



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

December 7, 2012

FINANCING
COMMITMENT AND AGREEMENT

PART I

Atlantic Yards B2 Owner, LLC
c/o Forest City Ratner Companies, LLC
1 Metrotech Center
23rd Floor
Brooklyn, New York 11201
Attn: Howard Klein

Re: Atlantic Yards B2
(461 Dean Street)
Block 1118, Lot 2
Brooklyn, New York ("Project")

Dear Mr. Klein:

Subject to the terms and conditions hereinafter set forth in this Financing Commitment and Agreement (the "Commitment") and to the Approvals (as defined in Section 4(A)(1) below), the New York City Housing Development Corporation ("HDC") hereby agrees to provide funds ("HDC Funds") to make a loan to Atlantic Yards B2 Owner, LLC (the "Borrower") for certain costs of construction and the permanent financing of the Project (defined herein) as well as related expenses through the issuance of two series of tax-exempt variable-rate long-term obligations. Subject to the Approvals (as hereinafter defined), the first series of bonds is expected to be issued on or before December 28, 2012 in an amount not to exceed **\$45,000,000** (the "2012 Bonds") and the second tranche is expected to be issued on or before August 1, 2013 in an amount not expected to exceed **\$46,960,000**, (the "2013 Bonds" and together with the 2012 Bonds, the "Bonds"). The Bonds are expected to be issued pursuant to a resolution of the Members of HDC, as amended or supplemented from time to time (the "Resolution").

The HDC Funds will be advanced in part through a mortgage loan (the "Loan") made by HDC and assigned by HDC to the Credit Facility Provider (as defined herein) and U.S. Bank National Association, the trustee for the holders of the Bonds (the "Trustee"). The Loan will be secured by one or more mortgages ("Mortgage") and evidenced by one or more mortgage notes ("Note") and other documents from the Borrower. It is understood that at the Construction Loan Closing (defined below) New York State Urban Development Corporation ("UDC") will be the record legal owner of the Premises (as defined herein) and that Borrower will hold a leasehold interest in the Premises. The Borrower will obtain a Credit Facility (as defined in Section 4(D) hereof) in the form of a direct pay letter of credit in favor of the Trustee from The Bank of New York Mellon ("Credit Facility Provider") or such other Credit Facility Provider as may be acceptable to HDC. It is anticipated that the Credit Facility Provider will have one or more participants in the transaction. It is understood that although HDC's approval of all participants who are involved in the transaction as of the closing, is required prior to the closing of the transaction, HDC and the Trustee shall look solely to the Credit Facility Provider, and not its participants, in the event of a default.

Subject to the terms and conditions hereinafter set forth in this Commitment, HDC further agrees to provide an additional portion of the funds for the construction and permanent financing of the Project ("Additional Loan"). The Additional Loan will be evidenced by one or more mortgage notes ("Additional Note") and secured through one or more mortgages ("Additional Mortgage") and other documents from the Borrower. The Additional Loan is described in Section 3(F) below.

This Commitment also contains ongoing obligations and financial undertakings as more specifically set forth herein of the Borrower, as well as Forest City Enterprises, Inc. ("Guarantor") regarding the Project, the Loan and the transactions contemplated by this Commitment which shall continue for so long as this Commitment remains in effect.

The Project shall comply with all of the applicable terms and conditions set forth in Article 12 of the New York Private Housing Finance Law, as amended (the "Act"), all requirements of HDC, the Credit Facility Provider, all applicable New York City, State and federal laws, rules and regulations, and the following terms and conditions:

1. Project

A. The Project will consist of one 32 story multi-family rental housing facility containing a total of 363 units, comprised of: 149 studio units, 166 one-bedroom units and 47 two-bedroom units, plus one two-bedroom unit to be occupied by the superintendent; approximately 3,700 square feet of commercial space and approximately 15,800 square feet of storage space, which is anticipated to be leased to the owner of the Barclays Arena, all to be constructed at 461 Dean Street, in Brooklyn, New York (the "Project").

The fee interest in the Project site is currently held by UDC. During the Scheduled Construction Period (as defined on Exhibit 1 hereof), the Borrower will hold a leasehold interest in the site pursuant to a certain Development Lease between UDC and Borrower, as an assignee (the "Development Lease"). UDC will convey its fee interest in the Project site to Borrower upon completion of construction in accordance with the Development Lease.

The Borrower shall provide that no less than twenty percent (20%) of the Project, which equals seventy-three (73) of the residential units in the Project, shall be qualified low income units ("Low Income Units") under Section 42 and 142 of the Internal Revenue Code of 1986 (the "Code") and are to be rented to households whose incomes do not exceed 50% of the New York City Area Median Income ("AMI"); of these units, no less than fifteen (15%) percent which equals eleven (11) units shall be rented to households whose incomes do not exceed 40% of AMI. Additionally, those 73 units must be distributed throughout the Project and such distribution of units must be approved by HDC in its reasonable discretion prior to and as a condition of the Construction Loan Closing. In addition, (i) thirty-six (36) of the residential units in the Project will have rents set at 80% of AMI and may be rented to households whose incomes will not exceed 100% of AMI ("Moderate Income Units"), (ii) thirty-six (36) of the residential units will have rents set at 120% of AMI and may be rented to households whose incomes will not exceed 140% of AMI and (iii) thirty-six (36) residential units will have rents set at 150% of AMI and may be rented to households whose incomes will not exceed 160% of AMI (collectively, the "Middle Income Units"). The remaining fifty percent (50%) of the residential units which equals one hundred and eighty-one (181) units shall have market rate rents ("Market Rate Units") but shall be subject to Rent Stabilization and other regulatory requirements contained in the HDC Regulatory Agreement (as defined in Part II, Section 2(A) of this Commitment). The Project will be operated as a rental housing project subject to the marketing, use and occupancy restrictions contained in the HDC Regulatory Agreement.

B. Prior to the issuance of the Bonds, the Borrower shall provide to HDC and Bond Counsel all information and documentation satisfactory to HDC and Bond Counsel necessary to establish and support a Bond Counsel opinion that interest on the Bonds is not included in gross income for Federal income tax purposes. The Borrower, the Borrower's architect and the Borrower's accountant shall supply to HDC's bond counsel, Hawkins, Delafield & Wood, One Chase Manhattan Plaza New York, New York 10005 ("Bond Counsel") the information required by Bond Counsel in a Developer's Tax Certification, which information must indicate that at least ninety-five percent (95%) of the proceeds of the Bonds are expected to be used to pay qualified costs ("Qualified Costs") as set forth in the Developer's Tax Certification.

C. Prior to disbursement of the last ten percent (10%) of the proceeds of all series of the Bonds, the Borrower shall certify to HDC, Trustee and Credit Facility Provider that (i) it has complied with the Developer's Tax Certification and (ii) it will be able to deliver the accountant's, architect's and the Borrower's certifications required to be delivered at the time of final drawdown of the proceeds of the Bonds pursuant to the Developer's Tax Certification. Prior to the last advance under the Loan, the Borrower, the Borrower's architect and the Borrower's accountant must certify to HDC, Trustee and Credit Facility Provider as set forth in the Developer's Tax Certification that at least ninety-five percent (95%) of the proceeds of the Bonds were used to pay Qualified Costs as set forth in the Developer's Tax Certification. If such certificates cannot be delivered then the amount of the Loan shall be reduced to an amount which shall enable such certificates to be delivered. The Borrower certifies and agrees to ensure that such certifications remain true and complete for the period of time necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

D. The plans and specifications for the Project ("Plans and Specifications") and the trade payment breakdowns shall be approved by the Credit Facility Provider or its successors, which is expected to service the Loan and the Additional Loan during construction.

2. The Borrower

The Borrower represents that it is a single purpose Delaware limited liability company formed solely for the purpose of acquiring, constructing, equipping, leasing and owning the Project. The Borrower's managing member is owned by Forest City New York Member LLC which is wholly owned by Forest City Rental Properties Corporation, an entity 100% owned and controlled by Forest City Enterprises, Inc. Upon the execution of this Commitment, the Borrower shall complete and return to HDC the Borrower's Contact Information attached hereto as Exhibit 2. Subsequent to Construction Loan Closing, Borrower intends to admit Arizona State Retirement System ("ASRS"), or an entity controlled by ASRS as Borrower's investor member, in accordance with the organizational chart attached hereto and HDC hereby approves of such change

3. Loan and the Additional Loan

A. The principal amount of the Loan shall not exceed \$91,960,000 (subject to, among other things, the terms and conditions of Section 4(A)(1) hereof). In no event shall such principal amount exceed the principal amount of the Credit Facility (as defined in Section 4(D) hereof). The term of the Loan shall not exceed thirty-four (34) years. The Credit Facility Provider shall provide notice to HDC that the construction is completed in accordance with such terms and conditions as may be agreed to between the Credit Facility Provider and the Borrower, as well as the conditions set forth herein, which shall include, but not be limited to: (i) evidence that the Project has been issued a Temporary Certificate of Occupancy; (ii) the Project has received a Certificate of Eligibility pursuant to Section 421-a of the New York Real Property Tax Law; (iii) the Project has achieved the minimum gross rental achievement as described on Exhibit 2 hereto; and, (iv) the Project has achieved an overall debt service coverage ratio of 1.15 with respect to the Loan and Additional Loan, assuming an underwriting rate of 5.57%, with respect to the Loan (the date of the giving of such notice is referred to herein as the "Construction Completion Date"), (v) an architect's certificate and construction monitor's certificate in the forms attached hereto as Exhibits 3 and 4, respectively, and (vi) a final Developer's Tax Certification. The Construction Completion Date shall not be more than 36 months from Construction Loan Closing, which date shall not be extended without the prior written consent of HDC and which consent will not be unreasonably withheld. In the event the Borrower is not able to meet the debt service coverage ratio on the Loan and the Additional Loan, the Borrower shall be required to pay down the Loan to an amount satisfactory to meet the debt service coverage ratio of 1.15.

B. The Loan shall be required to be repaid in monthly installments sufficient to pay interest and principal, if any, on the Bonds as required by the Credit Facility Provider and HDC. HDC's approval shall be required for any modification of the amortization schedule of the Loan and/or the Bonds (whether or not HDC is then the holder of the Note and the Mortgage), which approval shall be in HDC's sole discretion. The Borrower shall have the option to purchase

interest rate protection with respect to the Loan, which agreement shall be acceptable to HDC. The Loan documents shall provide for a late fee as determined by the Credit Facility Provider, except that during any period when HDC is the holder of the Note and Mortgage, the late fee shall be the same as under the Additional Loan.

C. Except for the Additional Loan, no other financing shall be permitted at any time with respect to the Project unless such financing has been approved by HDC and the Credit Facility Provider. The Mortgage and the Note shall be based on the mortgage and mortgage note forms provided by the Credit Facility Provider and approved by HDC and shall comply with all requirements of this Commitment.

D. 1. Prepayments of the Loan, in whole or in part, shall be permitted only during the period in which the Bonds can be optionally redeemed from such prepayments pursuant to the terms of the Resolution. The Borrower shall be required to pay any premiums and costs associated with the redemption of the Bonds which would result from a prepayment of the Loan including, but not limited to, accrued interest on the Loan to the date of redemption of the Bonds. No prepayments of the Loan may be permitted, however, until the Additional Loan has been paid in full.

2. To compensate IIDC for continued monitoring of the Project for compliance with the HDC Regulatory Agreement after a prepayment in full of the Loan, the Borrower shall be required to pay to HDC an amount equal to the lesser of (i) the present value (based on the Daily Treasury Yield Curve Rates, as published by the US Department of the Treasury) of an annual fee of 0.10% on the outstanding balance of the Loan at the time of prepayment calculated to the end of the Project's Occupancy Restriction Period; or (ii) \$50 per Low Income Unit and Middle Income Unit per year for each remaining year in the Project's Occupancy Restriction Period (as such term is defined in the HDC Regulatory Agreement).

3. Further, where the Project is not in compliance with the HDC Regulatory Agreement on the date that a request for prepayment is made to HDC, Borrower shall be required to enter into a Compliance Escrow Agreement with HDC providing that, *in addition to* the payment required by Paragraph 2 above, Borrower shall, with respect to the Low Income and Middle Income Units deposit an amount equal to the higher of (x) \$25 per unit per month for the remainder of the Occupancy Restriction Period or (y) \$10,000 (the "Compliance Escrow"). The Compliance Escrow shall be applied ratably by IIDC to monitor compliance with the HDC Regulatory Agreement; once the Project is restored to compliance, any balance of the Compliance Escrow will be refunded to Borrower, without interest.

4. To compensate HDC for continued Low Income Housing Tax Credit Monitoring, if applicable, after a prepayment in full of the Loan, the Borrower shall be required to pay to HDC, simultaneously with such prepayment, an amount equal to the present value (based on the Daily Treasury Yield Curve Rates, as published by the U.S. Department of the Treasury) of the annual Low Income Housing Tax Credit monitoring fee equal to 0.75% of the maximum annual tax credit rent for the mortgaged property's Low Income Units at the time of the prepayment, calculated through the end of the Low Income Housing Tax Credit period for the mortgaged property.

E. Any increase in the amount of the Loan prior to or after the closing of the Loan (the "Loan Closing" or the "Construction Loan Closing") shall be at the sole discretion of HDC and upon such terms, conditions and interest rates as HDC may require, including payment by the Borrower to HDC of the Costs of Issuance (as defined in Section 6(A)(2) hereof) of any additional bonds necessary to fund the increase of the Loan. In addition, any increase in the Loan shall be accompanied by a corresponding increase in the amount of the Credit Facility (as defined in Section 4(D) hereof).

F. The additional loan shall consist of a second priority loan in a principal amount not to exceed \$11,605,000 (the "Additional Loan"). The forms of the Additional Mortgage and the Additional Note that secure and evidence the Additional Loan shall be provided by and/or be acceptable to HDC. During the scheduled construction period, the Additional Loan will provide for interest-only payments at an interest rate of 1% per annum on advanced funds only, plus the servicing fee, if any, charged by the Credit Facility Provider. The Additional Loan shall be coterminous with the Loan; however, the Additional Loan shall be due upon the date the Loan is prepaid in whole or in part if the Loan is prepaid prior to its maturity date. The Additional Loan may be prepaid at any time without penalty. A late charge of 4% of the amount due shall be charged on any payment of principal and/or interest due on the Additional Loan which is received fifteen (15) or more days after the date the payment is due. Any increase in the Additional Loan shall be at the sole discretion of HDC and upon such terms, conditions and interest rates as HDC may require. The Additional Mortgage shall be subordinate to the Mortgage and shall be subject to subordination provisions between the Credit Facility Provider and HDC that shall be in form and content satisfactory to HDC.

G. 1. As a condition to HDC funding the Loan and the Additional Loan, the Borrower shall be required to enter into two escrow agreements acceptable to HDC at the time of execution. The first escrow agreement shall be an Additional Loan Escrow Agreement (the "Additional Loan Escrow Agreement"), which shall require the Borrower to fund an escrow account (the "Additional Loan Escrow Account") in the event that the Borrower elects a permanent Credit Facility with a term of less than 20 years. The Additional Loan Escrow Account will be funded from Project cash flow in accordance with the funding schedule set forth in Exhibit 1 annexed hereto. A failure by the Borrower to comply with the terms of the Additional Loan Escrow Agreement will result in an Event of Default under the Additional Loan. The second escrow agreement shall be an Additional Security Escrow Agreement (the "Additional Security Escrow Agreement"), which shall require the Borrower to fund an escrow account (the "Additional Security Escrow Account"), on or before receipt of the Temporary Certificate of Occupancy. The Additional Security Escrow Account shall be funded as follows: (i) \$250,000, upon receipt of the Temporary Certificate of Occupancy for the Project and (ii) monthly installments of \$20,000, commencing on the first day of the first month following the receipt of the Temporary Certificate of Occupancy for the Project and continuing for each consecutive month thereafter for the next twelve months or until such time as the Additional Security Escrow Account has a balance of \$500,000.

2. In addition to the Additional Loan Escrow Account, if, upon the commencement of a permanent Credit Facility (the "Permanent Credit Facility") with an expiration prior to year 20 of the permanent Loan term, the Project has not generated a debt service coverage of 1.15 on the Loan and the Additional Loan for the previous 3 months of

operations, HDC reserves the right to require that the Borrower either a) post a letter of credit or b) deposit cash, in the amount of the income shortfall. The letter of credit or cash deposit shall be released to Borrower upon the achievement for three consecutive months of a 1.15 debt service coverage.

H. The Loan and the Additional Loan shall be cross-defaulted.

4. Bonds

A. 1. This Commitment to provide the Loan is subject to, among other things, (i) the adoption of the Resolution by the Members of HDC in their sole and absolute discretion, (ii) the receipt and retention by HDC of adequate private activity bond volume cap from the City and/or State of New York to enable HDC to issue not only the Bonds in the amounts and at the times contemplated by this Commitment but also to issue bonds for its other presently contemplated financings, as determined by HDC in its sole and absolute discretion, (iii) the approval by HDC of the Borrower and its Members as set forth in Section 2 hereof, (iv) the environmental approval of the Project as set forth in Part II, Section 1 of this Commitment, (v) the approval of the issuance of the Bonds by the Mayor of The City of New York pursuant to the Tax Equity and Fiscal Responsibility Act of 1982, as amended, and (vi) the approval of the issuance of the Bonds by the Comptroller of The City of New York pursuant to the provisions of the Act (collectively, the "Loan Approvals").

This Commitment, insofar as it pertains to the making of the Additional Loan, is subject to the approval of the Additional Loan by the Members of HDC in their sole and absolute discretion (the "Additional Loan Approval"; the Loan Approvals and the Additional Loan Approval being collectively referred to herein as the "Approvals").

If the Approvals are not obtained, then upon return to the Borrower, without interest, of any remaining portion of the Commitment Fee (as defined in Section 6(A)(1) hereof) after application of the Commitment Fee to HDC's out-of-pocket costs and expenses and Costs of Issuance (as defined in Section 6(A)(2) hereof) associated with the Loan, this Commitment shall be null and void and the parties shall have no other rights against or obligations to each other in connection with the financing of the Project.

2. This Commitment is further subject to the sale and delivery by HDC of its Bonds under such conditions as are reasonably determined by HDC to be sufficient to make the Loan under the terms herein described. If HDC cannot sell and deliver its Bonds as aforesaid, HDC shall inform the Borrower of the terms and conditions upon which the Bonds may be sold so that the Borrower can determine if it desires HDC to sell the Bonds upon those terms, provided that HDC may request the Borrower to provide such additional fees, discounts, or security as HDC may deem necessary. If the Borrower declines to comply with such additional financial requirements then any remaining portion of the Commitment Fee, after application of the Commitment Fee to HDC's out-of-pocket costs and expenses associated with this financing and Costs of Issuance incurred, shall be returned to the Borrower, without interest; provided, however, that in the event the Commitment Fee is not sufficient to pay such costs and expenses and Costs of Issuance (the "Deficiency"), the Borrower shall provide sufficient funds to make up the Deficiency. Upon return of the Commitment Fee, as adjusted, or provision of additional

funds to HDC to make up the Deficiency, the parties shall have no further rights or claims against or obligations to each other in connection with the Project financing and this Commitment shall be null and void, without further force and effect except for the provisions of Sections 4(B), 10 and 11 hereof.

B. The Borrower understands and agrees that this Commitment, and HDC's obligation to make the Loan contemplated hereby, are contingent upon the issuance, sale, closing and delivery of the Bonds. The Borrower agrees that HDC, in its sole discretion, shall determine the aggregate principal amount of the Bonds to be issued and whether HDC will issue and sell the Bonds. HDC will not issue and sell the Bonds unless it receives the Credit Facility (as defined in Section 4(D) hereof). No liability shall attach to HDC for failure, for any reason, to issue or sell the Bonds or to provide sufficient proceeds at adequate interest rates to make the Loan contemplated hereunder, and the Borrower agrees not to assert any claims against HDC with regard thereto. The Borrower hereby covenants and agrees that it will indemnify, defend and hold HDC and its present (as of the date hereof) and future officers, members, employees and agents harmless from and against any and all claims made or loss suffered by any person or entity having or contemplating a business relationship with the Borrower with respect to the Project (e.g., the Borrower's agents, contractors, partners or members or its proposed agents contractors, partners or members) if such claims or loss are alleged or found to be a direct or indirect result of HDC's inability to consummate the sale of the Bonds and/or to make the Loan as contemplated under this Commitment.

C. The Borrower acknowledges and agrees that HDC is relying upon the Borrower's execution of this Commitment and the Borrower's intention to enter into the Loan transaction contemplated herein in determining whether to issue and sell the Bonds and the aggregate principal amount of the Bonds to be issued.

D. As a condition to making the Loan, HDC will require the Borrower to obtain credit enhancement for the Bonds ("Credit Facility") in form and substance and from an entity satisfactory to HDC. A letter of credit from Credit Facility Provider with at least a short term rating of A from Standard & Poor's Ratings Services and a long-term and short-term rating of at least A2/P-1 from Moody's Investors Service ("Minimum Bank Rating Requirement"). The Credit Facility Provider must maintain a Minimum Bank Rating Requirement for the term of the Credit Facility. In the event that the rating on the Credit Facility Provider falls below the Minimum Bank Rating Requirement, Borrower understands and agrees that HDC will require (i) the Credit Facility be replaced with a Credit Facility substantially in the form of the current Credit Facility from an entity that meets the Minimum Bank Rating Requirement or (ii) a confirmatory letter of credit of the Credit Facility satisfactory to HDC, from an entity that meets the Minimum Bank Rating Requirement, to be delivered to HDC within ninety (90) days of the applicable downgrade. The Borrower shall comply with all terms and conditions of any Credit Facility Provider related to the Credit Facility and/or any confirmatory letter of credit.

5. Future Issuance of Bonds, Multi-Year Financings

Not all of the Bonds will be issued at the Loan Closing. HDC expects to issue the Bonds in one or more series ("Multi-Year Financings") on or before August 1, 2013. Prior to or at the Loan Closing, and with respect to the Multi-Year Financings only, the Borrower, Credit Facility

Provider and HDC shall enter into a Bond Issuance Agreement regarding HDC's obligation to issue and sell the Bonds ("Bond Issuance Agreement" or "BIA"). The portion of the Loan allocated to the 2013 Bonds is expected to be \$46,690,000 and shall be governed by the Bond Issuance Agreement, to the extent applicable. To the extent any terms of this Commitment are inconsistent with the terms of the BIA, the terms of the BIA shall control. In the event HDC does not issue the 2013 Bonds, HDC agrees that the Credit Facility Provider and any approved participant may purchase participations in the Loan up to the amount of the 2013 Bonds on terms acceptable to HDC.

6. IIDC Fees

A. 1. Commitment Fee - A fee equal to \$919,600 (the "Commitment Fee"), of which \$229,900 shall be a reservation fee (the "Reservation Fee") which Reservation Fee shall be paid and deemed fully earned and nonrefundable upon execution of the Commitment. The balance of the Commitment Fee (\$689,700) shall be paid at or prior to Construction Loan Closing and shall be deemed earned in full by HDC at the Construction Loan Closing. The Commitment Fee is non-refundable except as provided in Section 4(A) hereof.

2. Costs of Issuance Fee - Before the issuance of each series of Bonds, the Borrower shall pay HDC by certified check or other means of payment acceptable to HDC an amount equal to all estimated Costs of Issuance (as defined below) as determined by HDC for such series of Bonds ("Costs of Issuance Fee"). "Costs of Issuance" means, with respect to the issuance and sale of one or more series of Bonds, all items of expense, directly or indirectly paid or payable by HDC and related to the authorization, sale and issuance of such Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges including without limitation legal fees and expenses of Bond Counsel and counsels to the underwriter and/or purchaser of such Bonds and the Trustee, fees and disbursements of consultants and professionals including the underwriters, financial advisors or private placement agents or remarketing agents for such Bonds, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of such Bonds, and any other cost, charge or fee in connection with the original issuance of such Bonds. The Costs of Issuance Fee shall be used by HDC to secure the payment of all Costs of Issuance incurred by HDC in connection with the issuance of such Bonds and similar costs associated with the redemption of such Bonds in the event the Loan is not made. If the actual Costs of Issuance are lower than the Costs of Issuance Fee, then the remaining portion of the Costs of Issuance Fee shall be refunded to the Borrower without interest; if the actual Costs of Issuance are higher than the Costs of Issuance Fee, then the Borrower shall pay such amount to HDC upon demand.

3. In the event that the Project has not achieved Loan Closing by the Expiration Date (as defined in Section 8 hereof), this Commitment may be extended at the sole discretion of IIDC. In connection with any such extension of this Commitment, the Borrower may be required to deposit supplementary fees. Both the amount and the terms of the supplementary fees shall be determined by HDC.

B. Servicing Fee - The Borrower shall pay to IIDC an annual servicing fee commencing upon the earlier of (i) 36 months from Loan Closing or (ii) the Construction

Completion Date. The annual servicing fee shall be payable to HDC on each interest payment date for the Bonds. The annual servicing fee shall equal .22% of the then outstanding principal balance of the Loan and shall include the Trustee's fees.

C. 1. Tender Agent and Remarketing Agent Fees - The Borrower shall pay all fees, costs and expenses of the tender agent and the remarketing agent for the Bonds.

2. Trustee and Rating Agency Fees - Commencing at Construction Loan Closing the Borrower shall pay on a monthly basis annual Trustee and Rating Agency Fees equal to 0.02% on the outstanding principal balance of the Loan calculated on the basis of a 360-day year consisting of twelve 30-day months. Commencing on the date Borrower is required to pay the Servicing Fee, the Trustee's Fee shall be paid in accordance with Section 6(B) above.

D. Internal Revenue Service Amount - The Borrower shall pay any amount, for rebate or otherwise, required to be paid to the Federal government by HDC in connection with the Bonds under provisions of the Internal Revenue Code if such amount is not otherwise available in the accounts established under the Resolution, as well as any costs incurred by HDC in calculating such amount.

E. On-going Fees - The Borrower shall pay any on-going fees related to the Bonds and the Resolution, including without limitation, rating agency fees, HDC's Bond Counsel fees, negative arbitrage, bond registration fees, and rebate compliance fees, if any. In the event the Project receives an allocation of Federal Low Income Housing Tax Credits ("LIHTC") the Borrower shall pay any allocation and/or monitoring fees of any governmental agency allocating and/or monitoring such tax credits. The Borrower shall pay the cost of annual arbitrage rebate compliance monitoring.

F. Adjustments - The amount of all fees which are based on the amount of the Loan shall be adjusted, without further written amendment of this Commitment, in the event of a change in the Loan amount set forth in Section 3(A) hereof prior to Loan Closing, as provided herein. After Loan Closing, these fees shall be increased proportionately in the event of an increase in the amount of the Loan, but shall not be decreased in the event of a reduction in the amount of the Loan.

G. State Bond Issuance Charge - On or before the date of Loan Closing, the Borrower shall pay HDC a fee equal \$378,000 representing the amount of the Bond Issuance Charge assessed by the State of New York ("Bond Issuance Charge") on the 2012 Bonds. On or before the issuance of the 2013 Bonds, Borrower shall pay a Bond Issuance Charge equal to \$394,464. The Borrower shall pay the Bond Issuance Charge to HDC by certified or official bank check or other means acceptable to HDC.

7. Loan Agreement

The Loan is subject to the execution of a loan agreement between the Borrower and HDC for the Project ("Loan Agreement") which shall be in form and content acceptable to HDC and the Credit Facility Provider. The Loan Agreement shall contain, in addition to the indemnity and

financial obligations set forth in this Commitment, such other indemnity requirements of the Borrower and/or Guarantor as HDC may require.

8. Term of the Commitment, Extensions and Notice

A. Unless sooner terminated in accordance with Sections 4(A) or 9 hereof, the expiration date of this Commitment shall be December 31, 2012 ("Expiration Date").

B. At its sole discretion, HDC may extend this Commitment pursuant to Section 6(A)(3) hereof, and upon such other terms as it may require, including, without limitation, evidence of the consent to such extension by the Credit Facility Provider.

C. The parties shall provide notice to each other by mail, telecopier or electronic transmission, or hand delivery whenever notice is required in this Commitment. HDC shall send all notices to the Borrower and Guarantor to the address stated on the first page of this Commitment, with a copy to Bingham McCutchen, LLP Attn: Martin Siroka, Esq., 399 Park Avenue, New York, New York 10022, unless otherwise instructed by the Borrower or Guarantor, as applicable. Notice shall be deemed given three (3) business days after mailing by the party giving such notice, or upon hand delivery or refusal of delivery, or upon receipt of telecopy or e-mail by the party receiving such notice, as the case may be.

D. The Borrower may not assign this Commitment without HDC's prior written consent, to be granted in HDC's sole and absolute discretion.

9. Termination

A. Upon the failure of the Borrower to comply with the terms of this Commitment prior to the issuance of the Bonds, HDC may give notice thereof (with a reasonable period to cure or correct as determined solely by HDC, but in no event less than ten (10) business days) to the Borrower or Guarantor, as applicable. If such violation is not corrected or cured within the time period specified by HDC in the notice then this Commitment shall be terminated.

B. In the event of any termination or voiding of this Commitment prior to the issuance of the Bonds the parties hereto shall have no obligations to or rights against each other with respect to the financing of the Project and shall release each other from any or all claims or damages in connection with the transactions contemplated under this Agreement, except that the obligations of the Borrower or Guarantor, as applicable, as set forth in Sections 4(A), 4(B), 9 and 10 hereof shall survive until satisfied.

10. Indemnification

A. The Borrower covenants and agrees, absolutely and unconditionally, at its sole cost and expense, (i) to indemnify, defend and hold harmless HDC and each of its past, present and future Members, officers, employees and agents (each individually a "Covered Party") from any and all claims, actions, suits or proceedings arising from, out of, attributable to, by reason of or resulting from HDC's issuance of this Commitment, the SEQRA (as defined herein) review process and findings, the sale of or the inability to sell the Bonds, the making of the Loan and/or

the Additional Loan and/or the holding or assignment of the Note, the Additional Note, the Mortgage or the Additional Mortgage, as applicable (collectively, the "Covered Proceedings") which Covered Proceedings arise from or out of, are attributable to, or result from any acts or omissions of the Borrower, its members and their employees or agents in connection with this Commitment, the Project, the Loan or the Additional Loan, including but not limited to the Mortgage, the Additional Mortgage, the Note, the Additional Note and the Bonds, but excluding Covered Proceedings finally determined to have resulted from a Covered Party's own gross negligence or willful misconduct, and (ii) to pay any and all expenses, costs and charges of any kind or nature, whether foreseen or unforeseen, including, without limitation, attorneys' and experts' fees and expenses and court and discovery costs (collectively, "Legal Fees") which Legal Fees are imposed upon, incurred by or awarded against a Covered Party.

B. 1. Promptly after receipt by a Covered Party of notice of the commencement of any Covered Proceeding, HDC, on behalf of itself and each Covered Party, shall, if a claim in respect thereof is to be made against the Borrower hereunder, notify the Borrower of the commencement thereof; but the omission to so notify shall not relieve the Borrower from any obligation hereunder unless such failure to so notify shall materially prejudice the Borrower's rights hereunder or the Borrower's ability or opportunity to assume the defense of any Covered Party hereunder.

2. In the event that any Covered Proceeding is brought against any Covered Party, and such Covered Party notifies the Borrower of the commencement thereof, the Borrower shall be entitled to participate in and shall assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such Covered Party, provided, however, the Borrower agrees that it shall not (a) settle any Covered Proceedings which are covered under this Section 10 wherein the settlement of such Covered Proceeding would contain admissions of fault, guilt or wrongdoing on the part of a Covered Party without the prior written consent of such Covered Party, or (b) except in the case of a settlement, refrain from the appeal of any decision which is adverse to any Covered Party without the consent of such Covered Party which consent shall not be unreasonably withheld or delayed.

3. If counsel who is representing the Covered Parties and the Borrower hereunder in defense of such Covered Proceeding shall have concluded in good faith that a conflict of interest exists between such Covered Parties and the Borrower, and if the Covered Parties determine that the conflict is not one that can be waived, or for any other reason elect not to waive the conflict, then, so long as such conflict continues, such Covered Parties shall have the right to retain a separate counsel or firm and to participate in the defense of any such action on their own behalf; and all Legal Fees incurred by such Covered Parties shall be borne by the Borrower. If such separate counsel shall have concluded in good faith that a conflict of interest exists between any of the Covered Parties and if the Covered Parties determine that the conflict is not one that can be waived, or for any other reason elect not to waive the conflict, then, so long as such conflict continues, each such Covered Party, with respect to which such a conflict exists, shall have the right to participate in the defense of any such action on its own behalf; and all Legal Fees incurred by each such Covered Party shall be borne by the Borrower; provided that any such parties who do not have a conflict with each other shall be represented by the same counsel. Any separate counsel shall be approved by the Borrower which consent shall not be unreasonably withheld.

4. If separate counsel are employed as described above, the Borrower and any such Covered Party agree to cooperate as may reasonably be required in order to ensure the proper and adequate defense of any Covered Proceeding, including, but not limited to, making available to each other, and their counsels and accountants, all books and records relating to such Covered Proceeding, but if any such counsel reasonably determines that the rendering of such assistance will adversely affect the defense of their client, such counsel shall not be required to comply with the terms of this sentence. Notwithstanding the foregoing, each counsel selected by a Covered Party because of the existence of a conflict of interest as provided above shall be permitted to participate in the defense of such Covered Proceeding, provided that counsel selected by the Borrower shall be lead counsel ("Lead Counsel") with respect to such defense and shall (except to the extent of a conflict of interest) control such defense. It is the intent of the Borrower and the Covered Parties that any separate counsel representing a Covered Party shall use its reasonable efforts to avoid duplication of legal work undertaken by Lead Counsel to reduce fees and costs which may be due hereunder. All settlements of any Covered Proceeding made in accordance with these provisions, which are consented to in writing by the Borrower, shall be paid in full by the Borrower in accordance with its consent. A party claiming status as a "Covered Party" shall be bound by the foregoing by virtue of HDC's issuance of this Commitment. Before the Borrower's defense of such Covered Party shall commence, the Covered Party shall execute an agreement to be bound by the foregoing.

C. If the Borrower fails to pay all or any portion of the Legal Fees due under this Section 10 within thirty (30) days from demand of a Covered Party, the amount of such Legal Fees and all other sums payable by the Borrower to a Covered Party under this Section 10 shall bear interest from the date of demand at the prime rate of interest as reported from day to day in The Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's thirty largest banks, plus four percent (4%) per annum, or, if such prime rate is no longer available, the base rate or prime rate of interest of any "Money Center" bank designated by HDC in its sole discretion, plus four percent (4%) per annum. The Borrower hereby agrees to pay all reasonable costs, charges and expenses, including (without limitation) reasonable attorneys' fees, actual out-of-pocket expenses and costs of collection, that may be incurred by any Covered Party in enforcing the covenants and agreements of the Borrower under this Section 10.

11. Guarantor

A. The Guarantor agrees absolutely and unconditionally to guaranty to HDC all of the obligations of the Borrower under this Commitment set forth below for as long as those obligations remain outstanding, except that the obligations of the Guarantor set forth in (i) below shall terminate upon the issuance of a Temporary Certificate of Occupancy for the Project.:

- (i) Payment of the Deficiency, if any, referenced in Part I, Section 4(A)(2); payment of the actual Costs of Issuance to the extent that actual Costs of Issuance exceed the Costs of Issuance Fee referenced in Part I, Section 6(A)(2); payment of the HDC servicing fee set forth in Part I, Section 6(B) of this Commitment; payment of the fees and expenses of the Trustee, tender agent and remarketing agent as referenced in Part I, Section 6(C) of this Commitment; and payment of amounts payable under Part I, Section 6(D) of this Commitment (Internal

Revenue Service Amount) and Section 6(E) of this Commitment (On-Going Fees) (but not including fees to the Credit Facility Provider);

(ii) Fulfillment of the obligations under Part I, Section 10 hereof (Indemnification), including payment of Legal Fees, as defined therein, except that for purposes of the Guarantor's obligations hereunder the phrase "misrepresentations or intentional omissions of the Borrower" shall be substituted for the phrase "acts or omissions of the Borrower" set forth in Part I, Section 10(A). ; and

(iii) Fulfillment of the obligations set forth in the Letter of Representation and Indemnity Agreement executed pursuant to the bond purchase agreement between the underwriter for the Bonds and HDC ("Bond Purchase Agreement").

(B) The limitations on the scope of Guarantor's guaranty set forth in Section 11(A) above shall neither apply to nor limit the obligations of the Borrower under the Loan Agreement referenced in Part I, Section 7 or under the HDC Regulatory Agreement referenced in Part II, Section 2 (A) of this Commitment.

12. Survival

The obligations of the parties under this Commitment shall not terminate upon the making of the Loan or the Additional Loan by HDC or upon the issuance of the Bonds nor shall they merge into the Mortgage, Additional Mortgage, Note, Additional Note, or other Loan documents and Additional Loan documents; but the same shall survive until all such obligations are satisfied in their entirety.

13. Completion Guaranty

The Guarantor shall enter into a completion guaranty with the Credit Facility Provider ("Completion Guaranty"). The Completion Guaranty must run to HDC and be acceptable to HDC in form and substance.

14. No Presumption Against the Drafter

The Borrower agrees that, when interpreting this Commitment or any other document delivered or to be delivered by the Borrower to HDC, there shall be no presumption against HDC because HDC is the party causing the drafting of this Commitment or such other document.

15. Counterparts

To facilitate execution, this Commitment may be executed in counterparts. It shall not be necessary that the signature of or on behalf of any party appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Commitment to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to

any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto, except having attached to it additional signature pages. Delivery of any signature page may be accomplished by facsimile or electronic transmission, provided that the hard-copy original signature page is delivered with reasonable promptness thereafter, and the facsimile or electronic copy shall be deemed an executed original counterpart of the Commitment.


NO FURTHER TEXT - SIGNATURES SET FORTH ON NEXT PAGE

Please signify your acceptance of the terms and conditions of this Commitment by executing and returning this Commitment along with the Commitment Fee.

Yours very truly,

**NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION**

By:


Simon A. Bacchus, Senior Vice President

ACCEPTED AND AGREED TO:

Atlantic Yards B2 Owner, LLC
a Delaware limited liability company

By: FC Caelus Residential Development Fund NYC #1
a Delaware limited liability company

By: FC Atlantic Yards B2, LLC
a Delaware limited liability company

By: _____
Name:
Title:

GUARANTOR:

Forest City Enterprises, Inc.

By: _____
Name:
Title:

Please signify your acceptance of the terms and conditions of this Commitment by executing and returning this Commitment along with the Commitment Fee.

Yours very truly,

**NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION**


By: 
Simon A. Bacchus, Senior Vice President

ACCEPTED AND AGREED TO:

Atlantic Yards B2 Owner, LLC
a Delaware limited liability company

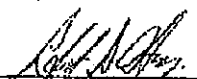
By: FC Cactus Residential Development Fund NYC #1
a Delaware limited liability company

By: FC Atlantic Yards B2, LLC
a Delaware limited liability company

By: 
Name: Matthew Weissinger
Title: Treasurer

GUARANTOR:

Forest City Enterprises, Inc.

By: 
Name: Robert G. O'Brien
Title: Executive Vice President and
Chief Financial Officer

Part II -	Loan Commitment
Exhibit 1	- Project Description
Exhibit 2	- Borrower's Contact Information
Exhibit 3	- Architect's Certificate.
Exhibit 4	- Construction Monitor's Certificate

FINANCING COMMITMENT AND AGREEMENT

PART II

Project: Atlantic Yards B2
461 Dean Street
Brooklyn, New York

Borrower: Atlantic Yards B2 Owner, LLC

1. Governmental Approvals and Hazardous Materials

A. HDC's obligation to fund the Loan and the Additional Loan is contingent upon receipt, in form satisfactory to HDC, of all necessary governmental approvals concerning the Project and its principals.

B. The Project must have received clearance under the State Environmental Quality Review Act ("SEQRA") from all lead and involved agencies. The Borrower shall cooperate fully with the SEQRA review of the Project conducted by HDC and any lead or involved agencies and comply with any requirements imposed as part of a review or findings. No Bonds shall be issued if the SEQRA review process has not been completed or if, in HDC's sole discretion, material challenges to HDC's determination are pending or threatened.

C. The Borrower must comply with any HDC and Credit Facility Provider requirements concerning inspection of the Project site for hazardous materials and contamination and shall provide HDC, the Trustee and the Credit Facility Provider with a satisfactory environmental audit and certification from an entity satisfactory to HDC and the Credit Facility Provider which shall indicate that the Project site and the surrounding area have been surveyed and that there is no evidence of hazardous materials or hazardous material activity. The Borrower shall obtain environmental insurance satisfactory in form and content to HDC and naming HDC, the Trustee and Credit Facility Provider as "Additional Insured". The Borrower shall also provide HDC, the Trustee and the Credit Facility Provider with a hazardous materials guarantee in form and content satisfactory to HDC for any liability, loss or impairment of any rights of HDC or its present or future members, officers, employees or agents, the Trustee and the Credit Facility Provider by reason of the presence of any hazardous materials.

D. The Borrower shall pay for (i) all costs in conducting and obtaining the environmental audit and certification and (ii) all costs of complying with any mitigation, remediation or other requirements of HDC or any governmental agency having jurisdiction in connection with any environmental audit.

2. Borrower's and Guarantor's Cooperation

A. The Borrower and Guarantor shall cooperate with HDC and the Credit Facility Provider in all matters relative to the issuance of HDC's Bonds, the making of the Loan and the Additional Loan and the advancement of the HDC Funds. The Borrower shall execute an HDC Regulatory Agreement (the "HDC Regulatory Agreement") in which it shall covenant, among other things, (i) to preserve the exclusion from federal income taxation of interest on the Bonds,

and (ii) to comply with the requirements of HDC concerning the marketing, use and occupancy of the Project.

B. The Borrower shall, as a condition for the issuance of the Bonds, provide HDC with all information, documents and exhibits which HDC and the Credit Facility Provider deem necessary, and the Borrower shall execute all documents required, in connection with HDC's sale, issuance and delivery of the Bonds including, without limitation, any certifications, letters of representation or legal opinions required under (i) the Resolution and (ii) the Bond Purchase Agreement.

C. The Borrower shall provide HDC and the Credit Facility Provider with all information, documents and exhibits as HDC and the Credit Facility Provider deem necessary, and the Borrower shall execute all documents required by HDC, in connection with any secondary market or ongoing disclosure regarding the Bonds, the Project, the Borrower or as otherwise required by HDC pursuant to its policies or any documents that may be required pursuant to the Bond Purchase Agreement or as may be required by law or regulation.

D. The Borrower shall provide HDC, at least two (2) weeks prior to the anticipated sale of the Bonds, with a schedule of anticipated requests for advancement of Loan proceeds.

3. Organizational Documents

The organizational documents of the Borrower, its managing member and the members of the managing member must be acceptable to HDC and the Credit Facility Provider and shall comply with the provisions of the HDC Regulatory Agreement. The organizational documents shall contain language acceptable to HDC which provides that the Borrower is a "single purpose entity" and has been created for the sole purpose of developing, owning, and operating the Project. The Borrower and its members or their counsel must certify that the organizational documents presented at the issuance of the Bonds and Loan Closing are complete and that there are no further amendments thereto. The Borrower's organizational documents must contain a provision requiring compliance with the HDC Regulatory Agreement and such provision must also state the following:

Except as provided in the last sentence of this paragraph, no member of the company, or if such member is a partnership or limited liability company, no partner or member of such partnership or limited liability company, may withdraw or be added or substituted except with the prior written consent of the New York City Housing Development Corporation ("HDC") pursuant to the provisions of HDC's Regulatory Agreement. HDC shall be notified of all changes of ownership, whether or not consent is required. The limited liability company agrees that it, all present and future members (or if a member is a partnership or a limited liability company, any partner or member of such partnership or limited liability company) and assigns shall be bound to the terms and conditions stated in HDC's Regulatory Agreement and any rules and regulations promulgated pursuant to the HDC Regulatory Agreement. To the extent that any requirement contained in HDC's Regulatory Agreement conflicts with this Operating Agreement, HDC's Regulatory Agreement shall prevail. For so long as the Borrower is required to comply with the HDC Regulatory Agreement, this Section ___ shall not be amended without the prior written consent of HDC. This

paragraph shall not apply to any person that has no present or contingent control over management or operations of the company and whose only interest in the Borrower is as a passive participant in a tax credit investment vehicle formed and managed by an affiliate of a recognized tax participant of a recognized tax credit syndicator.

4. Benefit of Funds

The Borrower agrees that it is in no way entitled to any benefits that may accrue to HDC as a result of sale or investment of any funds deposited by the Borrower with HDC in connection with the Loan, including, without limitation, any payments made to IIDC for fees, nor shall the Borrower have any rights to any interest or benefits derived from HDC's investment of Bond proceeds, except as may be provided in the Resolution.

5. Closing Documents

IIDC and the Credit Facility Provider must have reviewed and approved all closing documents prior to Loan Closing. The Borrower and the Guarantor agree to provide, execute and comply with all documents required by HDC and the Credit Facility Provider in connection with the Loan and to do all things necessary to achieve Loan Closing as expeditiously as is possible. At Loan Closing, IIDC shall execute "Tax Exemption Affidavits" in order to permit the Mortgage and the Additional Mortgage to gain exemption from the mortgage recording tax.

6. Marketing

A. The Project shall be marketed pursuant to HDC's marketing requirements. Prior to entering into a lease with an applicant for a unit in the Project, other than Market Rate Units, such applicant's annual household income and family size certification and documentation must be approved by HDC.

B. The Borrower shall display a sign in public view on the site indicating HDC's provision of financing. HDC will provide such sign which shall be erected within five (5) days of delivery.

7. Approval of the Borrower and Principals

The Borrower and all principals thereof, and the managing agent for the Project, shall be approved by HDC prior to their participation in the Project; provided, however, that the Borrower, the principals thereof as described in this Commitment (including the Borrower's investor member), are hereby approved. The Borrower shall advise HDC prior to the Construction Loan Closing whom Borrower expects to retain as managing agent of the Project. The Borrower must provide to HDC a fully executed management contract for the Project, satisfactory to IIDC in its sole discretion, prior to the Construction Completion Date. If the Project is to be managed by the Borrower or a related entity, then it must provide a management plan satisfactory to HDC. Changes in the Borrower or any entities holding an interest in the Borrower subsequent to the sale of the Bonds are subject to the provisions of the HDC Regulatory Agreement. During the term of the Loan and the Additional Loan, HDC shall have

the option to terminate the management contract and cause Borrower to remove the existing managing agent in accordance with the applicable provisions of the HDC Regulatory Agreement.

All necessary steps concerning the formation of the limited liability company and the admission of members must occur prior to Construction Loan Closing.

The Borrower or its attorney must certify that the organizational documents presented at the Construction Loan Closing are complete and that there are no amendments thereto.

8. Property and Liability Insurance and Title Insurance

A. At Loan Closing, the Borrower shall provide evidence of property and liability insurance with respect to the Project as required by the Credit Facility Provider and by HDC. In addition to the Credit Facility Provider, HDC and the Trustee shall be named as an "Additional Insured" in form and content satisfactory to HDC under any liability and property insurance coverage required by the Credit Facility Provider.

B. At Loan Closing, the Borrower shall provide HDC, the Trustee and the Credit Facility Provider with a standard American Land Title Association ("ALTA") Mortgagee's Title Policy for the Loan and also for the Additional Loan, issued by a company or companies reasonably acceptable to HDC, the Trustee and the Credit Facility Provider, in an amount equal to the maximum principal amount of the Loan and the Additional Loan. The state of title to the land upon which the Project shall be constructed must be acceptable to HDC in its sole and absolute discretion. The policy must be in a form and contain only those exceptions acceptable to HDC and shall include, without limitation, ALTA Form 8.1 endorsement for Environmental Protection Liens for state agencies and public benefit corporations and such other endorsements as HDC may require. The title policy shall contain affirmative insurance that subsequently filed mechanics' and materialmen's liens shall not take priority over the lien of the Mortgage or the Additional Mortgage, and shall be otherwise satisfactory to HDC and the Credit Facility Provider. The survey for the Project shall be certified to HDC and the Trustee and shall be satisfactory in form and substance to HDC.

9. Letters of Credit

All letters of credit must be unconditional, irrevocable and fully assignable (as often as as may be desired by the beneficiary) at no charge to the assignor of the assignee. Any letters of credit, surety bonds or financial security bonds must be in form, amount, and duration acceptable to HDC. All letters of credit, surety bonds or financial security bonds must be issued by an institution acceptable to HDC and be accompanied by evidence satisfactory to HDC that they have been issued by duly authorized employees of the issuing institution.

10. Borrower's Representations and Attorney's Opinion

A. At the closing of the Bonds (1) the Borrower shall provide certain representations and certifications and (2) counsel to the Borrower shall provide an opinion, all of which shall be addressed to HDC, the Credit Facility Provider and the underwriter for the Bonds, in form and substance reasonably acceptable to HDC, the Credit Facility Provider and the underwriter, and shall cover, among other things, the following matters: (a) information contained in the disclosure documents for the Bonds relating to the Project and the Borrower, (b) pending or

threatened litigation relating to the Project or the Borrower, and (c) the Loan and the Additional Loan.

B. At Loan Closing, the Borrower's counsel shall provide an opinion to HDC and the Credit Facility Provider reasonably acceptable in form and substance to HDC and the Credit Facility Provider.

11. Miscellaneous Fees

Except where otherwise specifically provided in this Commitment, the Borrower shall pay all expenses in connection with the Loan and the Additional Loan including, but not limited to, title examination charges, title insurance premiums, survey charges, environmental report costs, departmental and UCC searches, closing costs, all attorney's fees, mortgage and documentary stamp taxes, if any, recording and filing charges, any other tax, levy, imposition or charge of any governmental authority upon or with reference to the Project, the Loan or the Additional Loan, appraisal fees, the fees of any supervising architect or engineer, and any application, commitment or extension fees. To the extent incurred, the Borrower shall pay the foregoing expenses whether or not the Loan or the Additional Loan is made by HDC.

12. Assignment, Waiver and Benefit

A. This Commitment, when executed by the parties hereto, contains the complete and entire terms, conditions and understandings of the parties hereto of HDC's agreement to provide funding for the Loan or the Additional Loan as indicated, and no changes will be recognized as valid unless they are reduced to writing and similarly executed. No specific waiver of any of the terms hereof shall be considered as a general waiver, and any specific waiver shall be valid only if in writing and signed by HDC and shall be limited to its express terms. This Commitment shall be binding upon the successors and assigns of the Borrower, but shall not inure to their benefit unless HDC shall specifically consent thereto in writing.

B. Nothing in this Commitment expressed or implied is intended or shall be construed to confer upon, or give to, any person or any so-called "third-party beneficiary", other than HDC and the Borrower, any right, remedy or claim under or by any reason of this Commitment or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of HDC shall be for the sole and exclusive benefit of the Borrower.

13. Conflicting Provisions

In the event of any conflict between the terms hereof and the terms and conditions of the documents executed at the time of the Loan Closing, the documents executed at Loan Closing shall prevail.

14. Severability

If any one or more of the covenants or agreements provided herein on the part of the Borrower to be performed should be contrary to law, then any such covenant or agreement shall be deemed severable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Commitment.

15. Forum

The parties unconditionally and irrevocably agree that this Commitment shall be governed by and construed in accordance with the applicable laws of the State of New York without regard to its conflicts of laws principles. The parties hereto unconditionally and irrevocably accept the nonexclusive jurisdiction of the courts of the State of New York, waive any objection to the bringing of action in such jurisdiction, and consent to venue in any state or Federal court located in the County of New York. The parties agree that service of process may be by hand or certified mail, return receipt requested or otherwise as permitted by law. The Borrower and the Guarantor irrevocably consent to the service of any and all process in any such action, suit or legal proceeding by service upon their designated agent. The Borrower's and Guarantor's designated agent for service of process shall be David L. Berliner, General Counsel. The location for service of process on Borrower and Guarantor shall be c/o Forest City Ratner Companies, LLC, One Metrotech Center 23rd Floor, Brooklyn, New York 11201 or such other address as may be specified by written notice to HDC or as may be permitted by law; and HDC's designated agent for service of process shall be its General Counsel at its corporate offices.

16. Electronic Signature

Neither HDC, nor any employee or agent of HDC has authority to or has agreed to enter into any agreement, or to incur any obligation, with regard to the financing and any transactions contemplated by this Commitment, by e-mail, fax, or other electronic means. This restriction on authority may only be waived by a written agreement signed and delivered by an Authorized Officer (as defined in the Resolution) of the Corporation and the party requesting such waiver.

EXHIBIT 1

PROJECT NAME: 461 Dean Street

Unit Type	Target Rent	Target Income	Total Units	Monthly Rents*
0 BR	38%	40%	5	\$494
1 BR	38%	40%	5	\$533
2 BR	38%	40%	1	\$648
0 BR	48%	50%	26	\$640
1 BR	48%	50%	28	\$689
2 BR	48%	50%	9	\$835
0 BR	80%	100%	15	\$939
1 BR	80%	100%	16	\$1,187
2 BR	80%	100%	5	\$1,433
0 BR	120%	140%	15	\$1,437
1 BR	120%	140%	16	\$1,809
2 BR	120%	140%	5	\$2,180
0 BR	150%	160%	15	\$1,810
1 BR	150%	160%	5	\$2,276
2 BR	150%	160%	16	\$2,740
0 BR	Market	NA	74	\$2,611
1 BR	Market	NA	96	\$3,353
2 BR	Market	NA	11	\$4,403

** The monthly rents included in the underwriting are at 2012 Fair Market Rents as reflected in the above chart. This purpose of including the 2012 rents in this chart is to show how the Residential Rent Achievement Level was determined below. The Initial Monthly Rent will be set at the prevailing Fair Market Rents in effect at the time that the HDC advertisement for the lottery is published.*

Annual Minimum Residential Rent Achievement Level (Includes 5% Vacancy): \$8,826,245

Annual Minimum Laundry Income Achievement Level (No Vacancy): \$65,340

Annual Minimum Amenity Space Income Achievement Level (Includes 10% Vacancy): \$87,966

Annual Minimum Commercial Income Achievement Level (Includes 10% Vacancy): \$238,208

Annual Minimum Storage Income Achievement Level (Includes 10% Vacancy): \$270,000

Gross Rent Achievement Level: \$9,487,758

Minimum Appraisal Amount upon Completion and Stabilization (85% LTV): \$108,188,235

Building Replacement Reserve Fund Monthly Payment: ** \$7,562.50

*** Subject to annual increases in accordance with the New York City Consumer Price Index*

Scheduled Construction Period: 36 months (plus two six-month extensions)

Permanent HDC First Loan Payment Schedule

- Years 1-30 (360 monthly payments): To be paid according to schedule in Reimbursement Agreement

Permanent HDC Additional Loan Payment Schedule

- 2% Hard Debt Service Years 1-30 (360 monthly payments): \$19,341.67
- In addition to the 2% Hard Debt Service on the Additional Loan, HDC requires the following Escrow payments to be made towards paying down the principal of the Additional Loan:

Enhancement Period	Additional Payment / Year	Additional Payment / Month
Years 1 - 5	\$330,000/Yr.	\$27,500/Mo.
Years 6 - 10	\$197,000/Yr.	\$16,416.67/Mo.
Years 11 - 15	\$197,000/Yr.	\$16,416.67/Mo.

Notwithstanding any provision to the contrary, Borrower's obligation to make escrow payments toward the principal of the Additional Loan shall terminate upon the occurrence of: (i) Borrower obtaining liquidity enhancement for the Loan through year 20 of the credit enhancement period or (ii) the interest rate on the Bonds converting to a fixed rate.

EXHIBIT 2

BORROWER'S CONTACT INFORMATION

Project: Atlantic Yards B-2
461 Dean Street
Brooklyn, New York (the "Project")

Borrower: Atlantic Yards B2 Owner, LLC

Borrower's EIN: 46-1158921

Borrower's contact person: General Counsel

Borrower's secondary contact person: Executive Vice President, Finance

Phones: (718) 923-8400

Fax: (718) 923-8700

Borrower's Address: One Metrotech Center
23rd Floor
Brooklyn, NY 11201

Borrower's email address: dberliner@fcr.com

**Borrower's counsel name, address
& phone:** David L. Berliner, General Counsel
Forest City Ratner Companies, LLC
One Metrotech Center
23rd Floor
Brooklyn, NY 11201

Martin Siroka, Esq.
Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022

EXHIBIT 3

ARCHITECT'S CERTIFICATE

TO: **NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**
110 William Street, 10th Floor
New York, New York 10038

PROJECT: _____, NY
Block: _____, Lot: _____

Reference is made to the plans and specifications, working drawings and addenda for design and construction prepared by _____ including any permitted changes, modifications and amendments thereto as more specifically described in the Schedule I hereto (hereinafter collectively referred to as the "Plans and Specifications") relative to the buildings and improvements (the "Work") on certain premises known as and by street _____ number _____ and Block(s) _____, Lot(s) _____ (the "Premises"). The Work constructed on the Premises shall be referred to as the Project. _____ being a duly licensed and registered professional architect in the State of New York, does hereby certify to the New York City Housing Development Corporation that to the best of its knowledge and belief:

1. the Plans and Specifications are in substantial compliance with all applicable governmental laws, ordinances, rules, restrictions and regulations including, without limitation, those in respect to zoning, building, environmental, unit accessibility and adaptability for the disabled matters),
2. the completed building(s) in the Project are in compliance with the construction and design requirements contained in Chapter 11 of the New York City Building Code or New York City I.L. 58-87 as applicable, Section 804(f)(3)(C) of the federal Fair Housing Act (42 U.S.C. 3604(f)(3)(C)) and implementing regulations at 24 CFR 100.205, the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 part CFR 8,
3. the Project has been constructed substantially in accordance with the Plans and Specifications and is free from material defects in materials and workmanship.
4. all certificates, permits and licenses, required for the Project have been obtained including, without limitation, the electrical, plumbing, heating, insurance and other certificates required by municipal, state or federal governmental or quasi-governmental departments or agencies having or asserting jurisdiction over the Project.

5. the Project does not contain any violation of building, housing and maintenance and/or construction codes or violations of the New York Multiple Dwelling Law or the New York Multiple Residence Law.

6. the remaining useful life of the Project extends beyond _____.

7. the changes, modifications or amendments to the Plans and Specifications which occurred subsequent to _____ (the construction loan closing date) do not:

(a) substantially change the scope, quality or appearance of the Work;

(b) change the number, distribution or configuration of any unit in the Project;

(c) change the aggregate number of rooms in any unit of the Project;

(d) materially reduce the floor area of any unit or other space in the Project; or

(e) cause similarly designed units not to be similarly constructed.

Name:

Date:

EXHIBIT 4

CONSTRUCTION CONSULTANT'S CERTIFICATE OF COMPLETION

To: [Name and Address of Bank]

To: New York City Housing Development Corporation
110 William Street, 10th Floor,
New York, New York 10038
Attention: President

Re: The rehabilitation [construction] of building(s) containing [in the aggregate] ____ units of residential housing, and approximately ____ on-site surface parking facility located at [address] (Block __, Lot(s) __) in the City of New York, ____ County (the "Project")

Reference is made to the final plans and specifications, working drawings and addenda dated ____, 20__ and prepared by ____ ("Architect"), including any permitted changes, modifications and amendments thereto (collectively, the "Plans and Specifications"), relative to the construction work (the "Work") to the premises described above (the "Premises"). With regard to the Work the undersigned has acted as construction consultant to ____ (the "Bank"). Based on periodic site observations and to the best of our ability and knowledge, we are of the opinion:

(a) that the Work, having been periodically observed by the undersigned, has been found to be free from material defects in materials or workmanship and to have been completed substantially in accordance with the Plans and Specifications, except for those unfinished items of Work set forth on the list annexed hereto as Schedule I (the "Punch List Items"), which list also includes the cost of completion or corrections of the unfinished items of Work;

(b) in the event there was a casualty to the Premises, that all Work required to restore the Premises has been satisfactorily completed;

(c) that to the best of our knowledge, and after reviewing such documents and other information as in our judgment are necessary or appropriate, the required governmental and municipal permits, licenses, certificates and approvals have been obtained relative to (i) the installation, alterations and operation of any equipment on the Premises (exclusive of any certificates or approvals required from the Department of Air Resources) and (ii) the occupancy of the Premises, inclusive of one or more temporary or permanent certificates of occupancy if such is required by law or one or more letters or certificates of completion from the Department of Buildings, as the case may be;

(d) that at the time of our requisition visits to the Project, we did not observe any conditions which would constitute violations of building, housing maintenance and/or construction codes or violations of the New York Multiple Dwelling Law or the New York Multiple Residence Law; and that all building code violations of record have been discharged or removed and/or all necessary work has been done for the discharge or removal thereof;

(e) that all necessary utilities are connected to the Premises;

(f) that _____, 20__ is the Date of Completion of the Work, which Date is defined as the date when the Work is completed substantially in accordance with the Plans and Specifications, so that the Project can be utilized for its intended purpose, as evidenced by our report dated _____;

(g) that it is expressly understood that the periodic observations of the construction consultant and this Statement of Opinion shall not relieve any party from the fulfillment of customary and contractual responsibilities and obligations, and

(h) that this Statement of Opinion is for the sole use and benefit of the Bank, the New York City Housing Development Corporation and New York City Department of Housing Preservation and Development, and is not intended to benefit any other parties either incidentally or directly.

[CONSULTANT]

By: _____
Name: _____
Title: _____
Dated: _____

[The following is to be filled in upon completion of Punch List work, if applicable.]

Upon observation of the previously unfinished or unperformed items set forth in Schedule I hereto, we are of the opinion that all such items have been completed on or before _____, 20__, substantially in accordance with the Plans and Specifications.

[CONSULTANT]

By: _____
Name: _____
Title: _____
Dated: _____

SCHEDULE I

PUNCH-LIST ITEMS

<u>Building and/or Floor or Apartment Number</u>	<u>Description of Unfinished Unperformed Items of Work</u>	<u>Value (Estimated Cost) of Unfinished Work (Materials, Labor, Profit and Overhead)</u>
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