EXECUTION COPY

MEMORANDUM OF UNDERSTANDING
March 8, 2010

This Memorandum of Understanding ("MOU") sets forth the mutual understandings among The City of New York (the "City"), the State Senator, 25th District or such successor district that includes the Park (the "State Senator") and the State Assembly Member, 52nd District or such successor district that includes the Park (the "State Assembly Member") in connection with the transactions contemplated in the term sheet dated March 8, 2010 among the State of New York ("State"), the New York State Urban Development Corporation d/b/a The Empire State Development Corporation, Brooklyn Bridge Park Development Corporation, the City and a to-be-formed entity, which shall be referred to as Brooklyn Bridge Park Operating Entity ("BBPOE"), relating to the Brooklyn Bridge Park project (the "Term Sheet"). The following sets forth the understandings with respect to the study of park financing alternatives and development of certain parcels within Brooklyn Bridge Park (the "Park"). All of the understandings provided below are conditioned on receipt of Public Authorities Control Board approval as set forth in the Term Sheet and the completion of the transactions contemplated therein.

Park Financing Alternatives

1. As soon as practicable, and no later than 90 days after its formation, BBPOE's board will form a Subcommittee on Alternatives to Housing ("SAH") composed of six board members appointed by the following individuals:
   a. Mayor (3 members);
   b. State Senator (1 member);
   c. State Assembly Member (1 member); and
   d. Governor (1 member)

2. Within 30 days of its creation, SAH will retain an External Consultant ("EC") approved by a majority of SAH (including at least two members appointed by the Mayor and two members appointed by officials other than the Mayor) to assist SAH with its investigation of what sources ("Alternative Sources"), if any, could be relied upon to finance the on-going operations of the Park in lieu of revenues from the John Street and Pier 6 Sites (as defined below). The parties agree that no source shall be deemed to be an Alternative Source by either SAH or EC unless the parties, after due analysis and diligence, conclude by majority vote of SAH that (a) such source is not, in any way, displacing revenue to which the City is otherwise entitled, and (b) the timing of, and level of risk associated with, the revenue projected to be generated by such source is consistent with the projected timing of, and risk associated with, the revenue projected to be generated by the John Street and Pier 6 Sites. In addition to the foregoing, in connection with the retention of the EC, SAH will agree upon other parameters (together with the parameters described in the foregoing sentence, the "Alternative Parameters") for determining the viability of Alternative Sources, which parameters will be shared with the public and provided to the

EC. Funding for the EC, which shall not exceed $100,000, shall come out of operating reserves of the Park.

3. SAH will hold at least two hearings (at two different locations reasonably proximate to the Park in Brooklyn) to allow public input regarding Alternative Sources before issuing a draft report describing any Alternative Sources that are projected to meet the Alternative Parameters, which draft report will be released within approximately 120 days of the appointment of the EC. After the public release of the draft report, which will be made available on the BBPOE website, there will be a 60-day comment period, during which testimony and responses may be submitted by the public. During this period, there will be at least one public hearing to allow for public input, and at least one public meeting of SAH members (which hearing and meeting may be combined), to provide feedback relating to the draft report.

4. EC will create and make public a final report describing any Alternative Sources that are projected to meet the Alternative Parameters (based on EC's own analysis and taking into account public comment and comments from SAH members) within approximately 30 days of the conclusion of the comment period described above.

5. Prior to seeking BBPOE board approval to build a residential development on the John Street Site, SAH will vote to accept or reject the final report at a public meeting. If a majority of SAH members vote to accept the final report, the report will be deemed to be a recommendation to the BBPOE board. Following its receipt of a recommendation and prior to seeking BBPOE board approval to build a residential development on the John Street Site, the BBPOE board will hold an open meeting to discuss the merits of the recommendation. At the open meeting, the BBPOE will take one of the following actions: (a) the BBPOE board will choose not to adopt the recommendation; or (b) by majority vote, the BBPOE board will adopt all or a portion of the recommendation (it being agreed that the recommendation will not be deemed adopted unless the Board clearly delineates whether the revenue then-projected to be generated by the agreed-upon Alternative Sources is to serve as a substitute in-whole for the revenue then-projected to be generated by residential development on the John Street Site and/or the Pier 6 Site). Any agreed-upon Alternative Sources adopted pursuant to the foregoing sentence or as set forth in Paragraph 11 under Park Development shall be deemed "Adopted Alternative Sources".

Park Development

1. BBPOE will continue construction of all remaining portions (the "Funded Portion") of the Park that are funded with the $139 million and $85 million currently committed by the City and State respectively on a schedule consistent with that currently contemplated. In addition, prior to the completion of Pier 5, BBPOE will release a request for proposals for a concessionaire to maintain and operate a "bubble" at Pier 5 permitting indoor recreation during the winter season. The RFP will encourage applicants to propose uses that are affordable for community members from a broad range of income levels. Such concession will be dependent on a BBPOE board determination that such "bubble" will not result in any material negative impact to the structure of Pier 5 or require any capital

investment, which investment would exceed $750,000 from BBPOE or the City (such amount being, the "First Incremental Capped Amount"; the improvements made pursuant to such investment being, the "First Incremental Element"). The board of BBPOE will select a concessionaire that expressly provides that he or she will assume all capital obligations in excess of the First Incremental Capped Amount and all operating obligations and liability relating to the "bubble", provided that the board may, by majority vote and at its discretion, choose to select a concessionaire that does not meet these requirements if the board determines that (i) doing so is in the interest of the Park, and (ii) the capital obligations in excess of the First Incremental Capped Amount and/or the operating obligations and liability that would not be covered by the concessionaire can be entirely absorbed by the cash flow of BBPOE given then-current and then-projected future revenues and obligations (it being agreed that, in the event of such a choice, any concession agreement will require the concessionaire expressly to limit the financial exposure of BBPOE under the concession and will be terminable by BBPOE if BBPOE's exposure at any time exceeds or is reasonably expected to exceed such limit).

2. No earlier than July 1, 2011, BBPOE may seek board approval to build a residential development on the development parcel at the John Street site, as described in the Brooklyn Bridge Park Civic and Land Use Improvement Project Modified General Project Plan ("GPP") adopted by BBPDC on December 18, 2006 ("John Street Site"). Board approval of such action will be by majority vote, which majority must include the affirmative votes of the State Senator's representative director and the State Assembly Member's representative director.

3. Subject to Paragraph 19, if such action is not approved by the board, BBPOE may not construct any additional portion of the Park other than the Funded Portion and, if permitted pursuant to paragraphs 1 and/or 7, the First and Fourth Incremental Elements. Failure to receive board approval will not preclude BBPOE from commencing construction of a development other than a development containing residential elements on the John Street Site, provided that the same is permitted under the then-existing GPP.

4. If such action is approved by the board such that BBPOE is authorized to proceed with the maximum residential development of the John Street Site permitted pursuant to the GPP as of the date hereof, or, notwithstanding the foregoing, if the board shall, in conformity herewith, have identified Adopted Alternative Sources the projected revenues from which are to substitute in-whole for the revenues projected to be generated by such maximum residential development on the John Street Site, BBPOE will work in good faith to commence construction within eighteen months of such authorization (and, in any event, will commence such construction within two years, subject to Paragraph 18) of the currently-anticipated Pier 2 park and the currently-anticipated John Street park (the "Second Incremental Element"), provided that the total capital cost of constructing the Pier 2 and John Street parks does not, in aggregate, exceed $36 million. In addition, provided that the conditions described in the foregoing sentence have been met, the City will also work in good faith to commence construction within eighteen months of full funding (and, in any event, will commence such construction within two years, subject to Paragraph 18) of the Squibb Park bridge (the "Third Incremental Element"), provided that

(i) no less than half the total capital cost of constructing such bridge comes from funds that are contributed by sources other than BBPOE and the City, and (ii) the total capital contribution for such bridge by the City is no greater than $2 million (it being agreed that, for purposes of this sentence, "City capital" shall not be deemed to include capital the use of which is designated during the budget process solely by a member of the New York City Council or a Borough President).

5. No earlier than July 1, 2013, BBPOE may seek board approval to build one or more residential developments on the development parcels on the uplands at Pier 6 ("Pier 6 Site"), as described in the GPP. Board approval of such action will be by majority vote, which majority must include the affirmative vote of the State Senator's representative director and the State Assembly Member's representative director.

6. Subject to Paragraph 19, if such action is not approved by the board, BBPOE may not construct any additional portion of the Park other than the Funded Portion and the First, Second and Third Incremental Elements, if applicable. Failure to receive board approval will not preclude BBPOE from commencing construction of a development or developments other than a development or developments containing residential elements on the Pier 6 Site, provided that the same is permitted under the then-existing GPP.

7. If such action is approved by the board such that BBPOE is authorized to proceed with the maximum residential development at the Pier 6 Site permitted pursuant to the GPP as of the date hereof, or, notwithstanding the foregoing, if the board shall, in conformity herewith, have identified Adopted Alternative Sources the projected revenues from which are to substitute in-whole for the revenues projected to be generated by such maximum residential development on the Pier 6 Site, BBPOE will work in good faith to commence construction within eighteen months of commencement of development of the Pier 6 Site (and, in any event, will commence such construction within three years, subject to Paragraph 18) of additional elements of the Park (the "Fourth Incremental Element"), provided that the total capital cost of constructing such elements, when combined with the total capital cost of constructing the First, Second and Third Incremental Elements, do not, in aggregate, exceed $55 million (it being agreed that the City's actual capital contribution towards the Third Incremental Element shall be used for purposes of this calculation).

8. Upon completion of reconstruction work relating to the Brooklyn Bridge, BBPOE will release a request for proposals, subject to the next sentence, for a concessionaire to operate an ice skating rink within the Park during the winter season and, if appropriate, a roller skating rink in the same location during warm weather. No City funds shall be allocated to construction, maintenance or operation of such rink (it being agreed that, for purposes of this sentence, "City funds" shall not be deemed to include capital or operating funds the use of which are designated during the budget process solely by a member of the New York City Council or a Borough President). Any BBPOE funds to be allocated to construction, maintenance or operation of such rink shall be subject to availability.

9. The parties agree that the Maintenance and Operations building for BBPOE, when constructed, will, subject to Paragraph 14 below, include at least 2,200 square feet of community space and two rooftop tennis courts.

10. Prior to January 1, 2011 and, if an environmental impact analysis is required in connection therewith, subject to identified, non-City and non-BBPOE funds to pay for the third-party, out-of-pocket costs of such analysis in excess of $75,000, BBPOE will apply to the New York State Department of Environmental Conservation for a permit for a floating pool to be located at the Park during the summer season. No City funds shall be allocated to construction, maintenance or operation of such pool (it being agreed that, for purposes of this sentence, "City funds" shall not be deemed to include capital or operating funds the use of which are designated during the budget process solely by a member of the New York City Council or a Borough President). Any BBPOE funds to be allocated to construction, maintenance or operation of such pool shall be subject to availability.

11. At any time following the completion of the specific procedure described in Park Financing Alternatives above, the board of BBPOE may independently identify Alternative Sources satisfying the Alternative Parameters, provided that (a) such Alternative Sources are adopted by a majority vote of the board and (b) the board clearly delineates whether the revenue then-projected to be generated by the agreed-upon Alternative Sources is to serve as a substitute in-whole for the revenue then-projected to be generated by residential development on the John Street Site and/or the Pier 6 Site.

12. If board approval is sought but not received for the maximum residential development allowed pursuant to the GPP at the John Street Site and Pier 6 Site by December 31, 2011 and December 31, 2013, respectively, and the board shall not, in conformity herewith, have identified Adopted Alternative Sources the project revenues from which are to substitute in-whole for the revenues projected to be generated by residential development on the John Street and/or Pier 6 Site, then the board may, at its discretion, by a majority vote, redefine the First, Second, Third and Fourth Incremental Elements (as applicable) such that, at the time of such board action, (a) the applicable element or elements are not projected to require annual maintenance and operations expenditures in excess of revenues then projected to be generated by BBPOE (including revenues that would then be projected to be generated by the approval of the related residential development at the John Street or Pier 6 Site, as applicable), and (b) the then-projected total capital cost of constructing the First, Second, Third and Fourth Incremental Elements (as redefined) is approximately equal to, but does not exceed, the $55 million that the City is committing to the Park in connection with the transactions (it being agreed that the City's actual capital contribution towards the Third Incremental Element shall be used for purposes of this calculation).

13. If BBPOE board approvals are received for the maximum residential development allowed pursuant to the GPP at both the John Street and Pier 6 Sites, or, notwithstanding the foregoing, if the board shall, in conformity herewith, have identified Adopted Alternative Sources the projected revenues from which are to substitute in-whole for the revenues projected to be generated by residential development on the John Street and Pier

6 Sites, then BBPOE will ensure that, following completion of the First, Second, Third and Fourth Incremental Elements, the entire Park will be constructed.

14. Notwithstanding anything to the contrary contained herein, the City and/or BBPOE will have the right at any time and from time to time to value engineer elements of the Park to ensure that expected revenues will cover the expected operating expenses generated by such elements and that capital costs do not exceed capital sources available.

15. With respect to any board decision by BBPOE provided for herein, the parties agree that a vote in favor of the applicable decision shall require the affirmative vote of at least three members appointed by the Mayor. In addition, with respect to any board meeting involving such decision, a quorum shall require three non-mayoral board representatives. With respect to any board decision by SAH provided for herein, the parties agree that, if fewer than all board members are present at the time of such decision, a vote in favor of the applicable decision shall require the affirmative vote of at least two members appointed by the Mayor and at least two members appointed by an official other than the Mayor.

16. The parties agree that if, pursuant to the Term Sheet, an entity other than BBPOE (i.e., a "designee") is empowered to assume the rights and obligations provided to BBPOE under the Term Sheet, then, for purposes of this document, all references to BBPOE will be deemed to be references to such entity and all rights and obligations of BBPOE hereunder will be deemed instead to be rights and obligations of such entity.

17. The parties agree that all concessions relating to the Park shall conform with all legal requirements.

18. All dates and time frames provided herein shall be subject to *force majeure*.

19. The parties agree that this document may, from time to time, be amended by mutual agreement of the parties (in all cases, at each party's discretion).

20. This MOU is not a binding agreement, and merely sets forth the understandings of the parties hereto. The parties will undertake to proceed in good faith and with all due diligence to negotiate such definitive agreements and instruments as may be appropriate, embodying the terms set forth herein. This MOU may be signed in counterparts.

EXECUTION COPY

CITY OF NEW YORK

By: _____

Name: Robert C Lieber
Title: Deputy Mayor

STATE SENATOR, 25TH DISTRICT

By: _____

Name: Daniel Squadron
Title: State Senator

STATE ASSEMBLY MEMBER, 52ND DISTRICT

By: _____

Name: Joan L Millman
Title: Assemblywoman