 34.66		33
Retail			37,765	93.1%	\$ 1,742,195	\$ 49.55		11
1359 Broadway	Penn Station- Times Sq. South	1924 /In process					\$ 37.54	
Office			437,943	96.3%	\$ 15,620,373	\$ 37.03		35
Retail			27,618	78.9%	\$ 1,665,115	\$ 76.37		6
1350 Broadway <sup>(10)</sup>	Penn Station- Times Sq. South	1929 /In process					\$ 56.29	
Office			359,691	74.7%	\$ 10,651,056	\$ 39.65		74
Retail			30,895	100.0%	\$ 5,724,987	\$ 185.30		6
1333 Broadway	Penn Station- Times Sq. South	1915 /In process					\$ 43.98	
Office			296,565	93.2%	\$ 11,391,478	\$ 41.23		10
Retail			50,063	6.4%	\$ 725,713	\$ 226.86		3

<b>Sub-Total / Weighted Average Manhattan Office Properties</b>	<b>6,268,906</b>	<b>77.2%</b>	<b>\$ 205,439,318</b>	<b>\$ 42.47</b>	<b>\$ 42.11</b>	<b>1,006</b>
<b>Office Space</b>	<b>5,836,730</b>	<b>76.9%</b>	<b>\$ 171,005,815</b>	<b>\$ 38.12</b>		<b>931</b>
<b>Retail Space</b>	<b>432,176</b>	<b>81.3%</b>	<b>\$ 34,433,503</b>	<b>\$ 98.06</b>		<b>75</b>

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Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base Rent Per		Number of Leases <sup>(7)</sup>
						Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Square Foot <sup>(6)</sup>	
<b>Greater New York Metropolitan Area Office Properties</b>								
First Stamford Place <sup>(11)</sup>	Stamford, Connecticut <sup>(12)</sup>	1986 /2003	784,487	90.1%	\$ 27,526,218	\$ 38.95	\$ 38.93	36
Metro Center	Stamford, Connecticut <sup>(12)</sup>	1987 /1999	275,608	100.0%	\$ 12,897,836	\$ 46.80	\$ 47.29	24
383 Main Avenue	Norwalk, Connecticut <sup>(13)</sup>	1985 /1996	260,468	81.3%	\$ 5,836,564	\$ 27.55	\$ 28.00	19
500 Mamaroneck Avenue	Harrison, New York <sup>(14)</sup>	1987 /2004	289,682	91.4%	\$ 7,144,466	\$ 26.98	\$ 27.38	30
10 Bank Street	White Plains, New York <sup>(15)</sup>	1989 /2001	228,933	81.7%	\$ 6,186,454	\$ 33.08	\$ 33.97	27
<b>Sub-Total / Weighted Average Greater New York Metropolitan Area Office Properties</b>			<b>1,839,178</b>	<b>89.5%</b>	<b>\$ 59,591,538</b>	<b>\$ 36.21</b>	<b>\$ 36.50</b>	<b>136</b>
<b>Total / Weighted Average Office Properties</b>			<b>7,675,908</b>	<b>79.9%</b>	<b>\$ 230,597,353</b>	<b>\$ 37.60</b>		<b>1,067</b>
<b>Standalone Retail Properties</b>								
10 Union Square	Union Square	1987 /1997	58,005	92.1%	\$ 3,668,753	\$ 68.64	\$ 70.01	12
1542 Third Avenue	Upper East Side	1993 <sup>(16)</sup>	56,250	100.0%	\$ 2,833,796	\$ 50.38	\$ 47.15	3
1010 Third Avenue	Upper East Side	1962 /2007 <sup>(17)</sup>	44,662	100.0%	\$ 2,812,709	\$ 62.98	\$ 65.88	2
77 West 55th Street	Midtown	1962 <sup>(16)</sup>	24,102	100.0%	\$ 2,104,651	\$ 87.32	\$ 79.62	3
69-97 Main Street	Westport, Connecticut	1922 /2005	17,103	88.3%	\$ 1,303,460	\$ 86.33	\$ 89.46	4
103-107 Main Street	Westport, Connecticut	1900 <sup>(16)</sup>	4,330	100.0%	\$ 423,696	\$ 97.85	\$ 94.69	3
<b>Sub-Total / Weighted Average Standalone Retail Properties</b>			<b>204,452</b>	<b>96.8%</b>	<b>\$ 13,147,065</b>	<b>\$ 66.44</b>	<b>\$ 65.78</b>	<b>27</b>
<b>Total / Weighted Average Retail Properties<sup>(18)</sup></b>			<b>636,628</b>	<b>86.2%</b>	<b>\$ 47,580,568</b>	<b>\$ 86.66</b>		<b>102</b>
<b>Portfolio Total</b>			<b>8,312,536</b>	<b>80.4%</b>	<b>\$ 278,177,921</b>	<b>\$ 41.64</b>	<b>\$ 41.43</b>	<b>1,169</b>
<b>Option Properties</b>								
112-122 West 34 <sup>th</sup> Street	Penn Station- Times Sq. South	1954 /2010					\$ 34.64	
Office			562,935	86.8%				64
Retail			133,437	100.0%				3
1400 Broadway	Penn Station- Times Sq. South	1930 /In process					\$ 34.09	
Office			853,690	81.0%				84
Retail			19,861	36.8%				6
<b>Option Properties Total</b>			<b>1,569,923</b>					<b>157</b>

(1) For more information regarding the status of ongoing renovations at certain of the company's properties, see The Company Business and Properties Description of the Company's Properties.

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- (2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across the company's portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the company's observatory.



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- (3) Based on leases signed and commenced as of September 30, 2011 and calculated as (i) rentable square feet less available square feet divided by (ii) rentable square feet.
- (4) Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$3,659,861. Total annualized base rent, net of abatements and free rent, for the company's office properties is \$226,937,492. Annualized base rent for retail properties (including the retail space in the company's Manhattan office properties) is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements, tenant reimbursements and free rent with respect to the retail properties (including the retail space in the company's Manhattan office properties) for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$99,206. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for the company's retail properties is \$47,481,362. Annualized base rent data for the company's office and retail properties is as of September 30, 2011 and does not reflect scheduled lease expirations for the 12 months ending September 30, 2012.
- (5) Represents Annualized Base Rent under leases commenced as of September 30, 2011 divided by leased square feet.
- (6) Net effective rent per leased square foot represents (i) the contractual base rent for office and retail leases in place as of September 30, 2011, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of September 30, 2011.
- (7) Represents the number of leases at each property or on a portfolio basis. If a tenant has more than one lease, whether or not at the same property, but with different expirations, the number of leases is calculated equal to the number of leases with different expirations.
- (8) Includes 88,499 rentable square feet of space leased by the company's broadcasting tenants.
- (9) Includes 3,457 rentable square feet of space leased by Host Services of New York, a licensee of the company's observatory.
- (10) Denotes a ground leasehold interest in the property with a remaining term, including unilateral extension rights available to the company, of approximately 39 years (expiring July 31, 2050).
- (11) First Stamford Place consists of three buildings.
- (12) This submarket is part of the Stamford, Connecticut central business district (CBD) submarket as defined by RCG. See Economic and Market Overview.
- (13) This submarket is part of the South Central Stamford, Connecticut submarket as defined by RCG. See Economic and Market Overview.
- (14) This submarket is part of the Eastern Westchester County submarket as defined by RCG. See Economic and Market Overview.
- (15) This submarket is part of the White Plains, New York CBD submarket as defined by RCG. See Economic and Market Overview.
- (16) No major renovation activity was undertaken at this property.
- (17) This property underwent major renovations in 2007 to coincide with the signing of a significant retail lease.
- (18) Includes 432,176 rentable square feet of retail space in the company's Manhattan office properties.
- (19) 112-122 West 34th Street consists of two parcels having separate owners and ownership structures. The real property interests that the company will acquire with respect to the parcel located at 112-120 West 34th Street consist of (i) a ground leasehold interest currently held by 112 West 34th Street Associates L.L.C., a private entity supervised by the supervisor with whom the company has entered into an option agreement and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C., another private entity supervised by the supervisor with whom the company has entered into an option agreement. The real property interests that the company acquires with respect to the parcel located at 122 West 34th Street consist of (i) a fee interest and a subleasehold interest currently held by 112 West 34th Street Associates L.L.C. and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C.

**Table of Contents****Tenant Diversification**

As of September 30, 2011, the company's office and retail portfolios were leased to a diverse base of approximately 1,170 tenants. The following table sets forth information regarding the ten largest tenants in the company's portfolio based on annualized base rent as of September 30, 2011, after giving effect to the consolidation.

Tenant	Number of Leases	Number of Properties	Lease Expiration <sup>(1)</sup>	Weighted Average Remaining Lease Term <sup>(2)</sup>	Total Leased Square Feet <sup>(3)</sup>	Percent of Portfolio Rentable Square Feet <sup>(4)</sup>	Annualized Base Rent <sup>(5)</sup>	Percent of Portfolio Annualized Base Rent <sup>(6)</sup>
LF USA <sup>(7)</sup>	6	3	Oct. 2021-Oct. 2028	15 years, 1 month	630,615	7.6%	\$ 23,961,264	8.6%
Legg Mason	2	1	Dec. 2012; Sept. 2024	10 years, 2 months	202,661	2.4%	\$ 8,319,687	3.0%
Thomson Reuters	5	2	Feb. 2012-Apr. 2020	7 years, 5 months	154,514	1.9%	\$ 6,620,504	2.4%
Warnaco	3	1	Sept. 2016-Feb. 2020	5 years, 4 months	187,265	2.3%	\$ 6,595,012	2.4%
Federal Deposit Insurance Corporation	1	1	Jan. 2020	8 years, 3 months	121,879	1.4%	\$ 5,489,847	2.0%
Host Services of New York	1	1	May 2020	8 years, 7 months	3,457	0.0%	\$ 4,917,272	1.8%
Coty, Inc. <sup>(8)</sup>	1	1	Jan. 2030	18 years, 4 months	92,545	1.1%	\$ 4,580,590	1.6%
Duane Reade	2	2	Feb 2021; May 2025	11 years, 9 months	23,134	0.3%	\$ 3,650,000	1.3%
Odyssey Reinsurance	2	1	Jan. 2013; Sept. 2022	10 years, 8 months	104,679	1.3%	\$ 3,488,010	1.3%
Aetna Life Insurance	2	1	Jan. 2013; Jun. 2018	2 years, 3 months	51,621	0.6%	\$ 2,703,747	0.9%
<b>Total</b>	<b>25</b>				<b>1,572,370</b>	<b>18.9%</b>	<b>\$ 70,325,933</b>	<b>25.3%</b>

- (1) Expiration dates are per lease and do not assume exercise of renewal or extension options. Except for the Federal Deposit Insurance Corporation lease (February 1, 2015), none of these leases contain early termination options. For tenants with more than two leases, the lease expiration is shown as a range.
- (2) Represents the weighted average lease term, based on annualized base rent.
- (3) Based on leases signed and commenced as of September 30, 2011.
- (4) Represents the percentage of rentable square feet of the company's office and retail portfolios in the aggregate.
- (5) Represents annualized monthly cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
- (6) Represents the percentage of annualized base rent of the company's office and retail portfolios in the aggregate.
- (7) LF USA is the US subsidiary of Li & Fung Ltd, a Hong Kong headquartered global consumer product design, development, sourcing and distribution company. Li & Fung Ltd has a market capitalization of approximately \$13.8 billion as of September 30, 2011, is listed on the Hong Kong Stock Exchange and is a constituent member of the Hang Seng Index, MSCI Index, S&P/StanChart/Greater China Index, FTSEGood Index, Dow Jones Sustainability Asia Pacific Index and Hang Seng Corporate Sustainability Index Series. In January 2011, LF USA signed a lease that increased their total square footage at the Empire State Building to 482,399 square feet, of which 308,233 of the square footage has commenced as of September 30, 2011, and is reflected in the table above. LF USA also signed a lease in November 2011 (which is not reflected in the above table) for an additional 106,545 square feet that increased their total square footage at the Empire State Building to 588,944 square feet.
- (8) In May 2011, Coty's lease was amended such that, upon commencement (expected to be in the second quarter of 2012), Coty will increase their total square footage at the Empire State Building to 194,281 square feet, representing an additional \$4,272,912 of annualized base rent as of September 30, 2011, or

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annualized base rent per leased square foot of \$42.00 as of September 30, 2011.

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**Table of Contents****Lease Distribution**

The following table sets forth information relating to the distribution of leases in the company's portfolio, based on net rentable square feet under lease as of September 30, 2011.

**Manhattan Office Properties<sup>(1)</sup>**

Square Feet Under Lease	Number of Leases <sup>(2)</sup>	Leases as Percent of Total	Rentable Square Feet <sup>(3)</sup>	Percent of Portfolio Rentable Square Feet	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>
Available			1,130,188	13.6%		
2,500 or less	537	45.4%	638,041	7.7%	\$ 25,828,578	9.3%
2,501 - 10,000	316	26.7%	1,431,782	17.2%	\$ 56,643,235	20.4%
10,001 - 20,000	44	3.7%	590,663	7.1%	\$ 22,179,358	8.0%
20,001 - 40,000	23	2.0%	623,995	7.5%	\$ 22,431,871	8.1%
40,001 - 100,000	7	0.6%	440,423	5.3%	\$ 14,836,240	5.3%
Greater than 100,000	4	0.3%	761,485	9.2%	\$ 29,086,533	10.4%
Signed leases not commenced	10	0.9%	220,153	2.6%		
<b>Manhattan Office Properties Total</b>	<b>941</b>	<b>79.6%</b>	<b>5,836,730</b>	<b>70.2%</b>	<b>\$ 171,005,815</b>	<b>61.5%</b>

**Greater New York Metropolitan Area Office Properties**

Square Feet Under Lease	Number of Leases <sup>(2)</sup>	Leases as Percent of Total	Rentable Square Feet <sup>(3)</sup>	Percent of Portfolio Rentable Square Feet	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>
Available			174,616	2.1%		
2,500 or less	19	1.6%	26,693	0.3%	\$ 1,125,164	0.4%
2,501 - 10,000	76	6.4%	383,374	4.6%	\$ 12,948,190	4.6%
10,001 - 20,000	19	1.6%	264,733	3.2%	\$ 9,270,625	3.3%
20,001 - 40,000	14	1.2%	371,139	4.5%	\$ 14,339,621	5.2%
40,001 - 100,000	6	0.5%	348,049	4.2%	\$ 12,228,792	4.4%
Greater than 100,000	2	0.2%	251,868	3.0%	\$ 9,679,146	3.5%
Signed leases not commenced	2	0.2%	18,706	0.2%		
<b>Greater New York Metropolitan Area Office Properties Total</b>	<b>138</b>	<b>11.7%</b>	<b>1,839,178</b>	<b>22.1%</b>	<b>\$ 59,591,538</b>	<b>21.4%</b>

**Retail Properties<sup>(6)</sup>**

Square Feet Under Lease	Number of Leases <sup>(2)</sup>	Leases as Percent of Total	Rentable Square Feet <sup>(3)</sup>	Percent of Portfolio Rentable Square Feet	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>
Available			82,459	1.0%		
2,500 or less	50	4.2%	45,831	0.6%	\$ 6,317,044	2.3%

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2,501	10,000	36	3.0%	165,886	2.0%	\$ 23,355,209	8.4%
10,001	20,000	10	0.9%	145,102	1.7%	\$ 10,162,209	3.6%
20,001	40,000	5	0.4%	143,848	1.7%	\$ 6,965,732	2.5%
40,001	100,000	1	0.1%	48,377	0.6%	\$ 780,375	0.3%
Greater than 100,000							
Signed leases not commenced		1	0.1%	5,125	0.1%		
<b>Retail Property Total</b>		<b>103</b>	<b>8.7%</b>	<b>636,628</b>	<b>7.7%</b>	<b>\$ 47,580,569</b>	<b>17.1%</b>

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- (1) Excludes (i) retail space in the company's Manhattan office properties and (ii) the Empire State Building broadcasting licenses and observatory operations.
- (2) If a lease has two different expiration dates, it is considered to be two leases (for purpose of lease count and square footage).
- (3) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across the company portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the company's observatory.
- (4) Represents annualized cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
- (5) Represents the percentage of annualized base rent of the company's office and retail portfolios in the aggregate.
- (6) Includes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. The company's Manhattan office properties include 75 retail leases representing \$34,433,504 in annualized base rent. Excludes the Empire State Building broadcasting licenses and observatory operations.

**Lease Expirations**

The following table sets forth a summary schedule of the lease expirations for leases in place as of September 30, 2011 plus available space, for the three months ending December 31, 2011 and for each of the ten full calendar years beginning with the year ending December 31, 2012 at the properties in the company's portfolio. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

**Manhattan Office Properties<sup>(1)</sup>**

Year of Lease Expiration	Number of Leases Expiring <sup>(2)</sup>	Square Footage of Leases Expiring <sup>(3)</sup>	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>	Annualized Base Rent Per Leased Square Foot
Available		1,130,188	13.6%			
Signed leases not commenced	10	220,153	2.7%			
Month-to-month leases	9	24,033	0.3%	\$ 945,290	0.3%	\$ 39.33
2011 (October 1, 2011 to December 31, 2011)	45	136,485	1.6%	\$ 4,588,603	1.6%	\$ 33.62
2012	186	502,303	6.0%	\$ 17,118,543	6.2%	\$ 34.08
2013	175	469,383	5.7%	\$ 16,967,943	6.1%	\$ 36.15
2014	149	393,698	4.7%	\$ 14,881,616	5.3%	\$ 37.80
2015	140	505,974	6.1%	\$ 18,863,945	6.8%	\$ 37.28
2016	50	389,615	4.7%	\$ 13,589,766	4.9%	\$ 34.88
2017	33	125,494	1.5%	\$ 5,452,562	2.0%	\$ 43.45
2018	51	293,934	3.5%	\$ 12,998,724	4.7%	\$ 44.22
2019	16	165,830	2.0%	\$ 6,087,901	2.2%	\$ 36.71
2020	33	382,693	4.6%	\$ 15,167,411	5.5%	\$ 39.63
2021	20	273,526	3.3%	\$ 10,691,164	3.8%	\$ 39.09
Thereafter	24	823,421	9.9%	\$ 33,652,346	12.1%	\$ 40.87
<b>Total/Weighted Average</b>	<b>941</b>	<b>5,836,730</b>	<b>70.2%</b>	<b>\$ 171,005,814</b>	<b>61.5%</b>	<b>\$ 38.12</b>

**Table of Contents****Greater New York Metropolitan Area Office Properties**

Year of Lease Expiration	Number of Leases Expiring <sup>(2)</sup>	Square Footage of Leases Expiring <sup>(3)</sup>	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>	Annualized Base Rent Per Leased Square Foot
Available		174,616	2.1%			
Signed leases not commenced	2	18,706	0.2%			
Month-to-month leases						
2011 (October 1, 2011 to December 31, 2011)	7	34,733	0.4%	\$ 1,344,796	0.5%	\$ 38.72
2012	15	120,627	1.4%	\$ 4,715,065	1.7%	\$ 39.09
2013	20	117,737	1.4%	\$ 4,314,923	1.5%	\$ 36.65
2014	12	39,084	0.5%	\$ 1,482,888	0.5%	\$ 37.94
2015	21	124,574	1.5%	\$ 4,328,793	1.6%	\$ 34.75
2016	14	88,647	1.1%	\$ 2,809,335	1.0%	\$ 31.69
2017	8	112,907	1.4%	\$ 4,227,930	1.5%	\$ 37.45
2018	10	155,044	1.9%	\$ 5,887,477	2.1%	\$ 37.97
2019	8	234,463	2.8%	\$ 7,454,510	2.7%	\$ 31.79
2020	7	134,894	1.6%	\$ 4,908,992	1.8%	\$ 36.39
2021	6	99,365	1.2%	\$ 3,779,739	1.4%	\$ 38.04
Thereafter	8	383,781	4.6%	\$ 14,337,090	5.1%	\$ 37.36
<b>Total/Weighted Average</b>	<b>138</b>	<b>1,839,178</b>	<b>22.1%</b>	<b>\$ 59,591,538</b>	<b>21.4%</b>	<b>\$ 36.21</b>

**Retail Properties<sup>(6)</sup>**

Year of Lease Expiration	Number of Leases Expiring <sup>(2)</sup>	Square Footage of Leases Expiring <sup>(3)</sup>	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent <sup>(4)</sup>	Percent of Portfolio Annualized Base Rent <sup>(5)</sup>	Annualized Base Rent Per Leased Square Foot
Available		82,459	1.0%			
Signed leases not commenced	1	5,125	0.1%			
Month-to-month leases						
2011 (October 1, 2011 to December 31, 2011)	1	466	0.0%	\$ 474,960	0.2%	\$ 118.00
2012	17	68,010	0.8%	\$ 4,292,811	1.6%	\$ 63.12
2013	13	41,883	0.5%	\$ 4,782,147	1.7%	\$ 114.18
2014	2	4,886	0.1%	\$ 334,187	0.1%	\$ 68.40
2015	7	27,539	0.3%	\$ 2,571,104	0.9%	\$ 93.36
2016	8	82,644	1.0%	\$ 2,596,667	0.9%	\$ 31.42
2017	6	46,449	0.6%	\$ 3,849,416	1.4%	\$ 82.87
2018	5	25,702	0.3%	\$ 1,581,202	0.6%	\$ 61.52
2019	7	27,748	0.3%	\$ 2,566,126	0.9%	\$ 92.48
2020	12	65,047	0.8%	\$ 9,839,839	3.5%	\$ 151.27
2021	7	34,898	0.4%	\$ 4,728,205	1.7%	\$ 135.49
Thereafter	14	119,747	1.4%	\$ 9,931,285	3.6%	\$ 82.94
<b>Total/Weighted Average</b>	<b>103</b>	<b>636,628</b>	<b>7.7%</b>	<b>\$ 47,580,569</b>	<b>17.1%</b>	<b>\$ 86.66</b>

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(1) Excludes (i) retail space in the company's Manhattan office properties and (ii) the Empire State Building broadcasting licenses and observatory operations.

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- (2) If a lease has two different expiration dates, it is considered to be two leases (for the purposes of lease count and square footage).
- (3) Office property measurements are based on Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 rentable square feet across the company portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the company's observatory.
- (4) Represents annualized cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
- (5) Represents the percentage of annualized base rent of the company's office and retail portfolios in the aggregate.
- (6) Includes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. Its Manhattan office properties include 75 retail leases representing \$34,433,504 in annualized base rent. Excludes the Empire State Building broadcasting licenses and observatory operations.

**Tenant Improvement Costs and Leasing Commissions**

The following table sets forth certain information regarding tenant improvement costs and leasing commissions for tenants at the office and retail properties in the company's portfolio for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2011.

*Office Properties<sup>(1)</sup>*

	Nine Months Ended September 30, 2011	Year Ended December 31,			Total/Weighted Average January 1, 2008 to September 30, 2011
		2010	2009	2008	
<b>New Leases</b>					
Number of leases signed	54	98	87	103	342
Total Square Feet	644,230	361,081	577,373	538,088	2,120,772
Leasing commission costs <sup>(2)</sup>	\$ 13,445,128	\$ 4,466,974	\$ 7,963,454	\$ 9,957,836	\$ 35,833,392
Tenant improvement costs <sup>(2)</sup>	\$ 33,977,233	\$ 17,071,670	\$ 30,114,200	\$ 19,715,503	\$ 100,878,606
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 47,422,360	\$ 21,538,644	\$ 38,077,654	\$ 29,673,339	\$ 136,711,997
Leasing commission costs per square foot <sup>(2)</sup>	\$ 20.87	\$ 12.37	\$ 13.79	\$ 18.51	\$ 16.90
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 52.74	\$ 47.28	\$ 52.16	\$ 36.64	\$ 47.57
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 73.61	\$ 59.65	\$ 65.95	\$ 55.15	\$ 64.46
<b>Renewals</b>					
Number of leases signed	131	214	165	126	636
Total Square Feet	532,837	750,140	459,687	273,814	2,016,478
Leasing commission costs <sup>(2)</sup>	\$ 7,802,976	\$ 6,945,091	\$ 3,994,736	\$ 1,735,972	\$ 20,478,775
Tenant improvement costs <sup>(2)</sup>	\$ 13,345,090	\$ 18,421,887	\$ 9,041,187	\$ 2,997,500	\$ 43,805,664
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 21,148,167	\$ 25,366,978	\$ 13,035,923	\$ 4,733,471	\$ 64,284,439
Leasing commission costs per square foot <sup>(2)</sup>	\$ 14.64	\$ 9.26	\$ 8.69	\$ 6.34	\$ 10.16
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 25.05	\$ 24.56	\$ 19.67	\$ 10.95	\$ 21.72
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 39.69	\$ 33.82	\$ 28.36	\$ 17.29	\$ 31.88

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<i>Office Properties</i> <sup>(1)</sup>	Nine Months Ended September 30, 2011	Year Ended December 31,			Total/Weighted Average January 1, 2008 to September 30, 2011
		2010	2009	2008	
<b>Total New Leases and Renewals</b>					
Number of leases signed	185	312	252	229	978
Total Square Feet	1,177,067	1,111,221	1,037,060	811,902	4,137,250
Leasing commission costs <sup>(2)</sup>	\$ 21,248,104	\$ 11,412,065	\$ 11,958,190	\$ 11,693,808	\$ 56,312,167
Tenant improvement costs <sup>(2)</sup>	\$ 47,322,323	\$ 35,493,556	\$ 39,155,388	\$ 22,713,002	\$ 144,684,270
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 68,570,427	\$ 46,905,621	\$ 51,113,578	\$ 34,406,810	\$ 200,996,436
Leasing commission costs per square foot <sup>(2)</sup>	\$ 18.05	\$ 10.27	\$ 11.53	\$ 14.40	\$ 13.61
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 40.20	\$ 31.94	\$ 37.76	\$ 27.98	\$ 34.97
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 58.26	\$ 42.21	\$ 49.29	\$ 42.38	\$ 48.58
<b>Retail Properties</b> <sup>(3)</sup>					
<b>New Leases</b>					
Number of leases signed	6	5	12	4	27
Total Square Feet	17,763	33,085	34,486	9,943	95,277
Leasing commission costs <sup>(2)</sup>	\$ 801,727	\$ 1,028,094	\$ 2,697,960	\$ 1,517,611	\$ 6,045,392
Tenant improvement costs <sup>(2)</sup>	\$ 212,088	\$ 760,650	\$ 255,456	\$	\$ 1,228,194
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 1,013,815	\$ 1,788,744	\$ 2,953,416	\$ 1,517,611	\$ 7,273,586
Leasing commission costs per square foot <sup>(2)</sup>	\$ 45.13	\$ 31.07	\$ 78.23	\$ 152.63	\$ 63.45
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 11.94	\$ 22.99	\$ 7.41	\$ 0.00	\$ 12.89
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 57.07	\$ 54.07	\$ 85.64	\$ 152.63	\$ 76.34
<b>Renewals</b>					
Number of leases signed	8	16	11	3	38
Total Square Feet	28,206	52,864	74,494	3,516	159,080
Leasing commission costs <sup>(2)</sup>	\$ 998,370	\$ 1,638,077	\$ 305,467	\$ 40,330	\$ 2,982,234
Tenant improvement costs <sup>(2)</sup>					
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 998,370	\$ 1,638,077	\$ 305,457	\$ 40,330	\$ 2,982,234
Leasing commission costs per square foot <sup>(2)</sup>	\$ 35.40	\$ 30.99	\$ 4.10	\$ 11.47	\$ 18.75
Tenant improvement costs per square foot <sup>(2)</sup>					
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 35.40	\$ 30.99	\$ 4.10	\$ 11.47	\$ 18.75

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	Nine Months Ended September 30, 2011	Year Ended December 31,			Total/Weighted Average January 1, 2008 to September 30, 2011
		2010	2009	2008	
<b>Total New Leases and Renewals</b>					
Number of leases signed	14	21	23	7	65
Total Square Feet	45,969	85,949	108,980	13,459	254,357
Leasing commission costs <sup>(2)</sup>	\$ 1,800,097	\$ 2,666,171	\$ 3,003,417	\$ 1,557,941	\$ 9,027,627
Tenant improvement costs <sup>(2)</sup>	\$ 212,088	\$ 760,650	\$ 255,456	\$	\$ 1,228,194
Total leasing commissions and tenant improvement costs <sup>(2)</sup>	\$ 2,012,186	\$ 3,426,821	\$ 3,258,873	\$ 1,557,941	\$ 10,255,821
Leasing commission costs per square foot <sup>(2)</sup>	\$ 39.16	\$ 31.02	\$ 27.56	\$ 115.75	\$ 35.49
Tenant improvement costs per square foot <sup>(2)</sup>	\$ 4.61	\$ 8.85	\$ 2.34	\$	\$ 4.83
Total leasing commissions and tenant improvement costs per square foot <sup>(2)</sup>	\$ 43.77	\$ 39.87	\$ 29.90	\$ 115.75	\$ 40.32

(1) Excludes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. Includes the Empire State Building broadcasting licenses and observatory operations.

(2) Presents all tenant improvement and leasing commission costs as if they were incurred in the period in which the lease was signed, which may be different than the period in which they were actually paid.

(3) Includes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties. Excludes the Empire State Building broadcasting licenses and observatory operations.

**Historical Capital Expenditures**

The following table sets forth certain information regarding historical capital expenditures at the properties in the company's office and retail portfolios for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2011. Historically the company has not tracked expenditures as either recurring or non-recurring and the company believes a substantial amount of these capital expenditures during the periods presented would be considered to be non-recurring due to the extensive amount of capital spent on renovation, repositioning and deferred maintenance at the company's Manhattan office properties at the time the company began its renovation and repositioning program.

	Nine Months Ended September 30, 2011	Year Ended December 31,			Weighted Average January 1, 2008 to September 30, 2011
		2010	2009	2008	
Manhattan Office Properties <sup>(1)</sup>	\$ 18,770,372	\$ 44,352,027	\$ 54,509,278	\$ 54,925,514	\$ 44,790,380
Greater New York Metropolitan Area Office Properties	1,329,888	2,149,395	2,622,885	2,975,556	2,333,273
Standalone Retail Properties	91,796	228,439	89,034	130,901	137,954
Portfolio Total <sup>(2)</sup>	\$ 20,192,056	\$ 46,729,861	\$ 57,221,197	\$ 58,031,971	\$ 47,261,607

(1) Includes an aggregate of 432,176 rentable square feet of retail space in the company's Manhattan office properties.

(2) Includes all capital expenditures, excluding tenant improvement and leasing commission costs, primarily due to the renovation and repositioning program conducted at the company's Manhattan office properties.

**Description of the Company's Properties**

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Each of the Empire State Building and One Grand Central Place accounts for more than 10% of the company's total assets based on book value, or more than 10% of the company's gross revenues, as of September 30, 2011 and for the year ended December 31, 2010. The company's other properties described below each account for less than 10% of the company's total assets based on book value and less than 10% of the company's gross revenues as of September 30, 2011 and for the year ended December 31, 2010. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Empire State

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Realty Trust Consolidated Indebtedness to be Outstanding After the IPO for a description of the company's indebtedness to be outstanding after completion of the IPO.

***The Empire State Building, New York, New York***

Empire State Building Associates L.L.C. acquired a master operating leasehold interest in the Empire State Building, the world's most famous office building, through a public partnership in 1961 and acquired the fee title to this property in 2002. The supervisor removed the prior managing and leasing agent and gained day-to-day management of the property in August 2006. The building comprises premier office space, a concourse, lower lobby, two observatories, broadcasting facilities and ground-floor retail space. It occupies the entire blockfront from 33rd Street to 34th Street on Fifth Avenue, anchoring the east side of the 34th street corridor in midtown Manhattan, located within walking distance of multiple parking garages, world-class shopping, dining and lodging. The Empire State Building was built in 1931. The 102-story building comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space (including the observatory and broadcasting operations) and is constructed of concrete, steel, masonry and stone. Its close proximity to mass transportation includes numerous subway lines; and bus routes; Pennsylvania Station; Grand Central Terminal; the Port Authority Bus Terminal; and PATH train services. In-building services and amenities include a visitor reception desk, bank equipped with an ATM, FedEx/Kinko's, Starbucks, upscale cocktail lounge and a variety of specialty stores and eat-in or take-out dining facilities within the retail arcade. As part of the company's effort to increase the quality of its tenants, since 2007 the company has embarked on a renovation and repositioning program over time to aggregate smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. As of September 30, 2011, the building's five largest tenants based on annualized base rent were LF USA, Inc., an affiliate of Li & Fung, a global supply chain management firm; the Federal Deposit Insurance Corporation; Host Services of New York, a leader in creating dining and shopping concessions for travel venues; Coty, Inc., a leading global fragrance and beauty company; and Walgreen Eastern Co., a New York City-based pharmacy. Other tenants include Funaro & Co., an accounting services firm; LinkedIn, an online professional network; Noven Pharmaceuticals, Inc., a specialty pharmaceutical company; People's Daily Online USA, an online Chinese newspaper; Taylor Global, Inc., a public relations firm; Turkish Airlines, the national flag carrier of Turkey; and World Monuments Fund, a not-for-profit organization dedicated to preserving and protecting endangered ancient and historic sites around the world.

The Empire State Building offers panoramic views of New York and neighboring states from its world-famous 86th and 102nd floor observatories that draw millions of visitors per year. For the years ended December 31, 2007 through December 31, 2010, the number of visitors to the observatories was approximately 3.67 million, 4.03 million, 3.75 million and 4.03 million, respectively, and the number of visitors to the observatories was 3.06 million for the nine months ended September 30, 2011. For the years ended December 31, 2007 through December 31, 2010, the company increased the average ticket revenue per admission from \$15.47 to \$17.37, and as of September 30, 2011, the average ticket revenue per admission was \$18.61. The 86th floor observatory has a 360-degree outdoor deck as well as indoor viewing galleries to accommodate guests day and night, all year-round. The 102nd floor observatory is entirely indoors and offers a 360-degree view of New York City from 1,250 feet above ground. Observatory visitors enter the building via its main entrance on Fifth Avenue. Visitors proceed directly up dedicated escalators to the second floor and through security to purchase various ticket options at the cashier or to retrieve tickets purchased online at the company's ticket kiosks. While waiting to gain access to the elevators, guests are entertained by a multi-media exhibit on sustainability and energy efficiency, which may be accessed in eight languages and is designed to inform and inspire the visitors. Also on the second floor, guests may purchase multilingual audio tours and viewer maps from the company's licensee and be photographed by the licensee. There is a separately ticketed and independently owned and operated tour simulator under lease operating under the name NY Skyride. Visitors then proceed to one of six elevators to the 80th floor, where they are entertained by an exhibit operated by the NY skyscraper museum, *The Race to the Top*, which chronicles the construction of the building. They then have the opportunity to take one of two elevators or to walk up the stairs to the 86th floor observatory, which offers indoor and outdoor viewing areas.

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From the 86th floor, guests who have purchased an additional ticket may take an elevator to the fully enclosed 102nd floor observatory. Visitors then return first to the 86th floor and then to the 80th floor where they must exit through Empire: The Store, the official Empire State Building souvenir shop operated by the company's licensee HMS Host. Finally, they take the elevator to the second floor where they have the opportunity to purchase their photograph and ride one of two dedicated escalators to the lobby at the main entrance on Fifth Avenue, where they exit the building; by the end of 2012, they will also have the opportunity to exit through the company's tenant Walgreens, which will shortly expand its ground floor retail space to the 2<sup>nd</sup> floor with direct frontage to the observatory's exit path. The company generated approximately \$62.9 million and \$78.9 million in revenue from its observatory operations for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively.

The company's observatory business is subject to tourism trends and weather, and therefore does experience some seasonality. Over the past ten years, the number of visitors to the observatory, on average, has been slightly higher in the third quarter of each year and slightly lower in the first quarter of each year. The Empire State Building's observatory has maintained stable performance levels over the past ten years, despite changing competitive dynamics and economic conditions. Total revenue and operating income from the observatory's operations have exhibited positive growth in all but two years from 2001 to 2010 (2001 and 2009), representing a compound annual growth rate for total revenue and operating income (including concessions revenue) of 11.6% and 11.5%, respectively. In addition, the average ticket revenue per admission has increased for each of the 11 years from 2000 to 2010 at a compound annual growth rate of 9.9% and the growth rate during each of those years, on a year over year basis, has never been negative. In the year ended December 31, 2010, the observatory experienced record admissions of over 4.03 million visitors and approximately \$78.9 million of total revenue. The observatory has demonstrated strong performance despite competitive pressures as total revenue and operating income (including concessions revenue) increased by over 25.0% in 2005 and over 11.0% in 2006, despite the opening of the Top of the Rock observation deck at Rockefeller Center in November 2005. The Empire State Building's observatory has also fared well during the recent recession. Despite a 7.0% decrease in the number of visitors as compared to 2008, 2009 admissions were still 2.0% higher than 2007 and the average ticket revenue per admission increased by 6.9% over 2008's record level.

In addition to being a top New York City tourist attraction, the Empire State Building is also the center of the New York Tri-State region's broadcasting operations. During the nine months ended September 30, 2011 and the year ended December 31, 2010, the company's broadcasting licenses and related leased space generated approximately \$11.8 million and \$16.1 million, respectively. Various entities transmit from the company's building setbacks and surfaces and the company's broadcasting mast which rises 230 feet from the ceiling deck of the 103rd floor. Over 150 antennae provide a variety of point-to-point radio and data communications services and support delivery of broadcasting signals to cable and satellite systems and directly to television and radio receivers. As of September 30, 2011, 16 television broadcasters and 19 radio broadcasters were licensed to use the company's broadcasting facilities and served the greater New York metropolitan designated market area, which includes New York, New Jersey and Connecticut. As of September 30, 2011, the company leased approximately 88,499 square feet to broadcasting tenants in the aggregate. Tenants that utilize the company's broadcasting services receive the right to use the broadcasting facilities and also to lease transmitter space in the Empire State Building. In addition, the broadcasting licenses and related leased space are long-term and require that tenants pay substantially all maintenance expenses. The average remaining term of such license fees is approximately 7.5 years. The company's broadcasting tenants, based on annualized broadcasting revenue, include, among others, FOX, CBS, ABC, NBC and WPIX, as well as many of the major radio stations in Manhattan and the greater New York metropolitan area.

Since the supervisor gained day-to-day management of the Empire State Building in August 2006, Empire State Building Associates L.L.C. has invested a total of approximately \$123.0 million through its restoration and renovation program at the property through September 30, 2011. The company currently estimates that between \$190.0 million and \$230.0 million of additional capital is needed to complete this renovation program, which the company expects to complete substantially in 2016. These estimates are based on the supervisor's current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. The

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company's renovation program at the property has taken substantial time to design and implement due to many factors, including the overall scale of the program, the market timing of re-leasing upgraded spaces to existing and prospective tenants, the company's desire to minimize existing tenant disruptions, and the need to obtain consents of investors in the property to complete financings. The following table summarizes the status of major improvements the company has completed, those that are currently in process, and those that the company expects to complete in the future:

	<b>Completed</b>	<b>In Process</b>	<b>To Be Completed</b>
Lobby restoration and upgrade	x		
Renovate 2nd floor observatory ticketing area	x		
Renovate 86th floor observatory	x		
Observatory exhibits	x		
Energy efficiency retrofits including			
- building automated controls	x		
- chiller plant retrofit	x		
- window retrofits	x		
- radiator barriers	x		
Renovate 102 <sup>nd</sup> floor observatory		x	
Renovate and provide cooling to public corridors		x	
Renovate public bathrooms		x	
Elevator modernization		x	
Elevator shaft wall repairs		x	
Exterior waterproofing and roofs		x	
Additional electrical power and distribution		x	
Building wide sprinklers to comply with Local Law 26		x	
Future energy efficiency retrofits including new air handling units, heat exchangers, steam turbine retrofits		x	
Temporary exterior construction hoist		x	
New tenants-only conference center			x
New tenants-only fitness center			x
Tower lighting replacement			x
Additional observatory exhibit			x
Security system enhancements			x

The observatory and broadcasting businesses at the Empire State Building are subject to competition from existing observatories and broadcasting space and others that may be constructed in the future. In addition, competition from observatory and broadcasting operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center and the existing broadcasting facility at Four Times Square, could have a negative impact on revenues from the company's broadcasting and observatory operations. The company's broadcast television and radio licensees face competition from advances in technologies and alternative methods of content delivery in their respective industries, as well as from changes in consumer behavior driven by new technologies and methods of content delivery, which may reduce the demand for over-the-air broadcast licenses in the future. New government regulations affecting broadcasters, including the implementation of the FCC's National Broadband Plan, or the Plan, might also affect the company's results of operations by reducing the demand for broadcast licenses.

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*Empire State Building Primary Tenants*

The following table summarizes information regarding the primary tenants of the Empire State Building as of September 30, 2011:

Tenant	Principle Nature of Business	Lease Expiration	Date of Earliest Termination Option	Renewal Options	Total Leased Square Feet	Percent of Property Square Feet <sup>(1)</sup>	Annualized Base Rent <sup>(2)</sup>	Percent of Property Annualized Base Rent	Annualized Base Rent Per Square Foot
LF USA <sup>(3)</sup>	Fashion	Oct. 2028		1 x 7 years or 2 x 5 years	308,233	10.8%	\$ 12,021,087	15.6%	\$ 39.00
Federal Deposit Insurance Corp. Corporation	Government	Jan. 2020	2/1/2015	1 x 5 years	121,879	4.3%	\$ 5,489,847	7.1%	\$ 45.04
Host Services of New York Coty, Inc. <sup>(4)</sup>	Retail store Cosmetics	May 2020 Jan. 2030		1 x 5 years	3,457 92,545	0.1% 3.3%	\$ 4,917,272 \$ 4,580,590	6.4% 5.9%	\$ 1,422.41 \$ 49.50
Walgreen Eastern Co.	Retail store	(5)			25,688	0.9%	\$ 1,470,000	1.9%	\$ 57.23
LinkedIn	Internet networking business	May 2018	6/1/2016		31,742	1.1%	\$ 1,237,938	1.6%	\$ 39.00
Skanska USA Building	Engineering	Mar. 2024		1 x 5 years	25,057	0.9%	\$ 1,219,550	1.6%	\$ 48.67
Manhattan Professional Group	Tax professionals	Aug. 2026			25,611	0.9%	\$ 1,180,264	1.5%	\$ 46.08
Bank of America	Bank	Apr. 2015		1 x 5 years	14,234	0.5%	\$ 1,152,577	1.5%	\$ 80.97
Taylor Global	Public relations	Jul. 2018			25,744	0.9%	\$ 1,119,105	1.5%	\$ 43.47
<b>Total/Weighted Average</b>					<b>674,190</b>	<b>23.7%</b>	<b>\$ 34,388,230</b>	<b>44.6%</b>	<b>\$ 51.01</b>

- (1) Excludes (i) 52,382 rentable square feet attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to the company's observatory.
- (2) Annualized company's base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are \$3,084,144. Total annualized base rent, net of abatements and free rent is \$73,940,478.
- (3) In January 2011, LF USA signed a lease that increased their total square footage at the Empire State Building to 482,399 square feet, representing an additional \$18,813,561 of annualized based rent, or annualized base rent per square foot of \$39.00. 308,233 of this square footage has commenced as of September 30, 2011. LF USA also signed a lease in November 2011 (which is not reflected in the above table) for an additional 106,545 square feet that increased their total square footage at the Empire State Building to 588,944 square feet.
- (4) In May 2011, Coty's lease was amended such that, upon commencement (expected to be in the second quarter of 2012), Coty will increase their total square footage at the Empire State Building to 194,281 square feet, representing an additional \$4,272,912 of annualized base rent as of September 30, 2011, or annualized base rent per leased square foot of \$42.00 as of September 30, 2011.
- (5) The lease will expire 15 years and four months following substantial completion of certain expansion space pursuant to the First Lease Modification and Extension Agreement, as of August 15, 2011, between Empire State Building Company L.L.C. and Walgreen Eastern Co., Inc.



**Table of Contents***Empire State Building Lease Expirations*

The following table sets forth the lease expirations for leases in place at the Empire State Building as of September 30, 2011 for the three months ending December 31, 2011 and for each of the ten full calendar years beginning with the year ending December 31, 2012 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights. As of September 30, 2011, the weighted average remaining lease term for the property was eight years and four months.

<b>Year of Lease Expiration<sup>(1)</sup></b>	<b>Number of Leases Expiring</b>	<b>Square Footage of Leases Expiring<sup>(2)</sup></b>	<b>Percent of Property Square Feet</b>	<b>Annualized Base Rent<sup>(3)</sup></b>	<b>Percent of Property Annualized Base Rent<sup>(4)</sup></b>	<b>Annualized Base Rent Per Leased Square Foot</b>
Available		706,018	24.9%			
Signed leases not commenced		186,182	6.5%			
Month-to-month leases	1	1,887	0.1%	\$ 18,450	0.0%	\$ 9.78