

July 6, 2005

Page 2

of our proposal, and our track record – together with that of our partners, including the Carlyle Group, is testimony to our financial capacity.

We submit this proposal with full awareness that the City of New York has conditionally, and to our mind prematurely, designated another developer for construction of a massive arena on a portion of this site. While that may be the City's prerogative, now it is time for the MTA to exercise its responsibility to decide what is in its best interests – taking account of the Selection Criteria contained in the RFP which emphasize financial return, as well as feasibility and quality (including overall benefit to adjacent public spaces, streets, properties and the community). We believe our proposal responds to these criteria in a more creative and achievable manner than an arena proposal that has already engendered widespread community hostility. Moreover, in developing our proposal we have considered very carefully the General Principles for Development put forward by a diverse group of community and civic organizations, and our favorable response to these Principles is detailed in our proposal. In particular, our proposal does not entail any condemnation requirements, which by themselves would call into question project feasibility.

In connection with the City's preliminary designation, certain commitments have already been made for public funding of \$200 million for site preparation and public infrastructure improvements. Our proposal assumes that a public contribution in an amount not to exceed \$150 million will be available from City and State sources for an identified list of the public infrastructure elements required to realize our development. We have studied the platform requirements for the site and believe a public investment materially less than that negotiated by our competitor for infrastructure will be sufficient to fund this requirement. We would expect to enter into appropriate arrangements with ESDC and NYC EDC with regard to this investment prior to closing, and we are prepared to advance discussions with these agencies as soon as the MTA indicates its preliminary interest in our proposal. Recognizing that these City and State contributions are being made to realize economic development objectives, it is reasonable to assume that non-MTA public funding for infrastructure would be available for our project as well.

Finally, by requesting proposals from the development community and accepting the required Administrative Fee, we expect the MTA will seriously entertain proposals other than that made by the City's designated developer. Your letter agreement of February 24, 2005 with another developer contemplates a competitive process, both to establish fair market value and to sell or lease the property, and we trust you will abide by that intention. We believe our proposal could have been even more detailed and responsive had the MTA offered a longer period for response to its RFP, either initially or in response to our formal written request for an extension. We regret that you declined our request. In particular, our economic analysis of the proposal is not yet completed, but we have engaged NERA Economic Consulting to perform this work and it should be available for submission in the near future.

With the belief that our proposal will provide MTA with the most attractive financial return available in the market, and on the basis that our proposal will likely engender widespread community and civic support, we hope that the MTA will provide opportunity through