APPRAISAL OF REAL PROPERTY

229 West 43rd Street
Between Seventh and Eighth Avenues
New York, New York County, NY 10036

IN A RESTRICTED APPRAISAL REPORT

As of December 31, 2008

Prepared For:
Africa-Israel, U.S.A.
229 West 43rd Street, 10th Floor
New York, New York 10036

PHOTOGRAPH OF SUBJECT PROPERTY

Prepared By:
Cushman & Wakefield, Inc.
Valuation Services
51 West 52nd Street
New York, NY 10019
C&W File ID: 09-12002-9181-4

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠

CUSHMAN & WAKEFIELD, INC.
51 WEST 52ND STREET
NEW YORK, NY 10019

March 1, 2009

Mr. Tamir Kazaz
CFO
Africa-Israel, U.S.A.
229 West 43rd Street, 10th Floor
New York, New York

Re: Appraisal of Real Property
In a Restricted Report

229 West 43rd Street
Between Seventh and Eighth Avenues
New York, New York County, NY 10036

C&W File ID: 09-12002-9181-4

Dear Mr. Kazaz:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in a restricted report dated March 1, 2009. The effective date of value is December 31, 2008.

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents limited discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be found in our appraisal workfiles. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report, and it is intended only for the client's specified use. It may not be distributed to relied upon by other persons or entities without written permission of Cushman & Wakefield, Inc. Reliance upon this report by the client is limited to the extent that we have not included extensive supporting data nor our workfiles. The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. There are no additional unusual conditions.

This report was prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation and in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. In addition, the appraisal was written in conformance with the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation (FDIC) in compliance with Title XI of FIRREA.

The purpose of this appraisal is to estimate our opinion of the market value of the fee simple estate on December 31, 2008. The report has been prepared for the exclusive use of Africa-Israel, U.S.A., and the intended function is for internal business decisions.

The property was inspected by and the report was prepared by Naoum M. Papagianopoulos, Douglas H. Larson and Matthew C. Mondanile, MAI.

In preparing this appraisal, we inspected the subject property and the immediate and surrounding area. We reviewed economic and demographic trends for the market, taking into account the impact of both the existing competitive inventory, and proposed additions to the market. We also compiled and analyzed recent market sales. During our research and analysis, we concluded that the property's highest and best use is for office building development.

The subject property is an existing 16-story landmarked Class B office building originally built in 1913 and known as the New York Times Building located at 229 West 43rd Street. The property is located in the Times Square/West Side sub market between West 43rd and West 44th streets and Seventh and Eighth Avenues. The building entrance is on West 43rd Street. The property is identified by the New York City Assessor's office as Lot 12 in Block 1015.

Developed in 4-phases from 1913 to 1947, the building expanded with the growth of the New York Times Building. A different architect designed each phase: Mortimer Fox in 1913, Ludlow & Peabody in 1924, Albert Kahn in 1931, and Shreve, Lamb & Harmon in 1947. The property, known as the New York Times Building, had frontage on West 43rd Street when it was built in 1913. This annex building was expanded eastward and renovated in 1924 and 1931. The 44th Street building, which extended the building to the north and added the "L-shaped portion" of the current building, was built in 1947. The floors between the additions are seamlessly integrated with the original building. The building is distinguished by its stone façade, extension ornamentation, 3-floor cupola, large floor plates ranging from 50,000 to 62,000 rentable square feet on floors 2-11, and above-standard ceiling heights ranging from 13' 6" to 25' 10".

The property was acquired in November 2004 by Tishman Speyer Development, LLC from The New York Times Company for a purchase price of $175,000,000. Following the sale, the entire property was net leased by the New York Times Company through June 30, 2007. The annual net rent payments were $12,250,000 per annum. The New York Times Company has vacated the building and moved their operations to their new headquarters at 620 Eighth Avenue which was recently completed.

The property was acquired in July 2007 by Africa-Israel, U.S.A. from Tishman Speyer Development, LLC for a purchase price of $525,000,000. This was an "at arm's length" transaction. There have been no other sales of the property within the past three years to the best of our knowledge.

The owners of the property, Africa-Israel USA, began a complete gut renovation of the building in July 2007, and intend to lease the vacant office and retail space to large, long-term quality tenants. The construction budget to redevelop the subject property excluding tenant leasing costs totaled over $80 million, which is expected to be completed in the next several weeks. The remaining redevelopment costs total $9.1 million excluding tenant-leasing costs which has been deducted from the discounted cash flow analysis.

As of the effective date of this appraisal, the completed redevelopment has included demolition and installation of new mechanical equipment, elevators, electrical service and upgraded lobby and common areas. In addition, Africa-Israel, U.S.A. has renovated the loading bays along West 43rd Street and West 44th Street to accommodate retail use. The developers have demolished the interior of the building and installed new mechanical equipment, elevators and electrical service, and upgraded the lobby and common areas.

The office building contains 777,249 rentable square feet. The first 16 floors are tenantable while the top 3 floors are used for building mechanical systems. The square footage has been adjusted to take into account unleasable space containing less than 8-foot ceiling heights on the ground floor and lower level.

The developers have renovated the building at a Class A standard while paying close attention to the lobby, common corridors and bathrooms to ensure they are of the highest quality. Africa-Israel, U.S.A. intends to lease the vacant office and retail space. The building is currently being aggressively marketed to large corporate users. The retail and storage space is also being marketed to retail tenants, several which have provided offers.

The large windows and high ceilings provide abundant natural light and air, which accommodates open plan layouts ideal for the larger base floors. The smaller floors ranging from 9,700 to 16,000 rentable square feet at the top of the building benefits from above standard ceiling heights and views to the south, southeast, west and northwest. The location and large floor plates are considered suitable for relocation of back office functions. The lower floors are ideal for large space users but are divisible to allow for multi-tenanted floors, while the tower floors would cater to space users desiring unique space with full floor identity in the heart of Times Square. The street presence, size and ceiling heights on the ground floor and lower level provide for potential retail uses including restaurants, big-box and entertainment.

Based on our physical inspection and review of the development budget provided by Turner Construction Company, the reconstruction of the new building appears to be reasonable, which is expected to be completed in the next several weeks. It is the assumption of this appraisal that the renovation of the building has been completed in accordance with the development budget.

We believe that, upon a market-leasing scenario, the subject property would likely be leased to large office tenant spaces. The property is currently vacant and available for lease. We have assumed that the 777,249 square feet of available office and retail space will be leased over a 36-month absorption period from January 2009. This results in an absorption rate of 21,590± square feet per month or 64,771± square feet per quarter, which is in-line with comparable building absorption. The subject’s market rental rates are projected to range from $45 to $60 per square foot, averaging $50 per square foot. Consistent with the marketplace, the projected concession package will include tenant workletters of $50 per square foot and 12 months of free rent to lease the vacant space. The subject’s space is projected to be leased to large, long-term quality tenants. Overall, 229 West 43rd Street provides a good appearance relative to competing buildings within its submarket.

In mid 2007, the US residential housing market and sub prime mortgage market and related securities deteriorated substantially, negatively affecting mortgage markets in general and collapsing certain US residential housing securities markets. These events have weakened worldwide credit markets, altering the cost and availability of all types of real estate debt and creating wide spread illiquidity for securitized debt.

As of the second quarter of 2008, illiquidity in the capital markets remains resulting in large losses for many Wall Street securities firms, some of whom were forced to recapitalize their balance sheets by injecting equity capital from sovereign investment funds; merge with other financial institutions; or declare bankruptcy. The CMBS market continues to struggle to be operational.

The weakened credit market has created opportunities for commercial banks, insurance companies and other balance-sheet lenders who are now the primary source for financing commercial property transactions. The significantly reduced competition and dislocation in the debt markets has resulted in more conservative underwriting standards, lower loan-to-value ratios, higher debt coverage ratios, and a corresponding increase in the amount of equity needed to close a transaction in comparison to conditions prevalent prior to mid-2007.

The predominant buyer profile for office building transactions has changed to lower-leverage real estate equity funds (pension funds, hedge funds, REITS and foreign buyers). These investors have the ability to invest larger amounts of cash than their leveraged competitors but have higher required forecast returns on investment.

As a result of the flight to equity, office buildings are still trading throughout the US but at lower price levels. While transaction velocity is down from its peak in early 2007, the US office market has held up rather well based upon its sound fundamentals with evidence of good demand and restrained supply of space in most markets.

While the impact on value from the changing market conditions varies somewhat based on the specific market location, tenant profile, and quality of the asset, the available data and information suggests that US office buildings have experienced a decline in value in the range of 5% to 15% from their peak levels of early 2007. There have been considerably fewer transactions, particularly portfolio acquisitions. Leveraged buyers find it more difficult to underwrite acquisitions and have been remaining on the “sidelines”, resulting in fewer bidders on each sale. Each transaction requires more equity which by its nature increases the buyer’s cost and lowers value, assuming no lowering in equity yields.

The tighter debt markets have forced buyers to reassess their assumptions of future rent growth and expected rates of return, particularly for forecast resale at the end of their holding period. Exit capitalization rates have increased somewhat, typically from 50 to 100 basis points above prior peaks. More sober rent growth assumptions are the direct result of the struggling financial services industry nationwide and corresponding concerns of recession. Discount rates have also increased, with buyers generally looking to achieve about 50 to 100 basis points higher equity returns than they had expected in early 2007.

Financial turmoil is expected to continue as we delve deeper into the fourth quarter of 2008. The credit crunch that began to unfold in the U.S. last year has evolved into a global financial crisis. Many market observers equate this crisis as the greatest challenge facing the world’s economic health since the Great Depression. Its effects have already radically reshaped the financial sector, with the potential for more to come.

Initially confined to non-depository lenders and investment banks, turmoil has now breached even the largest money-center banks, resulting in dramatic selloff at equity exchanges across the globe. Institutions that are heavily exposed to mortgage backed securities, collateralized debt or credit shortfalls have been forced into the arms of better capitalized suitors, declared bankruptcy or been taken over by their respective governments.

These events are rooted in the subprime mortgage crisis, which began garnering attention in 2007. The crisis was sparked primarily by the perceived strength of the U.S. residential market, and exacerbated by lax regulations on elaborate structured finance and insurance instruments designed to earn profit and hedge against losses. In early 2008, U.S. banks began showing cracks in their financial structure as the flaws in these practices became more apparent. At this point, the companies affected were those directly involved in home construction and mortgage lending, but as the crisis emerged financial institutions that had engaged in the securitization of mortgages began to falter as well.

By the end of September 2008, an international crisis had emerged as more banks failed and global markets witnessed sharp reductions in stock and commodity values. In the following weeks, the crisis began affecting the general availability of credit to businesses and to larger financial institutions not directly connected with mortgage lending. In an attempt to avoid a world-wide financial freeze, staunch the public fear and unlock the credit markets, governments began their largest private sector interventions in history.

On October 3rd, 2008 congress approved the Bush Administration’s $700.0 billion Emergency Economic Stabilization Act of 2008 (EESA). The initial failure of the bill on September 29, 2008 ignited a massive sell-off, with equity index declines in excess of 5.0 percent around the world and the largest spike in LIBOR on record. Despite the passage of this critical legislation, the following days were marred by bad news, much of it focused on the roiling stock markets and credit freeze.

On October 8th, 2008 with unprecedented coordination, six central banks including the U.S. Federal Reserve and European Central Bank cut interest rates sharply. Despite this show of unity, global stock markets continued to fall. Between September 30th and October 10th, U.S. Stock Indices (DJIA, NASDAQ, S&P 500) had all declined greater than 20.0 percent, and as of October 10th, all were down more than 40.0 percent from their all-time highs set in October 2007.

On October 13th, 2008, after a weekend of meetings with global financial leaders, the U.S. and several European nations unveiled staggering multi-billion dollar rescue plans in which governments would directly recapitalize banks in exchange for preferred or common stock. U.S. stock markets appeared to respond favorably to these actions, with all U.S. Indices showing significant gains for the day. The Asian and European markets also recovered, showing solid gains. Despite the October 13th advance, the days following showed continued volatility, and a declining trend.

Although the measures being taken by the government to reinvigorate the financial markets are certainly robust, it remains to be seen how these new policies will actually play out in the long run. Many economists, as well as investors, still have reservations regarding how much and to what extent governments should be involved in private industry. Nevertheless, the global attention and cooperation occurring is unprecedented, and many believe this will help avoid a severe recession or depression.

One fundamental fact that supports current real estate values in Manhattan is replacement cost. Costs continue to increase at unprecedented levels. According to market research data, costs have risen between 25 and 30 percent over the past three years globally. Combined with the difficulty identifying and assembling sites for new development results in the classification of Manhattan as a high “barrier to entry” market. This is not expected to change in the near term.

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

MARKET VALUE AS IS

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the market value of the **fee simple estate** of the referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, “As-Is” on December 31, 2008, was:

THREE HUNDRED FIFTEEN MILLION DOLLARS

$315,000,000

PROSPECTIVE VALUE UPON ACHIEVING STABILIZED OCCUPANCY

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the prospective value "Upon Achieving Stabilized Occupancy" of the **fee simple estate** of the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, on December 31, 2012, will be:

FIVE HUNDRED MILLION DOLLARS

$500,000,000

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

EXTRAORDINARY ASSUMPTIONS

The subject property consists of a vacant 16-story office building that was previously the corporate headquarters of The New York Times Company. In June 2007, The New York Times Company vacated the building and moved their operations to their new headquarters at 620 Eighth Avenue which was recently constructed. The owners of the property, Africa-Israel USA, began a complete gut renovation of the building in July 2007, and intend to lease the vacant office and retail space to large, long-term quality tenants.

Based on our physical inspection and review of the development budget provided by Turner Construction Company, the reconstruction of the building appears to be reasonable, which is expected to be completed in the next several weeks. It is the assumption of this appraisal that the renovation of the building has been completed in accordance with the development budget. The construction budget to redevelop the subject property excluding tenant leasing costs totaled over $80 million, which is expected to be completed in the next several weeks. The remaining redevelopment costs total $9.1 million excluding tenant-leasing costs.

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions. For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD, INC.

Douglas H. Larson
Director
New York Certified General Appraiser
License No. 46000039300
douglas_h_larson@cushwake.com
(212) 841-5051 Office Direct
(212) 841-7849 Fax

Naoum M. Papagianopoulos
Associate Director
New York Certified General Appraiser
License No. 46000048506
michael.papagianopoulos@cushwake.com
(212) 841-7694 Office Direct
(212) 841-5026 Fax

Matthew C. Mondanile, MAI
Senior Managing Director/Area Leader
New York Certified General Appraiser
License No. 46000004614
matthew_mondanile@cushwake.com
(212) 841-7680 Office Direct
(212) 841-7849 Fax

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits, and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.

- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Matthew C. Mondanile, MAI, Douglas H. Larson and Naoum M. Papagianopoulos made a personal inspection of the property that is the subject of this report.
- As of the date of this report, Matthew C. Mondanile, MAI has completed the continuing education program of the Appraisal Institute.

- Our analyses, opinions, or conclusions were developed and this report has been prepared in conformity with the requirements of the State of New York for State-certified appraisers.

Douglas H. Larson
Director
New York Certified General Appraiser
License No. 46000039300
douglas_h_larson@cushwake.com
(212) 841-5051 Office Direct
(212) 841-7849 Fax

Naoum M. Papagianopoulos
Associate Director
New York Certified General Appraiser
License No. 46000048506
michael.papagianopoulos@cushwake.com
(212) 841-7694 Office Direct
(212) 841-5026 Fax

Matthew C. Mondanile, MAI
Senior Managing Director/Area Leader
New York Certified General Appraiser
License No. 46000004614
matthew_mondanile@cushwake.com
(212) 841-7680 Office Direct
(212) 841-7849 Fax

GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fourth Edition (2002), published by the Appraisal Institute, as well as other sources.

CASH EQUIVALENCE

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts. Calculating the cash-equivalent price requires an appraiser to compare transactions involving atypical financing to transactions involving comparable properties financed at typical market terms.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

HYPOTHETICAL CONDITIONS

A hypothetical condition is "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

MARKETING TIME

Marketing time is an opinion of the time that might be required to sell a real property interest at the appraised value. Marketing time is presumed to start on the effective date of the appraisal. (Marketing time is subsequent to the effective date of the appraisal and exposure time is presumed to precede the effective date of the appraisal). The opinion of marketing time uses some of the same data analyzed in the process of estimating reasonable exposure time and it is not intended to be a prediction of a date of sale."

LEASED FEE INTEREST

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

- Lessee and lessor are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
- The rental amount represents the normal consideration for the property lease unaffected by special fees or concessions granted by anyone associated with the transaction.

MARKET VALUE

Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America follows, taken from Advisory Opinion-22 of *USPAP* of The Appraisal Foundation:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

VALUE AS IS

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal. It relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

ADDENDA CONTENTS

ADDENDUM A: DISCOUNTED CASH FLOW ANALYSIS
ADDENDUM B: DISCOUNTED CASH FLOW ASSUMPTIONS
ADDENDUM C: COMPARABLE IMPROVED SALES
ADDENDUM D: INVESTMENT CONSIDERATIONS
ADDENDUM E: APPRAISER'S CERTIFICATIONS
ADDENDUM F: QUALIFICATION OF THE APPRAISERS

ADDENDUM A:
DISCOUNTED CASH FLOW ANALYSIS

229 West 43rd Street

Between Seventh and Eighth Avenues
New York City

Discounted Cash Flow Analysis
Market Value "As Is" on December 31, 2008

FISCAL YEAR		NET CASH FLOW		DISCOUNT FACTOR @ 8.00%			PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	$	(27,719,187)	X	0.925926	=	$	(25,665,914)	-8.09%	-8.74%
Two	$	(27,575,430)	X	0.857339	=	$	(23,641,487)	-7.46%	-8.70%
Three	$	(14,222,797)	X	0.793832	=	$	(11,290,515)	-3.56%	-4.49%
Four	$	3,755,910	X	0.735030	=	$	2,760,706	0.87%	1.18%
Five	$	33,086,397	X	0.680583	=	$	22,518,046	7.10%	10.43%
Six	$	33,006,420	X	0.630170	=	$	20,799,643	6.56%	10.41%
Seven	$	34,918,100	X	0.583490	=	$	20,374,376	6.43%	11.01%
Eight	$	36,163,162	X	0.540269	=	$	19,537,831	6.16%	11.41%
Nine	$	37,452,933	X	0.500249	=	$	18,735,791	5.91%	11.81%
Ten	$	37,183,214	X	0.463193	=	$	17,223,023	5.43%	11.73%
Eleven	$	37,001,465	X	0.428883	=	$	15,869,294	5.00%	11.67%
Twelve	$	39,008,543	X	0.397114	=	$	15,490,829	4.89%	12.30%
Thirteen	$	40,280,369	X	0.367698	=	$	14,811,008	4.67%	12.70%
Fourteen	$	41,686,473	X	0.340461	=	$	14,192,620	4.48%	13.15%
Total Present Value of Cash Flows						$	121,715,252	38.39%	4.61% Average
Reversion:									
Fifteen	$	41,841,010	*(1)* /	7.00%	=	$	597,728,714		
	Less: Cost of Sale @			4.00%		$	23,909,149		
	Less: T.I and Comm.					$	-		
	Net Reversion					$	573,819,566		
	X Discount Factor						0.340461		
Total Present Value of Reversion						$	195,363,207	61.61%	
Total Present Value						$	317,078,459	100.00%	
			ROUNDED:			**$**	**315,000,000**		

Net Rentable Area (SF):	777,249
Per Square Foot of Net Rentable Area:	$405.28
Implicit Going-in Capitalization Rate:	
Year One NOI (12 Months)	($16,372,187)
Going-In Cap Rate	-5.20%
Compounded Annual Growth Rate Concluded to Reversion:	5.05%
Compounded Annual Growth Rate Net cash Flow:	n/a

Note: (1) Net Operating Income

229 West 43rd Street

Between Seventh and Eighth Avenues
New York City

Discounted Cash Flow Analysis
Prospective Value on December 31, 2012 "Upon Achieving Stabilized Occupancy"

FISCAL YEAR		NET CASH FLOW		DISCOUNT FACTOR @ 8.00%			PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	$	33,086,397	X	0.925926	=	$	30,635,553	6.01%	6.49%
Two	$	33,006,420	X	0.857339	=	$	28,297,685	5.55%	6.47%
Three	$	34,918,100	X	0.793832	=	$	27,719,114	5.43%	6.85%
Four	$	36,163,162	X	0.735030	=	$	26,581,004	5.21%	7.09%
Five	$	37,452,933	X	0.680583	=	$	25,489,837	5.00%	7.34%
Six	$	37,183,214	X	0.630170	=	$	23,431,732	4.59%	7.29%
Seven	$	37,001,465	X	0.583490	=	$	21,589,999	4.23%	7.25%
Eight	$	39,008,543	X	0.540269	=	$	21,075,102	4.13%	7.65%
Nine	$	40,280,369	X	0.500249	=	$	20,150,213	3.95%	7.90%
Ten	$	41,686,473	X	0.463193	=	$	19,308,903	3.79%	8.17%
Total Present Value of Cash Flows						$	244,279,141	47.89%	7.25% Average
Reversion:									
Eleven	$	41,841,010	*(1)* /	7.00%	=	$	597,728,714		
	Less: Cost of Sale @			4.00%		$	23,909,149		
	Less: T.I and Comm.					$	-		
	Net Reversion					$	573,819,566		
	X Discount Factor						0.463193		
Total Present Value of Reversion						$	265,789,486	52.11%	
Total Present Value						$	510,068,628	100.00%	
			ROUNDED:			**$**	**500,000,000**		

Net Rentable Area (SF):	777,249
Per Square Foot of Net Rentable Area:	$643.29
Implicit Going-in Capitalization Rate:	
Year One NOI (12 Months)	$33,348,837
Going-In Cap Rate	6.67%
Compounded Annual Growth Rate Concluded to Reversion:	1.80%
Compounded Annual Growth Rate Net cash Flow:	2.34%

Note: (1) Net Operating Income

229 West 43rd Street
Market Value "As Is" on December 31, 2008
Cash Flow Analysis

	YEAR 1 CY 2009	YEAR 2 CY 2010	YEAR 3 CY 2011	YEAR 4 CY 2012	YEAR 5 CY 2013	YEAR 6 CY 2014	YEAR 7 CY 2015	YEAR 8 CY 2016	YEAR 9 CY 2017	YEAR 10 CY 2018	YEAR 11 CY 2019	YEAR 12 CY 2020	YEAR 13 CY 2021	YEAR 14 CY 2022	YEAR 15 CY 2023
POTENTIAL GROSS INCOME															
Base Rental Revenue	$893,328	$22,371,406	$37,031,213	$52,625,207	$52,625,205	$52,714,538	$54,862,345	$56,328,328	$57,887,725	$57,887,725	$57,985,991	$60,348,577	$61,961,156	$63,676,497	$63,676,497
Base Rent Abatements	($893,328)	($12,278,500)	($13,610,954)	($15,593,994)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BASE RENTAL INCOME	$0	$10,092,906	$23,420,259	$37,031,213	$52,625,205	$52,714,538	$54,862,345	$56,328,328	$57,887,725	$57,887,725	$57,985,991	$60,348,577	$61,961,156	$63,676,497	$63,676,497
Real Estate Taxes	$0	$11,665	$109,983	$278,452	$501,612	$732,236	$970,567	$1,216,838	$1,853,013	$2,886,979	$3,945,038	$5,027,683	$6,135,435	$6,867,628	$6,987,267
Operating Expenses	$0	$0	$97,049	$285,964	$545,587	$812,993	$1,088,434	$1,372,125	$1,664,329	$1,965,299	$2,275,304	$2,594,605	$2,923,488	$3,262,230	$3,611,146
Total Reimbursement Revenue	$0	$11,665	$207,032	$564,416	$1,047,199	$1,545,229	$2,059,001	$2,588,963	$3,517,342	$4,852,278	$6,220,342	$7,622,288	$9,058,923	$10,129,858	$10,598,413
Add: Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
POTENTIAL GROSS INCOME	$0	$10,104,571	$23,627,291	$37,595,629	$53,672,404	$54,259,767	$56,921,346	$58,917,291	$61,405,067	$62,740,003	$64,206,333	$67,970,865	$71,020,079	$73,806,355	$74,274,910
Less: Vacancy & Collection Loss	$0	($303,137)	($708,819)	($1,127,869)	($1,610,172)	($1,627,793)	($1,707,640)	($1,767,519)	($1,842,152)	($1,882,200)	($1,926,190)	($2,039,126)	($2,130,602)	($2,214,191)	($2,228,247)
EFFECTIVE GROSS INCOME	$0	$9,801,434	$22,918,472	$36,467,760	$52,062,232	$52,631,974	$55,213,706	$57,149,772	$59,562,915	$60,857,803	$62,280,143	$65,931,739	$68,889,477	$71,592,164	$72,046,663
OPERATING EXPENSES															
Real Estate Taxes	$4,713,450	$4,894,093	$5,118,887	$5,351,240	$5,591,387	$5,839,571	$6,096,043	$6,361,062	$7,045,666	$8,158,345	$9,296,947	$10,462,012	$11,654,090	$12,442,020	$12,570,769
Operating Expenses	$11,658,737	$12,008,496	$12,368,752	$12,739,813	$13,122,008	$13,515,670	$13,921,140	$14,338,773	$14,768,937	$15,212,004	$15,668,364	$16,138,416	$16,622,567	$17,121,246	$17,634,884
TOTAL OPERATING EXPENSES	$16,372,187	$16,902,589	$17,487,639	$18,091,053	$18,713,395	$19,355,241	$20,017,183	$20,699,835	$21,814,603	$23,370,349	$24,965,311	$26,600,428	$28,276,657	$29,563,266	$30,205,653
NET OPERATING INCOME	($16,372,187)	($7,101,155)	$5,430,833	$18,376,707	$33,348,837	$33,276,733	$35,196,523	$36,449,937	$37,748,312	$37,487,454	$37,314,832	$39,331,311	$40,612,820	$42,028,898	$41,841,010
Per Square Foot	*($21.06)*	*($9.14)*	*$6.99*	*$23.64*	*$42.91*	*$42.81*	*$45.28*	*$46.90*	*$48.57*	*$48.23*	*$48.01*	*$50.60*	*$52.25*	*$54.07*	*$53.83*
LEASING & CAPITAL COSTS															
Tenant Improvements	$0	$6,480,915	$11,861,075	$8,671,718	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Leasing Commissions	$2,007,307	$13,753,190	$7,545,180	$5,694,283	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Renovation Costs	$9,106,518	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$233,175	$240,170	$247,375	$254,796	$262,440	$270,313	$278,423	$286,775	$295,379	$304,240	$313,367	$322,768	$332,451	$342,425	$352,698
TOTAL LEASING & CAPITAL COSTS	$11,347,000	$20,474,275	$19,653,630	$14,620,797	$262,440	$270,313	$278,423	$286,775	$295,379	$304,240	$313,367	$322,768	$332,451	$342,425	$352,698
TOTAL CASH FLOW	($27,719,187)	($27,575,430)	($14,222,797)	$3,755,910	$33,086,397	$33,006,420	$34,918,100	$36,163,162	$37,452,933	$37,183,214	$37,001,465	$39,008,543	$40,280,369	$41,686,473	$41,488,312
Annual Overall Capitalization Rate	*-5.20%*	*-2.25%*	*1.72%*	*5.83%*	*10.59%*	*10.56%*	*11.17%*	*11.57%*	*11.98%*	*11.90%*	*11.85%*	*12.49%*	*12.89%*	*13.34%*	
Annual Cash on Cash Return	*-8.80%*	*-8.75%*	*-4.52%*	*1.19%*	*10.50%*	*10.48%*	*11.09%*	*11.48%*	*11.89%*	*11.80%*	*11.75%*	*12.38%*	*12.79%*	*13.23%*	

PROPERTY VALUATION MATRIX AND CASH FLOW SUMMARY ($000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Net Cash Flow	**($27,719)**	**($27,575)**	**($14,223)**	**$3,756**	**$33,086**	**$33,006**	**$34,918**	**$36,163**	**$37,453**	**$37,183**	**$37,001**	**$39,009**	**$40,280**	**$41,686**
Residual Value	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**573,820**
Total Cash Flow Proceeds	**($27,719)**	**($27,575)**	**($14,223)**	**$3,756**	**$33,086**	**$33,006**	**$34,918**	**$36,163**	**$37,453**	**$37,183**	**$37,001**	**$39,009**	**$40,280**	**$615,506**

PRICING MATRIX - Sale/Yield Matrix (000's)

IRR	Terminal Cap Rate 6.00%	6.50%	7.00%	7.50%	8.00%
7.00%	$396,322 ($510)	$376,351 ($484)	$359,232 ($462)	$344,397 ($443)	$331,415 ($426)
7.50%	$372,228 ($479)	$353,518 ($455)	$337,482 ($434)	$323,583 ($416)	$311,422 ($401)
8.00%	$349,639 ($450)	$332,106 ($427)	$317,078 ($408)	$304,054 ($391)	$292,658 ($377)
8.50%	$328,454 ($423)	$312,019 ($401)	$297,932 ($383)	$285,724 ($368)	$275,041 ($354)
9.00%	$308,578 ($397)	$293,168 ($377)	$279,959 ($360)	$268,511 ($345)	$258,495 ($333)

VALUATION ASSUMPTIONS	
Discount Rate:	8.00%
Terminal Cap Rate:	7.00%
Cost of Sale at Reversion	4.00%
Square Footage NRA (sf)	777,249
Holding Period	14 Years
Value of Cash Flow	121,715,252
Value of Reversion	195,363,207
ESTIMATED MARKET VALUE	$315,000,000
Per Square Foot	$405.28

ADDENDUM B:
DISCOUNTED CASH FLOW ASSUMPTIONS

Discounted Cash Flow Assumptions

Projection Period:	15 years	
Holding Period:	14 years	
Start Dates:	January 1, 2009 “As Is”	
	January 1, 2013 “Upon Stabilized Occupancy”	
Market Rental Rate- Office (2009):	Space	Rent
	Floors 5-9	$62.00/sf
	Floors 10-16	$64.00/sf
Market Rental Rate-Retail (2009):	Space	Rent
	Floors 3-4	$65.00/sf
	Floor 2	$72.00/sf
	Ground Floor	$200.00/sf
	Mezzanine	$50.00/sf
	Basement	$40.00/sf
Market Rental Rate-Storage (2009):	Space	Rent
	Sub-Basement	$30.00/sf
Rent Increase Profile:	For 15-year leases, 60-month step-ups of 10% are assumed.	
Growth in Market Rental Rate-Office:	Zero (2009-2011) and 3.00% (thereafter)	
Growth in Market Rental Rate-Retail:	3.00%	
Growth in Market Rental Rate-Storage:	3.00%	
Expense and Tax Pass Throughs:	Gross leases – tenant pays pro-rata share of real estate taxes and operating cost increases over a lease base year.	
Expense Growth Rate:	3.00%	
Consumer Price Index:	3.00%	
Free Rent – New Leases		
Office Tenants:	12 months	
Retail Tenants:	6 months	
Storage Tenants:	6 months	
Free Rent – Renewing Leases		
Office Tenants:	6 months	
Retail Tenants:	3 months	
Storage Tenants:	3 months	
Typical Lease Term		
Office Tenants:	15 years	
Retail Tenants:	15 years	
Storage Tenants:	15 years	
Renewal Probability:	65%	

Discounted Cash Flow Assumptions

Tenant Improvement – New Leases	
Office Tenants:	$50.00 per square foot
Retail Tenants:	None
Storage Tenants:	None
Tenant Improvement – Renewing Leases	
Office Tenants:	$25.00 per square foot
Retail Tenants:	None
Storage Tenants:	None
Leasing Commissions With Override	
15-Year Lease:	52.50% of first year's base rent including override (paid in year one per market standard)
Vacancy Between Tenants:	8 months
Vacancy and Credit Loss:	3.00%
Terminal Capitalization Rate:	7.00% (applied to reversion year net operating income)
Transaction Costs in Reversion Sale:	4.00% (includes brokerage, legal fees and estimated transfer taxes)
Discount Rate:	8.00%
Market Value "As Is":	$315,000,000
Market Value "Upon Stabilized Occupancy":	$500,000,000

ADDENDUM C:
COMPARABLE IMPROVED SALES

COMPARABLE CLASS A OFFICE BUILDING SALES
Manhattan

SUMMARY OF IMPROVED SALES

	Physical Data						Sale Data			Financial Data					
No.	**Property Name / Location**	**Land Area (SF)**	**Net Rentable Area (SF)**	**Year Built**	**Floor Sizes**	**No. Stories**	**Sale Date**	**Grantor/ Grantee**	**Price**	**Price/NRA**	**NOI/SF**	**OAR**	**Occupancy at Sale**	**EGIM**	**Financing**
1	**1540 Broadway** btw. 45th & 46th Streets Midtown Manhattan	38,686	907,294	1990	18,368 27,940	44	Dec-08 **Contract**	Deutsche Bank / CBRE Investors	$370,000,000 **Condominium**	$407.81	$25.42	6.23%	78%	8.10	Cash
	Comments:	This is the sale of a modern Class A mixed-use office property containing retail, restaurant, theatre and garage condominium space. The office unit consists of 906,028 square feet on the 8th through 44th floors. The retail, restaurant, theatre and garage condominiums, located on the first six floors leased to Virgin Records, Planet Hollywood and other retail tenants are owned separately by Vornado Realty Trust, which are not part of the sale. The property is leased to several thirteen office tenants. The largest tenants are Viacom International, Pillsbury Winthrop and Duane Morris. The property's office rents average $60.64 per square foot. Only 22 percent of the property's leases expire within the next ten calendar years. There is 199,685± square feet of vacant office space in the building. The office condominium previously sold from Paramount Group to Equity Office Properties in July 2006 for $560 million. The current overall capitalization rate is 6.23 percent. This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.													
2	**745 Seventh Avenue** btw. 49th & 50th Streets Midtown Manhattan	62,478	1,065,898	2001	18,500 60,600	32	Sep-08	Lehman Brothers / Barclays Capital	$960,000,000 **Leasehold**	$900.65	N/A	N/A	0%	N/A	Cash
	Comments:	Sale of a Class A office building that was the former headquarters of Lehman Brothers prior to their filing for Chapter 11 bankruptcy on September 16, 2008. The sale of the building out of bankruptcy court was the biggest part of the $1.75 billion deal Barclays made to buy Lehman's U.S. based investment banking, fixed income and equity trading and research operations. Lehman Brothers had a ground lease position in the building, which it acquired along with the tower for $745 million from Morgan Stanley in 2001. 745 Seventh Avenue is encumbered by a ground lease that expires November 30, 2097. The fee position of the ground lease is owned by Rockefeller Group. The ground lease is subject to early termination effective January 1, 2032, so that the leased fee and leasehold positions in the ground lease are merged and each party retains a 50 percent interest in the property, subject to the Joint Venture agreement with Rockefeller Group.													
3	**Tower 56** 126 East 56th Street Midtown Manhattan	6,025	185,414	1981	4,202 7,800	33	Sep-08	Deutsche Bank / Transwestern Investment Company	$158,000,000	$852.15	$29.90	3.51%	93%	15.44	Cash
	Comments:	Sale of a Class A "boutique" office building located on the south side of East 56th Street between Park and Lexington Avenues in the Plaza office submarket of Midtown Manhattan. The property is leased to several small to mid sized office tenants. The largest tenants are Bruckmann Rosser (8,842± square feet), Behrman Brothers Management (8,502± square feet) and James D Robinson (8,280± square feet). The property's office rents average $67.66 per square foot. All of the property's leases expire within the next eleven calendar years, with the majority of the lease expirations occurring in 2008 through 2012. The year one overall capitalization rate is 3.51 percent and increases to 6.05 percent by year three of the holding period. This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.													

COMPARABLE CLASS A OFFICE BUILDING SALES
Manhattan

SUMMARY OF IMPROVED SALES (CONTINUED)

	Physical Data						Sale Data			Financial Data					
No.	Property Name Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	Floor Sizes	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale	EGIM	Financing
4	**527 Madison Avenue** s/e/c East 54th Street Midtown Manhattan	11,650	241,272	1986	6,449 13,301	26	Aug-08	Deutsche Bank / Mitsui Fudosan	$225,000,000	$932.56	$44.60	4.78%	97%	14.22	Cash
5	**405 Lexington Avenue** btw. 42nd & 43rd Streets Midtown Manhattan	49,569	1,290,777	1930/1999	4,000 43,000	71	Jul-08	Tishman Speyer Properties / Abu Dhabi Investment Council	$852,100,000 **Leasehold**	$660.15	$28.05	4.25%	98%	10.84	Cash
6	**1301 Sixth Avenue** btw. 52nd & 53rd Streets Midtown Manhattan	75,359	1,793,341	1963	6,875 68,537	45	Jun-08	Deutsche Bank / Paramount Group Inc.	$1,450,000,000	$808.55	$36.11	4.47%	99%	12.28	Cash

No. 4 – Comments:

Sale of a Class A "boutique" office building located on Madison Avenue. The property is leased to twelve office tenants. The largest tenants are Sumitomo Trust and Bank (50,153± square feet); Sanders Morris Harris (46,807± square feet); WP Stewart and Company (33,171± square feet); and Saudi Petroleum (13,599± square feet). In addition, there is one retail tenant, Talbots, who leases space on the ground floor (4,605± square feet) and basement (3,905± square feet). The property's office rents average $71.69 per square foot. The retail rent is $343.00 per square foot for the ground floor. All of the property's leases expire within the next ten calendar years, with the majority of the lease expirations occurring in years six through ten. The year one overall capitalization rate is 4.78 percent and increases to 5.45 percent by year two of the holding period.

This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.

No. 5 – Comments:

Sale of a Class A office building known as The Chrysler Building, an Art Deco office tower with retail space on the ground floor and an arcade level. The building, designated as a New York City and National Historic Landmark, was redeveloped in 2001 by Philip Johnson. The property includes the Trylons, a 4-story retail building containing 28,428 square feet located adjacent to the Chrysler Building on 42nd Street between Third and Lexington Avenues, which is leased to Capital Grille and Citibank, N.A. under long term leases. Abu Dhabi Investment Council is buying 90 percent interest of a Tishman Speyer Properties affiliate. The purchase price is based on an agreed amount of $852,100,000, which reflects 100 percent interest in the property.

405 Lexington Avenue is subject to a long-term ground lease from The Cooper Union for the Advancement of Science and Art that expires in December 2147. The annual ground rent payments are $7 million with subsequent increases. The Trylons is owned in fee. 405 Lexington Avenue is leased to several office tenants, the largest which include Troutman Sanders (139,452± square feet), Blank Rome (89,692± square feet) and Moses Singer (88,622± square feet). The property's office rents average $54.21 per square foot. The Trylons retail rents average $57.77 per square foot. Over 30 percent of the property's leases expire within the next five years. The year one overall capitalization rate is 4.25 percent and increases to 6.29 percent by year five of the holding period.

No. 6 – Comments:

Sale of a Class A office building located along the Sixth Avenue submarket. The property is leased to eight office tenants that include Dewey Ballantine (387,823± square feet), Calyon (359,100± square feet), Lehman Brothers (302,441± square feet), Pricewaterhouse Coopers (217,352± square feet), Wasserstein Perella (160,200± square feet), Siemens (122,200± square feet), Wilson Sonsini (47,677± square feet) and Oaktree Capital (29,100± square feet). The property's office rents average $53.18 per square foot. The retail rents average $39.59 per square foot for the ground floor, concourse and sub-concourse. Approximately 60 percent of the property's leases expire within the next ten calendar years. The year one overall capitalization rate is 4.47 percent and increases to 5.30 percent by year four of the holding period.

This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.

COMPARABLE CLASS A OFFICE BUILDING SALES
Manhattan

SUMMARY OF IMPROVED SALES (CONTINUED)

	Physical Data						Sale Data			Financial Data					
No.	Property Name Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	Floor Sizes	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale	EGIM	Financing
7	**Park Avenue Tower** 65 East 55th Street Midtown Manhattan	26,398	599,968	1986	12,129 20,693	36	Jun-08	Deutsche Bank / Shorenstein Properties	$675,000,000 **Allocated**	$1,125.06	$46.28	4.11%	99%	14.60	Cash
	Comments:	Sale of a Class A office building located on the north side of East 55th Street throughblock to East 56th Street between Park and Madison Avenues in the Park Avenue submarket. The largest tenant is Paul, Hastings, Janofsky & Walker LLP (238,369± square feet) which lease expires in 2016. The property's office rents average $69.27 per square foot. Almost all of the property's leases expire within the next ten calendar years. Shorenstein Properties purchased 93.41 percent interest in the property as a package with 850 Third Avenue. Developer George Klein still retains 6.59 percent interest in both buildings. The purchase price for both buildings was based on an agreed amount of $1.0 billion, which reflected 100 percent interest in the property. The year one overall capitalization rate is 4.11 percent and increases to 5.00 percent by year six of the holding period. This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.													
8	**850 Third Avenue** btw. 51st & 52nd Streets Midtown Manhattan	31,625	574,324	1962	11,737 37,718	21	Jun-08	Deutsche Bank / Shorenstein Properties	$325,000,000 **Allocated**	$565.88	$28.31	5.00%	92%	11.09	Cash
	Comments:	Sale of a Class A office building along the Third Avenue corridor. The largest tenant is Discovery Communications (131,854± square feet) located on the 5th through 8th floors and 10th floor. The property's office rents average $43.33 per square foot. The retail rents average $133.65 per square foot. Approximately 70 percent of the property's leases expire within the next ten calendar years. Shorenstein Properties purchased 93.41 percent interest in the property as a package with Park Avenue Tower. Developer George Klein still retains 6.59 percent interest in both buildings. The purchase price for both buildings was based on an agreed amount of $1.0 billion, which reflected 100 percent interest in the property. The year one overall capitalization rate is 5.00 percent and increases to 6.61 percent by year three of the holding period. This is part of the sale to Macklowe Properties, who also acquired seven of the Manhattan office properties that were part of the Blackstone Group acquisition of the Equity Office REIT assets on February 8, 2007. The properties included Worldwide Plaza, 527 Madison Avenue, 850 Third Avenue, 1540 Broadway, Park Avenue Tower, Tower 56 and 1301 Avenue of the Americas. The combined purchase price was $6.6 billion. In February 2008, Macklowe Properties reached an agreement to turn over effective control of seven Manhattan office buildings to Deutsche Bank, who had provided financing for the February 8, 2007 acquisition of the properties. It is our understanding that the agreement provided Macklowe Properties an extension of the loan due February 9, 2008, although Deutsche Bank gained control over the properties so they could be marketed and sold. Macklowe Properties retained title in order to avoid triggering New York City transfer taxes and managed the seven buildings.													
9	**767 Fifth Avenue** btw. 58th & 59th Streets Midtown Manhattan	84,070	2,017,586	1968	30,578 36,126	50	May-08	Macklowe Organization / Boston Properties & Zuckerman	$2,800,000,000 **Allocated**	$1,387.80	$60.07	4.33%	100%	14.40	Cash
	Comments:	Sale of a trophy Class A office, known as the General Motors Building, which is considered in the marketplace to be one of the best buildings in Manhattan due to its construction quality and Central Park South location which provides some the best views in the City of Central Park. The property is in excellent condition. The building is anchored by Weil, Gotshal & Manges LLP and Estee Lauder. FAO Schwarz occupies a large retail block. The building was originally purchased by Macklowe Properties from Conseco Properties in September 2003 for $1.4 billion. Macklowe Properties sold 40 percent minority interest to Jamestown Corporation in December 2004 at a purchase price based on an agreed amount of $1.7 billion, which reflected 100 percent interest in the property. In October 2006, Macklowe Properties bought back the 40 percent minority interest from Jamestown Properties at a purchase price based on an agreed amount of $2.950 billion, which reflected 100 percent interest in the property. The first year overall capitalization rate is 4.33 percent. This is part of the sale of four multi-tenanted Class A office buildings from Macklowe Properties to Boston Properties and Mort Zuckerman. The four buildings include the GM Building-767 Fifth Avenue; Two Grand Central Tower-140 East 45th Street; 540 Madison Avenue; and 125 East 55th Street. The portfolio totals 3,486,496 rentable square feet including both offices, retail and storage space. Macklowe Properties, who was in default on some of the $7 billion he borrowed to buy seven Manhattan skyscrapers in February 2007, sold the buildings to pay off his $1.4 billion debt to Fortress, his equity investor. The total purchase price was reported at $3.949 billion which is equivalent to $1,133 per square foot. The weighted average first year overall capitalization rate for the four office buildings is 4.37 percent.													

SUMMARY OF IMPROVED SALES (CONTINUED)

	Physical Data						Sale Data			Financial Data					
No.	Property Name Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	Floor Sizes	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale	EGIM	Financing
10	**2 Grand Central Tower** btw. Lexington & Third Avenues Midtown Manhattan	17,575	634,204	1983	14,400 15,630	11	May-08	Macklowe Organization / Boston Properties & Zuckerman	$427,900,000 **Allocated**	$674.70	$32.57	4.83%	100%	12.15	Cash
	Comments:	Sale of a Class A office located at 140 East 45th Street on the south side of East 45th Street through block to East 44th Street between Lexington and Third Avenues. The building was constructed in 1983 by the Macklowe Organization. The property was leased up in 2004-2005 following JP Morgan Chase vacating the building. The first year overall capitalization rate is 4.83 percent. This is part of the sale of four multi-tenanted Class A office buildings from Macklowe Properties to Boston Properties and Mort Zuckerman. The four buildings include the GM Building-767 Fifth Avenue; Two Grand Central Tower-140 East 45th Street; 540 Madison Avenue; and 125 East 55th Street. The portfolio totals 3,486,496 rentable square feet including both offices, retail and storage space. Macklowe Properties, who was in default on some of the $7 billion he borrowed to buy seven Manhattan skyscrapers in February 2007, sold the buildings to pay off his $1.4 billion debt to Fortress, his equity investor. The total purchase price was reported at $3.949 billion which is equivalent to $1,133 per square foot. The weighted average first year overall capitalization rate for the four office buildings is 4.37 percent.													
11	**540 Madison Avenue** s/w/c East 55th Street Midtown Manhattan	12,602	282,360	1971	4,000 10,350	37	May-08	Macklowe Organization / Boston Properties & Zuckerman	$277,100,000 **Allocated**	$981.37	$50.04	5.10%	96%	12.36	Cash
	Comments:	Sale of a well located Class A office building on Madison Avenue. The majority of the office space in the building is leased to tenants that lease smaller units of space. The ground floor is leased to Wachovia Bank. The first year overall capitalization rate is 5.10 percent. This is part of the sale of four multi-tenanted Class A office buildings from Macklowe Properties to Boston Properties and Mort Zuckerman. The four buildings include the GM Building-767 Fifth Avenue; Two Grand Central Tower-140 East 45th Street; 540 Madison Avenue; and 125 East 55th Street. The portfolio totals 3,486,496 rentable square feet including both offices, retail and storage space. Macklowe Properties, who was in default on some of the $7 billion he borrowed to buy seven Manhattan skyscrapers in February 2007, sold the buildings to pay off his $1.4 billion debt to Fortress, his equity investor. The total purchase price was reported at $3.949 billion which is equivalent to $1,133 per square foot. The weighted average first year overall capitalization rate for the four office buildings is 4.37 percent.													
12	**125 West 55th Street** btw. Sixth & Seventh Avenues Midtown Manhattan	29,221	552,346	1989	23,000 28,732	23	May-08	Macklowe Organization / Boston Properties & Zuckerman	$444,000,000 **Allocated**	$803.84	$35.15	4.37%	100%	12.52	Cash
	Comments:	Sale of a modern Class A multi-tenant office building located on the north side of West 55th Street throughblock to West 56th Street between Avenue of the Americas and Seventh Avenue in the Plaza office submarket. The building was constructed in 1989 by the Macklowe Organization. The largest tenants are LeBoeuf, Lamb, Greene & MacRae LLP, Katz Communications and Macquarie Bank Ltd. who lease nearly 90 percent of the property's total rentable area. The first year overall capitalization rate is 4.37 percent. This is part of the sale of four multi-tenanted Class A office buildings from Macklowe Properties to Boston Properties and Mort Zuckerman. The four buildings include the GM Building-767 Fifth Avenue; Two Grand Central Tower-140 East 45th Street; 540 Madison Avenue; and 125 East 55th Street. The portfolio totals 3,486,496 rentable square feet including both offices, retail and storage space. Macklowe Properties, who was in default on some of the $7 billion he borrowed to buy seven Manhattan skyscrapers in February 2007, sold the buildings to pay off his $1.4 billion debt to Fortress, his equity investor. The total purchase price was reported at $3.949 billion which is equivalent to $1,133 per square foot. The weighted average first year overall capitalization rate for the four office buildings is 4.37 percent.													

COMPARABLE CLASS A OFFICE BUILDING SALES
Manhattan

SUMMARY OF IMPROVED SALES (CONTINUED)

Physical Data							Sale Data			Financial Data					
No.	**Property Name Location**	**Land Area (SF)**	**Net Rentable Area (SF)**	**Year Built**	**Floor Sizes**	**No. Stories**	**Sale Date**	**Grantor/ Grantee**	**Price**	**Price/NRA**	**NOI/SF**	**OAR**	**Occupancy at Sale**	**EGIM**	**Financing**
13	**650 Madison Avenue** btw. 59th & 60th Streets Midtown Manhattan	35,300	603,442	1957/ 1987	6,732 44,149	27	Feb-08	Hiro Real Estate LLC / Ashkenazy Acquisitions Corp.	$680,000,000	$1,126.87	$44.88	3.98%	91%	16.69	Cash
	Comments:	Sale of a Class A office building located on Madison Avenue. The current weighted average contract office rents are $54.27 per square foot. Over 70 percent of the leases are set to expire within the next seven years. The largest tenant is Polo Ralph Lauren who currently leases a total of 207,270 square feet through December 2009. The lease with Polo Ralph Lauren provides two, 5-year renewal options at 95 percent of fair market value. The largest retail store is leased to Crate & Barrel who occupies vertical retail space containing 69,139 square feet located on the basement through 2nd floors of the building. The lease with Crate & Barrel is below market and provides two, 5-year renewal options when their lease expires in March 2009. The current overall capitalization rate is 3.98 percent in year one and increases to 6.25 percent by year four of the holding period.													
14	**1250 Broadway** b/w 31st & 32nd Streets Midtown Manhattan	31,792	723,524	1968	6,689 25,750	39	Feb-08	SL Green Realty Corp. & SITQ / Murray Hill Properties	$310,000,000	$428.46	$17.32	4.04%	98%	12.00	Cash
	Comments:	This is the sale of a Class A minus office building located in the Penn Station submarket. The building was 98 percent occupied at the time of sale. The largest tenant is Visiting Nurse Service who leases over 40 percent of the property's rentable area. The property's contract rents average near $34.11 per square foot for the office space and near $66.09 per square for the retail space. Over 25 percent of the property's leases expire over the next five years. The year one overall capitalization rate is 4.04 percent and increases to 5.50 percent by year four of the holding period.													

STATISTICS

	Land Area (SF)	Net Rentable Area (SF)	Year Built	Price/NRA	NOI/SF	OAR	Occupancy at Sale
LOW	6,025	185,414	1962	$407.81	$ 17.32	3.51%	0.00%
HIGH	84,070	2,017,586	2001	$1,387.80	$ 60.07	6.23%	100.00%
MEAN	36,596	819,411	1980	$832.56	$ 36.82	4.54%	88.60%
MEDIAN	31,709	618,823	1983	$830.35	$ 35.15	4.37%	97.75%

COMPARABLE OFFICE BUILDING SALES SUMMARY									
No.	**Sales Date**	**Property Name**	**Price**	**Price/NRA**	**EGIM**	**OAR**	**Forecast**	**IRR**	**Terminal OAR**
1	Contract	1540 Broadway	$370,000,000	$408	8.10	6.23%	10	9.50%	8.00%
2	Sep-08	745 Seventh Avenue	$960,000,000	$901	--	--	--	--	--
3	Sep-08	Tower 56	$158,000,000	$852	15.44	3.51%	10	7.00%	6.50%
4	Aug-08	527 Madison Avenue	$225,000,000	$933	14.22	4.78%	10	7.50%	6.50%
5	Jul-08	405 Lexington Avenue	$852,100,000	$660	10.84	4.25%	10	6.50%	6.00%
6	Jun-08	1301 Sixth Avenue	$1,450,000,000	$809	12.28	4.47%	10	7.50%	6.00%
7	Jun-08	Park Avenue Tower	$675,000,000	$1,125	14.60	4.11%	10	7.50%	6.00%
8	Jun-08	850 Third Avenue	$325,000,000	$566	11.09	5.00%	10	8.50%	6.50%
9	May-08	767 Fifth Avenue	$2,800,000,000	$1,388	14.40	4.33%	10	6.75%	6.00%
10	May-08	2 Grand Central Tower	$427,900,000	$675	12.15	4.83%	10	7.50%	6.50%
11	May-08	540 Madison Avenue	$277,100,000	$981	12.36	5.10%	10	7.50%	6.50%
12	May-08	125 West 55th Street	$444,000,000	$804	12.52	4.37%	10	8.50%	7.00%
13	Feb-08	650 Madison Avenue	$680,000,000	$1,127	16.69	3.98%	10	7.50%	6.50%
14	Feb-08	1250 Broadway	$310,000,000	$428	12.00	4.04%	10	7.50%	6.50%

ADDENDUM D:
INVESTMENT CONSIDERATIONS

THE FINANCIAL CRISIS

Financial turmoil is expected to continue throughout 2009. The credit crunch that began to unfold in the U.S. in mid-2007, evolved into a global financial crisis by October 2008. Many market observers equate this crisis as the greatest challenge facing the world's economic health since the Great Depression. Its effects have already radically reshaped the financial sector, with the potential for more to come.

Initially confined to non-depository lenders and investment banks, turmoil has now breached even the largest money-center banks, resulting in dramatic selloff at equity exchanges across the globe. Institutions heavily exposed to mortgage backed securities, collateralized debt or credit shortfalls have been forced into the arms of better capitalized suitors, declared bankruptcy or been taken over by their respective governments.

These events are rooted in the subprime mortgage crisis, which began garnering attention in 2007. The crisis was sparked primarily by the perceived strength of the U.S. residential market, and exacerbated by lax regulations on elaborate structured finance and insurance instruments designed to earn profit and hedge against losses. In early 2008, U.S. banks began showing cracks in their financial structure as the flaws in these practices became more apparent. At this point, the companies affected were those directly involved in home construction and mortgage lending, but as the crisis emerged financial institutions that had engaged in the securitization of mortgages began to falter as well.

By the end of September 2008, an international crisis had emerged as more banks failed and global markets witnessed sharp reductions in stock and commodity values. In the weeks that followed, the crisis began affecting the general availability of credit to businesses and to larger financial institutions not directly connected with mortgage lending. In an attempt to avoid a world-wide financial freeze, staunch the public fear and unlock the credit markets, governments began their largest private sector interventions in history.

Although the measures taken by the government to reinvigorate the financial markets were certainly robust, it remains to be seen how these new policies will actually play out in the long run. Many economists, as well as investors, still have reservations regarding how much and to what extent governments should be involved in private industry. Nevertheless, the global attention and cooperation occurring is exceptional, and many believe this will help avoid a severe recession or depression.

THE FALLOUT

The Emergency Economic Stabilization Act of 2008 (EESA) was passed on October 3, 2008, enabling Treasury to facilitate a $700.0 billion Troubled Asset Relief Program (TARP). TARP was initially intended to recapitalize financial institutions by transferring toxic securities off ailing institutions' balance sheets to the U.S. government. However, on October 14, 2008 Secretary of the Treasury Paulson announced revisions. Instead of buying the debt, the government decided to infuse half of the money, or $350 billion, into large banks. The second half of the initiative, which should be approved early this year, will attempt to revive sluggish credit markets and help homeowners avoid foreclosure. In addition to these efforts, House leaders recently unveiled an $825.0 billion package of tax cuts and new spending aimed at saving or creating more than 3.0 million jobs over the next two years.

The fallout from the crisis has been significant, widespread, and has permanently altered the financial landscape. Below is a list of some of the major changes:

- IndyMac collapsed and its assets were seized by the federal regulators.
- Fannie Mae and Freddie Mac have been placed in federal conservatorship.
- Barclay's Bank acquired Lehman Brothers' core business assets, while the rest remain in bankruptcy proceedings.
- Bank of America agreed to acquire Merrill Lynch.
- JP Morgan Chase assumed all of Washington Mutual's assets, and most of their liabilities. The remaining subsidiaries have filed for Chapter 11 bankruptcy protection.
- Wells Fargo agreed to purchase Wachovia.
- Goldman Sachs and Morgan Stanley converted to bank holding companies.
- AIG, suffering a credit downgrade and liquidity crisis, was saved from insolvency by the Federal Reserve in return for a 79.9 percent equity interest.
- On an international level, Bradford & Bingley (Great Britain), Grupo Santander (Spain), Glitner (Iceland), Fortis (Belgium/Netherlands/Luxembourg) and Hypo Real Estate (Germany) are all subject to rescue or nationalization plans.

ECONOMIC IMPACT

On December 1, 2008, the National Bureau of Economic Research (NBER) announced that the United States has been in a recession since December 2007. Recessions are sometimes defined as two consecutive quarters of negative growth, but NBER uses a more precise measure, pinpointing December 2007 as the peak in economic activity. The Federal Reserve said that economy is likely to remain weak for some time, and feel that this recession could be longer and have a deeper global impact than the relatively mild recessions experienced over the last 26 years. Listed below are some this recession's major economic impacts:

- The unemployment rate jumped to a 16-year high of 7.2 percent in December 2008, up from 6.8 percent in November. The total number of jobs lost in the recession is now just under 2.6 million, 1.9 million of which occurred during the last 4 months of 2008.
- U.S. inflation hit a 17-year high in July 2008. Since then, however, a precipitous drop in commodity prices is now generating fears of over-capacity and deflation.
- Retail sales declined six consecutive months, the longest sustained decline since the Census Bureau began recording in 1965. It should be noted that part of the decline in retail sales is driven by the decline in oil prices.
- The injection of capital into banks, and the lowering of lending rates have not yet put confidence back into the market. As a result, the stock market has witnessed record gains and losses since September, 2008.

Predictions of total losses range widely. In April 2008 the International Monetary Fund forecast a $1.4 trillion loss for all companies, but estimates have increased with more recent developments with some arguing losses as high as $3.1 trillion. From a historical context, the losses from the savings and loan crisis of the early 1990s totaled approximately $160.0 billion, before adjustment for inflation.

Complex, illiquid, and difficult to price securities remain widely distributed on the balance sheets of the world's financial institutions. Risks are magnified by instruments such as credit derivatives and credit default swaps. If nothing else, the recent failures on Wall Street demonstrated to regulators just how serious a risk the mortgage finance crisis presents to the nation's overall capital markets.

COMMERCIAL REAL ESTATE MARKET IMPACT

Turmoil in the housing and financial markets, and the resulting economic uncertainty, continue to impact the commercial real estate market. In response to losses suffered and general uncertainty about the overall economy, and commercial real estate in particular, lenders are tightening credit standards. This conservative tack adopted by financial institutions, combined with the virtual elimination of Wall Street money, is resulting in a pronounced liquidity contraction.

Reduced credit availability and sellers' refusals to lower pricing, despite investor concerns over market turmoil, translate into significantly reduced transaction volume. According to Reis, Inc., the dollar volume of commercial real estate sales increased about 150.0 percent between 2004 and 2007, but is poised to decrease by 66.0 percent in 2008.

In addition to a dip in the number of transactions, market experts believe that commercial properties are overleveraged and susceptible to considerable depreciation. A joint report by PricewaterhouseCoopers and the Urban Land Institute indicates that they are anticipating commercial property values to drop between 15.0 and 20.0 percent from the peak realized in mid-2007.

While it is difficult to get an accurate reading on the investment market because of the scarcity of transactions, this much is certain: prices are down, cap rates are up, and real estate capital and risk have been fundamentally re-priced for the foreseeable future. What impact this will have on long-term allocation to the sector remains to be seen, but certain trends and considerations are apparent, including:

- Current market turmoil is generating a reassessment of market and property-level risk by market participants. In valuation terms, this risk re-pricing is reflected in our estimates of rent and expense growth, capitalization rates, internal rates of return, and other assumptions underlying cash flow forecasts.
- We are also considering the impact of an increase in the cost of capital. Mortgage-equity models reflect an increase in overall capitalization rates if interest rates rise or there is an increase in the proportion of equity to debt. The current market is witnessing both events.
- Over the past few years, real estate benefited from a lack of attractive alternatives for equity investors with an abundance of capital. With highly-leveraged buyers removed from the market, we may see that re-sale risk has increased in the short term as a result of this "de-levering."
- To facilitate a transaction in the market, assumable or seller financing is desirable to generate investor interest. With financing from banks and traditional sources unavailable and/or at terms disagreeable to purchasers, alternatives are required for negotiations to gain traction, even for deals considered to be "typically" leveraged by historical standards.
- Purchasers must now provide higher equity contributions and lenders are adhering to more conventional underwriting standards. This de-levering mitigates risk and will benefit credit and real estate markets over the long term.

The actions listed above are expected to be implemented by investors to offset the risks associated with the uncertainties in the credit markets. These actions are reflected in our rate selections along with property specific considerations.

CONCLUSION

As market observers who simulate behavior rather than affect it, we await market evidence as to the long term impact of the credit crisis. Risk is considered in the context of our anticipation of rental growth and most vividly in our cap and discount rate selections. Current investor behavior reflects a higher cost of capital, concern about the economy, a reduced pool of investors, and more conservative rent growth and cash flow modeling assumptions. We recognize also that the new market purchasers will have a greater equity interest and lenders will be working with more conventional lending margins, debt and equity coverage ratios.

ADDENDUM E:
APPRAISER'S CERTIFICATIONS

UNIQUE ID NUMBER
46000039300

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 43948

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EFFECTIVE DATE
MO. 06 DAY 05 YR. 08

LARSON DOUGLAS H
C/O CUSHMAN & WAKEFIELD INC
51 W 52ND ST
NEW YORK, NY 10019

EXPIRATION DATE
MO. 06 DAY 04 YR. 10

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

UNIQUE ID NUMBER
46000004616

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 38499

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EFFECTIVE DATE
MO. 10 DAY 08 YR. 07

MONDANILE MATTHEW C
C/O CUSHMAN & WAKEFIELD INC
51 W 52ND ST
NEW YORK, NY 10019-6178

EXPIRATION DATE
MO 10 DAY 07 YR. 09

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

UNIQUE ID NUMBER
46000048506

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 40050

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.

EFFECTIVE DATE

MO.	DAY	YR.
11	05	07

EXPIRATION DATE

MO.	DAY	YR.
11	04	09

PAPAGIANOPOULOS NAOUM M
C/O CUSHMAN & WAKEFIELD
51 W 52ND ST 9TH FL
NEW YORK, NY 10019

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R.E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

ADDENDUM F: QUALIFICATION OF THE APPRAISERS

PROFESSIONAL QUALIFICATIONS

Naoum Michael Papagianopoulos

Valuation Services, Capital Markets Group

Background

Before joining the Valuation Services, for three years, Mr. Papagianopoulos was Cushman & Wakefield's financial analyst for budgeting and planning. His primary responsibilities included the preparation of the annual financial plan and special projects for the CFO of the company.

Experience

Naoum M. Papagianopoulos is a certified general appraiser and real property analyst with Cushman & Wakefield, Inc. Valuation Services, Capital Markets Group. He joined Cushman & Wakefield Valuation Services in March of 2005. Appraisal assignments have included retail properties, office buildings, hospital and medical office space, mixed-use properties, industrial properties, residential condominium and apartment properties, air rights, vacant land, portfolios, feasibility studies, and market studies.

Professional Affiliations

Appraisal Institute
Associate Member #461442
Metropolitan New York Chapter

Education

Baruch College, New York, NY
Zicklin School of Business
Masters of Business Administration, June 1999
Major in Finance

American College of Thessalonica
Bachelor of Arts, June 1996
Major in Business Administration

Appraisal Education

Baruch College, New York, New York
Principles of Income Property Appraising (G2)
Basic Income Capitalization (G1)
Valuation Principles and Procedures (R2)
Introduction to Real Estate Appraisal (R1)
Fair Housing, Fair Lending, and Environmental Issues (AQ-1)
Ethics and Standards of Professional Appraisal Practice

Appraisal Institute, New York City, New York
General Applications (G2)
Advanced Applications (G3)

Professional Qualifications

Douglas H. Larson

Director, Advisory Group

Background

Actively involved in appraising various property types including office, industrial, and retail developments. Assignments include appraisal and advising services to institutional lenders and financiers, investment banking firms, brokerage, domestic/international investors and pension/insurance funds. Mr. Larson's experience also involves financial modeling and property valuation, loan review and due diligence of diverse assets.

Experience

Director, New York Appraisal Services, Cushman & Wakefield Appraisal Division. Cushman & Wakefield is a national full service real estate organization and a Rockefeller Group Company. Experience on a variety of property types including office buildings, apartment buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed use projects from 1993 to present.

Appraiser, Arthur Anderson & Co., Real Estate Services Group, Phoenix, Arizona, preparing due diligence and portfolio analysis used in marketing, leasing and sale of complex assets for bulk sale, internal and annual loan review, acquisition and disposition. Performed market analysis, feasibility studies and consulting on real estate within the western United States from 1992 to 1993.

Appraiser, Appraisal Department, Bank One of Arizona, Phoenix, Arizona, reviewing income property appraisals for compliance of OCC standards and FIRREA guidelines and assisting in appraisal preparation of commercial property from 1990 to 1992.

Education

Arizona State University, Tempe, Arizona
Bachelor of Science degrees
Double Majors in Economics & Sociology

American Institute of Real Estate Appraisers, Chicago, Illinois
Capitalization Theory and Techniques Part B
Capitalization Theory and Techniques Part A
Standards of Professional Practice Parts A and B
Basic Valuation Procedures
Real Estate Appraisal Principles

Professional Qualifications

Matthew C. Mondanile, MAI
Senior Managing Director/Area Leader
Valuation Services, Capital Markets Group

Actively involved in the analysis and appraisal of commercial real estate for the past 25 years. National, regional and local experience on a variety of property types including vacant land, apartment buildings, office buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed-use projects. Appraisal and consulting assignments have been completed for mortgage loan purposes, condemnation, arbitration, allocations, estates, tax assessment hearings and as an aid in the decision making process in the acquisition, disposition and marketing of real estate.

Experience

Senior Managing Director – Valuation Services, Cushman & Wakefield, Inc.
Area Leader –New York Region 51 West 52nd Street, New York, New York from January 2005. Previous position as New York Manager from April 2001, Senior Director from January 1994 until March 2001; Director from May 1991 until December 1993; and Senior Appraiser from April 1984 until May 1991.

Formerly manager of the Appraisal Division of Douglas Elliman Knight Frank, Inc. New York, New York from April 1983 until April 1984. Previous position as a Senior Appraiser from July 1982 until April 1983.

Prior employment included appraisal positions with Richard W. Boyce, MAI, San Diego, California (1981-1982); R.S.T. Real Estate Company, Inc., Los Angeles, California (1978-1982); and the City of Paterson Tax Assessor's Office, Paterson, New Jersey (1976-1978).

Appraisal Experience – New York City Office Buildings

Extensive experience in the analysis and appraisal of New York City office buildings including Class A and B buildings constructed pre and post war as well as mixed-use properties and institutional office buildings. The primary market area of concentration is Manhattan where over 150 office buildings were appraised within the last five years. Notable office building assignments include the following:

- World Trade Center
- World Financial Center
- General Motors Building
- One Penn Plaza
- Trump Tower
- IBM Building
- Swiss Bank Tower
- Lever House
- 1251 6th Avenue

Brokerage and Consulting Experience

Varied commercial real estate experience in New York City for the past 20 years. Notable recent brokerage and consulting assignments included:

Consultant to Cablevision in selecting their financial alternatives related to the relocation of Madison Square Garden to the Farley Post Office site located on Eighth Avenue in midtown Manhattan.

Consultant to the Port Authority of New York and New Jersey related to their disposition alternatives for the World Trade Center, a seven building office and retail complex in lower Manhattan. **Winner of the C & W Deal of the Year Award.**

Special Purpose Property Experience
Diversified experience in the preparation of market studies of industry specific real estate including movie theatres, health clubs, television and film production studios and internet data centers and carrier hotels:

- Sony Theatres at Lincoln Square – 12-screen movie theatre complex including the largest IMAX Theatre in the United States.
- Reebok Sports Club – Four-story, 140,000 square foot health club complex with the largest membership in New York City.
- Hudson River Studios – Five-story television and film production studio to be built over an existing building – expected to be the largest facility of its kind in New York City.
- Telecom building experience included 85 Tenth Avenue a 595,000 square foot facility and 111 Eighth Avenue, a 2,300,000 square foot facility in New York City and the Lakeside Technology Center, a 1,200,000 facility in Chicago, Illinois.

Luxury Rental and For Sale Residential Experience
Extensive experience in the appraisal, analysis and feasibility of to be built apartment buildings. Notable recent assignments included:

515 Park Avenue	The Chatham Condominium	Union Square South
Trump World Tower	Columbus Centre	731 Lexington Avenue

Testimony in Courts of Law and Quasi-Judicial Hearings

- Qualified as an expert witness
- New York State Supreme Court
- United States Bankruptcy Court

Education

- William Paterson College of New Jersey
- Bachelor of Arts - 1977
- American Institute of Real Estate Appraisers Courses
- 1A Basic Principles and Procedures
- 1B Capitalization Theory and Techniques
- II Urban Properties
- VI Real Estate Investment Analysis
- VII Industrial Valuation

Memberships, Licenses and Certificates

- Broker "C" Member The Real Estate Board of New York, Inc.
- State of New York Licensed Real Estate Broker
- State of New York Certified General Real Estate Appraiser #46000004616
- State of Ohio Certified General Real Estate Appraiser #2004007236
- Certified Tax Assessor - State of New Jersey

Professional Affiliations

- Appraisal Institute
- M.A.I. Designation # 6811
- Metropolitan New York Chapter
- Board Secretary 2006

STANDARD &POOR'S Maalot

12 Aba Hillel Silver Rd.
Ramat-Gan 52506
Israel
+972 3 7539700 Tel
+972 3 7539710 Fax

24.3.2009

אפריקה ישראל להשקעות בע"מ
אפריקה ישראל נכסים בע"מ
הוצאה מ Credit Watch Negative והורדת דירוג האג"ח לiIBBB+/Negative

אנליסט: עופר עמיר

S&P Maalot מודיעה על:

א. הורדת דירוג לסדרות האג"ח המדורגות[1] של אפריקה ישראל להשקעות בע"מ (להלן: "אפריקה השקעות" או "הקבוצה") לדירוג ilBBB+/Negative (מדירוג ilA/Stable). במקביל הסדרות מוצאות מרשימת המעקב עם השלכות שליליות (Credit Watch Negative) .

ב. הורדת דירוג לסדרות האג"ח המדורגות[2] של אפריקה ישראל נכסים בע"מ[3] (להלן: "אפריקה נכסים") לדירוג ilBBB+/Negative (מדירוג ilA/Stable). במקביל הסדרות מוצאות מרשימת המעקב עם השלכות שליליות (Credit Watch Negative) .

הורדת הדירוג נובעת מגורמים הבאים:

- **נזילות נמוכה לשנים 2009 – 2010, הנשענת, בין היתר, על מכירת נכסים והשגת מימון זר. על-אף שחלק ניכר מתהליכים אלה הושלמו, עדיין יש צורך בהשלמת עסקאות נוספות, בתנאי השוק הנוכחיים.**
- **הפסדי הענק עליהם דיווחה החברה, בעיקר כתוצאה משערוך נכסי נדל"ן ושחיקת שערי מט"ח, אשר יעלו באופן דרמטי את המינוף הפיננסי של הקבוצה ועשויים להשפיע על נגישות החברה למקורות מימון.**
- **האטה משמעותית, מאז מועד הדירוג האחרון, בשוק הנדל"ן במוסקבה והעמקת המיתון בארה"ב המהווים שווקים מרכזיים בפעילות הקבוצה ומקור מהותי לתזרימי מזומנים עתידיים.**

ראה הרחבה על גורמים אלו בשיקולים העיקריים לדירוג, להלן.

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[1] סדרות האג"ח כוללות את ט- כד.

[2] סדרות האג"ח כוללות את א,ג,ד.

[3] להערכת S&P Maalot, ולאור מאפיינים אשר הוכחו במהלך התקופה האחרונה, מתקיימים תנאים המקשרים באופן מהותי בין דירוגן של החברה האם והחברה הבת, הכוללים, בין היתר, שמירה על שיעורי החזקה גבוהים באפריקה נכסים, הנהלה משותפת, וכן מעבר ישיר של מזומנים בין החברות בדיבידנדים והלוואות בעלים לאחר מימוש נכסים באפריקה נכסים, כמו גם היות פעילותה של אפריקה נכסים פעילות ליבה בקבוצה. לכן, קיימת זהות בין דירוגי אגרות החוב של שתי החברות.

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12 Aba Hillel Silver Rd.
Ramat-Gan 52506
Israel
+972 3 7539700 Tel
+972 3 7539710 Fax

שיקולים עיקריים לדירוג

להערכת S&P Maalot, חל גידול מהותי בסיכון העסקי והפיננסי מאז מועד הדירוג האחרון, בין היתר בשל הגורמים הבאים:

נזילות נמוכה:

להערכת S&P Maalot לאפריקה השקעות (סולו) צרכי נזילות לשנתיים הקרובות אשר טרם נענו במלואם. הערכה זו מתבססת על העובדה כי יכולת כיסוי חלויות החוב וצרכי פעילות החברה בשנים 2009-2010 מסתמכת בעיקר על עסקאות למכירת נכסים ו/או מימונם, הן ישירות והן על ידי אפ"י נכסים וכן חלוקת דיבידנד מחברת הבת אפ"י פיתוח. יודגש, כי צרכי הנזילות המחייבים מענה הינם משמעותיים יותר בשנת 2010. עסקאות מכירה אשר לא הגיעו עדיין לכדי סגירה ואינן ודאיות עשויות, להערכתנו, להיתקל בקשיים על רקע תנאי שוק קשים לאור המשבר הגלובלי הנוכחי. יצוין, כי לאפי השקעות צרכי מזומנים לשנת 2009-2010 הכוללים חלויות חוב שוטפות וצרכי פעילות בהיקף של כ- 3.5 מיליארד ש"ח.

הפסדי עתק:

החברה דיווחה בתאריך 9/3/2009, כי לאור ירידת שווי גבוהה בנכס הניו-יורק טיימס במנהטן וכן לאור הצטברות נתונים המצביעים על קיומן של ירידות נוספות בשווי נכסיה של החברה ברחבי העולם ותוצאות הפעילות (כולל מימון) כפועל יוצא מן המשבר העולמי, מעריכה החברה כי היא צפויה לרשום בדוחותיה הכספיים לרבעון הרביעי של שנת 2008 הפסד בהיקף כולל של כ- 2.7 מיליארד ש"ח.

להערכתנו, הפסד זה יביא לגידול דרמטי ברמת המינוף הפיננסי של החברה ולהרעה משמעותית ביחסי הכיסוי שלה. רמת המינוף הגבוהה מאד (המתבטאת ביחס חוב ל CAP, נטו שעשוי להערכתנו להגיע לשיעור של כ- 80% נטו[4], ולהתבטא ביחסי כיסוי חוב וכיסוי הוצאות ריבית חלשים מאד[5]. להערכתנו, רמת המינוף אף פוגעת במיצוב העסקי והפיננסי של החברה ואינה מתאימה לדירוג הקיים של החברה העוסקת בעיקר בייזום נדל"ן. בנוסף, אנו מעריכים, כי הפסדים אלו עשויים לפגוע בנגישותה של החברה למקורות מימון חדשים.

יצוין כי החברה דיווחה, כי בשל שינוי בשערי החליפין לעומת הש"ח, צפוי לחול גידול בקרנות ההון ליום 31.12.2008 בסך של כ- 600 מיליוני ש"ח אשר יקזז באופן חלקי את השפעתם של ההפסדים המוערכים לעיל על ההון העצמי של החברה. כמו כן, דיווחה החברה, כי להערכתה ההון העצמי צפוי להיות מושפע לחיוב בדוחות הרבעון הראשון 2009, כתוצאה מרווח משערוך נכסים של כ- 680 מיליון דולר שתרשום חברת הבת אפ"י דיוולופמנט (חברת הבת הפועלת ברוסיה) כתוצאה מיישום לראשונה של תקן חשבונאות בינלאומי 40 המתיר שערוך נדל"ן להשקעה בהקמה.

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[4] במועד הדירוג הקודם, על בסיס דוחות יוני 2008, עמד יחס החוב הפיננסי ל CAP, נטו על כ- 60% ועל פי דוחות ספטמבר 2008 עמד יחס זה על כ- 71%.

[5] על פי דוחות ספטמבר 2008 עמד יחס החוב נטו ל- EBITDA בנטרול רווחים משערוך נכסים, על כ- 40 ויחס כיסוי הוצאות המימון התזרימיות על ידי ה- EBITDA עמד על 0.4.

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12 Aba Hillel Silver Rd.
Ramat-Gan 52506
Israel
+972 3 7539700 Tel
+972 3 7539710 Fax

האטה משמעותית בשוק הנדל"ן ברוסיה:

מאז מועד הדירוג האחרון (אוגוסט 2008) חלה האטה משמעותית בשוק הנדל"ן הרוסי ובכלל זה שוק הנדל"ן במוסקבה אשר מהווה שוק מרכזי בפעילות הקבוצה. להערכתנו, השינוי האמור, משפיע לרעה על יכולת חברת הבת אפ"י דיוולופמנט לבצע מכירות והשכרות בנכסיה ועשוי לפגוע ביכולת חלוקת הדיבידנדים העתידית שלה, אשר מהווה אחד ממקורות תזרים המזומנים העיקריים בתוכניתה העסקית של חברת האם אפ"י השקעות בשנים הבאות.

תחזית דירוג שלילית

תחזית דירוג אגרות החוב של אפ"י השקעות ושל דירוג אגרות החוב של אפ"י נכסים הנה שלילית. זאת, בעיקר לאור נזילותה הנמוכה של החברה, רמת המינוף הגבוהה ולאור המשבר העמוק הפוקד את שוקי פעילותה העיקריים של הקבוצה ואשר להערכתנו עשוי להשפיע לשלילה על יכולת החברה ליישם את תוכניותיה העסקיות.

אנו מתכוונים לבחון במהלך התקופה הקרובה את היערכותה של אפ"י השקעות ואת יכולתה לעמוד בכל התחייבויותיה בשנתיים הבאות. אנו מצפים מהחברה להמשיך, כפי שהצהירה, בפעולותיה למימוש נכסים, בארץ ובחו"ל, ולהשגת אשראים בגין נכסים שאינם משועבדים, כך שמקורותיה הוודאיים והזמינים יעלו משמעותית על כל שימושיה לשנתיים הקרובות. יצוין, כי במידה והחברה לא תצליח לעשות כן, עשוי דירוג אגרות החוב של אפ"י השקעות ודירוג אגרות החוב של אפ"י נכסים לרדת אף מתחת לדרגת השקעה.

דירוגי S&P Maalot מבוססים על מידע שנתקבל מהחברה וממקורות אחרים אשר S&P Maalot מאמינה כי הנם מהימנים. S&P Maalot אינה מבקרת את המידע שנתקבל ואינה מאמתת את נכונותו או שלמותו.

מובהר בזאת כי דירוג S&P Maalot אינו משקף סיכונים הקשורים ו/או הנובעים מהפרות, במעשה או במחדל, של איזו מן ההתחייבויות הכלולות במסמכי האג"ח ו/או אי נכונות או אי דיוק באילו מן המצגים הכלולים במסמכי הקשורים להנפקת האג"ח נשוא דירוג זה, דוח S&P Maalot או העובדות שבבסיס חוות הדעת שניתנו לS&P Maalot כתנאי לקבלת הדירוג, פעולות או מחדלים שבוצעו במרמה או הונאה או כל פעולה אחרת בניגוד לדין.

הדירוגים עשויים להשתנות כתוצאה משינויים במידע המתקבל, או מסיבות אחרות. אין לראות בדירוג משום הבעת דעה לגבי מחיר ניירות הערך בשוק הראשוני או המשני. אין לראות בדירוג משום הבעת דעה על כדאיות קניה, מכירה או החזקה בנייר ערך כלשהו.

אפריקה ישראל להשקעות בע"מ

פעולת דירוג ו מרץ 2009

1

מחבר:
רן גולדשטיין, עו"ד- חשבונאי - ראש צוות
rang@midroog.co.il

אנשי קשר:
אביטל בר דיין, סמנכ"ל בכירה - ראש תחום תאגידים ומוסדות פיננסיים
bardayan@midroog.co.il

מידרוג

אפריקה ישראל להשקעות בע"מ

דירוג סדרות ודירוג Issuer	דירוג:**Baa1**	אופק: שלילי

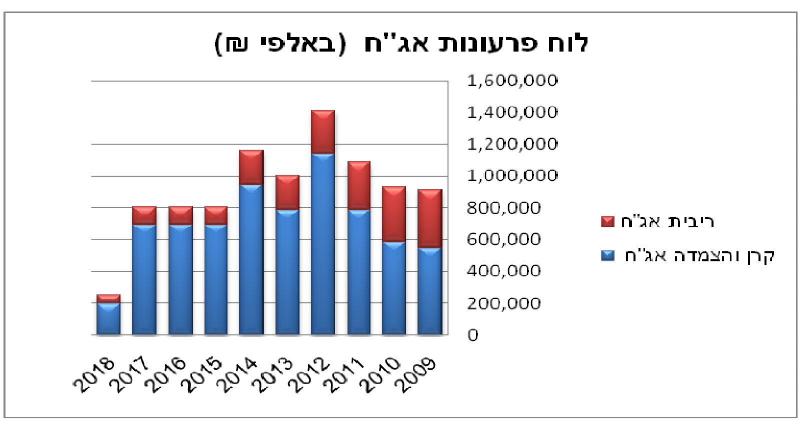
בהמשך להורדת הדירוג וקביעת אופק שלילי מחודש נובמבר 2008 מודיעה מידרוג על הורדת דירוג סדרות אג"ח ובהתאם דירוג Issuer, של חברת אפריקה ישראל להשקעות בע"מ (להלן: "החברה"), מדירוג A3 ל- Baa1 והותרת אופק שלילי.

בחודש נובמבר 2008 הורד דירוג סדרות אג"ח החברה ל-A3 עם אופק שלילי. הותרת אופק הדירוג השלילי היוותה אינדיקציה לכיוון התפתחות הדירוג.

הורדת הדירוג הינה נוכח עליה נוספת ברמת הסיכון של החברה לאור הימשכות והחרפת המשבר בשווקי פעילותה המרכזיים של החברה, הפוגעת ביכולת החברה לשפר את רמת נזילותה ולהשפיע על יכולתה לייצר תזרימים משמעותיים לשירות היקף הפרעונות החל עליה, בעיקר בשנים 2011 ואילך. העלייה ברמת הסיכון אף באה לידי ביטוי בהחלשות משמעותית של יחסי איתנותה הפיננסית במהלך שנת 2008, הצפוי להתבטא בעיקר ברבעון האחרון לשנת 2008 עקב הפסד משמעותי בהיקף של כ- 2.7 מיליארד ₪ הכולל ירידת שווי נכסים (שאינה על בסיס מזומן.

לחברה עומס פרעונות משמעותי לשנים הקרובות, כך היקף הפירעונות לשנים 2009-2010 עומד על 1.8 מיליארד ₪ בגין קרן, ריבית והצמדה של אג"ח. על מנת לשרת את עומס הפרעונות, במהלך החודשים האחרונים החברה מבצעת צעדים משמעותיים להגדלת נזילותה זאת על ידי מימושים או נטילת הלוואות על נכסיה המרכזיים, בעיקר בישראל. יש לציין, כי לחברה מגוון נכסים איכותיים, בעיקר בישראל, כגון קניון רמת אביב. יש לציין, כי במהלך חודש דצמבר 2008 חילקה חברת אפ"י פיתוח דיבידנד משמעותי, בהיקף של כ- 200 מיליון דולר (חלקה של אפריקה השקעות כ- 72%, כהיקף החזקתה). מנגד, החברה במהלך התקופה פרעה נעמ"ס בהיקף משמעותי, כך שהחברה לא צברה יתרות מזומנים נוספות כתוצאה מקבלת הדיבידנד.

החל משנת 2011 גדל היקף הפרעון, שעל החברה לעמוד בו, בגין קרן אג"ח, ריבית והצמדה ומגיע לכ- 1.1 מיליארד ₪, וכ- 1.4 מילארד בשנת 2012. על מנת לשרת חוב זה, אמורה החברה לייצר תזרימים משמעותיים אשר חלקם נובע גם מפעילותה ברוסיה.



לאחרונה חלה היחלשות נוספת בכלכלת רוסיה באופן שיש בה לאיים על התממשות תוכניות החברה במדינה.

ההיחלשות בכלכלת רוסיה מתבטאת בעלייה ברמת האבטלה, קיטון בשווי נכסים, בין היתר, בשל עלייה בשיעורי ההיוון של נכסים מסחריים ומשרדים. התחזיות הצפויות הינן המשך ירידה בשיעורי התפוסה, ירידה בדמי השכירות ועלייה נוספת בשיעורי ההיוון של הנכסים.

המשבר הכלכלי הנמשך עלול לגרום לעיכובים בהתקדמות המכירות וההשכרות בפרויקטים מרכזיים ברוסיה ואף בארה"ב, מעבר לתחזיות שהונחו, ולירידות שווי נוספות של נכסים, נכסים אשר עליהם, בין היתר, מסתמכת החברה לשם שירות היקף הפירעונות החל עליה בשנים הקרובות.

יצוין, כי החברה צופה, כי החל משנת 2010 שני פרויקטים משמעותיים יתחילו להניב תזרים לחברה. האחד, קניון קוטרוצ'ן ברומניה והשני, קניון Moscow City, ברוסיה. מידרוג סבורה, כי הסבירות של התממשות תחזיות החברה באשר לפרויקט קוטרוצ'ן הינה גבוה לאור שיעור ההשכרות מראש, העולה על 80%, לעומת Moscow City, אשר שיעור חוזי השכירות מראש כולל מזכרי הבנה בו, הינו כ- 35%.

יחסי איתנות החברה שיפורסמו בדוחות הקרובים צפויים להעיד על פגיעה משמעותית בשל היקף ההפסד עליו דיווחה החברה, שנוצר במהלך תקופת הרבעון הרביעי לשנת 2008, העומד על כ- 2.7 מיליארד ₪, אשר נבע בעיקר מירידת ערך שווי נכסיה. הפסד זה יתבטא בקיטון בהון העצמי של החברה ובהתאם יגרע מיחסי איתנותה. מידרוג רואה חשיבות בציון העובדה כי ירידת שווי הנכסים אף מבטאת את מחיקת ההון העצמי התזרימי שהושקע על ידי החברה בחלק מהפרויקטים, אשר יתכן ולא יוחזר בעתיד.

מידרוג צופה, כי במסגרת התיקון לתקן IAS 40 אשר נכנס לתוקף מיום 1/1/2009, החברה תבצע העלאות שווי ניכרות בפרויקטי נדל"ן להשקעה בהקמה אשר יתבטאו ברווחי החברה אם כי לא יבואו לידי ביטוי בתזרים המזומנים, כך, חברת אפ"י פיתוח דיווחה על כי היא צופה על עליית שווי של פרויקטים בהקמה בכ- 680 מיליון דולר ארה"ב.

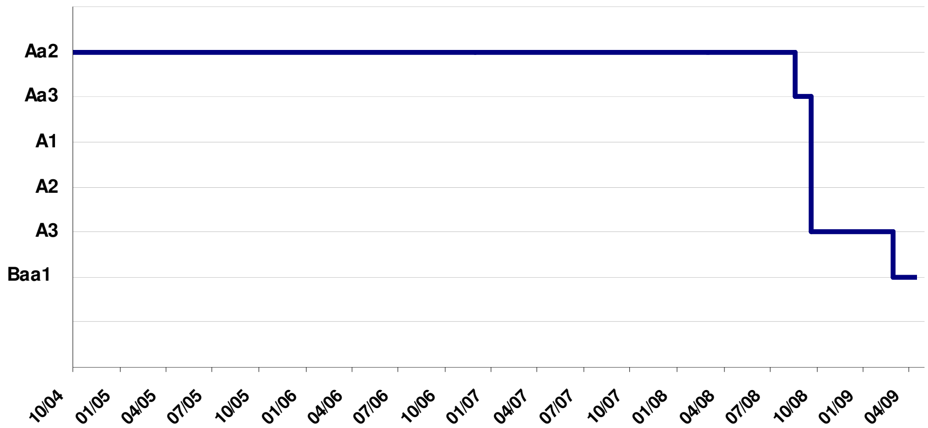
דירוג החברה נתמך, בין היתר, לאור היקף מגוון מקורותיה התזרימיים הכוללים נכסי נדל"ן ואחזקות בפרויקטים משמעותיים בישראל ואחזקות בחברות, היכולים לשמש את צרכי מימון החברה לשנים 2009-2010.

אופק הדירוג הותר על שלילי לאור חשיפת החברה למדינות המושפעות באופן מהותי מהמשבר הכלכלי ובהתייחס ליכולת החברה לייצר תזרימי מזומנים אל מול היקף הפירעונות החל עליה . כמו-כן, תנודתיות שוקי ההון מקשה לאמוד את יחסי האיתנות של החברה בהתייחס לשווי אחזקותיה הציבוריות, כך גם את שווי נכסיה התומכים בפעילותה.

גורמים אשר יכולים להוביל להעלאת הדירוג: התייצבות ושיפור בשווקי הפעילות המרכזיים בהן פועלת החברה אשר יביאו לכדי מימוש התחזיות של הפרויקטים משמעותיים של החברה אשר הינם בתהליך הקמה.; שיפור בנזילות החברה ובגמישותה הפיננסית; עמידה בתחזיות החברה אשר יש בהן כדי לשפר את איתנותה הפיננסית של החברה ויחסי הכיסוי.

גורמים אשר יכולים להוביל להורדת הדירוג: הרעה חמורה בתנאי הנזילות של החברה ובנגישותה למערכת הפיננסית בישראל ובעולם; פגיעה בערך בנכסי החברה, מעבר לתחזיות שהונחו, באופן שיוביל להחלשת הונה העצמי והרעת יחסי האיתנות; היחלשות כלכלת רוסיה באופן שיש בו לאיים על התממשות תוכניות החברה במדינה; עיכובים מהותיים בהתקדמות המכירות וההשכרות בפרויקטים מרכזיים ברוסיה ובארה"ב.

גרף היסטוריית דירוג:



אודות המנפיק

אפריקה ישראל להשקעות בע"מ הינה חברת השקעות הפועלת במגוון תחומים בישראל ובחו"ל, ובעיקר בתחום ייזום נדל"ן למגורים ונדל"ן מניב. אפריקה השקעות פועלת בתחום הקבלנות והתשתיות באמצעות החברה בת דניה סיבוס בע"מ, בתחום התעשייה באמצעות אפריקה ישראל תעשיות בע"מ ובתחום המלונאות באמצעות מלונות אפריקה ישראל בע"מ. לאפריקה השקעות פעילויות נוספות באמצעות חברות כלולות, בהן החזקה של 26.15% באלון חברת הדלק לישראל בע"מ - חברת דלק בינלאומית הפועלת בתחום האנרגיה בארץ ובארה"ב. בשנים האחרונות הרחיבה אפריקה השקעות, ישירות ובאמצעות חברות בנות, את פעילותה בחו"ל וכיום עיקר פעילותה הנדלנ"ית הינה בארה"ב, רוסיה ומרכז מזרח אירופה.

מר לב לבייב הינו בעל השליטה בחברה ויו"ר הדירקטוריון. מנכ"ל החברה הינו מר איזי כהן וסגן יו"ר הדירקטוריון הינו מר נדב גרינשפון.

פירוט סדרות האג"ח המדורגות של החברה:

סדרה	הצמדה	ריבית	יתרה 18.03.2009 אלפי ש"ח	סיום פירעון קרן	דירוג
ט	צמוד	4.20%	535,358	11/2009	Baa1 / אופק שלילי
י	צמוד	5.40%	531,727	12/2012	Baa1 / אופק שלילי
יא	צמוד	5.10%	531,212	03/2011	Baa1 / אופק שלילי
יב	צמוד	5.20%	410,133	09/2014	Baa1 / אופק שלילי
יג	צמוד	5.35%	162,998	09/2018	Baa1 / אופק שלילי
יד	צמוד	4.90%	794,549	12/2018	Baa1 / אופק שלילי
טו	צמוד	4.80%	261,964	12/2012	Baa1 / אופק שלילי
טז	צמוד	4.70%	767,111	03/2017	Baa1 / אופק שלילי
יז	צמוד	4.25%	190,980	03/2011	Baa1 / אופק שלילי
יח	נומינלי	6.15%	100,000	03/2012	Baa1 / אופק שלילי
כא	צמוד	4.80%	1,788,904	09/2014	Baa1 / אופק שלילי
כב	צמוד	5.10%	732,443	10/2017	Baa1 / אופק שלילי
כד	נומינלי	5.90%	320,000	10/2010	Baa1 / אופק שלילי

מידרוג

רשימת מונחים פיננסיים עיקריים:

הוצאות ריבית Interest	הוצאות מימון מדוח רווח והפסד.
הוצאות ריבית תזרימיות Cash Interest	הוצאות מימון מדוח רווח והפסד לאחר התאמות להוצאות מימון שאינן תזרימיות מתוך דוח תזרים מזומנים.
רווח תפעולי EBIT	רווח לפני מס + מימון + הוצאות/רווחים חד פעמיים.
רווח תפעולי לפני הפחתות EBITA	רווח תפעולי + הפחתות של נכסים לא מוחשיים.
רווח תפעולי לפני פחת והפחתות EBITDA	רווח תפעולי +פחת+ הפחתות של נכסים לא מוחשיים.
רווח תפעולי לפני פחת, הפחתות ודמי שכירות/חכירה EBITDAR	רווח תפעולי + פחת + הפחתות של נכסים לא מוחשיים + דמי שכירות + דמי חכירה תפעוליים.
נכסים Assets	סך נכסי החברה במאזן.
חוב פיננסי Debt	חוב לזמן קצר+ חלויות שוטפות של הלוואות לזמן ארוך+ חוב לזמן ארוך+ התחייבויות בגין חכירה תפעולית.
חוב פיננסי נטו Net Debt	חוב פיננסי - מזומן ושווי מזומן - השקעות לזמן קצר.
בסיס ההון Capitalization (CAP)	חוב+ סך ההון העצמי במאזן (כולל זכויות מיעוט) + מסים נדחים לזמן ארוך במאזן.
השקעות הוניות Capital Expenditures (Capex)	השקעות ברוטו בציוד, במכונות ובנכסים בלתי מוחשיים.
מקורות מפעילות * Funds From Operation (FFO)	תזרים מזומנים מפעילות לפני שינויים בהון חוזר ולפני שינויים בסעיפי רכוש והתחייבויות אחרים.
תזרים מזומנים מפעילות שוטפת * Cash Flow from Operation (CFO)	תזרים מזומנים מפעילות שוטפת לפי דוחות מאוחדים על תזרימי מזומנים.
תזרים מזומנים פנוי* Retained Cash Flow (RCF)	מקורות מפעילות (FFO) בניכוי דיבידנדים ששולמו לבעלי המניות.
תזרים מזומנים חופשי * Free Cash Flow (FCF)	תזרים מזומנים מפעילות שוטפת (CFO) - השקעה הוניות - דיבידנדים.

* יש לשים לב כי בדוחות IFRS, תשלומים ותקבולים של ריבית, מס ודיבידנד שהתקבל ממוחזקות יכללו בחישוב תזרימי המזומנים השוטפים גם אם אינם נרשמים בתזרים מפעילות שוטפת.

מגדל המילניום, רח' הארבעה 17 תל אביב 64739 טל. 03-6844700 פקס. 03-6855002 www.midroog.co.il

סולם דירוג התחייבויות

דרגת השקעה	Aaa	התחייבויות המדורגות בדירוג Aaa הן, על פי שיפוטה של מידרוג, מהאיכות הטובה ביותר וכרוכות בסיכון אשראי מינימלי.
	Aa	התחייבויות המדורגות בדירוג Aa הן, על פי שיפוטה של מידרוג, מאיכות גבוהה, וכרוכות בסיכון אשראי נמוך מאד.
	A	התחייבויות המדורגות בדירוג A נחשבות על ידי מידרוג בחלק העליון של הדרגה האמצעית, וכרוכות בסיכון אשראי נמוך.
	Baa	התחייבויות המדורגות בדירוג Baa כרוכות בסיכון אשראי מתון. הן נחשבות כהתחייבויות בדרגה בינונית, וככאלה הן עלולות להיות בעלות מאפיינים ספקולטיביים מסוימים.
דרגת השקעה ספקולטיבית	Ba	התחייבויות המדורגות בדירוג Ba הן, על פי שיפוטה של מידרוג, בעלות אלמנטים ספקולטיביים, וכרוכות בסיכון אשראי משמעותי.
	B	התחייבויות המדורגות בדירוג B נחשבות על ידי מידרוג כספקולטיביות, וכרוכות בסיכון אשראי גבוה.
	Caa	התחייבויות המדורגות בדירוג Caa הן, על פי שיפוטה של מידרוג, בעלות מעמד חלש וכרוכות בסיכון אשראי גבוה מאוד.
	Ca	התחייבויות המדורגות בדירוג Ca הן ספקולטיביות מאוד ועלולות להיות במצב של חדלות פרעון או קרובות לכך, עם סיכויים כלשהם לפדיון של קרן וריבית.
	C	התחייבויות המדורגות בדירוג C הן בדרגת הדירוג הנמוכה ביותר ובד"כ במצב של חדלות פרעון, עם סיכויים קלושים לפדיון קרן או ריבית.

מידרוג משתמשת במשתנים המספריים 1, 2 ו- 3 בכל אחת מקטגוריות הדירוג מ- Aa ועד Caa. המשתנה '1' מציין שאגרת החוב מצויה בקצה העליון של קטגורית הדירוג שאליה היא משתייכת, המצוינת באותיות. המשתנה '2' מציין שהיא נמצאת באמצע קטגורית הדירוג; ואילו המשתנה '3' מציין שאגרת החוב נמצאת בחלק התחתון של קטגורית הדירוג שלה, המצוינת באותיות.

דו"ח מספר: CRAFRICA030309000M

מידרוג בע"מ, מגדל המילניום רח' הארבעה 17 תל-אביב 64739

טלפון 03-6844700, פקס 03-6855002, www.midroog.co.il

כל המידע המפורט במסמך זה ושעליו הסתמכה מידרוג נמסר לה על ידי מקורות הנחשבים בעיניה לאמינים ומדויקים. מידרוג אינה בודקת באופן עצמאי את נכונותו, שלמותו, התאמתו, דיוקו או אמיתותו של המידע (להלן: "המידע") שנמסר לה והיא מסתמכת על המידע שנמסר לה לצורך קביעת הדירוג על ידי החברה המדורגת.

הדירוג עשוי להשתנות כתוצאה משינויים במידע המתקבל ו/או כתוצאה מקבלת מידע חדש ו/או מכל סיבה אחרת. עדכונים ו/או שינויים בדירוגים מופיעים באתר האינטרנט של מידרוג שכתובתו: www.midroog.co.il. הדירוגים המתבצעים על ידי מידרוג הנם בגדר חוות דעת סובייקטיבית ואין הם מהווים המלצה לרכישה או להימנעות מרכישה של אגרות חוב או מסמכים מדורגים אחרים. אין לראות בדירוגים הנעשים על ידי מידרוג כאישור לנתונים או לחוות דעת כלשהן או כניסיונות לבצע הערכה עצמאית למצבה הכספי של חברה כלשהי או להעיד על כך, ואין להתייחס אליהם בגדר הבעת דעה באשר לכדאיות מחירן או תשואתן של אגרות חוב או של מסמכים מדורגים אחרים. דירוגי מידרוג מתייחסים במישרין רק לסיכוני אשראי ולא לכל סיכון אחר, כגון הסיכון כי ערך השוק של החוב המדורג ירד עקב שינויים בשערי ריבית או עקב גורמים אחרים המשפיעים על שוק ההון. כל דירוג או חוות דעת אחרת שמעניקה מידרוג צריכים להישקל כמרכיב בודד בכל החלטת השקעה הנעשית על ידי משתמש במידע הכלול במסמך זה או על ידי מי מטעמו, ובהתאם, כל משתמש במידע הכלול במסמך זה חייב ללמוד ולבצע הערכה של כדאיות השקעה מטעמו לגבי כל מנפיק, ערב, אגרת חוב או מסמך מדורג אחר שבכוונתו להחזיק, לרכוש או למכור. דירוגיה של מידרוג אינם מותאמים לצרכיו של משקיע מסוים ועל המשקיע להסתייע בייעוץ מקצועי בקשר עם השקעות, עם הדין או עם כל עניין מקצועי אחר. מידרוג מצהירה בזאת שהמנפיקים של אגרות חוב או של מסמכים מדורגים אחרים או שבקשר עם הנפקתם נעשה דירוג, התחייבו לשלם למידרוג עוד קודם לביצוע הדירוג תשלום בגין שרותי הערכה ודירוג הניתנים על ידי מידרוג.

מידרוג הינה חברת בת של מודי'ס אינבסטורס סרויס לטד.(Moody's Investors Service Ltd.) (להלן: "מודי'ס"), שלה 51% במידרוג. יחד עם זאת, הליכי הדירוג של מידרוג הנם עצמאיים ונפרדים מאלה של מודי'ס, ואינם כפופים לאישורה של מודי'ס. בו בזמן שהמתודולוגיות של מידרוג מבוססות על אלה של מודי'ס, למידרוג יש מדיניות ונהלים משלה וועדת דירוג עצמאית.

למידע נוסף על נהלי הדירוג של מידרוג או על ועדת הדירוג שלה, הנכם מופנים לעמודים הרלוונטיים באתר מידרוג.