

[REDACTED]

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Countrywide Commercial

REAL ESTATE FINANCE

A Countrywide Capital Markets Company

TERM SHEET

Date: October 31, 2006

Lender: Countrywide Commercial Real Estate Finance, Inc. (together with its successors and assigns, "Countrywide").

Property: [REDACTED] – a 147,350 square foot mixed-use building located in New York, NY.

Sponsor: [REDACTED]

Borrower: Borrower shall be bankruptcy-remote, single-purpose entity acceptable to Countrywide based upon Countrywide's standard structuring criteria.

Loan Amount: The principal amount of the Loan (the "Loan Amount") shall be \$55,500,000. The initial funding to the Borrower is estimated to be \$36,800,000, but shall be subject to (i) a maximum Loan-to-appraised value of 80.0% on an "As-is" basis, net of a Letter of Credit described in Other Terms & Conditions (based upon a third-party appraisal of the Property acceptable to Countrywide and prepared by a third-party appraiser engaged by Countrywide), (ii) a minimum assumed debt-service coverage ratio of 0.90x (based upon a calculation of stable underwritten net cash flow of the Property (as determined by Countrywide in its sole and absolute discretion) and an assumed debt service constant equal to 9.25%), and (iii) a maximum Loan-to-cost of 80.0% as determined by Countrywide.

Future funding of \$18,700,000 will occur subject to Property's satisfaction of release tests described "TI & LC Future Advances" and "Capital Expenditures Future Advances" sections below. In no event will the total

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funding to the Borrower exceed \$55,500,000.

Based upon the preliminary information submitted by Sponsor to Countrywide (and prior to Countrywide's complete due diligence investigation), Countrywide has determined that underwritten net cash flow for the Property will be \$4,620,375 on a "Stabilized" basis. Sponsor acknowledges that the foregoing calculation is preliminary and is subject to adjustment by Countrywide upon completion of its due diligence.

- Origination Fee:** An origination fee equal to 0.75% of the Loan Amount shall be paid to Countrywide when the Loan closes.
- Exit Fee:** An exit fee equal to 0.5% of the Loan Amount shall be paid to Countrywide upon the end of the Loan Term (as may be extended hereby). Countrywide will waive the Exit Fee if Countrywide refinances the Loan with a fixed rate loan.
- Interest Rate:** The interest rate (the "Interest Rate") will be floating during the term of the Loan at a rate equal to the sum of (i) 2.65% plus (ii) one-month LIBOR (reset on a monthly basis), as determined by Countrywide. Interest shall be calculated on an actual/360 basis.
- Amortization:** The Loan will be interest-only.
- Loan Term** 2 years
- Extension Terms:** Borrower shall have the right to extend the term of the Loan for up to three extension periods of one-year each, provided that: (i) no event of default shall have occurred, (ii) Borrower delivers to Countrywide a new Rate Cap (as defined below) acceptable to Countrywide, and (iii) Borrower pays Countrywide an extension fee equal to 0.25% of the Loan Amount for the second and third extension periods; and (iv) as of the exercise of the second and third extensions, the Property maintains the following minimum debt service coverage ratios:
- (a) 2nd extension will require a minimum debt service coverage ratio of 0.90x based on the underwritten net cash flow and an assumed debt service constant of 9.25%;
 - (b) 3rd extension will require a minimum debt service coverage ratio of 0.95x based on the underwritten net cash flow and an assumed debt service constant of 9.25%.
- Interest Rate Cap:** Borrower shall obtain and grant Countrywide a first-priority security interest in an interest rate cap agreement with (i) a notional amount equal to the Loan Amount, (ii) a "strike rate" equal to 6.25%, and (iii) a term equal to the initial term of the Loan, in form and substance acceptable to

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- Collateral:** The Loan shall be secured by, among other things, (i) a first priority mortgage/deed of trust on the Property, (ii) a first priority assignment of leases and rents with respect to the Property and (iii) a first priority security interest in all other property and assets of Borrower.
- Prepayment:** Borrower may not prepay the Loan on any payment date (i) during the first six months of the term; (ii) during months seven to twelve of the term, Borrower may prepay the Loan upon payment to Countrywide of (x) spread maintenance plus (y) 0.50% of the Loan Amount; (iii) during months 13 to 24 of the term upon payment to Countrywide of a fee equal to 0.25% of the Loan Amount, and (iv) during the remaining term without payment of a yield maintenance fee.
- Reserves:** Borrower shall fund the following reserves (the "Reserves"):
 - (a) Tax and Insurance - a monthly amount equal to one-twelfth of annual property taxes and insurance premiums;
 - (b) Deferred Maintenance and Environmental - an amount funded at closing equal to 125% of the amounts specified in the property condition and environmental reports obtained by Countrywide during its due diligence review to the extent of any defect condition or violation that causes immediate health or safety concerns;
 - (c) Interest Reserve - An interest reserve estimated at \$5,865,000 (as may be adjusted during due diligence) shall be funded and held by Countrywide as additional collateral for the Loan, to be applied to (subject to the conditions set forth below) monthly debt service payments under the Loan. Borrower may draw upon the Interest Reserve to the extent Property cash flow is insufficient to meet monthly debt service payments, subject to satisfaction of occupancy and debt service coverage tests established during Countrywide's due diligence.

TI & LC**Future Advances:**

After closing, Borrower shall be entitled to receive up to \$5,200,000 (the "TI & LC Future Advances") for costs associated with tenant improvements and leasing commissions, subject to the following terms and conditions: (i) no Event of Default shall have occurred and be continuing; (ii) each TI & LC Future Advance shall be subject to the Loan (after taking into account the amount of the TI & LC Future Advance and the income from the new lease) meeting the underwriting criteria set forth under "Loan Amount" above; (iii) no TI & LC Future Advance will be made more often than monthly; (iv) no TI & LC Future Advance will be

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made in an amount less than \$100,000; (v) Borrower shall deliver signed lease or leases acceptable to Countrywide ("Qualified Lease") in its sole discretion, together with an estoppel from each tenant acceptable to Lender; (vi) Borrower shall provide Countrywide with invoices and other documentation acceptable to Countrywide evidencing such tenant improvements and leasing commissions; and (vii) no TI & LC Future Advance will be made after the First Extension.

A Qualified Lease shall have a term of at least five years (excluding extensions), a rate of at least \$42.00 per square foot modified gross for the office space, \$60.00 per square foot for retail space, \$55.00 per square foot for restaurant and penthouse spaces, and otherwise be acceptable to Lender.

Capital Expenditures

Future Advances: After closing, Borrower shall be entitled to receive up to \$13,500,000 of future advances with respect to approved capital expenditures (the "Capital Expenditures Future Advances"). The Capital Expenditures Future Advances shall be made to pay the costs of approved capital improvements at the Property, subject to the following conditions:

- (a) No Event of Default shall have occurred and be continuing;
- (b) No advance shall be made during any Extension Term;
- (c) Each advance shall be made pursuant to a written draw request and shall be accompanied by invoices for which the disbursement is to be made for work contained in the budget and construction contract approved by Countrywide, lien waivers (if applicable), a title endorsement and other documentation reasonably requested by Countrywide.

Cash Management: Borrower shall cause all revenues and rents with respect to the Property to be deposited directly by tenants to an account at a bank selected by Borrower and acceptable to Countrywide (the "Collection Account"). Amounts in the Collection Account shall be transferred daily to Borrower's operating account unless a Cash Management Trigger has occurred. If a Cash Management Trigger has occurred, amounts in the Collection Account shall be transferred daily to a cash management account (the "Cash Management Account") under Countrywide's control at a bank selected by Countrywide (the "Cash Management Bank") and subsequently disbursed to fund the Reserves and debt service and operating expenses, with any remaining funds to be held by Countrywide as additional collateral for the loan until the Cash Management Trigger is no longer in effect. A "Cash Management Trigger" shall occur (i) if an event of default occurs, (ii) until the Property achieves a 1.20x debt

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service coverage ratio based on the underwritten net cash flow for a trailing 3 month period and calculated debt service assuming a 30 year amortization at a mortgage constant equal to 8.00% or (iii) after initial cash sweep is released if the Property's underwritten net cash flow for a trailing 3 month period falls below a 1.20x debt service coverage ratio on the same constant as stated above.

- Property Manager:** The Property shall be managed by a manager acceptable to Countrywide pursuant to a management agreement acceptable to Countrywide. Except during the renovation period, Countrywide may replace the manager upon (a) an event of default under the Loan, (b) an event of default by Borrower or manager pursuant to the management agreement, (c) the gross negligence, fraud or willful misconduct of the manager, or (d) with regard to any affiliated property manager, if the actual debt service coverage ratio declines below 1.00x. Borrower may not replace the property manager without Countrywide's consent.
- Insurance:** Borrower shall maintain the following types of insurance coverage, with such companies and in such amounts as Countrywide shall require: (a) "All Risk" hazard insurance in an amount equal to the greater of (i) full replacement cost (without deduction for depreciation), or (ii) the outstanding principal balance of the Loan; (b) Public liability insurance, in amounts satisfactory to Countrywide; (c) Umbrella liability insurance, in an amount satisfactory to Countrywide; (d) Business interruption insurance equal to 12 months' gross revenues and six months extended period of indemnity; (e) Flood insurance, if Countrywide determines that the Property is in a flood hazard zone, in an amount satisfactory to Countrywide; (f) In the event that an engineering report determines that the Property has a probable maximum loss of 20% or greater, earthquake insurance in an amount equal to the probable maximum loss percentage multiplied by the replacement cost of the Property (as determined by Countrywide in its sole discretion), so long as Countrywide determines that the Property is in a high probability seismic zone; (g) Terrorism insurance in an amount satisfactory to Countrywide; and (h) Such other insurance as may be reasonably required by Countrywide.
- Non-recourse:** The Loan will be non-recourse, except for environmental indemnification and Countrywide's standard carve-outs which shall be recourse to Borrower and a creditworthy guarantor acceptable to Countrywide.
- Assumability:** Borrower may sell the Property only to a buyer acceptable to Countrywide and only if Borrower complies with Countrywide's standard assumability provisions for a loan of this type which may include, without limitation, Countrywide's consent, rating agency approval, and payment of a 1% transfer fee.
- Equity Transfers:** Direct and indirect equity interests in Borrower may not be transferred or

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pledged without Countrywide's consent, which may be conditioned on, among other things, an acceptable non-consolidation opinion. Notwithstanding the foregoing, up to 49% (in the aggregate) of the equity interests in Borrower (excluding managing member and general partner interests) may be transferred without Countrywide's consent provided no change in control of Borrower occurs. Borrower will be permitted to transfer certain direct and indirect interests in Borrower (a) among existing principals, and (b) for pre-approved estate planning purposes.

- Documents:** The Loan shall be documented on Countrywide's standard form loan documents which will contain additional representations, warranties and covenants of Borrower required by Countrywide.
- Expenses:** Sponsor shall pay Countrywide and its affiliates, upon demand and whether or not the Loan closes, all fees (including, without limitation, due diligence processing fees), costs and out-of-pocket expenses incurred by Countrywide and/or its affiliates in connection with the matters and transactions contemplated hereby (collectively, the "Expenses"). Sponsor's and Borrower's obligations under this paragraph shall survive termination or expiration of the Commitment.
- Processing Fee:** A non-refundable Processing Fee of \$7,500 shall be paid to Countrywide upon signing the Commitment.
- Expense Deposit:** Within two business days of signing the Commitment, Sponsor shall pay Countrywide an expense deposit (as the same may be increased, the "Expense Deposit") of \$25,000 to be applied to pay Expenses. If Expenses do not exceed the Expense Deposit, the difference will be refunded at closing. If prior to closing, Countrywide determines that the Expense Deposit will be insufficient to pay all Expenses, Sponsor shall promptly deliver to Countrywide funds in the amount of such shortfall. If at closing Expenses exceed the Expense Deposit, the excess will be withheld from Loan proceeds.
- Commitment Deposit:** A commitment deposit equal to \$100,000 shall be paid to Countrywide within two business days of signing the Commitment.
- Mezzanine Option:** Countrywide shall have the right at any time (prior to or after closing of the Loan) to divide the Loan into two parts: a mortgage loan and a mezzanine loan (which mezzanine loan may be made to Borrower or another single-purpose entity which owns direct or indirect interests in Borrower, and which mezzanine loan may be secured by, among other things, a first priority pledge of 100% of the ownership interests in Borrower, all on terms determined by Countrywide), provided that (a) the total loan amounts for the mortgage loan and the mezzanine loan shall

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equal the Loan Amount outstanding immediately prior to the creation of the mortgage/mezzanine structure and (b) the weighted average interest rate of the mortgage loan and the mezzanine loan shall initially equal the weighted average interest rate immediately prior to the creation of the mortgage/mezzanine structure. Countrywide shall have the right to reallocate the Loan Amount between the mortgage loan and the mezzanine loan at any time provided the limitations set forth in (a) and (b) above are adhered to.

Secondary Market Transactions:

Countrywide shall have the right at any time (prior to or after closing of the Loan) (a) to participate, syndicate or securitize all or any portion of its interest in the Loan, (b) to cause the Loan to be split (or further split, if applicable) into senior and one or more junior or mezzanine loans in whatever proportion Countrywide deems appropriate (subject to the conditions set forth above), and (c) to create one or more senior and subordinate notes (e.g., an A/B or A/B/C structure) or multiple components of such note or notes, and thereafter to sell, assign, participate, syndicate or securitize all or any part of any variant of the Loan (any of the foregoing, a "Secondary Market Transaction"). Borrower shall cooperate with Countrywide to facilitate any Secondary Market Transaction and the rating of the Loan (or any resulting variant thereof) and each securitization in which one or more loans are included.

Other Terms & Conditions:

At closing, the Borrower shall post an acceptable Letter of Credit as additional collateral to be released upon the Loan achieving a 0.90x DSCR at a 9.25% loan constant for lease buyouts and miscellaneous costs in an amount estimated to be \$5,600,000. The Letter of Credit will be held by Countrywide for the Loan Term.

In lieu of the Letter of Credit, Borrower shall have the option to grant Countrywide a first-priority pledge of 100% of [REDACTED] the ownership interest in the entity which owns [REDACTED] (the "Greenpoint Property"), provided: (1) Countrywide receives an appraisal acceptable to Countrywide demonstrating an unencumbered value of such equity interest of at least \$40,000,000; (2) the owner of the Greenpoint Property delivers documentation reasonably acceptable to Countrywide granting the first-priority pledge, including but not limited to a pledge and security agreement, UCC Financing Statement, the stock or membership certificates of the pledgee and opinion of counsel as to enforceability; and (3) Countrywide receives an intercreditor agreement acceptable to Countrywide from the current mortgage lender on the Greenpoint Property. The pledge will burn off and the stock/membership certificates will be returned upon repayment of the Loan at maturity.

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Terms are subject to Borrower's delivery of satisfactory detailed business plan and month by month operating, construction, tenant improvement, and leasing commission budgets for the first 24 months of the Loan.

This Term Sheet and all information contained herein has been prepared for the exclusive use of the Borrower/Sponsor and any mortgage banker/broker representing the Borrower/Sponsor in connection with a potential transaction with Countrywide Commercial Real Estate Finance, Inc.. Neither the Term Sheet nor the information contained herein should be conveyed in any way to other parties. The Term Sheet and the information contained herein is confidential and may not be shared with any other parties in any manner. Any disclosure of this Term Sheet or the terms contained herein may result in damages to Countrywide and any party responsible for such disclosure shall be responsible for such damages. If these terms are not acceptable to you, please destroy all forms of this Term Sheet and the information contained herein to prevent Countrywide Commercial from incurring any damages.