

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

**CONSOLIDATING FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2007 AND 2006

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

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INDEPENDENT AUDITOR'S REPORT

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

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 subsidiaries as of December 31, 2007 and 2006, 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 consolidating financial positions of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiaries as of December 31, 2007 and 2006, 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
January 8, 2009

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

	2007				2006				
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
Assets									
Current Assets									
Cash and cash equivalents (Notes 1c and 3)	\$ 414,946	\$ 10,769	\$ 136,379	\$ -	\$ 562,094	\$ 1,538,549	\$ 12,658	\$ -	\$ 1,551,207
Restricted cash (Note 8b)	-	-	502,938	-	502,938	-	-	-	-
Certificate of deposit - restricted (Note 6)	-	235,707	-	-	235,707	-	223,937	-	223,937
Unconditional promises to give (Notes 1d and 4)									
Restricted to future programs	4,000,000	-	-	-	4,000,000	4,000,000	-	-	4,000,000
Rent and other miscellaneous receivables (Note 1e)	326,559	495,453	-	-	822,012	165,173	113,200	-	278,373
Inter-company receivables	827,076	2,294,818	-	(3,121,894)	-	-	2,636,932	(2,636,932)	-
Prepaid expenses and other current assets	125,385	68,959	-	-	194,344	148,477	68,959	-	217,436
Total Current Assets	<u>5,693,966</u>	<u>3,105,706</u>	<u>639,317</u>	<u>(3,121,894)</u>	<u>6,317,095</u>	<u>5,852,199</u>	<u>3,055,686</u>	<u>(2,636,932)</u>	<u>6,270,953</u>
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 5)	10,023,088	5,032,615	6,083,473	(2,079,046)	19,060,130	10,535,562	5,041,127	(2,184,167)	13,392,522
Acquisition deposit (Note 5)	-	-	-	-	-	600,000	-	-	600,000
Construction in progress (Note 5)	352,548	796,762	1,522,177	-	2,671,487	347,418	905,251	-	1,252,669
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)	-
Total Assets	<u>\$16,076,119</u>	<u>\$9,168,278</u>	<u>\$8,244,967</u>	<u>\$ (5,422,135)</u>	<u>\$28,067,229</u>	<u>\$17,341,696</u>	<u>\$9,235,259</u>	<u>\$ (5,042,294)</u>	<u>\$21,534,661</u>

See notes to consolidating financial statements.

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

	2007				2006				
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
Liabilities and Net Assets									
Current Liabilities									
Loans payable (Note 7)	\$ 51,862	\$ -	\$4,000,000	\$ -	\$ 4,051,862	\$ 491,663	\$ -	\$ -	\$ 491,663
Mortgages payable (Note 8)	193,454	246,772	3,292,197	-	3,732,423	182,819	233,548	-	416,367
Accounts payable and accrued expenses	256,849	120,765	21,180	-	398,794	197,632	119,373	-	317,005
Construction payables	-	-	754,239	-	754,239	-	222,500	-	222,500
Inter-company payable	2,294,818	-	827,076	(3,121,894)	-	2,636,932	-	(2,636,932)	-
Total Current Liabilities	2,796,983	367,537	8,894,692	(3,121,894)	8,937,318	3,509,046	575,421	(2,636,932)	1,447,535
Loans payable (Note 7)	216,322	-	-	-	216,322	243,063	-	-	243,063
Mortgages payable (Note 8)	7,957,975	8,374,428	-	-	16,332,403	8,184,060	8,618,561	-	16,802,621
Tenant security deposits	287,550	249,170	-	-	536,720	285,350	197,520	-	482,870
Obligation to MAHC sales contract (Note 6)	221,195	-	-	(221,195)	-	221,195	-	(221,195)	-
Total Liabilities	11,480,025	8,991,135	8,894,692	(3,343,089)	26,022,763	12,442,714	9,391,502	(2,858,127)	18,976,089
Commitments and Contingencies (Note 9)									
Net Assets									
Unrestricted (deficit)	596,094	177,143	(649,725)	(2,079,046)	(1,955,534)	898,982	(156,243)	(2,184,167)	(1,441,428)
Temporarily restricted (Note 2)	4,000,000	-	-	-	4,000,000	4,000,000	-	-	4,000,000
Total Net Assets	4,596,094	177,143	(649,725)	(2,079,046)	2,044,466	4,898,982	(156,243)	(2,184,167)	2,558,572
Total Liabilities and Net Assets	\$16,076,119	\$9,168,278	\$8,244,967	\$ (5,422,135)	\$28,067,229	\$17,341,696	\$9,235,259	\$ (5,042,294)	\$21,534,661

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007					2006					
	Greenpoint Manufacturing and Design Center Local Development Corporation		GMDC Two Corporation	221 McKibbin Owner, LLC	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			
Changes in Net Assets											
Revenue and Other Support											
Rental income (Note 9b)	\$1,361,646	\$ -	\$1,966,293	\$ -	\$ -	\$3,327,939	\$1,064,450	\$ -	\$1,606,835	\$ -	\$2,671,285
Electric income (net of credits)	39,446	-	234,826	-	-	274,272	38,613	-	196,997	-	235,610
Administrative and consulting fees	360,000	-	-	-	(360,000)	-	360,000	-	-	(360,000)	-
Contributions	-	-	-	-	-	-	200,500	3,500,000	-	-	3,700,500
Interest income	54,887	-	11,770	251	-	66,908	72,765	-	4,059	-	76,824
Miscellaneous income	87,951	-	3,689	102	-	91,742	218,813	-	43,157	-	261,970
Net assets released from restrictions											
Satisfaction of time and program restrictions	-	-	-	-	-	-	168,889	(168,889)	-	-	-
Total Revenue and Other Support	1,903,930	-	2,216,578	353	(360,000)	3,760,861	2,124,030	3,331,111	1,851,048	(360,000)	6,946,189
Expenses											
Program Services											
Rental and project development	1,899,048	-	1,883,192	650,078	(465,121)	3,967,197	1,882,160	-	1,879,563	(465,121)	3,296,602
Supporting Services											
Management and general	153,823	-	-	-	-	153,823	253,012	-	-	-	253,012
Fundraising	153,947	-	-	-	-	153,947	193,977	-	-	-	193,977
Total Supporting Services	307,770	-	-	-	-	307,770	446,989	-	-	-	446,989
Total Expenses	2,206,818	-	1,883,192	650,078	(465,121)	4,274,967	2,329,149	-	1,879,563	(465,121)	3,743,591
Increase (decrease) in net assets	(302,888)	-	333,386	(649,725)	105,121	(514,106)	(205,119)	3,331,111	(28,515)	105,121	3,202,598
Net assets, beginning of year	898,982	4,000,000	(156,243)	-	(2,184,167)	2,558,572	1,104,101	668,889	(127,728)	(2,289,288)	(644,026)
Net Assets, End of Year	\$ 596,094	\$4,000,000	\$ 177,143	\$(649,725)	\$(2,079,046)	\$2,044,466	\$ 898,982	\$4,000,000	\$ (156,243)	\$(2,184,167)	\$2,558,572

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007					2006			
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	Consolidating Entries	Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals
Cash Flows From Operating Activities									
Change in net assets	\$ (302,888)	\$ 333,386	\$ (649,725)	\$ 105,121	\$ (514,106)	\$ 3,125,992	\$ (28,515)	\$ 105,121	\$3,202,598
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:									
Depreciation and amortization	555,031	247,952	210,037	(105,121)	907,899	599,200	236,052	(105,121)	730,131
Allowance for doubtful accounts	(89,439)	(78,747)	-	-	(168,186)	151,247	175,929	-	327,176
(Increase) decrease in assets:									
Unconditional promises to give	-	-	-	-	-	(3,500,000)	-	-	(3,500,000)
Rent and other miscellaneous receivables	(71,946)	(303,506)	-	-	(375,452)	(255,643)	(122,978)	-	(378,621)
Inter-company receivables	(827,076)	342,114	-	(500,389)	(985,351)	-	440,088	(440,088)	-
Prepaid expenses and other current assets	23,091	-	-	-	23,091	(26,424)	(8,499)	-	(34,923)
Security and acquisition deposits	600,000	-	-	-	600,000	(600,000)	-	-	(600,000)
Increase (decrease) in liabilities:									
Accounts payable and accrued expenses	59,217	(221,108)	21,180	-	(140,711)	78,866	49,537	-	128,403
Construction payables	-	-	754,239	-	754,239	-	222,500	-	222,500
Inter-company payable	(342,114)	-	827,076	500,389	985,351	(440,088)	-	440,088	-
Tenant Security deposits	2,200	51,650	-	-	53,850	(14,375)	8,952	-	(5,423)
Net Cash Provided (Used) By Operating Activities	<u>(393,924)</u>	<u>371,741</u>	<u>1,162,807</u>	<u>-</u>	<u>1,140,624</u>	<u>(881,225)</u>	<u>973,066</u>	<u>-</u>	<u>91,841</u>
Cash Flows From Investing Activities									
Equipment, renovations and fees	(47,687)	(130,951)	(7,815,687)	-	(7,994,325)	(254,850)	(952,686)	-	(1,207,536)
Purchase of certificate of deposit	-	(11,770)	-	-	(11,770)	-	(4,059)	-	(4,059)
Net Cash Used By Investing Activities	<u>(47,687)</u>	<u>(142,721)</u>	<u>(7,815,687)</u>	<u>-</u>	<u>(8,006,095)</u>	<u>(254,850)</u>	<u>(956,745)</u>	<u>-</u>	<u>(1,211,595)</u>
Cash Flows From Financing Activities									
Proceeds from loans and mortgages	-	-	7,292,197	-	7,292,197	6,500,000	-	-	6,500,000
Principal repayments of loans and mortgages payable	(681,992)	(230,909)	-	-	(912,901)	(4,645,326)	(221,465)	-	(4,866,791)
Net Cash Provided (Used) By Financing Activities	<u>(681,992)</u>	<u>(230,909)</u>	<u>7,292,197</u>	<u>-</u>	<u>6,379,296</u>	<u>1,854,674</u>	<u>(221,465)</u>	<u>-</u>	<u>1,633,209</u>
Net increase (decrease) in cash and cash equivalents	(1,123,603)	(1,889)	639,317	-	(486,175)	718,599	(205,144)	-	513,455
Cash and cash equivalents, beginning of year	1,538,549	12,658	-	-	1,551,207	819,950	217,802	-	1,037,752
Cash and Cash Equivalents, End of Year	<u>\$ 414,946</u>	<u>\$ 10,769</u>	<u>\$ 639,317</u>	<u>\$ -</u>	<u>\$1,065,032</u>	<u>\$ 1,538,549</u>	<u>\$ 12,658</u>	<u>\$ -</u>	<u>\$1,551,207</u>
Supplemental Disclosures									
Cash payments for:									
Interest	\$ 507,309	\$ 505,180	\$ 277,907	\$ -	\$ 1,290,396	\$ 489,613	\$ 495,369	\$ -	\$ 984,982
Income taxes	\$ -	\$ 915	\$ -	\$ -	\$ 915	\$ 275	\$ -	\$ -	\$ 275

See notes to consolidating financial statements.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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 subsidiaries, GMDC Two Corporation (formerly Manhattan Avenue Holding Corporation (MAHC)) and 221 McKibbin Owner, LLC. All significant inter-company accounts and transactions have been eliminated in consolidation.

On March 22, 2007, 221 McKibbin Owner, LLC, a new entity wholly owned by GMDC was organized. The entity was created to own and manage the building at 221 McKibbin Street.

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 \$352,557 and \$501,143 has been established at December 31, 2007 and 2006, respectively, based on management's knowledge and experience.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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.

221 McKibbin Owner, LLC is a single member limited liability corporation. Accordingly, its income or loss will be reported by its parent, GMDC.

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 SUBSIDIARIES**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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, 2007 and 2006 were from one government agency. \$3,500,000 of the total 2006 contributions was from that government agency.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 5 - Property and Equipment

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

2007						
	Life	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	Consolidating Entries	Consolidated Totals
Land		\$ 524,475	\$ 580,500	\$ 825,000	\$ -	\$ 1,929,975
Buildings	25 years	7,585,525	4,396,198	4,838,400	(2,920,014)	13,900,109
Furniture and equipment	3-25 years	655,206	-	-	-	655,206
Leasehold improvements	25 years	4,741,891	1,651,629	-	-	6,393,520
Loan commitment fee/closing costs	7 years	103,177	173,249	630,110	-	906,536
Leasing commissions	5 years	81,257	-	-	-	81,257
Deferred leasing costs	13 years	333,265	-	-	-	333,265
		<u>14,024,796</u>	<u>6,801,576</u>	<u>6,293,510</u>	<u>(2,920,014)</u>	<u>24,199,868</u>
Less: Accumulated depreciation and amortization		<u>4,001,708</u>	<u>1,768,961</u>	<u>210,037</u>	<u>(840,968)</u>	<u>5,139,738</u>
		<u>\$10,023,088</u>	<u>\$ 5,032,615</u>	<u>\$6,083,473</u>	<u>\$(2,079,046)</u>	<u>\$19,060,130</u>
2006						
	Life	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals	
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>-</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>-</u>	<u>4,231,839</u>
		<u>\$10,535,562</u>	<u>\$ 5,041,127</u>	<u>\$(2,184,167)</u>	<u>-</u>	<u>\$13,392,522</u>

Depreciation and amortization expense for the years ended December 31, 2007 and 2006 was \$907,899 and \$730,131, respectively.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 5 - Property and Equipment (continued)

On June 29, 2007, GMDC purchased the land and building located at 221 McKibbin Street, Brooklyn, New York for \$5,500,000. GMDC transferred the land and building to its wholly owned limited liability company, 221 McKibbin Owner LLC. 221 McKibbin intends to develop the building and lease it to small and mid-sized manufacturing tenants.

The development project is currently budgeted at approximately \$17,800,000, including original acquisition costs. As of December 31, 2007, the Organization had entered into construction related contracts of approximately \$6,500,000, of which approximately \$940,000 had been incurred and included in capitalized construction costs.

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>221 McKibbin Owner, LLC</u>	<u>2007 Total</u>	<u>2006 Total</u>
Loan payable (recoverable grant) totaling up to \$75,000. Loan is non-interest bearing, with a repayment of \$25,000 due during 2008 and 2009.	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
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. A final payment of all outstanding principal plus accrued interest is due on April 1, 2015.	<u>218,184</u>	<u>-</u>	<u>-</u>	<u>218,184</u>	<u>244,002</u>
Sub-total (carried forward)	<u>268,184</u>	<u>-</u>	<u>-</u>	<u>268,184</u>	<u>294,002</u>

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 7- Loans Payable (continued)

	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	2007 Total	2006 Total
Sub-total (brought forward)	\$268,184	\$ -	\$ -	\$ 268,184	\$294,002
Loan payable, bearing interest at the prime rate, requiring quarterly payments through December 31, 2008, at which time the final payment of all outstanding principal plus accrued interest is due. \$3,600,000 of this loan was repaid in connection with the transactions described in Notes 10(b) and 10(c).	-	-	4,000,000	4,000,000	-
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 was repaid.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,724</u>
Total Payable Amount	268,184	-	4,000,000	4,268,184	734,726
Less: Current portion	<u>(51,862)</u>	<u>-</u>	<u>(4,000,000)</u>	<u>(4,051,862)</u>	<u>(491,663)</u>
Long-Term Portion	<u>\$216,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,322</u>	<u>\$243,063</u>

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

<u>Year Ending December 31,</u>	
2008	\$4,051,862
2009	52,817
2010	28,806
2011	29,831
2012	30,892

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 8 - Mortgages Payable

(a) Mortgages payable at December 31 consisted of the following:

	<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>GMDC Two Corporation</u>	<u>221 McKibbin Owner, LLC</u>	<u>2007 Total</u>	<u>2006 Total</u>
<p>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 through February 28, 2007. Thereafter, through March 1, 2012, monthly payments of principal and interest, at the rate of 8.25% per annum are required. The mortgage loan contains a renewal term that can extend the term of the mortgage to February 1, 2017.</p>	\$1,855,764	\$ -	\$ -	\$ 1,855,764	\$ 1,939,504
<p>Mortgage loan, entered into November 16, 2001 in the amount of \$9,708,750 for the property located at 1155 Manhattan Avenue, requiring monthly payments of \$59,763, including interest, at the rate of 5.52% per annum, and principal through December 1, 2007. Thereafter, the mortgage requires monthly payments of \$66,650, including interest, at the rate of 6.68% per annum, and principal through December 1, 2012. The mortgage loan contains a renewal term that can extend the term of the mortgage to December 1, 2017. On December 29, 2008, this mortgage was refinanced.</p>	-	8,621,200	-	8,621,200	8,852,109
<p>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.</p>	1,501,275	-	-	1,501,275	1,532,681
<p>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.</p>	<u>4,794,390</u>	<u>-</u>	<u>-</u>	<u>4,794,390</u>	<u>4,894,694</u>
<p style="padding-left: 40px;">Sub-total (carried forward)</p>	<u>8,151,429</u>	<u>8,621,200</u>	<u>-</u>	<u>16,772,629</u>	<u>17,218,988</u>

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 8 - Mortgages Payable (continued)

	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	221 McKibbin Owner, LLC	2007 Total	2006 Total
Sub-total (brought forward)	\$8,151,429	\$8,621,200	\$ -	\$16,772,629	\$17,218,988
Mortgage loans, aggregating up to \$7,000,400 for the acquisition and development of the property located at 221 McKibbin Street. Interest is payable monthly, beginning August 1, 2007. The outstanding principal and all accrued and unpaid interest is due on December 29, 2008. The loans bear interest at an annual rate equal to the highest prime rate of interest as published in the Wall Street Journal. These amounts were repaid in connection with the transaction described in Note 10(b).	<u>-</u>	<u>-</u>	<u>3,292,197</u>	<u>3,292,197</u>	<u>-</u>
Total Mortgages Payable	8,151,429	8,621,200	3,292,197	20,064,826	17,218,988
Less: Current portion	<u>193,454</u>	<u>246,772</u>	<u>3,292,197</u>	<u>3,732,423</u>	<u>416,367</u>
Long-Term Portion	<u>\$7,957,975</u>	<u>\$8,374,428</u>	<u>\$ -</u>	<u>\$16,332,403</u>	<u>\$16,802,621</u>

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

<u>Year Ending December 31,</u>	
2008	\$3,732,423
2009	465,459
2010	492,151
2011	520,383
2012	550,246

Total interest expense on loans and mortgages for the years ended December 31, 2007 and 2006 approximated \$1,290,000 and \$985,000, respectively.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 8 - Mortgages Payable (continued)

- (b) The mortgage loans related to the 221 McKibbin Street property require the maintenance of an interest reserve, which was \$502,938 at December 31, 2007.

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, 2007:

<u>Year Ending December 31,</u>	
2008	\$3,043,000
2009	2,715,000
2010	1,887,000
2011	1,155,000
2012	943,000

- 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, 2007 and 2006, GMDC incurred approximately \$1,800,000 in construction costs for the Facility. The lease expires July 1, 2012.
- 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.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 10 - Subsequent Events

- a) On August 29, 2008, the Organization entered into a contract with a tenant to sell the property located at Harrison Place, Brooklyn, New York. The purchase price payable to the Organization for the property is \$5,900,000, consisting of a down payment of \$500,000 and \$5,400,000 due at closing.
- b) On May 22, 2008, the Organization entered into a New Markets Tax Credit Compliance Agreement with a financial institution to obtain capital to be used for the rehabilitation of the building at 221 McKibbin Street, Brooklyn, New York. In exchange for the value of the federal historic tax credits generated from such rehabilitation, the institutions will provide capital and loans to be used to fund the rehabilitation.
- c) On December 29, 2008, the Organization refinanced the mortgage loan for the property located at 1155 Manhattan Avenue for an amount of \$10,100,000. The Organization is required to make a monthly payment of \$55,935, including interest at a fixed rate of 4.4%, beginning February 17, 2009 through maturity of February 15, 2014. A portion of the refinancing proceeds were used to repay a Note payable of 221 McKibbin Owner, LLC.

ADDITIONAL INFORMATION



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

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

Our report on our audits of the basic consolidating financial statements of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiaries for 2007 and 2006 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, 2007 with comparative totals for 2006 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
January 8, 2009

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

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2007 WITH COMPARATIVE TOTALS FOR 2006

	Greenpoint Manufacturing and Design Center Local Development Corporation									
	Program Service	Supporting Services			Total Expenses	GMDC Two Corporation	221 McKibbin Owner, LLC	Consolidating Entries	2007	2006
	Rental and Project Development	Management and General	Fundraising	Total					Total Consolidated Expenses	Total Consolidated Expenses
Salaries	\$ 339,402	\$ 76,175	\$ 41,073	\$ 117,248	\$ 456,650	\$ 155,869	\$ -	\$ -	\$ 612,519	\$ 628,484
Payroll taxes and fringe benefits	95,959	21,537	11,613	33,150	129,109	25,012	-	-	154,121	143,086
Repairs and maintenance	11,734	-	-	-	11,734	75,957	-	-	87,691	126,361
Professional fees	57,206	20,247	81,924	102,171	159,377	21,576	18,585	-	199,538	252,548
Trash removal	2,073	-	-	-	2,073	4,971	-	-	7,044	11,554
Security	7,118	-	-	-	7,118	11,575	7,922	-	26,615	35,431
Building licenses and permits	2,570	-	-	-	2,570	3,830	-	-	6,400	6,303
Building filing fees	6,053	-	-	-	6,053	8,400	21,070	-	35,523	23,226
Building related penalties	100	-	-	-	100	2,000	-	-	2,100	8,160
Insurance	43,635	9,793	5,280	15,073	58,708	82,598	-	-	141,306	145,168
Utilities	69,502	-	-	-	69,502	245,341	82,493	-	397,336	271,968
Phone and internet	16,947	3,804	2,051	5,855	22,802	1,166	426	-	24,394	20,902
Interest	507,309	-	-	-	507,309	505,180	277,907	-	1,290,396	984,982
Real estate taxes	91,697	-	-	-	91,697	130,726	31,152	-	253,575	222,265
Office expenses	92,830	20,835	11,234	32,069	124,899	1,039	-	-	125,938	106,813
Administrative fees	-	-	-	-	-	360,000	-	(360,000)	-	-
Depreciation	506,670	1,084	584	1,668	508,338	237,124	-	(105,121)	640,341	630,601
Amortization	46,693	-	-	-	46,693	10,828	210,037	-	267,558	99,530
Miscellaneous	1,550	348	188	536	2,086	-	486	-	2,572	26,209
Total Expenses, 2007	\$ 1,899,048	\$ 153,823	\$ 153,947	\$ 307,770	\$2,206,818	\$1,883,192	\$ 650,078	\$ (465,121)	\$4,274,967	
Total Expenses, 2006	\$ 1,882,160	\$ 253,012	\$ 193,977	\$ 446,989	\$2,329,149	\$1,879,563	\$ -	\$ (465,121)		\$3,743,591

See independent auditor's report on additional information.