Empire State Realty Trust, Inc.
Form 10-Q
November 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number: 001-36105
EMPIRE STATE REALTY TRUST, INC.

(Exact name of Registrant as specified in its charter)

Maryland	37-1645259
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Grand Central Place
60 East 42nd Street
New York, New York 10165
(Address of principal executive offices) (Zip Code)
(212) 953-0888
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

The Registrant became subject to filing requirements on October 1, 2013.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, par value $0.01 per share	94,489,699
Class B Common Stock, par value $0.01 per share	1,122,620
(Class)	(Outstanding on November 12, 2013)

EMPIRE STATE REALTY TRUST
Form 10-Q
for the quarter ended September 30, 2013
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EXPLANATORY NOTE

The financial statements covered in this quarterly report of Empire State Realty Trust, Inc. (the “Company”) present the financial condition and results of operations of the Company’s predecessor, which is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which are owned by certain entities that the sponsors (Anthony E. Malkin and Peter L. Malkin) owned interests in and controlled, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities we collectively refer to as the non-controlled entities, and are presented as uncombined entities in our combined financial statements. Specifically, the term “our predecessor” means (i) Malkin Holdings LLC, a New York limited liability company that acted as the supervisor of, and performs various asset management services and routine administration with respect to, certain of the controlled and non-controlled entities, which we refer to as “the supervisor;” (ii) the limited liability companies or limited partnerships that previously (a) owned, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operated, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which included non-controlling interests in four office properties for which Malkin Holdings LLC acted as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 380,000 rentable square foot office building and garage that we own after the formation transactions described in the prospectus, which we refer to as the “former existing entities;” (iii) Malkin Properties, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the former existing entities in Manhattan, which we refer to as “Malkin Properties;” (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the former existing entities in Westchester County, New York, which we refer to as “Malkin Properties NY;” (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that served as the manager and leasing agent for certain of the former existing entities in the State of Connecticut, which we refer to as “Malkin Properties CT;” and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provided services to certain of the former existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as “Malkin Construction.” The financial statements covered in this report present the financial condition of the Company prior to the consummation of the Company's initial public offering of its Class A common stock (the "Offering") and formation transactions. Due to the timing of the Offering and the formation transactions, the results of operations discussion set forth in this report are not necessarily indicative of the future results of operations of the Company as a publicly-held company. The information provided in this report only reflects the financial condition of the Company as of September 30, 2013. The combined consolidated financial data for the Company’s predecessor is not necessarily indicative of the Company’s results of operations, cash flows or financial position following the completion of the Offering and formation transactions.

ITEM 1. FINANCIAL STATEMENTS

Empire State Realty Trust, Inc.
Consolidated Balance Sheets
September 30, 2013 and December 31, 2012

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Cash	$110	$110
Total assets	$110	$110
EQUITY		
Class A common stock, $0.01 par value per share, 400,000,000 shares authorized, 1,000 shares issued and outstanding	$10	$10
Class B common stock, $0.01 par value per share, 50,000,000 shares authorized, 0 shares issued and outstanding	—	—
Additional paid in capital	90	90
Total stockholder's equity	100	100
Noncontrolling interest	10	10
Total equity	$110	$110

The accompanying notes are an integral part of these financial statements.

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NOTE 1. ORGANIZATION

Empire State Realty Trust, Inc. was organized as a Maryland corporation on July 29, 2011. The Company did not have any assets other than cash and did not have any meaningful operating activity until the consummation of the initial public offering of its Class A common stock (the "Offering") and the related acquisition of our predecessor and certain non-controlled entities controlled by our predecessor on October 7, 2013. Our operations commenced upon completion of the Offering and the Formation Transactions (as defined below) on October 7, 2013. Empire State Realty OP, L.P. (the "Operating Partnership") holds substantially all of the Company's assets and conducts substantially all of its business. Upon completion of the Offering, the Company owned approximately 39.0% of the aggregate operating partnership units in the Operating Partnership. The Company intends to elect and qualify to be taxed as a real estate investment trust ("REIT"), for U.S. federal income tax purposes, commencing with the portion of its taxable year ending December 31, 2013. Therefore, the accompanying condensed consolidated financial statements are not indicative of the Company's past or future results and do not reflect its financial position, results of operations, changes in equity, and cash flows had they been presented as if the Company had completed its Formation Transactions and operating during the entirety of the periods presented. All references to "we," "us," "our," the "Company," and "ESRT" refer to Empire State Realty Trust, Inc. and its consolidated subsidiaries, including the Operating Partnership.

The Company, as the sole general partner of the Operating Partnership, has responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of the Operating Partnership, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Accordingly, the Operating Partnership has been consolidated by the Company.

We entered into a series of formation transactions (the "Formation Transactions"), pursuant to which we acquired, substantially currently with the completion of the Offering through a series of contributions and merger transactions, the Company's portfolio of real estate assets that comprise its portfolio and ownership interests in the certain management entities. The Formation Transactions are described in greater detail in the final prospectus relating to the Offering, dated October 1, 2013, which the Company filed with the Securities and Exchange Commission (the "SEC").

The Operating Partnership owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. The Operating Partnership owns 12 office properties, six standalone retail properties, and entitled land that will support the development of an office building and garage, all of which is included in the consolidated financial statements of the Company starting on October 7, 2013. The Operating Partnership used the net proceeds of the Offering to pay certain holders of interests in the existing entities (as defined herein) of the initial portfolio that were non-accredited investors or who elected to receive cash for their equity interests in certain of such entities; pay fees associated with the Company's secured revolving and term credit facility; pay fees in connection with the assumption of indebtedness; pay expenses incurred in connection with the Offering and the formation transactions; repay a loan that was made to one of the existing entities (as defined herein) by certain investors in such entity; and for general working capital purposes and to fund potential future acquisitions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. All significant intercompany balances and transactions have been eliminated.

Income Taxes

The Company believes that it is organized and will operate in the manner that will allow it to qualify as a REIT under the Internal Revenue Code of 1986, as amended, commencing with its taxable year ending December 31, 2013. So long as it qualifies as a REIT, the Company will generally be entitled to a deduction for dividends paid and therefore will not be subject to federal corporate income tax on its net taxable income that is distributed to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts in the balance sheets and accompanying notes. Actual results could differ from those estimates.

Offering Costs
In connection with the Offering, the Company and affiliates of the Company have incurred accounting fees, legal fees and other professional fees. Such costs were deducted from the proceeds of the Offering.

Share-Based Compensation

Share-based compensation is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the vesting period. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of our stock, expected dividend yield, expected term, and assumptions of whether these awards will achieve parity with other operating partnership units or achieve performance thresholds. We believe that the assumptions and estimates utilized are appropriate based on the information available to management at the time of grant. As of September 30, 2013, there have been no share-based grants.

NOTE 3. COMMITMENTS AND CONTINGENCIES

Option Properties
The Company has executed option agreements with affiliates of its predecessor granting the Company the right to acquire long-term leasehold and/or sub-leasehold interests in the option properties following the resolution of the recently resolved litigation relating to these properties. The Company did not exercise the option for either of the option properties prior to the closing of the Offering. Concurrently with the consummation of the Offering, the Company entered into asset management agreements with respect to each of the option properties. The option properties consist of 112-122 West 34th Street and 1400 Broadway, both office properties in midtown Manhattan. The Company’s management team believes that, if acquired, 112-122 West 34th Street and 1400 Broadway would be consistent with its portfolio composition and strategic direction. The purchase price for each of the option properties will be based on an appraisal by independent third parties, unless the Company and the owners of the properties, with the consent of the Helmsley estate (a member of the owners of the option properties), agree to a negotiated price. The Company has agreed that Anthony E. Malkin, its Chairman, Chief Executive Officer and President, will not participate in the negotiations and valuation process on the Company’s behalf. One or more of the Company’s independent directors will lead the appraisal or negotiation process on its behalf and a majority of its independent directors must approve the price and terms of the acquisition of interests in each of the option properties. The purchase price is payable in a combination of cash, shares of our common stock and operating partnership units, but the Helmsley estate will have the right to elect to receive all cash. The Company's option expires on the later of (i) March 19, 2014 with respect to 112-122 West 34th Street and July 29, 2014 with respect to 1400 Broadway (which dates are 12 months after the recently resolved litigation with respect to the properties) or (ii) five months after the completion of the independent valuation described above, which completion shall not be later than six months following the closing of the Offering.

Litigation
In March 2012, five putative class actions, or the Class Actions, were filed in New York State Supreme Court, New York County by participants in Empire State Building Associates L.L.C. (“ESBA”) and several other entities supervised by Malkin Holdings LLC (on March 1, 2012, March 7, 2012, March 12, 2012, March 14, 2012 and March 19, 2012). The plaintiffs asserted claims against Malkin Holdings LLC, Malkin Properties, L.L.C., Malkin Properties of New York, L.L.C., Malkin Properties of Connecticut, Inc., Malkin Construction Corp., Anthony E. Malkin, Peter L. Malkin, the Estate of Leona M. Helmsley, the Operating Partnership and the Company for breach of fiduciary duty, unjust enrichment, and/or aiding and abetting breach of fiduciary duty. They alleged, among other things, that the terms of the consolidation and the process by which it was structured (including the valuation that was employed) are unfair to the participants in the existing entities, the consolidation provides excessive benefits to Malkin Holdings LLC and its affiliates and the then-draft prospectus/consent solicitation statement filed with the SEC failed to make adequate disclosure to permit a fully informed decision about the proposed consolidation. The complaints sought money damages and injunctive relief preventing the consolidation. The Class Actions were consolidated and co-lead

plaintiffs' counsel were appointed by the New York State Supreme Court by order dated June 26, 2012. Furthermore, an underlying premise of the Class Actions, as noted in discussions among plaintiffs' counsel and defendants' counsel, was that the consolidation had been structured in such a manner that would cause participants in ESBA, 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. (the “subject LLCs”) immediately to incur substantial tax liabilities.

The parties entered into a Stipulation of Settlement dated September 28, 2012, resolving the Class Actions. The Stipulation of Settlement recites that the consolidation was approved by overwhelming consent of the participants in the other predecessor or contributing entities (the "private entities" and together with the subject LLCs, the "existing entities"). The Stipulation of Settlement states that counsel for the plaintiff class satisfied themselves that they have received adequate access to relevant information, including the independent valuer's valuation process and methodology, that the disclosures in the

Registration Statement on Form S-4, as amended, are appropriate, that the consolidation presents potential benefits, including the opportunity for liquidity and capital appreciation, that merit the participants' serious consideration and that each of the named class representatives intends to support the consolidation as modified. The Stipulation of Settlement further states that counsel for the plaintiff class are satisfied that the claims regarding tax implications, enhanced disclosures, appraisals and exchange values of the properties that would be consolidated into the Company, and the interests of the participants in the subject LLCs and the private entities, have been addressed adequately, and they have concluded that the settlement pursuant to the Stipulation of Settlement and opportunity to consider the proposed consolidation on the basis of revised consent solicitations are fair, reasonable, adequate and in the best interests of the plaintiff class.

The defendants in the Stipulation of Settlement denied that they committed any violation of law or breached any of their duties and did not admit that they had any liability to the plaintiffs.

The terms of the settlement include, among other things (i) a payment of $55 million, with a minimum of 80% in cash and maximum of 20% in freely-tradable shares of common stock and/or freely-tradable operating partnership units to be distributed, after reimbursement of plaintiffs' counsel's court-approved expenses and payment of plaintiffs' counsel's court-approved attorneys' fees (which are included within the $55.0 million settlement payment) and, in the case of shares of common stock and/or operating partnership units, after the termination of specified lock-up periods, to participants in the subject LLCs and the private entities pursuant to a plan of allocation to be prepared by counsel for plaintiffs; (ii) defendants' agreement that (a) the Offering will be on the basis of a firm commitment underwriting; (b) if, during the solicitation period, any of the three subject LLCs' percentage of total exchange value is lower than what is stated in the final prospectus/consent solicitation statement by 10% or more, such decrease will be promptly disclosed by defendants to participants in the subject LLCs; and (c) unless total gross proceeds of $600 million are raised in the Offering, defendants will not proceed with the consolidation without further approval of the subject LLCs; and (iii) defendants' agreement to make additional disclosures in the prospectus/consent solicitation statement regarding certain matters (which are included therein). Participants in the subject LLCs and private entities will not be required to bear any portion of the settlement payment. The payment in settlement of the Class Actions will be made by the Estate of Leona M. Helmsley and affiliates of Malkin Holdings LLC (provided that none of Malkin Holdings LLC's affiliates that would become a direct or indirect subsidiary of the Company in the consolidation will have any liability for such payment) and certain participants in the private entities who agree to contribute. The Company and the Operating Partnership will not bear any of the settlement payment.

The settlement further provides for the certification of a class of participants in the three subject LLCs and all of the private entities, other than defendants and other related persons and entities, and a release of any claims of the members of the class against the defendants and related persons and entities, as well as underwriters and other advisors. The release in the settlement excludes certain claims, including but not limited to, claims arising from or related to any supplement to the Registration Statement on Form S-4 that is declared effective to which the plaintiffs' counsel objects in writing, which objection will not be unreasonably made or delayed, so long as plaintiffs' counsel has had adequate opportunity to review such supplement. The settlement was subject to court approval. It is not effective until such court approval is final, including the resolution of any appeal. Defendants continue to deny any wrongdoing or liability in connection with the allegations in the Class Actions.

On January 18, 2013, the parties jointly moved for preliminary approval of such settlement, for permission to send notice of the settlement to the class, and for the scheduling of a final settlement hearing.

On January 28, 2013, six participants in ESBA filed an objection to preliminary approval, and cross-moved to intervene in the Class Actions and for permission to file a separate complaint on behalf of ESBA participants. On February 21, 2013, the court denied the cross motion of such objecting participants, and the court denied permission for such objecting participants to file a separate complaint as part of the Class Actions, but permitted them to file a

brief solely to support their allegation that the buyout would deprive non-consenting participants in ESBA of “fair value” in violation of the New York Limited Liability Company Law. The court rejected the objecting participants' assertion that preliminary approval be denied and granted preliminary approval of the settlement.

Pursuant to a decision issued on April 30, 2013, the court rejected the allegation regarding the New York Limited Liability Company Law and ruled in Malkin Holdings LLC's favor, holding that the buyout provisions of the participation agreements with respect to ESBA are legally binding and enforceable and that participants do not have the rights they claimed under the New York Limited Liability Company Law.

On May 2, 2013, the court held a hearing regarding final approval of the class action settlement, at the conclusion of which the court stated that it intended to approve the settlement. On May 17, 2013, the court issued its Opinion and Order. The court rejected the objections by all objectors and upheld the settlement in its entirety. Of the approximately 4,500 class

members who are participants in all of the subject LLCs and private entities included in the consolidation, 12 opted out of the settlement. Those who opted out will not receive any share of the settlement proceeds, but can pursue separate claims for monetary damages. They are bound by the settlement agreement regarding equitable relief, so they cannot seek an injunction to halt the consolidation or the Offering. The settlement will not become final until resolution of any appeal.

Also on May 17, 2013, the court issued its Opinion and Order on attorneys' fees. Class counsel applied for an award of $15.0 million in fees and $295,895 in expenses, which the court reduced to $11.5 million in fees and $265,282 in expenses (which are included within the $55.0 million settlement payment).

The participants who challenged the buyout provision filed a notice of appeal of the court's April 30, 2013 decision and moved before the appellate court for a stay of all proceedings relating to the settlement, including such a stay as immediate interim relief. On May 1, 2013, their request for immediate interim relief was denied. On May 13, 2013, Malkin Holdings LLC filed its brief in opposition to the motion for the stay. On June 18, 2013, the appellate court denied the motion for the stay. On July 16, 2013, these participants filed their brief and other supporting papers on their appeal of the April 30, 2013 decision, are required to perfect the appeal. On September 4, 2013, Malkin Holdings LLC filed its brief on the appeal, and also moved to dismiss the appeal on the grounds that these participants lack standing to pursue it. Malkin Holdings LLC contended that these participants were not entitled to appraisal under the New York Limited Liability Company Law because, among other reasons, (i) they are not members of ESBA, and only members have such rights; (ii) the transaction in question is not a merger or consolidation as defined by statute, and appraisal only applies in those transactions; and (iii) when ESBA was converted into a limited liability company, the parties agreed that no appraisal would apply. Moreover, Malkin Holdings LLC contended that only the 12 participants who opted out of the class action settlement could pursue appraisal, because that settlement contains a broad release of (and there is an associated bar order from the court preventing) any such claims. Malkin Holdings LLC further noted that of the six participants attempting to pursue the appeal, only two had in fact opted out of the class action settlement. On September 13, 2013, these participants filed their reply brief on the appeal, and opposed the motion to dismiss. On September 19, 2013, Malkin Holdings LLC filed its reply brief on the motion to dismiss. On October 3, 2013, the appeals court denied the motion to dismiss without prejudice to address the matter directly on the appeal, effectively referring the issues raised in the motion to the panel that will hear the appeal itself. Oral argument on the appeal is scheduled for November 21, 2013.

In addition, on June 20, 2013, these same participants filed additional notices of appeal from the trial court's rulings in the Class Actions. These notices of appeal related to (i) the order entered February 22, 2013 granting preliminary approval of the Class Action settlement and setting a hearing for final approval; (ii) the order entered February 26, 2013, refusing to sign a proposed order to show cause for a preliminary injunction regarding the consolidation; (iii) an order entered April 2, 2013, denying the motion to intervene and to file a separate class action on behalf of ESBA participants; (iv) the order entered April 10, 2013, refusing to sign the order to show cause seeking to extend the deadline for class members to opt out of the Class Action settlement; (v) the Final Judgment and Order entered May 17, 2013; (vi) the order entered May 17, 2013 approving the Class Action settlement; and (vii) the order entered May 17, 2013 awarding class counsel attorneys' fees and costs.

Any decision on the appeal on the New York Limited Liability Law issue could take many months. We cannot predict timing or outcome of an appeal process or any related relief, if such appeal were successful. If the court's decision were reversed by the appellate court, there is a risk that it could have a material adverse effect on the Company and the Operating Partnership, which could take the form of monetary damages or other equitable relief, and the court could order some or all of the relief that the objecting participants have requested, as described above. Although there can be no assurance, Malkin Holdings LLC believes that the trial court's decision was correct, and it will be upheld on appeal.

As noted, class members who objected to the Class Action settlement filed notices of appeal from the court's decision to approve the Stipulation of Settlement. As a result, the Company may incur costs associated with defending any

such appeal or paying any judgment if the defendants lose. The timing or outcome of an appeal cannot be predicted. If the court's decision were reversed by an appellate court, there is a risk that it could have a material adverse effect on the Company, including the imposition of monetary damages, injunctive relief or both. Although there can be no assurance, Malkin Holdings LLC believes that the trial court's decision was correct, and that it will be upheld on appeal.

There is a risk that other third parties will assert claims against the Company, the Operating Partnership or Malkin Holdings LLC, including, without limitation, that Malkin Holdings LLC breached its fiduciary duties to investors in the existing entities or that the consolidation violates the relevant operating agreements, and third parties may commence litigation against the Company, the Operating Partnership or Malkin Holdings LLC.

NOTE 4. SUBSEQUENT EVENTS

The Company completed the Offering on October 7, 2013. The Company issued 82,225,000 shares at $13.00 per share. The gross proceeds were approximately $1.07 billion and the net proceeds from the Offering were approximately $884.1

million, including the underwriters' overallotment option which was exercised in full (after deducting the underwriting discount and commissions and estimated expenses of the Offering and formation transactions). Concurrently with the Offering, the Company completed a series of formation transactions pursuant to which it acquired, through a series of contributions and merger and asset purchase transactions, the assets and liabilities of (i) its predecessor and (ii) the entities through which the predecessor held non-controlling interests in four properties, for which the predecessor acted as the supervisor but which were not combined into the predecessor for accounting purposes. In the aggregate, these interests comprise the Company's ownership of its property portfolio. Upon completion of the Offering and formation transactions, all of the holders of interests in the predecessor received shares of common stock, operating partnership units and/or cash as consideration for their respective interests, and as a result became equity owners of the Company and/or its Operating Partnership. Holders of interests in the predecessor who received cash did not become equity owners of the Company. The formation transactions, including the consideration received by the holders of interests in the predecessor, are described in greater detail in the final prospectus relating to the Offering, dated October 1, 2013, which the Company filed with the Securities and Exchange Commission (the "SEC"). Concurrently with the closing of the Offering, we entered into an agreement for a secured revolving and term credit facility in the maximum aggregate original principal amount of up to $800,000. The secured revolving and term credit facility was used primarily to fully repay the existing $500,000 term loan previously secured by the Empire State Building, which had a balance of $300,000 as of September 30, 2013.

Empire State Realty Trust, Inc. Predecessor
Condensed Combined Balance Sheets
September 30, 2013 and December 31, 2012
(amounts in thousands)

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Commercial real estate properties, at cost:		
Land	$102,475	$102,475
Development costs	15,860	16,039
Building and improvements	655,753	631,814
Building leasehold interests and improvements	216,970	189,002
	991,058	939,330
Less: accumulated depreciation	(280,142)	(257,091)
Commercial real estate properties, net	710,916	682,239
Cash and cash equivalents	105,600	51,499
Restricted cash	33,986	32,268
Tenant and other receivables, net of allowance of $495 and $188 as of September 30, 2013 and December 31, 2012, respectively	8,836	8,701
Deferred rent receivables, net of allowance of $193 and $735 as of September 30, 2013 and December 31, 2012, respectively	53,752	49,827
Investment in non-controlled entities	88,304	76,879
Deferred costs, net	98,134	92,226
Due from affiliated companies	13,277	46,413
Prepaid expenses and other assets	9,417	12,501
Total assets	$1,122,222	$1,052,553
LIABILITIES AND OWNERS' EQUITY (DEFICIT)		
Liabilities:		
Mortgage notes payable	$1,061,048	$978,150
Unsecured loan and notes payable—related parties	22,089	18,339
Accrued interest payable	3,260	3,409
Accounts payable and accrued expenses	31,009	26,889
Due to affiliated companies	10,676	12,376
Deferred revenue and other liabilities	8,314	7,390
Tenants’ security deposits	17,444	16,859
Total liabilities	1,153,840	1,063,412
Owners’ deficit	(31,618)	(10,859)
Total liabilities and owners’ equity (deficit)	$1,122,222	$1,052,553

The accompanying notes are an integral part of these financial statements

Empire State Realty Trust, Inc. Predecessor
Condensed Combined Statements of Income
For the Three and Nine Months Ended September 30, 2013 and 2012
(amounts in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Rental revenue	$45,228	$43,405	$134,133	$129,673
Tenant expense reimbursement	7,180	7,889	20,814	22,570
Third-party management and other fees	884	739	5,067	3,909
Construction revenue	5,869	3,587	18,269	11,731
Other income and fees	3,117	3,795	5,984	8,778
Total revenues	62,278	59,415	184,267	176,661
Operating expenses:				
Operating expenses	14,170	13,261	40,128	41,446
Marketing, general, and administrative expenses	9,633	5,730	22,807	13,305
Construction expenses	5,933	3,875	18,722	12,575
Real estate taxes	8,003	7,794	23,790	22,493
Formation transaction expenses	1,507	917	4,507	1,640
Depreciation and amortization	12,763	11,000	38,030	31,877
Total operating expenses	52,009	42,577	147,984	123,336
Operating income	10,269	16,838	36,283	53,325
Other income (expense):				
Equity in net income of non-controlled entities	6,918	5,912	14,816	13,498
Interest expense	(14,906)	(13,735)	(43,817)	(40,223)
Net income	$2,281	$9,015	$7,282	$26,600

The accompanying notes are an integral part of these financial statements

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Empire State Realty Trust, Inc. Predecessor
Condensed Combined Statement of Owners' Deficit
September 30, 2013
(amounts in thousands)
(unaudited)

Owners' deficit at December 31, 2012	$(10,859)
Net income—January 1 through September 30, 2013	7,282
Contributions from owners—January 1 through September 30, 2013	3,924
Distributions to owners—January 1 through September 30, 2013	(31,965)
Owners' deficit at September 30, 2013	$(31,618)

The accompanying notes are an integral part of these financial statements

Empire State Realty Trust, Inc. Predecessor
Condensed Combined Statements of Cash Flows
For the Nine Months Ended September 30, 2013 and 2012
(amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows From Operating Activities		
Net income	$7,282	$26,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,581	35,148
Straight-lining of rental revenue	(3,383)	(2,128)
Bad debts (recoveries)	(597)	513
Equity in net income of non-controlled entities	(14,816)	(13,498)
Distributions of cumulative earnings of non-controlled entities	3,391	8,347
Increase (decrease) in cash flows due to changes in operating assets and liabilities:		
Restricted cash	(633)	1,338
Tenant and other receivables	(80)	6,034
Deferred leasing costs	(9,771)	(8,474)
Due to/from affiliated companies, net	26,901	32,662
Prepaid expenses and other assets	3,084	2,022
Accounts payable and accrued expenses	6,287	(3,965)
Accrued interest payable	(149)	266
Deferred revenue and other liabilities	924	781
Net cash provided by operating activities	62,021	85,646
Cash Flows From Investing Activities		
Increase in restricted cash for investing activities	(500)	(1,672)
Development costs	179	—
Increase in due from affiliates for advances for leasehold interests and improvements	—	(15,061)
Additions to building and improvements and building leasehold interests	(56,129)	(53,103)
Net cash used in investing activities	(56,450)	(69,836)
Cash Flows From Financing Activities		
Proceeds from mortgage notes payable	102,947	60,000
Repayment of mortgage notes payable	(20,049)	(8,577)
Proceeds from unsecured loan payable	3,750	147
Deferred financing costs	(3,482)	(2,245)
Offering costs	(6,595)	(10,585)
Contributions from owners	3,924	2,107
Distributions to owners	(31,965)	(49,738)
Net cash provided by (used in) financing activities	48,530	(8,891)
Net Increase in Cash and Cash Equivalents	54,101	6,919
Cash and Cash Equivalents—beginning of period	51,499	86,316
Cash and Cash Equivalents—end of period	$105,600	$93,235
Supplemental Disclosures of Cash Flow Information -		
Interest paid during the period	$38,380	$36,686

The accompanying notes are an integral part of these financial statements

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

1. Organization and Description of Business

As used in these condensed combined financial statements, unless the context otherwise requires, “we,” “us,” and “our company” mean the predecessor (as defined below) for the periods presented and Empire State Realty Trust, Inc. and its combined subsidiaries upon the consummation of its initial public offering of Class A common stock (the "Offering"), and the formation transactions defined below.

Empire State Realty Trust, Inc. is a Maryland corporation formed on July 29, 2011 to acquire the assets or equity interests of entities owning various controlling and non-controlling interests in real estate assets and certain management businesses controlled and/or managed by Mr. Peter L. Malkin and Mr. Anthony E. Malkin, or the Sponsors.

Prior to or concurrently with the completion of the Offering, we engaged in a series of formation transactions pursuant to which we acquired, through a series of contributions and merger transactions, these assets, interests, and businesses which we refer to as our formation transactions. The formation transactions enabled us to (i) combine the ownership of our property portfolio under our operating partnership subsidiary, Empire State Realty OP, L.P., a Delaware limited partnership, or our operating partnership; (ii) succeed to the asset management, property management, leasing and construction businesses of the predecessor; (iii) facilitate the Offering; and (iv) elect to be and qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2013. On October 7, 2013, we completed the Offering. See Note 12 - Subsequent Events. We did not have any operating activity until the consummation of the Offering and the formation transactions on October 7, 2013. Accordingly, we believe that a discussion of the results of Empire State Realty Trust, Inc. would not be meaningful for the periods covered by these financial statements prior to the completion of those transactions.

The Predecessor

The predecessor is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which were owned by certain entities that the Sponsors owned interests in and controlled, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities which we collectively refer to as the non-controlled entities, and are presented as uncombined entities in our combined financial statements. Specifically, the term “the predecessor” means (i) Malkin Holdings LLC, a New York limited liability company that acted as the supervisor of, and performed various asset management services and routine administration with respect to, certain of the existing entities (as described below), which we refer to as “the supervisor;” (ii) the limited liability companies or limited partnerships that previously (a) owned, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operated, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acted as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 380,000 rentable square foot office building and garage that we own after the formation transactions, which we refer to as the “existing entities;” (iii) Malkin Properties, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Manhattan, which we refer to as “Malkin Properties;” (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which we refer to as “Malkin Properties NY;” (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that served as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which we refer to as “Malkin Properties CT;” and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provided services to certain of the existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as “Malkin Construction.” The term “the

predecessor's management companies" refers to the supervisor, Malkin Properties, Malkin Properties NY, Malkin Properties CT and Malkin Construction, collectively. The predecessor accounted for its investment in the non-controlled entities under the equity method of accounting.

Controlled Entities:

As of September 30, 2013 and December 31, 2012, properties that the Sponsors owned interests in and control, and whose operations are 100% consolidated into the financial statements of the predecessor include:

Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)
Office:
One Grand Central Place, New York, New York
250 West 57th Street, New York, New York
1359 Broadway, New York, New York
First Stamford Place, Stamford, Connecticut
Metro Center, Stamford, Connecticut
383 Main Avenue, Norwalk, Connecticut
500 Mamaroneck Avenue, Harrison, New York
10 Bank Street, White Plains, New York
Fee ownership position of 350 Fifth Avenue (Empire State Building), New York, New York
Fee ownership position of 501 Seventh Avenue, New York, New York
Retail:
10 Union Square, New York, New York
1010 Third Avenue, New York, New York
77 West 55th Street, New York, New York
1542 Third Avenue, New York, New York
69-97 Main Street, Westport, Connecticut
103-107 Main Street, Westport, Connecticut
Land Parcels:
We own entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties that will support the development of an approximately 380,000 rentable square foot office building and garage.
The acquisition of interests in our predecessor were recorded at historical cost at the time of the formation transactions.

Non-Controlled Entities:
As of September 30, 2013 and December 31, 2012, properties in which the Sponsors owned and controlled non-controlling interests and whose operations are reflected in our predecessor's combined financial statements as an equity interest include:
Office:
Master operating lease position of 350 Fifth Avenue, New York, New York—Empire State Building Company L.L.C.
Master operating lease position of 1350 Broadway, New York, New York—1350 Broadway Associates L.L.C. (long term ground lease)
1333 Broadway, New York, New York—1333 Broadway Associates L.L.C.
Master operating lease position of 501 Seventh Avenue, New York, New York—501 Seventh Avenue Associates L.L.C.
All of our business activities are conducted through our operating partnership. We are the sole general partner of our operating partnership. Pursuant to the formation transactions, our operating partnership (i) acquired interests in the office and retail properties owned by the controlled entities (including our predecessor management companies) and the non-controlled entities and (ii) assumed related debt and other specified liabilities of such assets and businesses, in exchange for shares of our Class A common stock, Class B common stock, operating partnership units, and/or cash.
We are self-administered and self-managed. Additionally, we formed or acquired one or more taxable REIT subsidiaries, or TRSs, that are owned by our operating partnership. The TRSs, through several wholly-owned limited liability companies, conduct third-party services businesses, which include the Empire State Building Observatory, cleaning services,

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)
cafeteria, restaurant and fitness center, property management and leasing, construction, and property maintenance.
2. Summary of Significant Accounting Policies
Basis of Quarterly Presentation and Principles of Combination
The accompanying unaudited condensed combined financial statements of the predecessor are prepared in accordance with United States generally accepted accounting principles, or GAAP, for interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission, or the SEC. Accordingly, certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted in accordance with such rules and regulations. In the opinion of the Predecessor's management, all adjustments and eliminations (including intercompany balances and transactions), consisting of normal recurring adjustments, considered necessary for the fair presentation of the financial statements have been included. For purposes of comparison, certain items shown in the 2012 condensed combined financial statements have been reclassified to conform to the presentation used for 2013.
The condensed combined financial statements include all the accounts and operations of our predecessor. The real estate entities included in the accompanying condensed combined financial statements have been combined on the basis that, for the periods presented, such entities were under common control, common management and common ownership of the Sponsors. Equity interests in the combining entities that were not controlled by the Sponsors are shown as investments in non-controlled entities. We also acquired these interests.

The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the corresponding full years. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the financial statements for the year ended December 31, 2012 contained in our registration Statement on Form S-11.
We consolidate a variable interest entity, or VIE, in which we are considered a primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

Included in commercial real estate properties on our combined balance sheets as of September 30, 2013 and December 31, 2012 are approximately $475,272 and $444,259, respectively, related to our combined VIEs. Included in mortgages and other loans payable on our combined balance sheets as of September 30, 2013 and December 31, 2012 are approximately $697,179 and $609,910, respectively, related to our combined VIEs.
We will assess the accounting treatment for each investment we may have in the future. This assessment will include a review of each entity's organizational agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, we will review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance and benefit. In situations where we or our partner could approve, among other things, the annual budget, the entity's tax return before filing, and leases that cover more than a nominal amount of space relative to the total rentable space at each property, we would not consolidate the investment as we consider these to be substantive participation rights that result in shared power of the activities that would most significantly impact the performance and benefit of such joint venture investment. Such agreements could also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the investment and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.
A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are required to be presented as a separate component of equity in the combined balance sheets and in the combined statements of income by requiring

earnings and other comprehensive income to be attributed to controlling and non-controlling interests. As the financial statements of the predecessor have been prepared on a combined basis, there is no non-controlling interest for the periods presented.

Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

Accounting Estimates

The preparation of the condensed combined financial statements in accordance with GAAP requires management to use estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant items subject to such estimates and assumptions include allocation of the purchase price of acquired real estate properties among tangible and intangible assets, determination of the useful life of real estate properties and other long-lived assets, valuation and impairment analysis of combined and uncombined commercial real estate properties and other long-lived assets, estimate of percentage of completion on construction contracts, and valuation of the allowance for doubtful accounts. These estimates are prepared using management’s best judgment, after considering past, current, and expected events and economic conditions. Actual results could differ from those estimates.

Income Taxes

As of September 30, 2013 and December 31, 2012, the New York City unincorporated business tax (“NYCUBT”) net operating loss carry forward was $17,362 and $15,846, respectively, expiring in the years 2021 to 2033. Taxable loss for the nine months ended September 30, 2013 was approximately $1,516 and taxable income for the nine months ended September 30, 2012 was $99. The net operating loss carry forwards net of the taxable income in 2013 gave rise to a deferred tax asset of $694 and $634 at September 30, 2013 and December 31, 2012, respectively. The deferred tax asset was fully reserved by a valuation allowance at September 30, 2013 and December 31, 2012. The valuation allowance increased by $60 during the nine months ended September 30, 2013 and decreased by $4 during the nine months ended September 30, 2012.

Fair Value

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Financial Accounting Standards Board ("FASB") guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

We use the following methods and assumptions in estimating fair value disclosures for financial instruments.

Cash and cash equivalents, restricted cash, tenant and other receivables, due from affiliated companies, prepaid expenses and other assets, accrued interest payable, due to affiliate companies, deferred revenue, tenant security deposits, accounts payable and accrued expenses in our combined balance sheets approximate their fair value due to the short term maturity of these instruments.

The fair value of our mortgage notes payable and unsecured loans and notes payable-related parties, which are determined using Level 3 inputs, are estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made to us.

The methodologies used for valuing financial instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments;
- Quoted prices in less active or inactive markets for identical or similar instruments;

- Other observable inputs (such as risk free interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates); and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Empire State Realty Trust, Inc., Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
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Level 3 - Valuations based significantly on unobservable inputs, including:

- Valuations based on third-party indications (broker quotes or counterparty quotes) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 3 valuations; and
- Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. We follow this hierarchy for our financial instruments measured at fair value on a recurring and nonrecurring basis and other required fair value disclosures. The classifications are based on the lowest level of input that is significant to the fair value measurement.

Share-Based Compensation

Share-based compensation is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the vesting period. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of our stock, expected dividend yield, expected term, and assumptions of whether these awards will achieve parity with other operating partnership units or achieve performance thresholds. We believe that the assumptions and estimates utilized are appropriate based on the information available to management at the time of grant. As of September 30, 2013, there have been no share-based grants.

Offering Costs and Formation Transaction Expenses
In connection with the Offering, we have incurred incremental accounting fees, legal fees and other professional fees. Such costs were deferred and will be recorded as a reduction of proceeds of the Offering. Certain costs associated with the Offering not directly attributable to the solicitation of consents of investors in the existing entities and the Offering, but rather related to structuring the formation transaction, were expensed as incurred.

3. Deferred Costs, Net
Deferred costs, net consisted of the following at September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
Leasing costs	$82,927	$78,865
Financing costs	27,090	23,609
Offering costs	32,319	27,789
Total	142,336	130,263
Less: Accumulated amortization	44,202	38,037
Deferred costs, net	$98,134	$92,226

Amortization expense related to deferred leasing costs was $6,390 and $5,602 and deferred financing costs was $5,551 and $3,271, for the nine months ended September 30, 2013 and 2012, respectively.
Offering costs for work done by employees of the supervisor on behalf of the non-controlled entities of approximately $1,067 for the nine months ended September 30, 2013 and $850 for the nine months ended September 30, 2012 were incurred and advanced by our supervisor. In addition, offering costs for work done by employees of the supervisor on behalf of the option properties of approximately $431 and $315 for the nine months ended September 30, 2013 and 2012, respectively, were incurred and advanced by our supervisor.

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

4. Investments in Non-controlled Entities

The following table reflects the activity in our investments in non-controlled entities for the nine months ended September 30, 2013 and 2012:

	Nine months ended September 30, 2013	
	2013	2012
Balance at beginning of year	$76,879	$72,626
Equity in net income	14,816	13,498
Distributions	(3,391)	(8,347)
Balance at end of period	$88,304	$77,777

The following reflects combined summarized financial information of the non-controlled entities as of September 30, 2013:

Balance Sheets	Empire State Building Co.	1333 Broadway Associates	1350 Broadway Associates	501 Seventh Avenue Associates	Total
Real estate and development in process, net	$223,178	$39,515	$42,697	$19,746	$325,136
Other assets	149,575	35,360	22,086	14,346	221,367
Total assets	$372,753	$74,875	$64,783	$34,092	$546,503
Mortgage and notes payable	$—	$70,657	$53,223	$—	$123,880
Other liabilities	50,381	3,137	5,713	3,216	62,447
Total liabilities	50,381	73,794	58,936	3,216	186,327
Members'/partners' equity	322,268	1,081	5,847	30,876	360,072
Non-controlling interest	104	—	—	—	104
Total equity	322,372	1,081	5,847	30,876	360,176
Total liabilities and equity	$372,753	$74,875	$64,783	$34,092	$546,503
Our share of equity—carrying value of our investments in non-controlled entities	$79,126	$(53)	$2,924	$6,307	$88,304

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

	Nine months ended September 30, 2013				
Statements of Operations	Empire State Building Co.	1333 Broadway Associates	1350 Broadway Associates	501 Seventh Avenue Associates	Total
Revenue:					
Rental revenue and other	$98,561	$11,357	$16,076	$13,652	$139,646
Observatory revenue	76,680	—	—	—	76,680
Total revenue	175,241	11,357	16,076	13,652	216,326
Expenses:					
Operating expenses—rental	89,117	5,669	7,825	10,100	112,711
Operating expenses—overage rent	10,894	—	—	106	11,000
Operating expenses—observatory	17,150	—	—	—	17,150
Interest	—	3,548	2,412	—	5,960
Depreciation and amortization	10,997	2,186	3,264	1,127	17,574
Total expenses	128,158	11,403	13,501	11,333	164,395
Net income (loss)	$47,083	$(46)	$2,575	$2,319	$51,931
Our share of equity in net income (loss) of non-controlled entities	$13,612	$(23)	$1,104	$123	$14,816

	Nine months ended September 30, 2012				
Statements of Operations	Empire State Building Co.	1333 Broadway Associates	1350 Broadway Associates	501 Seventh Avenue Associates	Total
Revenue:					
Rental revenue and other	$102,659	$11,061	$15,953	$14,189	$143,862
Observatory revenue	68,493	—	—	—	68,493
Total revenue	171,152	11,061	15,953	14,189	212,355
Expenses:					
Operating expenses—rental	93,689	5,423	8,217	9,882	117,211
Operating expenses—overage rent	26,572	—	—	2,252	28,824
Operating expenses—observatory	15,383	—	—	—	15,383
Interest	—	3,561	2,215	—	5,776
Depreciation and amortization	10,148	2,541	2,554	1,135	16,378
Total expenses	145,792	11,525	12,986	13,269	183,572
Net income (loss)	$25,360	$(464)	$2,967	$920	$28,783
Our share of equity in net income (loss) of non-controlled entities	$12,059	$(232)	$1,483	$188	$13,498

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

5. Debt

Mortgage notes payable are collateralized by the following respective real estate properties and assignment of operating leases at September 30, 2013 and December 31, 2012:

	Principal Balance as of September 30, 2013	Principal Balance as of December 31, 2012	Stated Rate	Effective Rate[1]	Maturity Date[2]
Mortgage debt collateralized by:					
Fixed rate debt					
501 Seventh Avenue					
(Note 1)	$1,047	$1,075	5.75 %	6.44 %	2/1/2014
(Note 2)[3]	31,749	32,589	5.75 %	6.44 %	2/1/2014
(Note 2)[3]	6,945	7,107	6.04 %	6.72 %	2/1/2014
1359 Broadway					
(first lien mortgage loan)	9,666	9,922	5.75 %	6.19 %	8/1/2014
(second lien mortgage loan)[4]	5,612	5,761	5.75 %	6.21 %	8/1/2014
(second lien mortgage loan)[4]	11,408	11,689	5.87 %	6.32 %	8/1/2014
(second lien mortgage loan)[4]	18,700	19,068	6.40 %	6.68 %	8/1/2014
One Grand Central Place					
(first lien mortgage loan)	72,284	73,922	5.34 %	5.56 %	11/5/2014
(second lien mortgage loan)[5]	14,961	15,187	7.00 %	8.41 %	11/5/2014
500 Mamaroneck Avenue	32,739	33,256	5.41 %	6.73 %	1/1/2015
250 West 57th Street					
(first lien mortgage loan)	25,830	26,442	5.33 %	6.68 %	1/5/2015
(second lien mortgage loan)	11,321	11,524	6.13 %	7.56 %	1/5/2015
Metro Center					
(Note 1)[6]	58,816	59,937	5.80 %	5.93 %	1/1/2016
(Note 2)[6]	37,701	38,151	6.02 %	6.11 %	1/1/2016
10 Union Square	21,053	21,284	6.00 %	6.44 %	5/1/2017
10 Bank Street	33,541	33,963	5.72 %	5.90 %	6/1/2017
1542 Third Avenue	19,103	19,370	5.90 %	6.27 %	6/1/2017
First Stamford Place	246,441	248,716	5.65 %	5.86 %	7/5/2017
1010 Third Avenue and 77 West 55th Street	28,217	28,570	5.69 %	6.07 %	7/5/2017
383 Main Avenue	30,492	30,924	5.59 %	5.73 %	7/5/2017
69-97 Main Street [7]	—	9,218	5.64 %	—	5/1/2013
Total fixed rate debt	717,626	737,675			
Floating rate debt					
501 Seventh Avenue (third lien mortgage loan)	6,540	6,540	[8]	[8]	2/1/2014
The Empire State Building (secured term loan)	300,000	219,000	[9]	[9]	7/26/2014
One Grand Central Place (third lien mortgage loan)	6,382	—	[10]	[10]	11/5/2014
	21,000	14,935	[11]	[11]	1/5/2015

250 West 57th Street (third lien mortgage loan)					
69-97 Main Street	9,500	—	(12)	(12)	4/29/2015
Total floating rate debt	343,422	240,475			
Total Mortgage Notes Payable	$1,061,048	$978,150			

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Empire State Realty Trust, Inc. Predecessor
Notes to Condensed Combined Financial Statements
(amounts in thousands)
(unaudited)

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(1) The effective rate is the yield as of September 30, 2013, including the effects of debt issuance costs. There are no discounts or premiums on the notes.
(2) Pre-payment is generally allowed for each loan upon payment of a customary pre-payment penalty.
(3) Represents the two tranches of the second lien mortgage loan.
(4) Represents three tranches of the second lien mortgage loan.
(5) Represents a second lien mortgage loan.
(6) Notes 1 and 2 are pari passu.
(7) This loan was paid off with the proceeds of a new $9,500 floating rate loan which we closed on during April 2013.
(8) Floating at 30 day LIBOR plus 2.0%. The rate as of September 30, 2013 was 2.18%.
(9) Floating at 30 day LIBOR plus 2.5%. The rate as of September 30, 2013 was 2.68%. This loan was paid off with the proceeds of our secured revolving and term credit facility on October 7, 2013.
(10) Interest at the greater of (i) Prime plus 0.50% and (ii) 3.75%. The rate as of September 30, 2013 was 3.75%.
(11) Interest is paid based on a floating rate that is greater of (i) 4.25% and (ii) prime plus 1%. Prior to January 5, 2015, we have the option to fix the interest rate on all or any portion of the principal then outstanding, up to three times and in minimum increments of $5,000 to an annual rate equal to either (i) the greater of (a) 4.75% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of two days prior to the effective date of the fixing of the interest rate, and (ii) the greater of (a) 5.00% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of 30 days prior to the effective date of the fixing of the interest rate. If option (i) is selected, we will be subject to the payment of pre payment fees, and if option (ii) is selected, we may prepay the loan without any pre payment fees. The rate as of September 30, 2013 was 4.25%.
(12) Floating at 30 day LIBOR plus 1.40% or Prime plus 0.50%. The rate as of September 30, 2013 was 1.58%.

Contractual Principal Payments

Contractual aggregate required principal payments on mortgage notes payable at September 30, 2013 are as follows:

2013 (October 1, 2013 – December 31, 2013)	$3,725	
2014	493,748	(1)
2015	106,438	
2016	97,716	
2017	359,421	
Thereafter	—	(1)
Total principal maturities	$1,061,048	

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(1) 2014 includes $300.0 million which was paid off with the proceeds of our secured revolving and term credit facility on October 7, 2013. The maturity date of the new loan is October 7, 2018.

Unsecured Loan and Notes Payable

As of September 30, 2013, we held unsecured notes payable totaling $14,739 to trusts which benefit parties related to the Sponsors. The notes bear interest at a rate of 1.2% compounded annually and are due on November 14, 2020. This liability was distributed to certain owners of the predecessor and was not assumed by us.

On April 21, 2011, one of the combined entities (500 Mamaroneck, L.P.) entered into a promissory note agreement with the Sponsors, as agents for certain investors in 500 Mamaroneck, L.P. ("2011 Promissory Note"), under which such investors loaned $3,600 (including $1,174 from the Sponsors) to 500 Mamaroneck, L.P. Loans made pursuant to the 2011 Promissory Note earn interest at the rate of 10% per annum, payable quarterly, beginning July 1, 2011. The loans will mature on the earliest of (i) January 1, 2015, (ii) sale or transfer of title to the property, or (iii) satisfaction of the existing first mortgage loan on the property. Loans made under the 2011 Promissory Note may be repaid without penalty at any time in part or in full, along with all accrued interest. During October 2013, this loan was repaid with proceeds from the Offering.

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During April 2013, we received a loan from an entity, which is controlled by Anthony E. Malkin and Peter L. Malkin, made to fund cash needs including the payment of leasing commissions and expenditures on tenant installations at First Stamford Place. The loan has a principal amount of $4,500, an outstanding balance of $3,750, and bears interest at 30-day LIBOR plus 2.5% (2.68% at September 30, 2013). During October 2013, this loan was repaid with proceeds from the Offering.

The mortgage note payable and unsecured loan and notes payable balances do not include accrued interest of $3,260 at September 30, 2013.

6. Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses consist of the following as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
Accounts payable and accrued liabilities	$28,576	$24,711
Other	2,433	2,178
Accounts payable and accrued expenses	$31,009	$26,889

7. Fair Value of Financial Instruments
The following disclosures of estimated fair value at September 30, 2013 and December 31, 2012 were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.
The following table presents the aggregate carrying value of our debt and the corresponding estimates of fair value based on discounted cash flow models, based on Level 3 inputs including current interest rates at which similar borrowings could be made by us as of September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage notes payable	$1,061,048	$1,079,827	$978,150	$1,003,756
Unsecured loans and notes payable—related parties	22,089	17,680	18,339	13,818
Total	$1,083,137	$1,097,507	$996,489	$1,017,574

Disclosure about fair value of financial instruments is based on pertinent information available to us as of September 30, 2013 and December 31, 2012. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

8. Rental Income
We lease various office spaces to tenants over terms ranging from one to 18 years. Certain leases have renewal options for additional terms. The leases provide for base monthly rentals and reimbursements for real estate taxes, escalations

linked to the consumer price index or common area maintenance known as operating expense escalation. Operating expense reimbursements are reflected in our combined statements of income as tenant expense reimbursement.

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9. Commitments and Contingencies

Legal Proceedings

In the normal course of business, we are subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain with certainty the ultimate outcome of such matters, in our opinion, the liabilities, if any, in excess of amounts provided or covered by insurance, are not expected to have a material adverse effect on our combined financial position, results of operations or liquidity.

Litigation

Except as described below, we are not presently involved in any material litigation, nor, to our knowledge is any material litigation threatened against us or our properties, other than routine litigation arising in the ordinary course of business such as disputes with tenants. We believe that the costs and related liabilities, if any, which may result from such actions, will not materially affect our combined financial position, operating results or liquidity.

In March 2012, five putative class actions, or the Class Actions, were filed in New York State Supreme Court, New York County by participants in Empire State Building Associates L.L.C. (“ESBA”) and several other entities supervised by Malkin Holdings LLC (on March 1, 2012, March 7, 2012, March 12, 2012, March 14, 2012 and March 19, 2012). The plaintiffs asserted claims against our predecessor's management companies, Anthony E. Malkin, Peter L. Malkin, the Estate of Leona M. Helmsley, Empire State Realty OP, L.P. and Empire State Realty Trust, Inc. for breach of fiduciary duty, unjust enrichment, and/or aiding and abetting breach of fiduciary duty. They alleged, among other things, that the terms of the consolidation and the process by which it was structured (including the valuation that was employed) are unfair to the participants in the existing entities, the consolidation provides excessive benefits to Malkin Holdings LLC and its affiliates and the then-draft prospectus/consent solicitation statement filed with the SEC failed to make adequate disclosure to permit a fully informed decision about the proposed consolidation. The complaints sought money damages and injunctive relief preventing the consolidation. The Class Actions were consolidated and co-lead plaintiffs' counsel were appointed by the New York State Supreme Court by order dated June 26, 2012. Furthermore, an underlying premise of the Class Actions, as noted in discussions among plaintiffs' counsel and defendants' counsel, was that the consolidation had been structured in such a manner that would cause participants in ESBA, 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. (the “subject LLCs”) immediately to incur substantial tax liabilities.

The parties entered into a Stipulation of Settlement dated September 28, 2012, resolving the Class Actions. The Stipulation of Settlement recites that the consolidation was approved by overwhelming consent of the participants in the other predecessor or contributing entities (the "private entities" and together with the subject LLCs, the "existing entities"). The Stipulation of Settlement states that counsel for the plaintiff class satisfied themselves that they have received adequate access to relevant information, including the independent valuer's valuation process and methodology, that the disclosures in the Registration Statement on Form S-4, as amended, are appropriate, that the consolidation presents potential benefits, including the opportunity for liquidity and capital appreciation, that merit the participants' serious consideration and that each of the named class representatives intends to support the consolidation as modified. The Stipulation of Settlement further states that counsel for the plaintiff class are satisfied that the claims regarding tax implications, enhanced disclosures, appraisals and exchange values of the properties that would be consolidated into our company, and the interests of the participants in the subject LLCs and the private entities, have been addressed adequately, and they have concluded that the settlement pursuant to the Stipulation of Settlement and opportunity to consider the proposed consolidation on the basis of revised consent solicitations are fair, reasonable, adequate and in the best interests of the plaintiff class.

The defendants in the Stipulation of Settlement denied that they committed any violation of law or breached any of their duties and did not admit that they had any liability to the plaintiffs.

The terms of the settlement include, among other things (i) a payment of $55,000, with a minimum of 80% in cash and maximum of 20% in freely-tradable shares of common stock and/or freely-tradable operating partnership units to be distributed, after reimbursement of plaintiffs' counsel's court-approved expenses and payment of plaintiffs' counsel's court-approved attorneys' fees (which are included within the $55,000 settlement payment) and, in the case of shares of common stock and/or operating partnership units, after the termination of specified lock-up periods, to participants in the subject LLCs and the private entities pursuant to a plan of allocation to be prepared by counsel for plaintiffs; (ii) defendants' agreement that (a) the Offering will be on the basis of a firm commitment underwriting; (b) if, during the solicitation period,

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any of the three subject LLCs' percentage of total exchange value is lower than what is stated in the final prospectus/consent solicitation statement by 10% or more, such decrease will be promptly disclosed by defendants to participants in the subject LLCs; and (c) unless total gross proceeds of $600,000 are raised in the Offering, defendants will not proceed with the consolidation without further approval of the subject LLCs; and (iii) defendants' agreement to make additional disclosures in the prospectus/consent solicitation statement regarding certain matters (which are included therein). Participants in the subject LLCs and private entities will not be required to bear any portion of the settlement payment. The payment in settlement of the Class Actions will be made by the Estate of Leona M. Helmsley and affiliates of Malkin Holdings LLC (provided that none of Malkin Holding's affiliates that would become our direct or indirect subsidiary in the consolidation will have any liability for such payment) and certain participants in the private entities who agree to contribute. We will not bear any of the settlement payment.

The settlement further provides for the certification of a class of participants in the three subject LLCs and all of the private entities, other than defendants and other related persons and entities, and a release of any claims of the members of the class against the defendants and related persons and entities, as well as underwriters and other advisors. The release in the settlement excludes certain claims, including but not limited to, claims arising from or related to any supplement to the Registration Statement on Form S-4 that is declared effective to which the plaintiffs' counsel objects in writing, which objection will not be unreasonably made or delayed, so long as plaintiffs' counsel has had adequate opportunity to review such supplement. The settlement was subject to court approval. It is not effective until such court approval is final, including the resolution of any appeal. Defendants continue to deny any wrongdoing or liability in connection with the allegations in the Class Actions.

On January 18, 2013, the parties jointly moved for preliminary approval of such settlement, for permission to send notice of the settlement to the class, and for the scheduling of a final settlement hearing.

On January 28, 2013, six participants in ESBA filed an objection to preliminary approval, and cross-moved to intervene in the Class Actions and for permission to file a separate complaint on behalf of ESBA participants. On February 21, 2013, the court denied the cross motion of such objecting participants, and the court denied permission for such objecting participants to file a separate complaint as part of the Class Actions, but permitted them to file a brief solely to support their allegation that the buyout would deprive non-consenting participants in ESBA of “fair value” in violation of the New York Limited Liability Company Law. The court rejected the objecting participants' assertion that preliminary approval be denied and granted preliminary approval of the settlement.

Pursuant to a decision issued on April 30, 2013, the court rejected the allegation regarding the New York Limited Liability Company Law and ruled in Malkin Holding's favor, holding that the buyout provisions of the participation agreements with respect to ESBA are legally binding and enforceable and that participants do not have the rights they claimed under the New York Limited Liability Company Law.

On May 2, 2013, the court held a hearing regarding final approval of the Class Actions settlement, at the conclusion of which the court stated that it intended to approve the settlement. On May 17, 2013, the court issued its Opinion and Order. The court rejected the objections by all objectors and upheld the settlement in its entirety. Of the approximately 4,500 class members who are participants in all of the subject LLCs and private entities included in the consolidation, 12 opted out of the settlement. Those who opted out will not receive any share of the settlement proceeds, but can pursue separate claims for monetary damages. They are bound by the settlement agreement regarding equitable relief, so they cannot seek an injunction to halt the consolidation or Offering. The settlement will not become final until

resolution of any appeal.

Also on May 17, 2013, the court issued its Opinion and Order on attorneys' fees. Class counsel applied for an award of $15,000 in fees and $296 in expenses, which the court reduced to $11,590 in fees and $265 in expenses (which are included within the $55,000 settlement payment).

The participants who challenged the buyout provision filed a notice of appeal of the court's April 30, 2013 decision and moved before the appellate court for a stay of all proceedings relating to the settlement, including such a stay as immediate interim relief. On May 1, 2013, their request for immediate interim relief was denied. On May 13, 2013, Malkin Holdings LLC filed its brief in opposition to the motion for the stay. On June 18, 2013, the appellate court denied the motion for the

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stay. On July 16, 2013, these participants filed their brief and other supporting papers on their appeal of the April 30, 2013 decision, are required to perfect the appeal. On September 4, 2013, Malkin Holdings LLC filed its brief on the appeal, and also moved to dismiss the appeal on the grounds that these participants lack standing to pursue it. Malkin Holdings LLC contended that these participants were not entitled to appraisal under the New York Limited Liability Company Law because, among other reasons, (i) they are not members of ESBA, and only members have such rights; (ii) the transaction in question is not a merger or consolidation as defined by statute, and appraisal only applies in those transactions; and (iii) when ESBA was converted into a limited liability company, the parties agreed that no appraisal would apply. Moreover, Malkin Holdings LLC contended that only the 12 participants who opted out of the class action settlement could pursue appraisal, because that settlement contains a broad release of (and there is an associated bar order from the court preventing) any such claims. Malkin Holdings LLC further noted that of the six participants attempting to pursue the appeal, only two had in fact opted out of the class action settlement. On September 13, 2013, these participants filed their reply brief on the appeal, and opposed the motion to dismiss. On September 19, 2013, Malkin Holdings LLC filed its reply brief on the motion to dismiss. On October 3, 2013, the appeals court denied the motion to dismiss without prejudice to address the matter directly on the appeal, effectively referring the issues raised in the motion to the panel that will hear the appeal itself. Oral argument on the appeal is scheduled for November 21, 2013.

In addition, on June 20, 2013, these same participants filed additional notices of appeal from the trial court's rulings in the Class Actions. These notices of appeal related to (i) the order entered February 22, 2013 granting preliminary approval of the Class Action settlement and setting a hearing for final approval; (ii) the order entered February 26, 2013, refusing to sign a proposed order to show cause for a preliminary injunction regarding the consolidation; (iii) an order entered April 2, 2013, denying the motion to intervene and to file a separate class action on behalf of ESBA participants; (iv) the order entered April 10, 2013, refusing to sign the order to show cause seeking to extend the deadline for class members to opt out of the Class Action settlement; (v) the Final Judgment and Order entered May 17, 2013; (vi) the order entered May 17, 2013 approving the Class Action settlement; and (vii) the order entered May 17, 2013 awarding class counsel attorneys' fees and costs.

Any decision on the appeal on the New York Limited Liability Law issue could take many months. We cannot predict timing or outcome of an appeal process or any related relief, if such appeal were successful. If the court's decision were reversed by the appellate court, there is a risk that it could have a material adverse effect on us, which could take the form of monetary damages or other equitable relief, and the court could order some or all of the relief that the objecting participants have requested, as described above. Although there can be no assurance, we believe that the trial court's decision was correct, and that it will be upheld on appeal.

As noted, class members who objected to the Class Action settlement filed notices of appeal from the court's decision to approve the Stipulation of Settlement. As a result, we may incur costs associated with defending any such appeal or paying any judgment if we lose. We cannot predict the timing or outcome of an appeal. If the court's decision were reversed by an appellate court, there is a risk that it could have a material adverse effect on us, including the imposition of monetary damages, injunctive relief or both. Although there can be no assurance, we believe that the trial court's decision was correct, and that it will be upheld on appeal.
There is a risk that other third parties will assert claims against us or Malkin Holdings LLC, including, without limitation, that Malkin Holdings breached its fiduciary duties to investors in the existing entities or that the consolidation violates the relevant operating agreements, and third parties may commence litigation against us.

Concentration of Credit Risk

Financial instruments that subject us to credit risk consist primarily of cash, restricted cash, due from affiliated companies, tenant and other receivables and deferred rent receivables.

Beginning January 1, 2013, non interest bearing transaction accounts are no longer insured separately from depositors' other accounts at the same Federal Deposit Insurance Corporation ("FDIC") Insured Depository Institution ("IDI"). Instead, non interest bearing transaction accounts are added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance will be insured up to at least the standard maximum deposit insurance amount of $250, per depositor, at each separately chartered IDI. At September 30, 2013, we held on deposit at various major financial institutions

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cash and cash equivalents and restricted cash balances in excess of amounts insured by the FDIC.

Major Customers and Other Concentrations

Excluding the revenues we recognized under operating leases with non-controlled entities, for the nine months ended September 30, 2013, three tenants were major tenants who made up more than 10% of the revenues in the aggregate. These tenants represent approximately 3.44%, 3.45%, and 3.53% (total of 10.42%) of 2013 revenues. For the nine months ended September 30, 2012, three tenants were major tenants who made up more than 10% of the revenues in the aggregate. These tenants represent approximately 4.83%, 3.32% and 3.62% (total of 11.77%) of 2012 revenues. For the nine months ended September 30, 2013 and 2012, three properties accounted for more than 10% of total revenues in the aggregate. For the nine months ended September 30, 2013, One Grand Central Place represented approximately 27.30% of total revenues, First Stamford Place represented approximately 14.91%, and 250 West 57th Street represented approximately 11.77%. For the nine months ended September 30, 2012, One Grand Central Place represented approximately 27.34% of total revenues, First Stamford Place represented approximately 15.83%, and 250 West 57th Street represented approximately 11.71%.

Asset Retirement Obligations

We are required to accrue costs that we are legally obligated to incur on retirement of our properties which result from acquisition, construction, development and/or normal operation of such properties. Retirement includes sale, abandonment or disposal of a property. Under that standard, a conditional asset retirement obligation represents a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement is conditional on a future event that may or may not be within a company's control and a liability for a conditional asset retirement obligation must be recorded if the fair value of the obligation can be reasonably estimated. Environmental site assessments and investigations have identified asbestos or asbestos-containing building materials in certain of our properties. As of September 30, 2013, management has no plans to remove or alter these properties in a manner that would trigger federal and other applicable regulations for asbestos removal, and accordingly, the obligations to remove the asbestos or asbestos-containing building materials from these properties have indeterminable settlement dates. As such, we are unable to reasonably estimate the fair value of the associated conditional asset retirement obligation. However ongoing asbestos abatement, maintenance programs and other required documentation are carried out as required and related costs are expensed as incurred.

Other Environmental Matters

Certain of our properties have been inspected for soil contamination due to pollutants, which may have occurred prior to our ownership of these properties or subsequently in connection with its development and/or its use. Required remediation to such properties has been completed and as of September 30, 2013, management believes that there are no obligations related to environmental remediation other than maintaining the affected sites in conformity with the relevant authority's mandates and filing the required documents. All such maintenance costs are expensed as incurred. We expect that resolution of the environmental matters relating to the above will not have a material impact on our business, assets, combined financial condition, results of operations or liquidity. However, we cannot be certain that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that such environmental liabilities arise.

Insurance Coverage

We carry insurance coverage on our properties of types and in amounts with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties.

10. Related Party Transactions

Services are and were provided by us to affiliates of the Sponsors that are not part of the predecessor. These affiliates were related parties because beneficial interests in the predecessor and the affiliated entities were or are held, directly

or indirectly, by the Sponsors, their affiliates and their family members.

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During the nine months ended September 30, 2013 and 2012, we engaged in various transactions with affiliates of the Sponsors and their family members. These transactions are reflected in our combined statements of income as third-party management and other fees and the unpaid balances are reflected in the due from affiliated companies on the combined balance sheets.

Supervisory Fee Revenue

We earned supervisory fees from affiliated entities not included in the condensed combined financial statements of $2,360 and $1,480 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within third-party management and other fees.

We earned supervisory fees from uncombined entities included in the condensed combined financial statements on the equity method of $620 and $620 during the nine months ended September 30, 2013 and 2012 respectively. These fees are included within third-party management and other fees.

Property Management Fee Revenue

We earned property management fees from affiliated entities not included in the condensed combined financial statements of $1,502 and $634 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within third-party management and other fees.

We earned property management fees from uncombined entities included in the condensed combined financial statements on the equity method of $149 and $1,141 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within third-party management and other fees.

Lease Commissions

We earned leasing commissions from affiliated entities not included in the condensed combined financial statements of $0 and $12 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within third-party management and other fees.

Profit Share

We received additional payments equal to a specified percentage of distributions in excess of specified amounts, both being defined, from affiliated entities not included in the condensed combined financial statements. Our profits interest totaled $777 and $723 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within other income and fees.

We received additional payments equal to a specified percentage of distributions in excess of specified amounts, both being defined, from uncombined entities included in these condensed combined financial statements on the equity method. Our profits interest totaled $409 and $789 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within other income and fees.

Other Fees and Disbursements from Non-Controlled Affiliates

We earned other fees and disbursements from affiliated entities not included in the condensed combined financial statements of $22 and $321 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within other income and fees.

We earned other fees and disbursements from uncombined subsidiaries included in the condensed combined financial statements on the equity method of $1,067 and $872 during the nine months ended September 30, 2013 and 2012, respectively. These fees are included within other income and fees.

Included in these other fees are reimbursements from uncombined entities included in these condensed combined financial statements on the equity method for offering costs related to the Offering of $1,067 and $850 during the nine months ended September 30, 2013 and 2012, respectively, of which $171 and $414 were included in due from affiliated companies as

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of September 30, 2013 and 2012, respectively.
Family Office Services
Family office services mainly comprise accounting and bookkeeping services. During the nine months ended September 30, 2013 and 2012, we provided certain family office services to the Sponsors. The Sponsors reimbursed us for direct costs in the amount of $558 and $395, in 2013 and 2012, respectively.

Other
Included in Tenant and other receivables are amounts due from partners and shareholders of $560 at September 30, 2013 and $782 at December 31, 2012.
11. Segment Reporting
Our reportable segments consist of a real estate segment and a construction contracting segment. Management internally evaluates the operating performance and financial results of our segments based on net operating income. We also have certain general and administrative level activities, including legal and accounting, that are not considered separate operating segments. Our observatory operations are currently not presented as a segment in our predecessor's historical financial statements since our predecessor has a non-controlling interest in such observatory operations. However, we anticipate that the operations of our observatory will encompass a reportable segment with the completion of the Offering and the formation transactions.

The following tables provides components of segment profit for each segment for the three and nine months ended September 30, 2013 and 2012, as reviewed by management:

Three months ended September 30, 2013	Real Estate	Construction Contracting	Totals
Revenues from external customers	$56,374	$5,869	$62,243
Intersegment revenues	19	1,923	1,942
Total revenues	56,393	7,792	64,185
All operating expenses, excluding noncash items	(22,173)	(7,623)	(29,796)
Interest expense	(14,906)	—	(14,906)
Depreciation and amortization expense	(12,763)	—	(12,763)
Equity in net income of non-controlled entities	6,918	—	6,918
Segment profit	$13,469	$169	$13,638
Segment assets	$1,023,333	$10,585	$1,033,918
Investment in non-controlled entities	$88,304	$—	$88,304
Expenditures for segment assets	$23,118	$—	$23,118

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Three months ended September 30, 2012	Real Estate	Construction Contracting	Totals
Revenues from external customers	$55,824	$3,587	$59,411
Intersegment revenues	19	1,023	1,042
Total revenues	55,843	4,610	60,453
All operating expenses, excluding noncash items	(20,988)	(4,796)	(25,784)
Interest expense	(13,735)	—	(13,735)
Depreciation and amortization expense	(10,994)	(6)	(11,000)
Equity in net income of non-controlled entities	5,912	—	5,912
Segment profit (loss)	$16,038	$(192)	$15,846
Segment assets	$967,108	$8,463	$975,571
Investment in non-controlled entities	$77,777	$—	$77,777
Expenditures for segment assets	$4,942	$—	$4,942

The following table provides a reconciliation of segment data to the combined financial statements:

	For the Three Months Ended September 30,	
	2013	2012
Revenue reconciliation		
Total revenues for reportable segments	$64,185	$60,453
Other revenues	35	4
Elimination for intersegment revenues	(1,942)	(1,042)
Total combined revenues	$62,278	$59,415
Profit or loss		
Total profit or loss for reportable segments	$13,638	$15,846
Other profit or loss items	(9,633)	(5,730)
Formation transaction expenses	(1,507)	(917)
Elimination for intersegment profit or loss	(252)	(188)
Unallocated amounts:		
Investment income	35	4
Net income	$2,281	$9,015

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Nine months ended September 30, 2013	Real Estate	Construction Contracting	Totals
Revenues from external customers	$165,852	$18,269	$184,121
Intersegment revenues	56	6,730	6,786
Total revenues	165,908	24,999	190,907
All operating expenses, excluding noncash items	(63,918)	(24,651)	(88,569)
Interest expense	(43,817)	—	(43,817)
Depreciation and amortization expense	(38,030)	—	(38,030)
Equity in net income of non-controlled entities	14,816	—	14,816
Segment profit	$34,959	$348	$35,307
Segment assets	$1,023,333	$10,585	$1,033,918
Investment in non-controlled entities	$88,304	$—	$88,304
Expenditures for segment assets	$56,129	$—	$56,129

Nine months ended September 30, 2012	Real Estate	Construction Contracting	Totals
Revenues from external customers	$164,915	$11,731	$176,646
Intersegment revenues	56	4,074	4,130
Total revenues	164,971	15,805	180,776
All operating expenses, excluding noncash items	(63,722)	(16,234)	(79,956)
Interest expense	(40,223)	—	(40,223)
Depreciation and amortization expense	(31,855)	(22)	(31,877)
Equity in net income of non-controlled entities	13,498	—	13,498
Segment profit (loss)	$42,669	$(451)	$42,218
Segment assets	$967,108	$8,463	$975,571
Investment in non-controlled entities	$77,777	$—	$77,777
Expenditures for segment assets	$53,273	$—	$53,273

The following table provides a reconciliation of segment data to the combined financial statements:

	For the Nine Months Ended September 30,	
	2013	2012
Revenue reconciliation		
Total revenues for reportable segments	$190,907	$180,776
Other revenues	146	15
Elimination for intersegment revenues	(6,786)	(4,130)
Total combined revenues	$184,267	$176,661
Profit or loss		
Total profit or loss for reportable segments	$35,307	$42,218
Other profit or loss items	(22,807)	(13,305)
Formation transaction expenses	(4,507)	(1,640)
Elimination for intersegment profit or loss	(857)	(688)
Unallocated amounts:		
Investment income	146	15
Net income	$7,282	$26,600

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(unaudited)
12. Subsequent Events

We completed the Offering on October 7, 2013. We issued 82,225,000 shares at $13.00 per share. The gross proceeds were approximately $1.07 billion and the net proceeds from the Offering were approximately $884,100, including the underwriters' overallotment option which was exercised in full (after deducting the underwriting discount and commissions and estimated expenses of the offering and formation transactions). Concurrently with the Offering, we completed a series of formation transactions pursuant to which we acquired, through a series of contributions and merger transactions, the assets and liabilities of (i) our predecessor and (ii) the entities through which our predecessor held non-controlling interests in four properties, for which our predecessor acted as the supervisor but which were not combined into our predecessor for accounting purposes. In the aggregate, these interests comprise our ownership of our property portfolio. Upon completion of the Offering and formation transactions, all of the holders of interests in our predecessor received shares of common stock, operating partnership units and/or cash as consideration for their respective interests, and as a result became equity owners of our company and/or our Operating Partnership. Holders of interests in the predecessor who received cash did not become equity owners of the Company. The formation transactions, including the consideration received by the holders of interests in our predecessor, are described in greater detail in the final prospectus relating to the Offering, dated October 1, 2013, which we filed with the SEC. Concurrently with the closing of the Offering, we entered into an agreement for a secured revolving and term credit facility in the maximum aggregate original principal amount of up to $800,000. The secured revolving and term credit facility was used to fully repay the existing $500,000 term loan previously secured by the Empire State Building, which had a balance of $300,000 as of September 30, 2013.
We have not yet obtained all the information necessary to finalize our estimates to complete the purchase price allocations in accordance with Accounting Standards Codification 805 related to the assets and liabilities acquired in the formation transactions.The purchase price allocations will be finalized once the information we identified has been received, which should not be longer than one year from the date of acquisition.