ROYAL CHARTER PROPERTIES - EAST, INC. - COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS AS OF SEPTEMBER 30, 2011 (in thousands)

	MONT	1 OF SEPTEM	/BBR			YTD	
REVENUE:	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	SEPTEMBER2010
Rental income:							
Tenant rental Transient	\$ 4,447	\$ 4,142 767	305 I	\$ 38,523	\$ 36,864	1,659 1	\$ 35,914
Parking	745 255	280	(22) 2 (25)	6,053 2,582	6,037 2,567	16 2 15 3	5,928 2,495
Miscellaneous	21	25	(4)	2,382	217	22 4	2,493
		· 					
	5,468	5,214	254	47,397	45,685	1,712	44,582
Interest Income	13	6		75	54	21_44	58
Total revenue	5,481	5,220	261	47,472	45,739	1,733	44,640
EXPBNSES:							•
Administrative and management expenses:			_	• • • •			
Management fees Salaries and related expenses	40 859	45 859	5 4-ь	366	420	54 4-b	396
Professional fees	70	20	(50) s	7,545 33 7	7,723 187	178 (150) s	7,247 183
) (disapitating frame							
	969	924	(45)	8,248	8,330	82	7,826
Operating expenses:	***						
Utilities Repairs and maintenance	363 142	441 164	78 22	4,133	4,333 1,482	200	4,463
Insurance	142 27	35	8	1,454 271	330	28 59	1,590 292
Depreciation	808	808		7,280	7,280	•	7,352
Real estate taxes	63	64	i	542	576	34	482
Other operating expenses	142	52	(90) 5-a	521	421	(100) 5-a	438
Bad debt expense		4	4 6		36	36 6	
	1,545	1,568	23	14,201	14,458	257	14,637
Financial expenses:							
Interest on bonds payable/mortgages	25	633	608 7	318	5,787	5,469 7	430
Trustee fees Amortization of deferred financing costs	229 29	217 33	(12) 8	2,058 290	1,993 297	(65) 8	1,951
Vittorifization of deferred religioning costs			4			7 9	407
	283	883	600	2,666	8,077	5,411	2,788
Total expenses	2,797	3,375	578	25,115	30,865	5,750	25,251
EXCESS OF REVENUE OVER							
EXPENSES BEFORE DISTRIBUTION	2,684	1,845	839	22,357	14,874	7,483	19,389
Distribution (to)/from New York Presbyterian Hospital	(2,598)	(1,759)	(839)	(21,583)	(14,100)	(7,483)	(19,015)
EXCESS OF REVENUE OVER EXPENSE	86	86		774	774	· <u></u> -	374
Net Assets, beginning of period	(13,427)			(9,725)			(13,724)
Unrealized (loss)gain on derivatives - 2005 Caps on 2005 bonds	(17) 10)		(1,499) 10	1		(297)
Unrealized (loss)gain on derivatives - 2008 Caps on 2006 bonds	(64) 11			(2,971) 11			(125)
Unrealized (loss)gain on Market Value - Marketable Securities				(1) 13			(1)
Not Assets, end of period	(13,422)			(13,422)			(13,773)

NOTE · VARIANCE EXPLANATIONS FOR ROYAL CHARTER PROPERTIES BAST INC. ATTACHED.

ROYAL CHARTER PROPERTIES-EAST, INC. STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010 (in thousands)

	9/30/2011	12/31/2010		
ASSETS				
Current Assets: Cash and cash equivalents Tenant accounts receivable Tenant security deposits held in trust Other current assets	\$ 47,284 1,085 3,985 498	\$ 41,230 151 3,689 707		
Total Current Assets	52,852	45,777		
Property, buildings and equipment - net	174,319	180,418		
Deferred financing costs - net	6,543	6,801		
Derivative instrument	11,442	15,913		
Accrued rent receivable	1,700	1,705		
Assets limited as to use	8,105	9,459		
Total Assets	\$ 254,961	\$ 260,073		
LIABILITIES AND NET ASSET DEFICIENCY				
Current Liabilities: Accounts payable and accrued expenses Tenant security deposits payable Due to related organizations Total Current Liabilities	\$ 7,760 3,985 380	\$ 6,107 3,689 1,179		
Bonds payable	255,079 ⁻	257,562		
Deferred revenue	1,179	1,261		
Total Liabilities	268,383	269,798		
Net Asset Deficiency - Unrestricted	(13,422)	(9,725)		
Total Liabilities and Net Asset Deficiency	\$ 254,961	\$ 260,073		

ROYAL CHARTER PROPERTIES - EAST, INC. STATEMENT OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 (in thousands)

	9/30/2011		
OPERATING ACTIVITIES			
Change in net asset deficiency	\$	(3,697)	
Adjustments to reconcile change in net asset deficiency to net cash (used in) provided by operating activities:			
Depreciation		7,280	
Amortization of deferred financing costs		258	
Amortization of discount on bonds payable		32	
Change in net unrealized gains and losses on derivative instruments		4,471	
Changes in operating assets and liabilities:		4,4 / 1	
Tenant accounts receivable and accrued rent receivable		(929)	
Other assets and deferred items		209	
Accounts payable and accrued expenses		1,653	
Due to/from related organizations		(799 <u>)</u>	
Deferred revenue		(82)	
Net cash provided by operating activities		8,396	
INVESTING ACTIVITIES			
Acquisition of property, buildings and equipment		(1,181)	
Change in assets limited as to use - net		1,354	
Net cash provided by investing activities		173	
FINANCING ACTIVITIES		(0.515)	
Payment on Bonds - Long Term		(2,515)	
Net cash used in financing activities		(2,515)	
Increase (Decrease) in cash and cash equivalents		6,054	
Cash and cash equivalents at beginning of year		41,230	
Cash and Cash equivalents at Deginning of year			
Cash and cash equivalents at end of the month	<u>\$</u>	47,284	

1) - Tenant rental income

PAVAUNTAVI MTDVAR

MAKE FAV

RCPE occupancy rates - Residential MTD 97%, Commercial MTD 97%

Helmsley, Payson, 1st Ave. - actual number of studio apartments occupied in Helmsley, along with three and four bedroom apartments in 1st Ave, have increased for number of rented

units vs. budgeted number of units for the month. The average rent actual for the above mentioned units along with Payson two, three and four bedroom apartments was also higher vs. budgeted average sents. 1st Ave - There were results of 98% of the larger size units (2,3,4, bedrooms & PH apartmoots) which is approximately 24% greater in number of units occupied vs. units bedgeted for @6K per unit. 14 units = 88K.

1st Ave - There were rentals of 99% of the studio and 1 bedroom apartments which is approximately 3% greater in number of units occupied vs. units budgeted for @2,600 per unit. 11 units = 29%, rental increases 2K. Payson - occupancy mass of 99% in September vs. 91% budgeted amount. 30 apartments approximately @ 2,300 per unit = 69%. There were also some rental increases in September for some new tenants/renovals. 16K.

Residential company rates overall for RCPE 97%, increased by 3% in September compared to June occupancy rate of 94% of this year.

YTD.YAR FAY/(UNEAY)

TAV

RCPE occupancy rates - Residential YTD 95%, Commercial YTD 97%.

Helmsley, Payson, 1st Ave. - actual number of studio apartments occupied in Helmsley, along with three and four bedroom apartments in 1st Ave. have increased for number of rented

units vs. budgeted number of units for the year. The average rent actual for the above mentioned units along with Payson two, three and four hedroom apartments was also higher vs. budgeted average rents.

2) - Transfert Income

MIDVAR FAVAUNTAY) (22K) INFAV

Transfert(Hotel)occupancy rates - Residential occupancy rates for the guest facility were at 84% for the month of September. The budgeted occupancy for the month of September as per hotel manager

was 87% v. actual occupancy of 84% mentioned above.

This created an unfavorable variance of 22K for the month

YID VAR FAVAUNTAV) FAV

Transient(Hotel)occupancy rates - Residential occupancy rates for the guest facility were at 76% for September 2011 year to date.

Occupancy rates were at 76% this year v. 75% lest year for September 2011 and September 2010 respectively, also note that ADR rates(average duity room rates) were increased from year to year.

As per hotel manager the huge occupancy increase of 12% in March (actual vs. budget) was unexpected affecting the year. This created a favorable variance of 16K for the year.

3) - Parkine income

158

22K

YTD VAR FAVAUNFAY)

FAV

Heimsley, Payson Parking - Parking volume net increased by 175 parkets 9/11 v. 9/10 YTD.

Heimsley Parking - Parking volume net decreased by 155 parkers 9/11 v. 9/10 YTD.

Payson Garage - Payson garage parking volume increased by 330 parkers 9/11 v. 9/10 YTD.

1st Ave. - There are no transient parkers at 1st Ave. garage.

4) - Missocita

YTD VAR **SAVAUNEAV**

FAV

RCFE Combined - Miscellaneous income actual of 239K YTD September was due to the following:

Heimsley, Payson and 1st Ava. - Laundry income and vendor income for various RCPE entries were 173K and 42K responsively for the year. Total 215K.

1st Ave. - There was an energy relate check received from NYSERDA and posted to miscellaneous income in January. 24K.

Combined actual of 239K created a favorable variance of 22K for the year.

4-a) - Interest intome

2tK

YXD YAR PAYAUNEAV) FAV

RCPF. Combined - Interest income actual of 75K YTD Scotember was due to the following:

Emigrant Bank tensot security quarterly interest income 4th Qar 2010 9K & 1st Qtr 2011 9K, Bank Of America interest YTD 19K, Chase Acces. 9K, Citibank Savings Acces. 25K, 2005 and 2006 series bonds interest 4K. Total 75K.

This created a favorable variance of 21K for the year.

4-b) - Management fees

MTD VAR FAVAUNFAVI FAV SK

RCPE Combined - Management fees - Favorable reduction in management fees for the month due to transition to new managing agent.

YTO VAR **FAVAUNIFAV**

FAV

RCPE Corobinod - Management foes - Favorable reduction in management fees for the year primarily due to transition to new managing agent which began in July 2011.

5) - Professional fee

(SOK)

(150%)

MID VAR FAVAUNEAY)

RCPE Combined - Professional fees variance for the month was due to the following: LINEAV

Helmsley, Hotel, Payson, - Fees paid for security (includes gauges) 9K, hotel bank and credit card fees 24K, audit fee allocating entry 5K. Recruitment fee paid for employee Sep 2011 15K and 17K paid to Kroll(consulting)

for background checks. Total actual MTD 70K. This created an unfavorable variance of 50K for the month.

EAVAUNTAVI YTD YAR

1MFAV

RCPE Combined - Professional fees variance for the year was due to the following:

Helmsley, Hotel, Payson, - 6K marketing and advertising fees for hotel, security(includes gazages) and mility consulting 72K, payroll processing costs and hotel bank and credit card fees 14TK, legal fees 18K,

audit for allocating entries 48K, recruitment for 15K, containing for 17K, data processing fres 12K and CBIZ valuation for 2K. Total actual YTD 337K. This created an unfavorable variance of 150K for the year.

121-Ueyadasi YID YAS (145)	170 YAR	11) - Unityas MTD yas (64K)	YJD YAB (1.499) million	(1775) 80.7 (1776) 10.7 (1776)	XX ALK	2) - Amortugio	CHO)	B Treese by MTP YAB (1240)	NAV GIX	D-lastret on books MTD VAR YA 608K	30X BVA GLA	6) - Rad felte ca MTD VAR 4K	CHOOL)	VARANCE EXPLANTIONS (various in themseld) (3)- Out: Outside Explant MID VAR EAVIOUS (902) UNFAV
RAYAUMEAY) UNFAV	PAYATINEAN UNFAV	CANDONE OF GREEN CANDONE OF THE CANDONE OF THE CAND	PAYAUNFAY) UNFAV	CHANGORAN CANGORAN CANGORAN CANGORAN	FAV <u>ytin</u> tavi Fav	State appearing participate to experience - (6	<u>eavagneava</u> Unfav	AVENDIANZ VYENDIANZ	AV3 UVVENIOVAVE	enda Pav/(Drtav) Fav	EAV EAV	FAVAUNGAY).	eavkungay) Unfav	MANATIONS - R WEBSAN MEL CHORNE MEL CHORNE MEL CHORNE
171-Unverticed food on market when : mutestable assembled **TTP VAR FANATUREAD** (IG) UNFAV Helmsky - Adjustments made on investments(marketable assembles) per 2006 series boads with BONY. The value on investments beld by BONY was 459 dollars at 9730/11 v. 1,332 dollars at 12/31/10, (IG) UNFAV resulting in a IK YTD unrealized loss.	Helmsley - The combined value on the 2008 innevest rate cape held by IP Morgan Chase was 7.841 million at 9/30/11 v. 10.812 million at 12/31/10, repulsing in a 2.971 million VIID curvalized loss. The VIID curvalized loss of 2.971 million consists of a market value loss of 9.47K and a credit value loss of 2.074 million.	11)- Described, said floods on destroying - 2006 cates on 2006 beauty MTD VAR FANGENIAN (64X) (NEAV Helmodey - The combined value on the 2008 inserest rate caps held by IP Morpan Chase was 7.841 million at 9/50/11 v. 7.905 million at 8/3 U/11, resulting in a 64K MTD unrealized loss.	Reignsley - The combined mathet value on the 2005 interest rate cape held by JP Morgan Chase was 3.601 million at 9/30/11 v. 5.100 million at 1/231/10, resulting in a 1.499 million YTD correlated loss. The YTD unrealized loss of 1.499 million consists of a market value loss of 731K and a credit value loss of 768K.	land stein thest on destruitives - 7005 steins on 2005 steerest rate cases held by JP Morgan Chase was 3.601 million at 9/30/11 v. 3.618 million at 8/31/11, resulting in a 17K MTD untralized loss. UNEAU Schmeley - The combined value on the 2005 steerest rate cases held by JP Morgan Chase was 3.601 million at 9/30/11 v. 3.618 million at 8/31/11, resulting in a 17K MTD untralized loss.	Helmsley - Ameritation for fix arbitrage corrections YTD 2011 for (10%). Ameritation fort for 2005 and 2006 series bonds YTD 269% along with discount allocation on 2006 bonds 31%. Combined sonal total of 290% created a few variance of 7% for the year.	TO DELINE OF THE STATE OF THE PARTY OF THE STATE OF THE S	RCPE Combined - Trustee feet actual of 2.058 million YTD September was due to the fellowing: Helmsley and Payson - Various YTD feet paid to Wells Fargo(formerly Wardovia) for 2005 and 2006 series bonds 1.788 million, Goldman Sacks remarketing flots 152K, DASNY feet allocation 63K, HDC for 05 bonds 23K, all to 5 was Farancial Group for valuations, BONY 5K, 21K for Moody Instrum services and 2K for feet paid to Hawkins, Delafield. Combined YTD sectual of 2.058 million restrict on toffcompaths unknown of 65K for the vert.	RCPE Combined - Thustee faces actual of 225K MTD September was due to the following: Helmsley and Physon - Various face paid to Wells Fungo(formerly Warhovia) for 2005 and 2006 series boads 200K, Goldman Sachs remarketing faces 15K, HDC faces TK, along with TK allocated for DASNY faces. Total consistenced 225K. This created an unfavorable variance of 12K for the month.	2005 and 2006 bond rates were remarkated from auction rate to variable rate @ 37.61% creating favorable variance for the year for interest on bonds. The budget for bond interest was based on a 3% care for 2011. The actual average interest rates for the 2005 series A and series B bonds for the year of September 2011 were 0.16% and 0.20%, respectively. This created a favorable variance of 5.469 million for the year.	2005 and 2006 board rates were remarkened from section rate to variable case @ 3/16/08 creating favorable variance for the month for interest on bonds. The budget for bond interest was based on a 3% rate for 2011. The actual average interest rates for the 2005 series A and series B bonds for the month of September 2011 were 0.13% and 0.21%, respectively. The actual average interest rates for the 2006 series A and series B bonds for the month of September 2011 were 0.13% and 0.21%, respectively. This created a favorable variance of 608% for the month.	RCPE Computers - No posting to bad debt expense in 2011 as per real extate due to sufficient AR reserves. This created a favorable variance of BGK for the year.	ECTE Compuses - No posting to bad debt expense for the month as per real estate due to sufficient AR reserves. This created a favorable variance of 4K for the month.	RCE Combined - Other operating expense variance for the year was due to the following: Behauley, Hotel, Payson, - Stationery costs 12%, junitorial & cleaning amplies SSK, linear replacement & cleaning 144%, uniforms 69%, seminars 1%, membership dues 11%, messenger services 3%, permits & licenses 110%, tured 4%, furniture rental 2%, RCN cabbe for botel 17%, Cosmos matering 6%, Quadlogic submeter expenses 22% and miscellaneous office expenses including parking ganges 42%. Total actual YTD 521%, This created an uniforwable variance of 100% for the year.	VARIANCE EXPLANATIONS ROYAL CHARTER PROPERTIES PAST INC. SEPTEMBER 2011. Sal-Other destrices on themseld Sal-Other destrices crosses MID VAR EAVIGITALY ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE Combined - Other operating expense variance for the mouth was due to the following: (SUS) UNFAV ROTE COMBINED - Other operating expense variance for