

**GREENPOINT MANUFACTURING AND  
DESIGN CENTER LOCAL DEVELOPMENT  
CORPORATION AND SUBSIDIARY**

**CONSOLIDATING FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2006 AND 2005**

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	1
Financial Statements	
Consolidating Statements of Financial Position .....	2-3
Consolidating Statements of Activities .....	4
Consolidating Statements of Cash Flows .....	5
Notes to Consolidating Financial Statements .....	6-14
Additional Information	
Independent Auditor's Report on Additional Information .....	16
Consolidating Schedule of Functional Expenses .....	17



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Greenpoint Manufacturing and Design Center  
Local Development Corporation and Subsidiary

We have audited the accompanying consolidating statements of financial position of Greenpoint Manufacturing and Design Center Local Development Corporation (a not-for-profit corporation) and subsidiary as of December 31, 2006 and 2005, and the related consolidating statements of activities and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiary as of December 31, 2006 and 2005, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lutz + Carr, LLP*

New York, New York  
October 30, 2007

GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005

	2006				2005			
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
<b>Assets</b>								
Current Assets								
Cash and cash equivalents (Notes 1c and 3)	\$ 1,538,549	\$ 12,658	\$ -	\$ 1,551,207	\$ 819,950	\$ 217,802	\$ -	\$ 1,037,752
Certificate of deposit - restricted (Note 6)	-	223,937	-	223,937	-	219,878	-	219,878
Unconditional promises to give (Notes 1d and 4)								
Restricted to future programs	4,000,000	-	-	4,000,000	500,000	-	-	500,000
Rent and other miscellaneous receivables (Note 1e)	165,173	113,200	-	278,373	60,778	166,151	-	226,929
Inter-company receivables	-	2,636,932	(2,636,932)	-	-	3,077,020	(3,077,020)	-
Prepaid expenses and other current assets	148,477	68,959	-	217,436	122,053	60,460	-	182,513
Total Current Assets	<u>5,852,199</u>	<u>3,055,686</u>	<u>(2,636,932)</u>	<u>6,270,953</u>	<u>1,502,781</u>	<u>3,741,311</u>	<u>(3,077,020)</u>	<u>2,167,072</u>
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 5)	10,535,562	5,041,127	(2,184,167)	13,392,522	11,067,750	4,964,720	(2,289,288)	13,743,182
Acquisition deposit (Note 10)	600,000	-	-	600,000	-	-	-	-
Construction in progress	347,418	905,251	-	1,252,669	159,579	265,024	-	424,603
Security deposits	6,517	12,000	-	18,517	6,517	12,000	-	18,517
Obligation to satisfy contract requirements (Note 6)	-	221,195	(221,195)	-	-	221,195	(221,195)	-
<b>Total Assets</b>	<u>\$17,341,696</u>	<u>\$9,235,259</u>	<u>\$ (5,042,294)</u>	<u>\$21,534,661</u>	<u>\$12,736,627</u>	<u>\$9,204,250</u>	<u>\$(5,587,503)</u>	<u>\$16,353,374</u>

See notes to consolidating financial statements.

GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005

	2006				2005			
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
<b>Liabilities and Net Assets</b>								
Current Liabilities								
Loans payable (Note 7)	\$ 491,663	\$ -	\$ -	\$ 491,663	\$ 61,875	\$ -	\$ -	\$ 61,875
Mortgages payable (Note 8)	182,819	233,548	-	416,367	199,856	221,034	-	420,890
Accounts payable and accrued expenses	197,632	119,373	-	317,005	118,766	69,836	-	188,602
Construction payables	-	222,500	-	222,500	-	-	-	-
Inter-company payable	2,636,932	-	(2,636,932)	-	3,077,020	-	(3,077,020)	-
Total Current Liabilities	3,509,046	575,421	(2,636,932)	1,447,535	3,457,517	290,870	(3,077,020)	671,367
Loans payable (Note 7)	243,063	-	-	243,063	734,605	-	-	734,605
Mortgages payable (Note 8)	8,184,060	8,618,561	-	16,802,621	6,250,595	8,852,540	-	15,103,135
Tenant security deposits	285,350	197,520	-	482,870	299,725	188,568	-	488,293
Obligation to MAHC sales contract (Note 6)	221,195	-	(221,195)	-	221,195	-	(221,195)	-
Total Liabilities	12,442,714	9,391,502	(2,858,127)	18,976,089	10,963,637	9,331,978	(3,298,215)	16,997,400
Commitments and Contingencies (Note 9)								
Net Assets								
Unrestricted (Deficit)	898,982	(156,243)	(2,184,167)	(1,441,428)	1,104,101	(127,728)	(2,289,288)	(1,312,915)
Temporarily restricted (Note 2)	4,000,000	-	-	4,000,000	668,889	-	-	668,889
Total Net Assets	4,898,982	(156,243)	(2,184,167)	2,558,572	1,772,990	(127,728)	(2,289,288)	(644,026)
<b>Total Liabilities and Net Assets</b>	<b>\$17,341,696</b>	<b>\$9,235,259</b>	<b>\$ (5,042,294)</b>	<b>\$21,534,661</b>	<b>\$12,736,627</b>	<b>\$9,204,250</b>	<b>\$(5,587,503)</b>	<b>\$16,353,374</b>

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006					2005				
	Greenpoint Manufacturing and Design Center Local Development Corporation		GMDC Two Corporation	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation		GMDC Two Corporation	Consolidating Entries	Consolidated Totals
	Unrestricted	Temporarily Restricted				Unrestricted	Temporarily Restricted			
<b>Changes in Net Assets</b>										
Revenue and Other Support										
Rental income (Note 9b)	\$1,064,450	\$ -	\$1,606,835	\$ -	\$2,671,285	\$1,338,633	\$ -	\$1,709,114	\$ -	\$3,047,747
Electric income (net of credits)	38,613	-	196,997	-	235,610	36,837	-	249,057	-	285,894
Administrative and consulting fees	360,000	-	-	(360,000)	-	360,000	-	-	(360,000)	-
Contributions	200,500	3,500,000	-	-	3,700,500	-	-	-	-	-
Interest income	72,765	-	4,059	-	76,824	90,330	-	1,700	-	92,030
Miscellaneous income	218,813	-	43,157	-	261,970	27,808	-	32,636	-	60,444
Net assets released from restrictions										
Satisfaction of time and program restrictions	168,889	(168,889)	-	-	-	50,000	(50,000)	-	-	-
<b>Total Revenue and Other Support</b>	<b>2,124,030</b>	<b>3,331,111</b>	<b>1,851,048</b>	<b>(360,000)</b>	<b>6,946,189</b>	<b>1,903,608</b>	<b>(50,000)</b>	<b>1,992,507</b>	<b>(360,000)</b>	<b>3,486,115</b>
Expenses										
Program Service										
Rental and project development	1,882,160	-	1,879,563	(465,121)	3,296,602	1,749,202	-	1,935,111	(465,121)	3,219,192
Supporting Services										
Management and general	253,012	-	-	-	253,012	199,335	-	-	-	199,335
Fundraising	193,977	-	-	-	193,977	203,112	-	-	-	203,112
Total Supporting Services	446,989	-	-	-	446,989	402,447	-	-	-	402,447
<b>Total Expenses</b>	<b>2,329,149</b>	<b>-</b>	<b>1,879,563</b>	<b>(465,121)</b>	<b>3,743,591</b>	<b>2,151,649</b>	<b>-</b>	<b>1,935,111</b>	<b>(465,121)</b>	<b>3,621,639</b>
Increase (decrease) in net assets	(205,119)	3,331,111	(28,515)	105,121	3,202,598	(248,041)	(50,000)	57,396	105,121	(135,524)
Net assets, beginning of year	1,104,101	668,889	(127,728)	(2,289,288)	(644,026)	1,352,142	718,889	(185,124)	(2,394,409)	(508,502)
<b>Net Assets, End of Year</b>	<b>\$ 898,982</b>	<b>\$4,000,000</b>	<b>\$ (156,243)</b>	<b>\$(2,184,167)</b>	<b>\$2,558,572</b>	<b>\$1,104,101</b>	<b>\$ 668,889</b>	<b>\$ (127,728)</b>	<b>\$(2,289,288)</b>	<b>\$ (644,026)</b>

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006				2005			
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
<b>Cash Flows From Operating Activities</b>								
Change in net assets	\$3,125,992	(\$28,515)	\$ 105,121	\$3,202,598	\$ (298,041)	\$ 57,396	\$ 105,121	\$ (135,524)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:								
Depreciation and amortization	599,200	236,052	(105,121)	730,131	568,186	228,675	(105,121)	691,740
Allowance for doubtful accounts	151,247	175,929	-	327,176	8,433	123,009	-	131,442
(Increase) decrease in assets:								
Unconditional promises to give	(3,500,000)	-	-	(3,500,000)	50,000	-	-	50,000
Rent and other miscellaneous receivables	(255,643)	(122,978)	-	(378,621)	12,346	(185,078)	-	(172,732)
Inter-company receivables	-	440,088	(440,088)	-	-	345,986	(345,986)	-
Prepaid expenses and other current assets	(26,424)	(8,499)	-	(34,923)	212	2,878	-	3,090
Security and acquisition deposits	(600,000)	-	-	(600,000)	7,500	-	-	7,500
Increase (decrease) in liabilities:								
Accounts payable and accrued expenses	78,866	49,537	-	128,403	(133,606)	(91,887)	-	(225,493)
Construction payables	-	222,500	-	222,500	-	-	-	-
Inter-company payable	(440,088)	-	440,088	-	(345,986)	-	345,986	-
Tenant Security deposits	(14,375)	8,952	-	(5,423)	(6,910)	37,089	-	30,179
Net Cash Provided (Used) By Operating Activities	<u>(881,225)</u>	<u>973,066</u>	<u>-</u>	<u>91,841</u>	<u>(137,866)</u>	<u>518,068</u>	<u>-</u>	<u>380,202</u>
<b>Cash Flows From Investing Activities</b>								
Equipment, renovations and fees	(254,850)	(952,686)	-	(1,207,536)	(85,408)	(105,928)	-	(191,336)
Purchase of certificate of deposit	-	(4,059)	-	(4,059)	-	(1,700)	-	(1,700)
Net Cash Used By Investing Activities	<u>(254,850)</u>	<u>(956,745)</u>	<u>-</u>	<u>(1,211,595)</u>	<u>(85,408)</u>	<u>(107,628)</u>	<u>-</u>	<u>(193,036)</u>
<b>Cash Flows From Financing Activities</b>								
Proceeds from loans and mortgages	6,500,000	-	-	6,500,000	312,000	-	-	312,000
Principal repayments of loans and mortgages payable	(4,645,326)	(221,465)	-	(4,866,791)	(1,021,085)	(217,817)	-	(1,238,902)
Net Cash Provided (Used) By Financing Activities	<u>1,854,674</u>	<u>(221,465)</u>	<u>-</u>	<u>1,633,209</u>	<u>(709,085)</u>	<u>(217,817)</u>	<u>-</u>	<u>(926,902)</u>
Net increase (decrease) in cash and cash equivalents	718,599	(205,144)	-	513,455	(932,359)	192,623	-	(739,736)
Cash and cash equivalents, beginning of year	819,950	217,802	-	1,037,752	1,752,309	25,179	-	1,777,488
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$1,538,549</u>	<u>\$ 12,658</u>	<u>\$ -</u>	<u>\$1,551,207</u>	<u>\$ 819,950</u>	<u>\$ 217,802</u>	<u>\$ -</u>	<u>\$1,037,752</u>
<b>Supplemental Disclosures of Cash Flow Information</b>								
Cash payments for:								
Interest	\$ 489,613	\$ 495,369	\$ -	\$ 984,982	\$ 439,855	\$ 507,217	\$ -	\$ 947,072
Income taxes	\$ 275	\$ -	\$ -	\$ 275	\$ 250	\$ -	\$ -	\$ 250

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Nature of Organization

Greenpoint Manufacturing and Design Center Local Development Corporation (GMDC) creates and sustains viable manufacturing sectors in urban neighborhoods through planning, developing and managing real estate and offering other related services.

b - Principles of Consolidation

The accompanying consolidating financial statements include the accounts of the parent company, Greenpoint Manufacturing and Design Center Local Development Corporation, and its subsidiary, GMDC Two Corporation (formerly Manhattan Avenue Holding Corporation (MAHC)). All significant inter-company accounts and transactions have been eliminated in consolidation.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior year's experience and management's analysis of specific promises made.

e - Rent Receivable

Rent receivable includes basic rent, electric and advances due from tenants. An allowance for uncollectible rent of \$501,143 and \$173,967 has been established at December 31, 2006 and 2005, respectively, based on management's knowledge and experience.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

f - Property and Equipment

Buildings, leasehold improvements, equipment and furniture are recorded at cost and are depreciated or amortized on the straight-line basis over their estimated useful lives, which range from three to twenty-five years, or the life of the lease, if applicable, whichever is shorter. Donated items are capitalized at the estimated fair value at the date of contribution and are depreciated over their estimated useful lives.

g - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

h - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

i - Tax Status

Greenpoint Manufacturing and Design Center Local Development Corporation is a not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

On June 1, 2004, MAHC merged with GMDC Two Corporation, a new entity wholly owned by GMDC. GMDC Two intends to apply for tax exempt status under IRS code Section 501(c)(4). GMDC Two has amended its certificate of incorporation accordingly.

j - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the program and supporting services benefited.

GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

**Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31 are restricted for future programs.

**Note 3 - Concentration of Credit Risk**

The Organization maintains cash and cash equivalent balances in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limit and subject the Organization to concentration of credit risk. However, the Organization monitors this risk on a regular basis.

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

Unconditional promises to give at December 31, 2006 and 2005 and \$3,500,000 of the total contributions for 2006 are from one government agency.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 5 - Property and Equipment**

A summary of property and equipment at December 31 is as follows:

<b>2006</b>					
	<b>Life</b>	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>GMDC Two Corporation</b>	<b>Consolidating Entries</b>	<b>Consolidated Totals</b>
Land		\$ 524,475	\$ 580,500	\$ -	\$ 1,104,975
Buildings	25 years	7,585,525	4,396,198	(2,920,014)	9,061,709
Furniture and equipment	3-25 years	607,041	-	-	607,041
Leasehold improvements	25 years	4,735,000	1,412,188	-	6,147,188
Loan commitment fee/closing costs	7 years	115,677	173,249	-	288,926
Leasing commissions	5 years	81,257	-	-	81,257
Deferred leasing costs	13 years	333,265	-	-	333,265
		<u>13,982,240</u>	<u>6,562,135</u>	<u>(2,920,014)</u>	<u>17,624,361</u>
Less: Accumulated depreciation and amortization		<u>3,446,678</u>	<u>1,521,008</u>	<u>(735,847)</u>	<u>4,231,839</u>
		<u>\$10,535,562</u>	<u>\$ 5,041,127</u>	<u>\$(2,184,167)</u>	<u>\$13,392,522</u>
<b>2005</b>					
	<b>Life</b>	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>GMDC Two Corporation</b>	<b>Consolidating Entries</b>	<b>Consolidated Totals</b>
Land		\$ 524,475	\$ 580,500	\$ -	\$1,104,975
Buildings	25 years	7,585,525	4,396,198	(2,920,014)	9,061,709
Furniture and equipment	3-25 years	607,041	-	-	607,041
Leasehold improvements	25 years	4,735,000	1,099,729	-	5,834,729
Loan commitment fee/closing costs	7 years	113,665	173,249	-	286,914
Leasing commissions	5 years	81,257	-	-	81,257
Deferred leasing costs	13 years	333,265	-	-	333,265
		<u>13,980,228</u>	<u>6,249,676</u>	<u>(2,920,014)</u>	<u>17,309,890</u>
Less: Accumulated depreciation and amortization		<u>2,912,478</u>	<u>1,284,956</u>	<u>(630,726)</u>	<u>3,566,708</u>
		<u>\$11,067,750</u>	<u>\$4,964,720</u>	<u>\$(2,289,288)</u>	<u>\$13,743,182</u>

Depreciation and amortization expense for the years ended December 31, 2006 and 2005 was \$730,131 and \$691,740, respectively.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 6 - Obligation to Satisfy Contract Requirements**

As part of MAHC's acquisition of 1155 Manhattan Avenue from GMDC, GMDC is required to complete certain renovations to the building under the contract of sale with the City of New York. In addition, as part of MAHC's mortgage on the 1155 Manhattan Avenue property (see Note 8), MAHC was required to maintain a certificate of deposit that would be used by the mortgagee to complete renovations to the property in the event that MAHC was unable to meet its obligations.

**Note 7- Loans Payable**

Loans payable at December 31 consisted of the following:

	<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>GMDC Two Corporation</u>	<u>2006 Total</u>	<u>2005 Total</u>
Note payable, consisting of a bridge loan of \$500,000 (repaid at maturity during November 2001), and a mini-permanent loan of \$500,000 to be paid in monthly installments of \$3,222, including interest at 6% through April 2007, when the outstanding principal amount is due.	\$440,724	\$ -	\$440,724	\$452,551
Loan payable (recoverable grant) totaling up to \$75,000. Loan is non-interest bearing, with a repayment of \$25,000 due during 2006, 2007 and 2008.	50,000	-	50,000	75,000
Loan payable, bearing interest at 3.5% per annum, requiring monthly payments of principal and interest of \$2,838 beginning May 1, 2005 through and including March 1, 2015, at which time a final payment of all outstanding principal plus accrued interest is due on April 1, 2015.	<u>244,002</u>	<u>-</u>	<u>244,002</u>	<u>268,929</u>
Total Payable Amount	734,726	-	734,726	796,480
Less: Current portion	<u>491,663</u>	<u>-</u>	<u>491,663</u>	<u>61,875</u>
Long-Term Portion	<u>\$243,063</u>	<u>\$ -</u>	<u>\$243,063</u>	<u>\$734,605</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 7 - Loans Payable (continued)**

Principal payments during the next five years are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$491,663
2008	51,862
2009	27,817
2010	28,806
2011	29,831

**Note 8 - Mortgages Payable**

Mortgages payable at December 31 consisted of the following:

Mortgage loan for the property located at 132 Harrison Place, payable in monthly installments of \$15,021 applied first to interest at 6.75% per annum and the balance to principal, followed by a final payment of all outstanding principal plus accrued interest on March 1, 2007. The mortgage loan contains two renewal terms that can extend the term of the mortgage to February 1, 2017.

Mortgage loan, entered into November 16, 2001 in the amount of \$9,708,750 for the property located at 1155 Manhattan Avenue. Monthly payments of interest only accruing at the prime rate to be paid until November 1, 2002. Thereafter, monthly installments of \$59,736 applied first to interest at 5.52% per annum and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on December 1, 2007. The mortgage loan contains two renewal terms that can extend the term of the mortgage to December 1, 2017.

Mortgage loan, entered into June 1, 2006 in the amount of \$1,550,000 for the property located at 7 St. Nicholas Avenue, payable in monthly installments of \$9,364 applied first to interest at 5.26% per annum and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on June 1, 2013. The mortgage loan contains one renewal term that can extend the term of the mortgage to June 1, 2018.

Sub-total (carried forward)

<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>GMDC Two Corporation</u>	<u>2006 Total</u>	<u>2005 Total</u>
\$1,939,504	\$ -	\$1,939,504	\$2,003,274
-	8,852,109	8,852,109	9,073,574
<u>1,532,681</u>	<u>-</u>	<u>1,532,681</u>	<u>-</u>
<u>3,472,185</u>	<u>8,852,109</u>	<u>12,324,294</u>	<u>11,076,848</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 8 - Mortgages Payable (continued)**

	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>GMDC Two Corporation</b>	<b>2006 Total</b>	<b>2005 Total</b>
Sub-total (brought forward)	\$ 3,472,185	\$ 8,852,109	\$ 12,324,294	\$11,076,848
 Mortgage loan, entered into June 1, 2006 in the amount of \$4,950,000 for the property located at 810 Humboldt, payable in monthly installments of \$29,906 applied first to interest at 5.26% per annum and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on June 1, 2013. The mortgage loan contains one renewal term that can extend the term of the mortgage to June 1, 2018.	4,894,694	-	4,894,694	-
 Mortgage loans repaid during 2006 with the proceeds of the refinancing described above:				
 Mortgage loan, entered into February 1, 2002 in the amount of \$1,031,250 for the property located at 7 St. Nicholas Avenue.	-	-	-	963,550
 Second mortgage payable (amended and restated on September 24, 2004).	-	-	-	274,130
 Mortgage loan, entered into February 11, 2002 in the amount of \$3,435,000 for the property located at 810 Humboldt.	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,497</u>
 Total Mortgages Payable	8,366,879	8,852,109	17,218,988	15,524,025
Less: Current portion	<u>182,819</u>	<u>233,548</u>	<u>416,367</u>	<u>420,890</u>
Long-Term Portion	<u>\$ 8,184,060</u>	<u>\$ 8,618,561</u>	<u>\$16,802,621</u>	<u>\$15,103,135</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 8 - Mortgages Payable (continued)**

Principal payments due within the next five years, assuming available extensions are exercised, are estimated as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$416,367
2008	440,226
2009	465,459
2010	492,151
2011	520,383

Total interest expense on loans and mortgages for the years ended December 31, 2006 and 2005 approximated \$985,000 and \$950,000, respectively.

**Note 9 - Commitments and Contingencies**

a - Government supported programs are subject to audit by the granting agency.

b - GMDC and GMDC Two Corporation receive rental income from tenants. The approximate minimum annual rentals for the subsequent five years are as follows as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$3,013,000
2008	2,316,000
2009	2,143,000
2010	1,557,000
2011	731,000

c - In May 2000, GMDC entered into a lease with New York City Industrial Development Agency (Agency) for the property located on Humboldt Street in Greenpoint. The lease provides for base rent of \$1, an acquisition cost of \$4,300,000, and that GMDC keep the Facility in good and safe operating order and condition as well as pay for all repairs, improvements, real estate taxes, insurance and any other necessary costs to maintain the premises. As of December 31, 2006 and 2005, GMDC incurred approximately \$1,800,000 in construction costs for the Facility. The lease expires July 1, 2012.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

**Note 9 - Commitments and Contingencies (continued)**

d - During the year ended August 31, 2001, GMDC received a \$1,000,000 recoverable grant. The grant's purpose was "to fund operations of GMDC related to the development of leasable manufacturing space". The grant is recoverable to the extent that GMDC has positive cash flow from the properties, after debt service. The repayment terms are based on percentages of the net cash flows, if any. If after 12 and half of years of receiving the grant, GMDC does not have positive cash flow; the grant is no longer recoverable. GMDC does not expect the properties to have positive cash flows and, accordingly, the \$1,000,000 was reflected as a contribution during the year ended August 31, 2001.

**Note 10 - Subsequent Events**

On June 29, 2007, GMDC purchased the property located at 221 McKibbin Street, Brooklyn, New York for \$5,500,000. GMDC plans to develop and improve the property to house small and medium sized manufacturing tenants for an estimated cost of \$5,500,000. To fund the aggregate cost of the acquisition and development \$(11,000,000), GMDC received a mortgage from Sovereign Bank of approximately \$7,000,000, and \$4,000,000 of grant funds from the New York City Industrial Acquisition Write Down Fund Program \$(3,500,000) and the Brooklyn Borough President \$(500,000).

## **ADDITIONAL INFORMATION**



**INDEPENDENT AUDITOR'S REPORT ON  
ADDITIONAL INFORMATION**

To the Board of Directors of  
Greenpoint Manufacturing and Design Center  
Local Development Corporation and Subsidiary

Our report on our audits of the basic consolidating financial statements of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiary for 2006 and 2005 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The consolidating Schedule of Functional Expenses for the year ended December 31, 2006 with comparative totals for 2005 is presented for purposes of additional analysis and is not a required part of the basic consolidating financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidating financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidating financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
October 30, 2007

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION**

**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2006 WITH COMPARATIVE TOTALS FOR 2005**

	Greenpoint Manufacturing and Design Center Local Development Corporation				Total Expenses	GMDC Two Corporation	Consolidating Entries	2006	2005
	Program Service	Supporting Services						Total Consolidated Expenses	Total Consolidated Expenses
	Rental and Project Development	Management and General	Fundraising	Total					
Salaries	\$ 338,479	\$ 89,712	\$ 59,603	\$ 149,315	\$ 487,794	\$ 140,690	\$ -	\$ 628,484	\$ 616,117
Payroll taxes and fringe benefits	75,681	20,059	13,327	33,386	109,067	34,019	-	143,086	152,319
Repairs and maintenance	17,883	-	-	-	17,883	108,478	-	126,361	101,526
Professional fees	32,897	107,650	97,402	205,052	237,949	14,599	-	252,548	226,903
Trash removal	1,082	-	-	-	1,082	10,472	-	11,554	16,910
Security	4,201	-	-	-	4,201	31,230	-	35,431	64,209
Building licenses and permits	6,043	-	-	-	6,043	260	-	6,303	623
Building filing fees	1,702	-	-	-	1,702	21,524	-	23,226	995
Building related penalties	2,160	-	-	-	2,160	6,000	-	8,160	3,546
Insurance	42,167	11,176	7,425	18,601	60,768	84,400	-	145,168	139,823
Utilities	57,660	-	-	-	57,660	214,308	-	271,968	321,648
Phone and internet	13,584	3,600	2,392	5,992	19,576	1,326	-	20,902	17,181
Bad debt	-	-	-	-	-	-	-	-	2,375
Interest	489,613	-	-	-	489,613	495,369	-	984,982	947,072
Real estate taxes	101,568	-	-	-	101,568	120,697	-	222,265	217,948
Office expenses	74,020	19,620	13,034	32,654	106,674	139	-	106,813	99,072
Administrative fees	-	-	-	-	-	360,000	(360,000)	-	-
Depreciation	508,509	1,195	794	1,989	510,498	225,224	(105,121)	630,601	636,479
Amortization	88,702	-	-	-	88,702	10,828	-	99,530	55,262
Miscellaneous	26,209	-	-	-	26,209	-	-	26,209	1,631
<b>Total Expenses, 2006</b>	<b><u>\$1,882,160</u></b>	<b><u>\$ 253,012</u></b>	<b><u>\$ 193,977</u></b>	<b><u>\$ 446,989</u></b>	<b><u>\$2,329,149</u></b>	<b><u>\$1,879,563</u></b>	<b><u>\$ (465,121)</u></b>	<b><u>\$3,743,591</u></b>	
<b>Total Expenses, 2005</b>	<b><u>\$1,749,202</u></b>	<b><u>\$ 199,335</u></b>	<b><u>\$ 203,112</u></b>	<b><u>\$ 402,447</u></b>	<b><u>\$2,151,649</u></b>	<b><u>\$1,935,111</u></b>	<b><u>\$ (465,121)</u></b>		<b><u>\$3,621,639</u></b>

See independent auditor's report on additional information.