

Company name IA Capital Structures (Ireland) plc
Headline Notice to Noteholders of Series 87

21 February 2020

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE OWNERS OF THE NOTES. IF APPLICABLE, ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO SUCH OWNERS IN A TIMELY MANNER.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial, legal or other advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately authorised independent financial adviser.

If you have recently sold or otherwise transferred your entire holding(s) of the Notes referred to below, you should immediately forward this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE FROM THE ISSUER TO NOTEHOLDERS

IA Capital Structures (Ireland) plc
(the “**Issuer**”)

Prodigy Network AKA Wall Street Recap - 84 William Street (Series 87) Notes due 2021
ISIN: XS1495638576 COMMON CODE: 149563857
(the “**Notes**” or the “**Series**” and the holders thereof the “**Noteholders**”)

Reference is made to the investor notice from Prodigy Shorewood Investment Management, LLC (“**PSIM**”) dated 11 February 2020 (the “**Investor Notice**”), appended hereto as Annex.

Capitalised terms used but not otherwise defined in this notice shall have the meanings ascribed to them in the Series Memorandum in relation to the Notes dated 30 September 2016 and the Investor Notice.

BACKGROUND

The Investor Notice was delivered to investors in the 84 William Street Series of Prodigy Shorewood New York REP Co (the “**Fund**”). The Issuer received a copy as a holder of participating shares in the Fund. PSIM wrote to notify the investors of the current status of the

property located at 84 William Street, New York, New York 10038 (the “**Property**”). The Issuer as a shareholder in the Fund holds an indirect interest in the Property.

As part of the PSIM’s ongoing efforts to avoid a foreclosure on the Property, PSIM had engaged Eastdil Secured to market a sale of the Property, but based on the bids received, a sale of the Property would result in a loss of all capital invested other than the senior loan payable to a senior lender and the mezzanine loan payable to the mezzanine lender.

PSIM is now requesting that investors make a capital contribution of \$40 million to (i) facilitate the payment of a certain mezzanine loan due to mature on 10 March 2020 and (ii) to provide the necessary capital to reposition the use of the Property to residential rental units in order to maintain the Property’s solvency. PSIM has requested that investors notify them no later than 28 February 2020 of their decision to make the capital contribution and to provide the funds by 6 March 2020.

Noteholders should be aware that any capital raised in connection to PSIM’s request may dilute the Issuer’s investment in the Fund and the structural arrangements extended to investors that provide a capital contribution may further reduce the likelihood of repayment of capital that was previously invested by the Issuer in the Fund.

Noteholders should also note that if PSIM is unable to secure the requested funding and/or is unable to achieve an extension of the maturity dates or a refinancing of the indebtedness made in respect of the Property, **there is a significant likelihood that your investment in the Notes will be lost in full.**

For the avoidance of doubt Noteholders are not required to or being asked to contribute additional funds by the Issuer and this notice is being sent for information purposes only.

The above is a brief summary of the Investor Notice only and is not intended to be a comprehensive description thereof. Noteholders are encouraged to read the Investor Notice in its entirety and contact PSIM directly with any questions regarding their investment. The Issuer has relied on the Investor Notice in preparing this notice and has taken no steps to verify the information provided in the Investor Notice.

PROPOSED ACTION

The Issuer proposes no course of action at this time. This notice is for informational purposes only and the Issuer expresses no opinion on the information contained in the Investor Notice.

Further Information

For further information please contact the investment manager at investorrelations@prodigynetwork.com

ANNEX – THE INVESTOR NOTICE

PRODIGY SHOREWOOD INVESTMENT MANAGEMENT, LLC

February 11, 2020

To each of the addressees on Schedule 1 hereto

Re: Material Development – Potential Event of Default and Loss of Property

Dear Investors,

We are writing to inform you of the current status of the AKA Wall Street property located at 84 William Street in Manhattan, New York (the “**Property**”). **This is a material notice concerning the Property and investors are strongly advised to read this entire letter and understand its contents.**

As you may recall, on June 10, 2019, 84 William Street JV LLC (the “**JV**”), the indirect owner of the Property, and Prodigy Shorewood Investment Management, LLC, the investment manager of the Property (the “**Investment Manager**”) successfully extended the maturity date of the senior loan provided by CIBC (the “**Senior Lender**”) in respect of the Property to December 10, 2019 (i.e., an additional six months) by causing an extension payment of approximately \$6.4 million to be paid to the Senior Lender. The entire extension payment was made by an affiliate of Vanbarton Group (the “**Mezz Lender**”). The Mezz Lender agreed to increase their loan by approximately \$6.5 million to \$26.5 million at an interest rate of 11.5%, the governing interest rate for the mezzanine loan. As of December 10, 2019, the JV further extended the senior and mezz loan to March 10, 2020. As a condition of the extension, the Senior Lender received \$1.62 million for the extension fee and reserves through the maturity date. In addition, the Mezz Lender made a \$2 million payment to the Senior Lender to reduce the outstanding principal balance of the loan owing to the Senior Lender (which increased the outstanding principal balance of the loan owing to the Mezz Lender to \$28.5 million). As part of extending the debt the \$2,013,101 of preferred equity raised in respect to the Property that is senior to your investment has been used to fund interest and operating shortfalls for the Property.

As you know from the reports that the Investment Manager has sent in respect of the Property, even though we have taken several measures to support AKA Management, Inc. (as manager of the Property) in their efforts to make operations at the property more efficient, the Property remains unable to generate sufficient cash flow from hotel operations and the restaurant tenant to meet its current and anticipated debt obligations.

The Investment Manager engaged Eastdil Secured to market a sale of the Property as of June 13, 2019. Attached to this letter is a summary of the bids received for Eastdil Secured’s offering of the Property, including a summary of market and investor feedback. As you can see from the attached summary from Eastdil Secured, based on the bids received, a sale of the Property would result in a loss of all capital invested other than the senior loan payable to the Senior Debt and the mezzanine loan payable to the Mezz Lender.

Additionally, Newmark Knight Frank was engaged by the Investment Manager to appraise the Property and to analyze various business plan options. In their report, they analyzed the Property “as-is” as well upon completion of a conversion to residential apartments. Their conclusion on value is consistent with bids received by Eastdil.

The Investment Manager continues to work diligently on securing a disposition of the Property, additional capital to support the liabilities associated with the Property, a refinancing of the indebtedness secured by the Property and/or one or more additional extensions of the loans made by the Senior Lender and the Mezz Lender in respect of the Property.

While the Investment Manager continues to work diligently to achieve one or more of the foregoing, there can be no assurance that any of the foregoing will occur. As indicated before, based on the attached report from Eastdil Secured, even if the Investment Manager is able to identify a purchaser of the Property on or before March 10, 2020 there is a significant likelihood that most or all of your investment in the Property will be lost. Further, if the Investment Manager is unable to achieve an extension of the maturity dates of the indebtedness made in respect of the Property or a refinancing of the indebtedness made in respect of the Property on or before March 10, 2020, YOU ARE HEREBY NOTIFIED THAT THERE IS A SIGNIFICANT LIKELIHOOD THAT YOUR INVESTMENT WILL BE LOST IN FULL.

In view of the foregoing, absent a disposition of the Property, the Investment Manager believes that the best current option for investors is to make a capital contribution of \$40 million. The purpose of the capital contribution will be to pay off the loan owing to the Mezz Lender and to provide the necessary capital to reposition the use of the Property to residential rental units. Please note that the structure of the capital contributions relative to the liabilities and other capital associated with the ownership of the Property will depend on the number of investors and amount of capital invested by investors. An investor that does not elect to make a capital contribution will be diluted by capital provided from other investors, and the structural arrangements extended to investors that provide a capital contribution may further reduce the likelihood of repayment of capital that was previously invested. Should you wish to make a capital contribution for the proposed repositioning of the Property, you must notify the Investment Manager of your commitment and the amount of your committed capital by February 28, 2020. All capital contributions will be due on or before March 6, 2020.

The Investment Manager will inform you of any additional material developments concerning the Property. In the meanwhile, should you have any questions, please contact investorrelations@prodigynetwork.com and one of our representatives will seek to promptly respond to your inquiry.

Sincerely,

PRODIGY SHOREWOOD INVESTMENT MANAGEMENT, LLC

Schedule 1

84 William Mezzco II LLC

84 William Mezz Realty Associates LLC

84 William Mezz Master Series of Prodigy Shorewood Master REP Fund, LLC

84 William Street Realty Associates LLC

84 William Street NewCo, Inc.

Prodigy Shorewood New York REP Co.



40 WEST 57th STREET, 22nd FLOOR
NEW YORK, NY 10019
TEL 212 315-7200 FAX 212 315-3602

October 3, 2019

Mr. Brad Korman
AKA
580 W Germantown Pike
Suite 200
Plymouth Meeting, PA 19462

Mr. Rodrigo Nino
Prodigy Network
114E 25th Street
New York, NY 10010

RE: 84 William Street ~ Marketing Status Memo and Investor Bid Review

All,

The following is a summary of the bids received for Eastdil Secured's offering of **84 William Street**. We officially launched the marketing campaign on July 9, 2019, and sent an electronic teaser to a multitude of investors. Since launching, **Eastdil Secured has received 105 signed confidentiality agreements and has conducted 20 formal tours**. The call for offers date was September 12, 2019. A summary of market and investor feedback is outlined below.

Market Feedback

Two groups bid on the asset representing offer prices of \$105.0 million and \$86.5 million. These formal indications are attached to the end of this document. In addition to receiving two bids in writing, we received additional verbal feedback of pricing ranging from \$75.0 million - \$90.0 million. Eastdil Secured encouraged those groups who were not in the \$100M+ range to not submit formal proposals given current debt levels and feedback from our client. The following factors summarize the market's justification behind the difference in the indicated pricing range vs. ownership's view of current value.

- **Going-In and Stabilized Yield Based on Current Business Plan or Transient Hotel Use** – Our stabilized yield of just under 6.0% in 2022 based on a \$120M+ purchase price target was difficult for investors to underwrite without having been provided historical financials. The T-12 yield is below 2.0% while the reforecast projects a 2019 yield of 3.0%. Although historical data was not shared, many groups underwrote as-is operations to yield in the 2.0%-3.0% range as opposed to the 5.0%-6.0% range shared in the ES proforma.
- **Price Per Square Foot** – The price per square foot guidance was ~\$1,050 per gross square foot or ~\$1,400 per sellable square foot. According to Corcoran Sunshine (who was surveyed by the market during our process), if the building was converted to condominiums and sold as such, the average price per sellable square foot would be ~\$1,350. Utilizing 91,181 sellable square feet, this translates to gross sellout proceeds of approximately \$123M. Investors then needed to consider conversion costs to condo finishes and amenities, transaction costs, developer profit, overall timing and union termination protocol.

- **Condo Conversion Cost** – In order to convert the building and sell units as condominiums, an investor would have to go through a series of time consuming and potentially capital intensive steps. These steps include, but are not limited to: hiring an architect and a lawyer; creating an offering plan to be presented to the Attorney General, for which the review process takes a minimum of four months; any hard costs associated with converting the units to condo specs including full size refrigerators, ovens and washer/dryer units.
- **Union Labor** – Union status of the property makes the deal challenging to underwrite not only from a cost of labor perspective, but also from a cost of severance perspective – a handful of groups turned away from the opportunity exclusively due to the union nature.
- **Financing Market** – The current cash flow, condo conversion costs and projected sellout pricing or the potential for alternative uses including co-living or transient hotel, limit the investor pool from a debt perspective. The likely debt providers would include alternative lenders, such as debt funds and other higher cost of capital specialty finance shops, which are not accretive at the targeted pricing.

A summary of detailed feedback, specific to each investor group, can be found on the following pages.

Thank you once again for the opportunity to assist with the marketing of *84 William Street*. Please do not hesitate to contact us with any further questions or feedback regarding the marketing process or next steps.

Sincerely,
The Eastdil Secured Team

Written and Verbal Offers	
Investor	Comment
Niido	LOI attached (purchase price \$105.0 million).
Axton	LOI attached (purchase price \$86.5 million).
Rocket Investments	Joined the process late - received access on September 11. Verbally offered upper \$80 million range.
Geolo Capital	Toured on September 9. Verbally offered \$80 million.
GAIA Real Estate	Toured on August 12. Asked many detailed questions. Verbally offered \$75 million.

Declined	
Investor	Comment
60 Guilders	Decline; would want to be all-in the deal for no more than \$100mm. Plan would be to retrofit layouts back to student housing from hotel.
Aju	Decline; union is an issue for them.
Albanese Organization	Decline; unresponsive.
Allianz (No CA)	Decline; internal re-organization with new real estate investment head starting in September. Can re-engage then but focused on 49% investments with equity check sizes over \$100m.
Arbor Lodging Partners	Decline; find the opportunity interesting but the basis is too high and there is not enough operational value add in the operations.
Banco Santander International	Decline; focusing efforts on office space in NY right now.
Bernstein Companies	Decline; unresponsive.
Bromley Companies	Decline; preoccupied with other opportunities at the moment.
Carlton Associates	Decline; pricing too rich.
Carlyle Group	Decline; cannot meet pricing guidance.
Capital Security Advisors	Decline; unresponsive.
Carmel Partners	Decline; pricing too rich.
Castlerock	Decline; after deep review felt it was not a good fit given they are looking for an operational asset with adjacent developable land.
Chelsea Hotels	Decline; unresponsive.
CIM Group	Decline; unresponsive.
Dearborn Capital Group	Decline; pricing too rich.
Dermot	Decline; were considering a co-living proforma at first but found this model infeasible given pricing over \$100m.
Drago Capital	Decline; pricing too rich.
East End Capital Partners	Decline; focused on heavy value-add outside of hotel sector.
EOS Investors	Decline; union status of the hotel is a non-starter for them.
Ennismore	Decline; between the unions and the guide price – collective view is that they are not well placed to pursue this opportunity.
Fairstead Capital	Decline; condo conversion model didn't pencil.

Investor	Comment
FBRE Advisory	Decline; client has decided to focus exclusively on "off-market" opportunities.
Feil Organization	Decline; unresponsive.
Gaedeke	Decline; focused primarily on office investments with more immediate scale to accommodate 1031 transfer.
GFP Real Estate	Decline; primarily office focused. If not office would be looking for value-add or opportunistic opportunities at lower price points.
GIC	Decline; focused on large transactions \$200m+ at this time
Greenroad Capital	Decline; unresponsive.
Hilton Grand Vacations (No CA)	Decline; at capacity on NYC inventory at this time.
ICONIQ Capital	Decline; pricing too rich and focusing on other opportunities.
Insite Group	Decline; think basis PSF is too high for downtown and not engaging further at this time.
Invesco	Decline; unresponsive.
JTRE	Decline; union is an issue for them.
John Hancock (Manulife)	Decline; pricing too rich.
Karnell Estates	Decline; spending time on another opportunity.
KHP Capital Partners	Decline; union status is of concern. Also, the group is generally more focused on buying 150+ key hotels with heavy re-positioning potential.
LCP Group	Decline; focused primarily on non-union assets at this time.
LeFrak Organization	Decline; own the Gild Hall Hotel a few blocks away and like the submarket for its unrealized potential, but unable to justify basis given recent acquisition at ~\$300k per key.
Lodging Capital Partners	Decline; focused on heavy re-positioning opportunities so 84 William is not a fit for their investment strategy at this time.
Magna Hospitality Group L.C.	Decline; union is an issue for them.
Manhattan Capital Group	Decline; unresponsive.
Mapletree	Decline; pricing too rich.
Masterworks Development Corporation	Decline; own Club Quarters downtown and not looking to gain additional exposure to submarket or product type.
MCR Development	Decline; not the right deal for them. They like value-add opportunities. Tough for them to pay \$1.0MM/key for a box with limited in-place cash flow.
Moinian Group	Decline; pricing in low-mid \$100m seems steep and currently at investment capacity in the downtown submarkets.
Northview Hotel Group	Decline; unresponsive.
Oxford Properties Group	Decline; looking mostly at industrial and residential. Not targeting hotel at this time. Hotel that can be converted to residential could be done, but pricing too rich for them given the mix in studios.
Palisades Hospitality	Decline; unresponsive.
PBC USA	Decline; the apart-hotel concept they desire isn't conducive to having as many studios as 84 William has. They prefer the 2-BR/3-BR unit mix and the cost of expanding and therefore reducing the unit count didn't add up.
PPMT Capital Advisors	Decline; unresponsive.
Property & Building Corp.	Decline; unresponsive.

Investor	Comment
Quality Capital	Decline; unresponsive.
Rockwood	Decline; struggling on a few NYC hotels at this time so not looking for additional market / product type exposure.
Shushana Company	Decline; unresponsive.
SHVO	Decline; pre-occupied with renovation projects and unable to pursue at this time.
Sotheby's	Decline; client placed bid on another NYC asset.
Sovereign Partners	Decline; historically office investors - two buckets of capital. Bucket 1, Class A office anywhere in the country any market (cover 25 states) primarily family capital. Bucket 2 - Core plus. In process of raising \$100M fund and will invest primarily in office.
Stellar Management	Decline; unresponsive.
Stonebridge Companies	Decline; unresponsive.
Summit Hotel Properties	Decline; interested in the extended stay space, but basis and geography not the right fit at the moment.
Sydell Group	Decline; not a fit for current strategy
TA Realty	Decline; unresponsive.
The Denizen Group	Decline; unresponsive.
The Hut Group	Decline; have narrowed their focus to "off-market" opportunities.
Triangle Assets	Decline; unresponsive.
TriBeCa Associates	Decline; price of condo conversion too high.
Wyndham Vacations (No CA)	Decline; not looking to invest in NY at this time.

84 William Indicative Bid
9/17/19

- **Purchase Price**
 - \$105,000,000
- **Proposed Due Diligence and Closing Periods**
 - 30 days DD
 - 60 day close
- **Management Plans**
 - Hostiing will self-manage
- **Branding Plans**
 - We plan to operate the asset under our *Natiivo Powered by Airbnb* Brand.
- **Building Use (Hotel / Condominium)**
 - Airbnb branded condo hotel. We plan to convert ~80 units to condo and will operate the remainder as hotel units.
- **Capital Expenditure Assumptions (if applicable)**
 - Assuming an additional \$5,000,000 in capex.
- **Deposit Amounts**
 - 7-10% of PP
- **Description of Internal Approval Process**
 - Internal Investment Committee already approved
 - Brookfield has a 15 day internal approval process
 - Airbnb has internally looked at the asset and looks to be active in the Acq as well
- **Description of Purchasing Entity, including Other Assets Owned/Operated**
 - NGD Home sharing is the purchasing entity. The entity is 30% owned by Airbnb and currently owns two operating Niido assets (Nashville and Orlando) and is building two Airbnb branded Natiivo condo hotels; one in Austin and one in Miami. We are currently rebranding NGD Homesharing into a new parent company called Hostiing.
- **Proposed Capitalization Structure and Source of Funds**
 - *FINANCING*: We have already discussed with terms with 3650 REIT. We currently have two outstanding loans on our Natiivo condo/hotel developments with 3650. We would also entertain the option of retaining Eastdil to source our debt for this deal.
 - *EQUITY*: We have a \$200M equity commitment from Brookfield on NGD Homesharing deals.



Axton Fund L.P.
235 Pine Street, Suite 1225
San Francisco CA 94104

VIA EMAIL

September 13, 2019

Scott Ellman
Eastdil Secured
40 West 57th Street, 22nd Floor
New York, NY 10019

Re: **Letter of Intent to Purchase The Fee Simple Interests in 84 William Street, New York, NY 10038 (“The Property”)**

Dear Scott:

This Letter of Intent (“**Letter**”) sets forth the terms and conditions upon which an affiliate of Axton Fund L.P., or its permitted assignee, will purchase the Property (defined in Part One, Section 4). Except with respect to those binding provisions set forth in Part Two of this Letter, this Letter constitutes a non-binding expression of our intent only and no binding agreement will arise unless and until definitive legal documents, including a binding and definitive purchase agreement (the “**Definitive Agreement**”) are executed and delivered. Despite the fact that there is no binding commitment between the parties hereto to do so, it is the intention of the parties to enter into a Definitive Agreement that contains the commercial terms and conditions set forth in Part One (Non-Binding Provisions).

PART ONE
(Non-Binding Provisions)

1. **Buyer.** The buyer of the Property is an affiliate of Axton Fund L.P., a Delaware limited Partnership or its permitted assignee (“**Buyer**”). Buyer may also, in its sole discretion, bring in a partner to acquire the Property together with Buyer.
2. **Seller.** The seller of the Property is 84 William Street Property Owner, LLC. (“**Seller**”).
3. **Definitive Agreement.** It is anticipated that promptly following the execution date of this Letter, the parties hereto will endeavor in good faith to negotiate a mutually acceptable Definitive Agreement that incorporates the basic terms contained herein and such other provisions as may be agreed to by the parties. Buyer will prepare the initial draft of the Definitive Agreement. The Definitive Agreement will be completed and signed, if at all, no later than thirty (30) days following delivery of all the Due Diligence Materials contemplated in Part One, Section 7.

4. **The Property.** The property (the “**Property**”) that would be acquired by Buyer from Seller pursuant to a Definitive Agreement consists of the real property located at (i) 84 William Street, New York, NY. 10038 (Parcel # 0068-0016) and all improvements, fixtures, rights, permits, privileges, water rights, mineral rights, easements, and entitlements belonging or appurtenant thereto, including without limitation all developed and undeveloped property.
5. **Purchase Price.** The purchase price (“**Purchase Price**”) for the Property will be Eighty Six Million Five Hundred Thousand Dollars (\$86,500,000). The Purchase Price, less the amount of the Deposit (as defined in Part One, Section 6), will be payable to Seller by wire transfer of funds upon the Closing (as defined in Part One, Section 11) as follows:
 - (i) Eighty Six Million Five Hundred Thousand Dollars (\$86,500,000) by wire transfer of funds.
6. **Deposit.** Within three (3) business days after the full execution of the Definitive Agreement, Buyer will deposit into an escrow with a title company selected by Buyer (the “**Escrow Holder**”) the sum of Eight Hundred Sixty Five Thousand Dollars (\$865,000), by wire transfer of funds payable to Escrow Holder, as Buyer’s deposit (the “**Deposit**”). Except as otherwise provided in the Definitive Agreement, the Deposit will be applied as a credit against the Purchase Price at the closing. Escrow Holder will maintain the Deposit in an interest-bearing account with interest to accrue to Buyer.
7. **Delivery of Due Diligence Materials.** Seller will furnish Buyer within five (5) days of the mutual execution of this Letter the following documents without limitation (collectively the “**Due Diligence Materials**”): a Preliminary Title Report (“**Title Report**”) for the Property issued by Escrow Holder, together with full, complete and legible copies of all documents identified as exceptions therein; copies of all leases (the “**Leases**”) on the Property, including all modifications assignments, subleases and guarantees applicable thereto; copies of all and all other contracts and other agreements to which the Seller is a party or is bound that would affect the Property after the closing, including all modifications and addenda applicable thereto (collectively, the “**Contracts**”); a current rent roll of the Property certified by the property manager; copies of all surveys relating to the Property; a copy of the most recent existing so-called Phase I and/or Phase II Environmental Assessment(s), and any other environmental reports, respecting the Property (collectively, the “**Environmental Report**”); a complete set of building plans and specifications for the construction of improvements currently constructed or planned to be constructed on the Property (the “**Plans and Specifications**”), and a copy of all construction contracts, subcontracts, bonds, lien releases and budgets relating thereto; copies of all guaranties and warranties relating to the Property; copies of all governmental permits, licenses, approvals, notices and correspondence with respect to the Property; copies of all structural, seismic, soils and other similar investigations and reports, studies, entitlement documentation, notices and correspondence relevant to the Property, property tax statements; operating statements for the YTD and past five (5) fiscal years with respect to the Property (the “**Operating Statements**”); copies of all documents relating to any litigation or arbitration relating to or threatened against Seller or the Property; copies of insurance policies currently covering the Property (the “**Insurance Policies**”); and such other documents as Buyer may reasonably request (and in the event Buyer requests additional documents, Seller will provide such documents within five (5) days of such request).
8. **Review and Inspection.** Buyer will have sixty (60) days from the date of mutual execution of the Definitive Agreement (the “**Due Diligence Period**”) within which to approve or disapprove in writing, and in Buyer’s sole discretion, all matters related to the Property and the ownership and use thereof. Seller will cooperate reasonably with Buyer in completing any inspection. Unless Buyer provides Escrow Holder with written notice approving the Property at any time prior to 6:00 p.m. on the last day

of the Due Diligence Period, the Escrow will be cancelled and the parties will be released from all duties and obligations hereunder (except for any obligations that by their terms expressly survive the termination of the Definitive Agreement), in which event the Deposit shall be returned to Buyer.

9. **Title Report.** During the Due Diligence Period, Buyer shall have the right to object in writing to any exceptions stated in the Title Report or to approve the Title Report. In the event that Buyer so objects to any exceptions, Seller will have five (5) days to notify Buyer in writing of its inability or unwillingness to remove such exceptions. In the event Seller will so notify Buyer within said period, Buyer, by written notice to Seller no later than five (5) days thereafter, may do one of the following: (i) terminate this Agreement, receive a refund of the Initial Deposit and be released from all duties and obligations hereunder; or (ii) waive such exceptions and proceed with the transaction contemplated herein. Any exceptions listed in the Title Report to which Buyer will not object within the time periods set forth above (or which Buyer will have approved or waived affirmatively) will be deemed to be “**Permitted Exceptions,**” provided, however, that in no event will an exception for parties in possession (other than the Leases), mechanics’ or materialmen’s liens, deeds of trust, mortgages or other monetary encumbrances (other than non-delinquent taxes and assessments) constitute “Permitted Exceptions” and Seller agrees to take all actions and provide the Escrow Holder with all affidavits or indemnities reasonably requested in order for Escrow Holder to issue the title insurance required under the Definitive Agreement.
10. **Buyer’s Conditions.** The obligation of Buyer to purchase the Property will be subject to the satisfaction of the following conditions precedent, without limitation: (a) Escrow-Holder’s irrevocable commitment to issue to Buyer its ALTA (Extended Coverage) Owner’s policy of title insurance, insuring Buyer in the face amount of the Purchase Price that title to the Property is vested in Buyer, subject only to (i) then-current real property taxes, bonds and assessments not delinquent, (ii) the Permitted Exceptions, and (iii) and any other matters to which Buyer may agree to in writing; (b) the continued accuracy of Seller’s representations and warranties; (c) Seller delivering the Property free and clear of all management contracts and (d) Seller’s compliance with all of its obligations in the Definitive Agreement.
11. **Closing Date.** The closing of the Escrow (the “**Closing**”) will take place on the date that is thirty (30) days following the expiration of the Due Diligence Period (the “**Closing Date**”). The Deposit will be applied as a credit to the Purchase Price at the Closing.
12. **Prorations.** Taxes, assessments and utilities and operating expenses will be prorated as of the closing date. Rents and other amounts payable under the Leases and under any of the Contracts that Buyer has agreed in writing to assume during the Due Diligence Period (the “**Assumed Contracts**”) will be prorated as follows: any prepaid rents under the Leases or prepaid amounts paid to Seller under the Assumed Contracts will be credited to Buyer as of the Closing. The first monies received by Buyer from a tenant after the Closing will be applied first to current rent due and thereafter will be applied to rent in arrears. Buyer will receive a credit for security deposits paid under the Leases.
13. **Closing Costs and Charges.** Seller will pay all transfer taxes, the cost of ALTA owner's title insurance and recording charges on the Warranty Deed. Buyer will pay the additional costs of ALTA lender's title insurance (if any). Any other closing costs will be split equally between Buyer and Seller. Other typical title and escrow costs will be allocated as is customary in the County of New York. Broker commissions due to Scott Ellman of Eastdil Secured shall be payable by Seller pursuant to separate agreement.
14. **Transfer of Title and Possession.** Seller will convey the Property to Buyer pursuant to a Warranty Deed. Seller will assign to Buyer all of Seller’s right, title and interest in and to the Leases pursuant to

an Assignment and Assumption of Leases in a form to be attached to the Definitive Agreement. Seller will convey to Buyer title to all personal property located on the Property and owned by Seller pursuant to a Bill of Sale in a form to be attached to the Definitive Agreement. Seller will assign to Buyer all (i) the Assumed Contracts (if any), (ii) warranties, guarantees, indemnities, rights and claims (including, without limitation, those for workmanship, materials and performance) that Seller may have arising in connection with or owing from any contractor, subcontractor, manufacturer or supplier of labor, materials or other services with respect to the construction of improvements on the Property, if any, and (iii) all other intangible property, if any, owned by Seller arising out of or in connection with the ownership and operation of the Property, including, without limitation, the Plans and Specifications, reports, studies, surveys, rights, permits, claims and causes of action, all pursuant to a General Assignment in a form to be attached to the Definitive Agreement. Seller will deliver possession of the Property to Buyer on the Closing Date, subject to the Permitted Exceptions.

15. **Representations and Warranties of Seller.** Seller to provide standard representations and warranties, including without limitation, those set forth on Exhibit A attached to hereto. The representations and warranties will survive the Closing Date for two years (the "**Survival Period**"). After the Closing, Seller will indemnify Buyer with respect to any breach of a representation, warranty or covenant of Seller provided that any claim by Buyer is brought during the Survival Period.
16. **Termination and Damages.** In the event that the Closing fails due to a Buyer default, Seller will retain the Deposit as liquidated damages. If Closing fails due to a Seller default, then Buyer will have all remedies available to it under law or in equity (including the remedy of specific performance and the right to terminate this Agreement and recover the Deposit and damages).
17. **Activities Pending Closing.** From and after the mutual execution of the Definitive Agreement and before the Closing, Seller will, among other things: (a) comply with all federal, state and municipal laws and ordinances that apply to Seller or to any portion of the Property or to any adjacent street or other public area or to the maintenance, operation or use thereof; (b) observe and perform all of Seller's obligations as "Landlord" under the Leases and its obligations under the Contracts; (c) not amend, modify or terminate the Leases or any other Contract without the prior written consent of Buyer; (d) not enter into any license, lease or agreement that would affect the Property beyond the Closing; and (e) maintain the Property in same condition as it currently exists.
18. **Dispute Resolution.** The Definitive Agreement will provide for arbitration in Delaware before JAMS and pursuant to its streamlined arbitration rules.

PART TWO
(Binding Provisions)

19. **Non-Binding.** Except with respect to the provisions in Part Two of this Letter (which are intended to be binding and enforceable), (i) this Letter will not be binding upon the parties hereto and statements of intent, agreement, commitment or understandings in this Letter do not constitute an offer, acceptance or legally binding agreement, and (ii) no party may claim any legal rights against the other(s) by reason of any actions taken in reliance upon this non-binding Letter, including any partial performance of the transactions contemplated herein. Notwithstanding anything to the contrary in this Letter, the parties acknowledge and agree that this Letter does not constitute or create, nor will it be deemed to constitute or create, a "contract to negotiate" in good faith or otherwise, the terms and conditions of the Definitive Agreement, and that no agreement of any kind with respect to the terms and conditions of the transactions contemplated herein or the obligation of a party hereto to negotiate or continue to negotiate

such terms and conditions will exist unless and until the execution of the Definitive Agreement. Except with respect to the provisions in Part Two of this letter, a binding agreement will not exist between the parties until such time as a Definitive Agreement has been executed by and delivered to all parties. The provisions referenced in this section will survive the expiration or termination of this Letter.

- 20. **Confidentiality.** Seller and Buyer will keep the terms of and existence of this Letter strictly confidential, and will not disclose any of its terms or its existence to any third party other than to their consultants, attorneys, accountants, partners, investors and lenders.
- 21. **Exclusive Good Faith Negotiation.** Seller will not accept or solicit any offers for the purchase and sale of all or any portion of the Property and will promptly notify Buyer of any offers received by Seller, will not offer the Property or any portion of the Property for sale to any third party, or otherwise market the Property or any portion thereof without the express written consent of Buyer until the later to occur of: (i) sixty (60) days following delivery of all the Due Diligence Materials contemplated in Part One, Section 7, or (ii) the date on which the Definitive Agreement is terminated before the Closing pursuant to the terms of the Definitive Agreement.
- 22. **Termination.** This Letter will terminate if the parties hereto fail to enter into a Definitive Agreement on or before thirty (30) days following delivery of all the Due Diligence Materials contemplated in Part One, Section 7; provided, however, the confidentiality and exclusivity provisions herein will survive such termination and remain in full force and effect.

Please indicate your approval of this Letter by signing and returning an executed and dated copy of this Letter.

Cordially,

BUYER: Axton Fund L.P.

By: _____
Name: Peter Oberndorf
Its: Authorized Signatory

Agreed to,

SELLER: 84 William Street Property Owner LLC

By: _____
Name: _____
Its: _____
Date: _____

Exhibit A

Seller's Representations

1.1 Authorization. This Agreement and the transactions contemplated herein have been duly and validly authorized, executed and delivered by Seller and no other action by Seller is requisite to the valid and binding execution, delivery and performance of this Agreement by Seller, except as otherwise expressly set forth herein.

1.2 Good Standing. Seller is a limited liability company duly organized, validly existing and in good standing under New York law.

1.3 Foreign Person. Seller is not a "foreign person" within the meaning of the Section 1445(f)(3) of the Internal Revenue Code, and no portion of the Purchase Price is required to be withheld by Buyer pursuant to Section 1445 of the Code and the regulations promulgated thereunder.

1.4 Consents. Seller has obtained all consents and permissions related to the transactions herein contemplated and required under any covenant, agreement, encumbrance, law or regulation to which Seller is bound.

1.5 Accuracy of Documents. To the best of Seller's knowledge, the Due Diligence Materials provided to Buyer in connection with this transaction are true and correct in all material respects.

1.6 Litigation; Laws. There are no claims or lawsuits pending or, to the best of Seller's knowledge, threatened, against Seller and/or relating in any manner to the Property. Seller has received no notice of any violation, threatened or pending, of any local, state or federal law or regulation affecting the Property. To the best of Seller's knowledge, the Property is in compliance with all federal, state and local laws, statutes, rules and regulations applicable to the Property.

1.7 Improvements. With respect to the improvements currently located on the Property, (i) such improvements have been constructed in a good and workmanlike manner, with all necessary permits and in compliance with applicable laws, rules and regulations, and in accordance with the Plans and Specifications; (ii) all warranties relating to such construction remain in full force and effect; (iii) all contractors, subcontractors, suppliers, laborers, architects, engineers and consultants (collectively, "Service Providers") performing work with respect to the Property or improvements at the Property have been paid in full for their services; (iv) no Service Provider has asserted any claim against Seller (or any other Service Provider) for payment not timely made to such Service Provider; and (v) Seller has no ongoing claim against any Service Provider for work performed with respect to the Property.

1.8 Title. Seller has good and marketable title to the Property free and clear of all liens and encumbrances. To Seller's knowledge, no default or breach exists under any covenant, condition, restriction, right of way or easement affecting the Property, or any portion thereof, which is to be performed or complied with by the owner of the Property, and no fact or condition exists that would constitute such a default of breach.

1.9 Environmental Conditions. Seller has operated the Property, and the Property has complied and is in compliance with all Environmental Laws (as hereinafter defined) and the Seller has all permits required in connection with the construction, ownership, or operation of the Property. Seller is not aware of and has not received oral or written notice of any past, present, or anticipated future events, conditions, activities, investigations, studies, plans, or proposals that (i) would interfere with or prevent compliance by the Property with any Environmental Law or (ii) may give rise to any common-law or other liability, or otherwise form the basis of a claim, action, suit, proceeding, hearing, or investigation, involving the Property and related in any way to mold, radon, vapor intrusions, Hazardous Substances (as hereinafter defined) or Environmental Laws. Except as may be disclosed in the Environmental Report, Seller is not aware of any Hazardous Substances located on or about the Property. “Environmental Laws” means all federal, state, or local statutes, ordinances, or regulations pertaining to the protection of human health or the environment and any applicable orders, judgments, decrees, permits, licenses, or other authorizations or mandates under such statutes, ordinances, or regulations. “Hazardous Substance” means any hazardous, toxic, radioactive, or infectious substance, material, or waste as defined, listed, or regulated under any Environmental Laws.

1.10 Leases. Except for the Leases, there are no leases, subleases, licenses or similar agreements affecting the Property. With respect to the Leases: (i) the copies of the Leases provided by Seller to Buyer are true and correct copies of the original Leases and all amendments, modifications and guaranties related thereto; (ii) the Leases are in full force and effect; (iii) Seller is not in default under any of its obligations under the Leases and, to Seller’s knowledge, none of the tenants under the Leases is in default under any of its obligations under the Leases; and (iv) the consent of the tenants under any of the Leases is not required for the assignment of such Leases by the landlord thereunder.

1.11 Contracts. There are no contracts or agreements (whether oral or written) affecting or relating to the Property which will continue in effect past the Closing, except for the Leases and the Assumed Contracts, if any.

1.12 Utilities. To the best of Seller’s knowledge, all water, sewer, gas, electric and drainage facilities, if any, connected to or serving any portion of the Property are fully and legally permitted.

1.13 Condition of Property. To the best of Seller’s knowledge, there are no material defects in the buildings and other improvements located at the Property.

1.14 Condemnation. There are no pending, or to the best of Seller’s knowledge, threatened proceedings in eminent domain or otherwise, affecting the Property, or any portion thereof.

1.15 Operating Statements. The Operating Statements delivered by Seller to Buyer with respect to the Property are true and correct in all material respects.

1.16 No Broker. No broker or finder was instrumental in arranging or bringing about this sale of the Property and there are no claims or rights for brokerage commissions or finder’s fees in connection with any of the transactions contemplated by this Agreement (other than Scott Ellman – Eastdil Secured).

1.17 No Omissions. To the best of its knowledge, Seller has not failed to disclose any adverse fact or condition regarding the Property.