

Schedule B

THE 534 WEST 42ND STREET CONDOMINIUM
PROJECTED BUDGET FOR FIRST YEAR OF CONDOMINIUM OPERATION
October 1, 2012-September 30, 2013

PROJECTED INCOME

Common Charges (1)	\$	119,390
TOTAL PROJECTED INCOME	\$	119,390
Operating Expenses:		
Labor (2)	\$	15,000
Utilities (electricity and gas) (3)	\$	24,500
Water & Sewer (4)	\$	2,500
Repairs, Maintenance & Supplies (5)	\$	5,000
Service Contract (6)	\$	11,080
Insurance (7)	\$	13,500
Management Fee (8)	\$	21,600
Legal Fees and Audit Fees (9)	\$	13,000
Total Operating Expenses (10)	\$	106,180

NOTES TO SCHEDULE B

(1) Common Charges – (Budget - \$119,390)

The Common Charges that are being collected from the Unit Owners (and Sponsor) are for the first year of Condominium covering the twelve (12) month period as of October 1, 2012. The allocation for Common Expenses borne by the Units has been allocated based on a percentage of General Common Interest of each Unit.

Unit	Monthly Common Charges
Retail	686.63
2	1,144.38
3	1,144.38
4	1,144.38
5	1,144.38
6	1,144.38
7	1,144.38
PH	<u>2,396.23</u>
	<u>9,949.14</u>

According to the Offering Plan dated August 15, 2008, Sponsor may rent vacant non-residential space.

(2) Labor Costs – (Budget- \$15,000)

This Building does not have a full-time staff. Pursuant to a separate agreement, the Managing Agent has arranged for and provided maintenance staff to perform the services of a part-time, non-union, visiting superintendent to oversee the maintenance needs of the Building's Common Elements and Residential Common Elements and is available for emergencies on a 24 hour basis. The services provided to the Building include cleaning, sanitation removal and maintenance. The budgeted amount for this part-time, non-union employee is at a rate of \$1,250 a month.

As the Commercial Unit derives no benefit from the Superintendent's services, this budget item has been allocated solely to the Residential Units based upon their respective Residential Common Interests.

(3) Utilities – (electricity & gas (regular & cooking)) (Budget- \$24,500)

The electricity consumption for the first year of Condominium operations for the Common Elements includes the cost of electricity servicing common area air-conditioning systems, distribution pumps, elevators, lighting and electric usage. A 5% inflation factor has been added.

This budget item does not include the cost of electricity to individual Residential Units which are directly metered. Since all Units are directly metered, all Unit Owners are responsible to pay the electric bills for their Units. The Commercial Unit will be separately metered and the Commercial Unit owner will pay all of its respective metered electricity costs to operate its Unit.

Only the Residential Units and residential lobby are heated and thus, this budget item is allocated solely to the Residential Units in proportion to their respective Residential Common Interests. The Commercial Unit owner is responsible for installing their own heating systems.

The Residential Units are separately metered for gas to be used for cooking. Gas shall also be required for heating water provided to the Residential Units.

(4) Water & Sewer – (Budget- \$2,500)

The Building has a single main water meter, which measures actual water usage. No sales tax is currently applicable to this item.

(5) Repairs, Maintenance and supplies – (Budget - \$5,000)

Since the Building is newly constructed, it has no operating history upon which to project future costs of repair and maintenance. No major capital repairs are included in the projection for the first year of Condominium operation, since the Building and its systems are entirely new. Any future repairs to the Common Elements will be borne by the Unit Owners.

This budget item included the cost of normal maintenance, including cleaning and other miscellaneous, ordinary supplies, and repairs to the common areas of the Building that are the responsibility of the Condominium and not any individual Unit Owner. Each Unit Owner is responsible for the cost of the interior maintenance, repairs, decoration and painting of their respective Units, including any appliances therein, and for the ordinary maintenance and repair of any Limited Common Element appurtenant thereto.

(6) Service Contracts- (Budget - \$11,079)

The budgeted amount includes the cost of service contracts entered into during the first year of Condominium operation. All of the mechanical systems within the Building are under a full service maintenance contract for the first year of Condominium operation. The Condominium is currently entered into the following agreements:

Service Provider	Service	Annual Amount
SOLID STATE ELEVATOR 2628 St. Raymond Avenue Bronx, NY 10461	Elevator Service and Inspection	\$4,050.12
ECOLOGY PEST CONTROL PO Box 131867 Staten Island, NY 10313	Exterminator	\$217.76
MERCURY MECHANICAL 101 Verterans Road West Staten Island, NY 10309	Boiler Maintenance	\$2,395
BE SAFE FIRE SPRINKLER PO Box 905 Tallman, NY 10982	Fire Sprinklers	\$457.28
AFA MONITORING 155 Michael Drive Syosset, NY 11791	Alarm	\$3,368.94
BORO ENERGY PO Box 320197 Brooklyn, NY 11232	Boiler registrations	\$390
ELEVATOR EXPEDITERS 110 Newbury Road Howell, NJ 07731	Elevator Inspection	\$200
TOTAL		\$11,080

All contracts can be terminated with 30 days written notice.

It is noted that Unit Owners are responsible for the maintenance of their respective PTAC units that provide HVAC to the Units.

(7) **Insurance – (Budget \$13,500)**

Based coverage obtained provided to Sponsor by Brown & Brown Metro Inc., having an address at 30A Vreeland Road, Florham Park, N.J. 07932, the following insurance coverages were obtained for the Condominium for its first year of operation:

A comprehensive Condominium package policy, including Boiler & Machinery Damage, with the following coverages and limits:

Property

\$4,000,000	Building All Risk, "Special Form", Replacement Cost, No Co-Insurance
\$ 250,000	Flood and Earthquake, each
\$ 120,000	Business Interruption
\$ 250,000	Demolition and Increased Cost of Construction, each
\$ 5,000	Deductible (Except Earthquake: 2%)

General Liability

\$1,000,000	Each Occurrence
\$2,000,000	General Aggregate
\$1,000,000	Personal and Advertising Injury
\$ 100,000	Damage to Rented Premises
\$ 25,000	Medical Expense (Any One Person)
\$1,000,000	Hired and Non-Owned Auto

Directors & Officers Liability

\$1,000,000	Each Claim including claim expenses
\$ 1,000	Retention

Employee Dishonesty (Fidelity Bond)

\$ 100,000	Employee Dishonesty
\$ 500	Deductible

Umbrella

\$25,000,000	Liability Limit Each Occurrence
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The terms of the fire, casualty and general liability insurance provides (i) that each Unit Owner is an additional insured for common elements, (ii) that there will be no cancellation without notice to the Board of Managers, (iii) a waiver of subrogation, (iv) a waiver of invalidity because of the acts of the insured and Unit Owners and (v) a waiver of pro-rata reduction if Unit Owners obtained additional coverage.

The insurance figures provided are adequate and acceptable to the insurance carrier in order to provide the Agreed Amount Clause which meets the co-insurance requirement. In order to safeguard the investment of its Unit Owners in the event of a substantial or total destruction of the Building, the Condominium should periodically review the amount of casualty insurance for the Building to insure that the amount of coverage equals its then estimated replacement cost.

This coverage does not include claims for personal injury or property damage resulting from occurrences in Units, nor does it include coverage of the furniture or personal property of the Unit Owner or improvement or betterments of the unit owner other than provided by the Sponsor.

Each Unit Owner should consider the desirability of obtaining additional insurance at his own cost to cover such risks as fire and casualty losses to Unit contents, replacement, additions, upgraded fixtures and improvements, and liability coverage for personal injury or property damage for occurrences within the Unit (including from leaks and other conditions). Purchaser should consult their attorneys or insurance agents to determine the advisability of obtaining insurance.

The cost of insurance has been allocated to all Units in proportion to their respective Common Interests.

(8) **Management Fees – (Budget \$21,600)**

As of November 1, 2012, the Condominium entered into a management agreement with Silverstone Property Group, an affiliate of the Sponsor, with an address at 825 Third Avenue, 37th Floor, New York, NY 10022. The annual management fee is payable in equal monthly installments of \$1,800. This management fee reflects the current prevailing cost for similar services. It is based on the size of the building, number of units, and the level of service.

(9) **Legal and Accounting Fees – (Budget - \$13,000)**

All Unit Owners are entitled to receive from the Condominium, at the Condominium's expense, an annual certified financial statement prepared by an independent certified public accountant. Based on an estimate from Howard Landsberg, Certified Public Accountant, with an address at c/o WeiserMazars, 135 West 50th Street, New York, NY 10020, the cost of these services, including preparation of the Condominium's tax returns, is estimated to be \$10,000. The balance is intended to provide for additional incidental miscellaneous accounting services and legal services that the Condominium Board may wish to employ, estimated at an annual cost of \$3,000.

The professional fees are for the benefit of all Unit Owners and the costs have been allocated to all Unit Owners based upon their respective Common Interests.

(10) **Total Projected Expenses – (Budget - \$106,180)**

The projections set forth in this budget are for the first year of Condominium operations covering the period from October 1, 2012 through September 30, 2013.

In view of the varying costs of energy, labor and material, it is not possible to predict with certainty, whether the estimated figures will reflect the actual cost to be incurred during the first year of Condominium operations, although it is believed that reasonable provisions for increased costs have been made.

THE BUDGET IS NOT INTENDED AND SHOULD NOT BE TAKEN AS A GUARANTEE OR WARRANTY BY ANYONE THAT THE ANNUAL COMMON CHARGES OR COMMON EXPENSES FOR THE FIRST OR ANY SUBSEQUENT YEAR OF OPERATION OF THE PROPERTY BY THE BOARD WILL BE AS SET FORTH IN THE BUDGET. IN FACT, IT IS LIKELY THAT THE ACTUAL INCOME AND EXPENSE FOR THE FIRST YEAR OF CONDOMINIUM OPERATION WILL VARY FROM THE AMOUNTS SHOWN IN THE BUDGET.