

Empire State Realty Trust, Inc.  
Form 8-K  
July 21, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 15, 2014**

**EMPIRE STATE REALTY TRUST, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

**Maryland**  
**(State or other Jurisdiction**  
**of Incorporation)**

**001-36105**  
**(Commission**  
**File Number)**

**37-1645259**  
**(I.R.S. Employer**  
**Identification No.)**

**One Grand Central Place**

**60 East 42<sup>nd</sup> Street**

**New York, New York**  
**(Address of Principal Executive Offices)**

**10165**  
**(Zip Code)**

**Registrant's telephone number, including area code: (212) 687-8700**

**n/a**

**(Former name or former address, if changed from last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

The information regarding the registration rights agreement contained in Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference.

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On July 15, 2014, Empire State Realty Trust, Inc. ( ESRT ) announced that its operating partnership, Empire State Realty OP, L.P. ( ESRO ), completed the acquisition of the ground and operating leases at 112 West 34<sup>th</sup> Street from 112 West 34<sup>th</sup> Street Associates L.L.C. and 112 West 34<sup>th</sup> Street Company L.L.C. (the 112 Property ), and the ground lease at 1400 Broadway from 1400 Broadway Associates L.L.C. (the 1400 Property ). ESRT's subsidiary previously served as supervisor of each of the selling entities.

The 112 Property was acquired for approximately \$423.6 million, or approximately \$570 per square foot, consisting of \$87.7 million by assumption of existing mortgage debt, \$106.9 million in cash and \$229.0 million in shares of ESRT Class A and Class B common stock and ESRO Series PR operating partnership units. In connection with this transaction and in accordance with the applicable option agreements, ESRT issued 1,217,685 shares of Class A common stock and 77,495 shares of Class B common stock each at a share price of \$16.65, and ESRO issued 12,457,379 Series PR operating partnership units at a unit price of \$16.65.

The 1400 Property was acquired for approximately \$310.0 million, or approximately \$346 per square foot, consisting of \$80.0 million by assumption of existing mortgage debt, \$79.7 million in cash and \$150.3 million in shares of ESRT Class A and Class B common stock and ESRO Series PR operating partnership units. In connection with this transaction and in accordance with the applicable option agreements, ESRT issued 1,338,488 shares of Class A common stock and 32,452 shares of Class B common stock each at a share price of \$16.65, and ESRO issued 7,658,516 Series PR operating partnership units at a unit price of \$16.65.

In connection with the closing of the transactions, ESRT entered into a registration rights agreement covering the ESRT Class A and Class B common stock and ESRO Series PR operating partnership units issued to investors in entities that owned the 112 Property and 1400 Property. Under the registration rights agreement, subject to certain limitations, not later than 12 months from the beginning of the first full calendar month following the completion of ESRT's initial public offering, we will file one or more registration statements, which we refer to as the resale shelf registration statements, covering the resale of all shares of ESRT Class A common stock issued in connection with the transactions, and all shares of ESRT Class A common stock that may be issued upon redemption of ESRO Series PR operating partnership units or upon conversion of ESRT Class B common stock, or collectively the registrable shares. We may, at our option, satisfy our obligation to prepare and file a resale shelf registration statement with respect to shares of ESRT Class A common stock issued upon redemption of ESRO Series PR operating partnership units or issued upon conversion of shares of ESRO Class B common stock by filing one or more issuer shelf registration statements which, collectively with the resale shelf registration statements, we refer to as the shelf registration statements, registering the issuance by us of shares of ESRT Class A common stock under the Securities Act of 1933, as amended (the Securities Act ). We have agreed to use our commercially reasonable efforts to cause each shelf registration statement to be declared effective within 120 days of filing. Additionally, the registrable shares held by the Malkin family pursuant to the registration rights agreement are subject to the demand and piggy-back rights that the Malkin family has under the registration

rights agreement ESRT entered into in connection with the consolidation and initial public offering of ESRT's Class A common stock. The foregoing does not purport to be a complete description of the terms of the registration rights agreement and is qualified in its entirety by the registration rights agreement, which is attached as exhibit 10.4 to this Current Report on Form 8-K and is incorporated herein by reference.

A copy of the press release issued by ESRT announcing such acquisition is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**Item 3.02 Unregistered Sales of Equity Securities.**

The information contained in Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference. The issuance of the ESRT Class A and Class B common stock and ESRO Series PR operating partnership units described above were effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act and pursuant to Rule 506 of Regulation D of the Securities Act. The ESRO Series PR operating partnership units are redeemable for shares of ESRT Class A common stock in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of Empire State Realty OP, L.P.

**Item 9.01. Financial Statements and Exhibits.**

(a) *Financial Statements of Businesses Acquired.*

The Statements of Revenue and Certain Expenses, in accordance with Rule 3-14 of Regulation S-X, of 112 West 34<sup>th</sup> Street and 1400 Broadway for the three months ended March 31, 2014 (unaudited) and for the years ended December 31, 2013, 2012 and 2011 (audited).

(b) *Pro Forma Financial Information*

Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2014 (unaudited) and Pro Forma Condensed Consolidated Statements of Income for the three months ended March 31, 2014 (unaudited) and for the year ended December 31, 2013 (unaudited).

(d) *Exhibits*

**Exhibit  
No.**

**Description**

- |      |                                                                                                                                                                                                                                                                                                                                                                            |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1 | Amended and Restated Option Agreement among, <i>inter alios</i> , Empire State Realty OP, L.P., Empire State Realty Trust, Inc. and 112 West 34th Street Associates L.L.C., dated September 16, 2013, incorporated by reference to Exhibit 10.17 to Amendment No. 8 to the Registrant's Form S-11 (Registration No. 333-179485), filed with the SEC on September 27, 2013. |
| 10.2 | Amended and Restated Option Agreement among, <i>inter alios</i> , Empire State Realty OP, L.P., Empire State Realty Trust, Inc. and 112 West 34th Street Company L.L.C., dated September 16, 2013, incorporated by reference to Exhibit 10.18 to Amendment No. 8 to the Registrant's Form S-11 (Registration No. 333-179485), filed with the SEC on September 27, 2013.    |

- 10.3 Amended and Restated Option Agreement among, *inter alios*, Empire State Realty OP, L.P., Empire State Realty Trust, Inc. and 1400 Broadway Associates L.L.C. dated September 16, 2013, incorporated by reference to Exhibit 10.19 to Amendment No. 8 to the Registrant's Form S-11 (Registration No. 333-179485), filed with the SEC on September 27, 2013.

- 10.4\* Registration Rights Agreement among Empire State Realty Trust, Inc. and the persons named therein, dated July 15, 2014.
- 23.1\* Consent of Ernst & Young LLP
- 99.1\* Press Release dated July 16, 2014

Notes:

\* Filed herewith.

## REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors and the Stockholders of Empire State Realty Trust, Inc.  
We have audited the accompanying statements of revenues and certain expenses of 112 West 34th Street (the Property ) for each of the three years in the period ended December 31, 2013, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statements of revenues and certain expenses that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the statements of revenues and certain expenses based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of revenues and certain expenses are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Property's preparation and fair presentation of the statements of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements of revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the statements of revenues and certain expenses referred to above present fairly, in all material respects, the revenues and certain expenses described in Note 2 of 112 West 34th Street for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

### **Basis of Accounting**

As described in Note 2 to the financial statements, the statements of revenues and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Empire State Realty Trust, Inc., and are not intended to be a complete presentation of the Property's revenue and expenses. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP

New York, New York

July 21, 2014



112 West 34th Street

## Statements of Revenues and Certain Expenses

(In Thousands)

|                                               | <b>Three Months<br/>Ended March 31,<br/>2014</b> | <b>Year Ended December 31,</b> |                  |                  |
|-----------------------------------------------|--------------------------------------------------|--------------------------------|------------------|------------------|
|                                               |                                                  | <b>2013</b>                    | <b>2012</b>      | <b>2011</b>      |
|                                               | <i>(unaudited)</i>                               |                                |                  |                  |
| <b>Revenue:</b>                               |                                                  |                                |                  |                  |
| Rental revenue                                | \$ 5,615                                         | \$ 22,750                      | \$ 23,068        | \$ 21,728        |
| Tenant expense reimbursements                 | 970                                              | 3,866                          | 3,609            | 3,647            |
| Other property income                         | 7                                                | 412                            | 483              | 205              |
| <b>Revenue - Total</b>                        | <b>6,592</b>                                     | <b>27,028</b>                  | <b>27,160</b>    | <b>25,580</b>    |
| <b>Certain expenses:</b>                      |                                                  |                                |                  |                  |
| Rental operating                              | 750                                              | 4,014                          | 3,576            | 2,914            |
| Utilities                                     | 459                                              | 1,751                          | 1,969            | 2,072            |
| Repairs and maintenance                       | 192                                              | 1,221                          | 1,222            | 781              |
| Insurance                                     | 99                                               | 366                            | 279              | 232              |
| Real estate taxes                             | 1,279                                            | 4,980                          | 4,708            | 4,403            |
| Rent expense                                  | 187                                              | 747                            | 747              | 747              |
| Management fees                               | 90                                               | 368                            | 297              | 347              |
| General and administrative                    | 144                                              | 454                            | 406              | 200              |
| <b>Certain expenses - Total</b>               | <b>3,200</b>                                     | <b>13,901</b>                  | <b>13,204</b>    | <b>11,696</b>    |
| <b>Revenues in excess of certain expenses</b> | <b>\$ 3,392</b>                                  | <b>\$ 13,127</b>               | <b>\$ 13,956</b> | <b>\$ 13,884</b> |

*See accompanying notes.*

112 West 34th Street

**Notes to Statements of Revenues and Certain Expenses**

**For the Three Months ended March 31, 2014 (unaudited)**

**and for the Years ended December 31, 2013, 2012 and 2011**

**(In Thousands)**

**NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

The accompanying statements of revenues and certain expenses include the results of operations of the ground leasehold of 112 West 34th Street and the fee ownership of 122 West 34 Street (collectively the Property). The Property consists of 650,769 square feet (unaudited) of office space and 92,455 square feet (unaudited) of retail space and is located at 112-122 West 34th Street between Avenue of the Americas and Seventh Avenue. The Property's prior owners were supervised by ESRT Management TRS, L.L.C. (ESRT Management), successor by merger to Malkin Holdings LLC (Malkin Holdings).

On July 15, 2014, Empire State Realty OP, L.P., (ESRO) the operating partnership of Empire State Realty Trust, Inc., (ESRT) acquired the Property from 112 West 34th Street Company L.L.C. and 112 West 34th Street Associates, L.L.C. for approximately \$423.6 million, or approximately \$570 per square foot, consisting of \$87.7 million by assumption of existing mortgage debt, \$106.9 million in cash and \$229.0 million in shares of Class A and Class B common stock and Series PR OP units. In connection with this transaction, ESRT and ESRO respectively issued 1,217,685 shares of Class A common stock and 77,945 shares of Class B common stock at a share price of \$16.65 and 12,457,379 Series PR OP Units at a unit price of \$16.65.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying statements of revenues and certain expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations for the periods presented, as revenues and certain expenses, which may not be directly attributable to the revenues and expenses to be incurred in the future operations of the Property, have been excluded. Such excluded items include interest income, depreciation and amortization, interest expense and supervisory and related party fees.

***Accounting Estimates***

The preparation of the statements of revenues and certain expenses in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that in certain circumstances may affect the reported revenues and certain expenses. Actual results could materially differ from these estimates.

***Interim Statement***

The statement of revenues and certain expenses for the three months ended March 31, 2014 is unaudited. However, in the opinion of management of ESRT, all significant adjustments necessary for a fair presentation of the statement for the interim period has been included. The results of operations for the interim period is not necessarily indicative of

the results to be expected for the full year of the operation of the Property.

***Revenue Recognition***

Rental revenue includes base rents that each tenant pays in accordance with the terms of its lease and is reported on a straight-line basis over the non-cancellable term of the lease which includes the effects of rent steps and rent abatements. Rental revenue recognition commences when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, many of the leases contain fixed percentage increases over the base rent to cover escalations.

In addition to base rent, tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the Consumer Price Index over the index value in effect during a base year. Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Lease cancellation fees are recognized when the fees are determinable and collectability is reasonably assured, the Property has no continuing obligation to provide services to such former tenants and the payment is not subject to any conditions that must be met or waived. No lease cancellation fees were recognized for any of the periods presented.

***Bad Debt Expense***

Bad debt expense (recovery), which is included in rental operating expenses in the accompanying statements of revenues and certain expenses, was (\$5), \$877, \$510 and \$291 for the three months ended March 31, 2014, and the years ended December 31, 2013, 2012 and 2011, respectively.

**NOTE 3. MINIMUM FUTURE LEASE RENTALS**

The Property leases various office spaces to tenants over terms ranging from five to seventeen 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 reimbursements. Operating expense reimbursements are reflected in tenant expense reimbursements in the accompanying statements of revenues and certain expenses.

At December 31, 2013, future contractual minimum lease payments to be received on non-cancellable operating leases are as follows (in thousands):

|              |                   |
|--------------|-------------------|
| 2014         | \$ 21,964         |
| 2015         | 21,036            |
| 2016         | 15,083            |
| 2017         | 9,526             |
| 2018         | 5,098             |
| Thereafter   | 32,174            |
| <b>Total</b> | <b>\$ 104,881</b> |

**NOTE 4. LEASE COMMITMENTS**

The Property is subject to a non-cancellable ground lease. Minimum rent is expensed on a straight-line basis over the non-cancellable term of the lease which has been extended through May 31, 2077.

At December 31, 2013, future minimum lease payments to be paid over the non-cancellable term of the lease are as follows (in thousands):

|              |                 |
|--------------|-----------------|
| 2014         | \$ 783          |
| 2015         | 735             |
| 2016         | 735             |
| 2017         | 735             |
| 2018         | 735             |
| Thereafter   | 42,936          |
| <b>Total</b> | <b>\$46,659</b> |

#### **NOTE 5. CONCENTRATION OF CREDIT RISK**

Two tenants comprised approximately 36% of rental revenue for the year ended December 31, 2011. Three tenants comprised approximately 44% of rental revenue for the year ended December 31, 2012. Three tenants comprised approximately 45% of rental revenue for the year ended December 31, 2013. Three tenants comprised approximately 46% of rental revenue for the three months ended March 31, 2014.

#### **NOTE 6. RELATED PARTY TRANSACTIONS**

The Property's insurance policies are purchased by an entity affiliated with ESRT Management, a related party. Insurance costs are allocated to the Property and other affiliated entities managed by ESRT Management based on the respective property's square footage.

The following expenditures are not reflected in the statements of revenues and certain expenses, but represent transactions between the Property and its supervisor, ESRT Management.

Supervisory and other professional services are provided to the Property by ESRT Management. Beneficial and management interests in the Property are held directly or indirectly by one or more persons with investment and/or management interests in (a) Malkin Holdings prior to October 7, 2013 and (b) the parent of ESRT Management thereafter and/or family members of such persons.

For administration and investment of the Property's supervisory account, the Supervisor has earned since 1979 a service fee of 10% of the account interest.

#### **NOTE 7. COMMITMENTS AND CONTINGENCIES**

The Property entered into contracts with third parties for building repairs, alterations, or replacements. Some of these contracts may span more than one year in duration. The total amount of these commitments has not been determined.

The Property is not presently involved in any material litigation, nor, to our knowledge is any material litigation threatened against the Property, other than routine litigation arising in the ordinary course of business such as disputes with tenants. The Property believes that the costs and related liabilities, if any, which may result from such actions will not materially affect the Property's operating results.

#### **NOTE 8. SUBSEQUENT EVENTS**

Management of ESRT has evaluated events and transactions for potential recognition or disclosure through July 21, 2014, the date the statements of revenues and certain expenses were available to be issued.

## REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors and the Stockholders of Empire State Realty Trust, Inc.

We have audited the accompanying statements of revenues and certain expenses of 1400 Broadway (the Property) for each of the three years in the period ended December 31, 2013, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statements of revenues and certain expenses that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the statements of revenues and certain expenses based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of revenues and certain expenses are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Property's preparation and fair presentation of the statements of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements of revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the statements of revenues and certain expenses referred to above present fairly, in all material respects, the revenues and certain expenses described in Note 2 of 1400 Broadway for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

### **Basis of Accounting**

As described in Note 2 to the financial statements, the statements of revenues and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Empire State Realty Trust, Inc., and are not intended to be a complete presentation of the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP

New York, New York

July 21, 2014



## 1400 Broadway

## Statements of Revenues and Certain Expenses

(In Thousands)

|                                               | <b>Three Months<br/>Ended March 31,<br/>2014</b> | <b>Year Ended December 31,</b> |                  |                  |
|-----------------------------------------------|--------------------------------------------------|--------------------------------|------------------|------------------|
|                                               |                                                  | <b>2013</b>                    | <b>2012</b>      | <b>2011</b>      |
|                                               | <i>(unaudited)</i>                               |                                |                  |                  |
| <b>Revenue:</b>                               |                                                  |                                |                  |                  |
| Rental revenue                                | \$ 7,924                                         | \$ 27,503                      | \$ 24,695        | \$ 24,342        |
| Tenant expense reimbursements                 | 1,157                                            | 4,205                          | 4,002            | 3,910            |
| Other property income                         | 38                                               | 398                            | 952              | 256              |
| <b>Revenue - Total</b>                        | <b>9,119</b>                                     | <b>32,106</b>                  | <b>29,649</b>    | <b>28,508</b>    |
| <b>Certain expenses:</b>                      |                                                  |                                |                  |                  |
| Rental operating                              | 888                                              | 3,464                          | 3,745            | 4,466            |
| Utilities                                     | 988                                              | 2,813                          | 2,867            | 2,869            |
| Repairs and maintenance                       | 456                                              | 1,625                          | 2,008            | 2,995            |
| Insurance                                     | 101                                              | 400                            | 388              | 356              |
| Real estate taxes                             | 1,263                                            | 4,923                          | 4,760            | 4,654            |
| Rent expense                                  | 172                                              | 719                            | 719              | 719              |
| Management fees                               | 69                                               | 295                            | 281              | 274              |
| General and administrative                    | 91                                               | 150                            | 370              | 159              |
| <b>Certain expenses - Total</b>               | <b>4,028</b>                                     | <b>14,389</b>                  | <b>15,138</b>    | <b>16,492</b>    |
| <b>Revenues in excess of certain expenses</b> | <b>\$ 5,091</b>                                  | <b>\$ 17,717</b>               | <b>\$ 14,511</b> | <b>\$ 12,016</b> |

*See accompanying notes.*

**1400 Broadway**

**Notes to Statements of Revenues and Certain Expenses**

**Three Months ended March 31, 2014 (unaudited)**

**and years ended December 31, 2013, 2012 and 2011**

**(In Thousands)**

**NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

The accompanying statements of revenues and certain expenses include the operations of the ground leasehold of 1400 Broadway (the Property). The Property consists of 880,131 square feet (unaudited) of office space and 19,815 square feet (unaudited) of retail space and is located at 1400 Broadway, New York, NY. The Property's prior owners were supervised by ESRT Management TRS, L.L.C. (ESRT Management), successor by merger to Malkin Holdings LLC (Malkin Holdings).

On July 15, 2014, Empire State Realty OP, L.P. (ESRO), the operating partnership of Empire State Realty Trust, Inc. (ESRT), acquired the Property from 1400 Broadway Associates L.L.C. for approximately \$310.0 million, or approximately \$346 per square foot, consisting of \$80.0 million by assumption of existing mortgage debt, \$79.7 million in cash and \$150.3 million in shares of Class A and Class B common stock and Series PR OP units. In connection with this transaction, ESRT and ESRO respectively issued 1,338,488 shares of Class A common stock and 32,452 shares of Class B common stock at a share price of \$16.65 and 7,658,516 Series PR OP Units at a unit price of \$16.65.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying statements of revenues and certain expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations for the periods presented, as revenues and certain expenses, which may not be directly attributable to the revenues and expenses to be incurred in the future operations of the Property, have been excluded. Such excluded items include interest income, depreciation and amortization, interest expense and supervisory and related party fees.

***Accounting Estimates***

The preparation of the statements of revenues and certain expenses in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that in certain circumstances may affect the reported revenues and certain expenses. Actual results could materially differ from these estimates.

***Interim Statement***

The statement of revenues and certain expenses for the three months ended March 31, 2014 is unaudited. However, in the opinion of management of ESRT, all significant adjustments necessary for a fair presentation of the statement for the interim period has been included. The results of operations for the interim period is not necessarily indicative of the results to be expected for the full year of the operation of the Property.

***Revenue Recognition***

Rental revenue includes base rents that each tenant pays in accordance with the terms of its lease and is reported on a straight-line basis over the non-cancellable term of the lease which includes the effects of rent steps and rent abatements. Rental revenue recognition commences when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, many of the leases contain fixed percentage increases over the base rent to cover escalations.

In addition to base rent, tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the Consumer Price Index over the index value in effect during a base year. Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Lease cancellation fees are recognized when the fees are determinable and collectability is reasonably assured, the Property has no continuing obligation to provide services to such former tenants and the payment is not subject to any conditions that must be met or waived.

***Bad Debt Expense***

Bad debt expense, which is included in rental operating expenses in the accompanying statements of revenues and certain expenses was \$172, \$439, \$265 and \$426 for the three months ended March 31, 2014 and years ended December 31, 2013, 2012 and 2011, respectively.

**NOTE 3. MINIMUM FUTURE LEASE RENTALS**

The Property leases various office spaces to tenants over terms ranging from five to fifteen 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 reimbursements. Operating expense reimbursements are reflected in tenant expense reimbursements in the accompanying statements of revenues and certain expenses.

At December 31, 2013, future contractual minimum lease payments to be received on non-cancellable operating leases are as follows (in thousands):

|              |                   |
|--------------|-------------------|
| 2014         | \$ 27,006         |
| 2015         | 27,214            |
| 2016         | 25,615            |
| 2017         | 24,141            |
| 2018         | 20,126            |
| Thereafter   | 105,134           |
| <b>Total</b> | <b>\$ 229,236</b> |

**NOTE 4. LEASE COMMITMENTS**

The Property is subject to a non-cancellable ground lease. Minimum rent is expensed on a straight-line basis over the non-cancellable term of the lease which has been extended through December 31, 2039. The Property has the option to extend the lease through 2063.

At December 31, 2013, future minimum lease payments to be paid over the non-cancellable term of the lease are as follows (in thousands):

|      |        |
|------|--------|
| 2014 | \$ 675 |
|------|--------|

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|              |                  |
|--------------|------------------|
| 2015         | 675              |
| 2016         | 675              |
| 2017         | 675              |
| 2018         | 675              |
| Thereafter   | 14,175           |
| <b>Total</b> | <b>\$ 17,550</b> |

**NOTE 5. CONCENTRATION OF CREDIT RISK**

Four tenants comprised approximately 24%, 28% and 26% of rental revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Four tenants comprised approximately 18% of rental revenue for the three months ended March 31, 2014.

**NOTE 6. RELATED PARTY TRANSACTIONS**

The Property's insurance policies are purchased by an entity affiliated with ESRT Management, a related party. Insurance costs are allocated to the Property and other affiliated entities managed by ESRT Management based on the respective property's square footage.

The following expenditures are not reflected in the statements of revenues and certain expenses, but represent transactions between the Property and its supervisor, ESRT Management, a related party.

Supervisory and other professional services are provided to the Property by ESRT Management. Beneficial and management interests in the Property are held directly or indirectly by one or more persons with investment and/or management interests in (a) Malkin Holdings prior to October 7, 2013 and (b) the parent of ESRT Management thereafter and/or family members of such persons.

For administration and investment of the Property's supervisory account, the Supervisor has earned since 1978 a service fee of 10% of the account interest.

**NOTE 7. COMMITMENTS AND CONTINGENCIES**

The Property entered into contracts with third parties for building repairs, alterations, or replacements. Some of these contracts may span more than one year in duration. The total amount of these commitments has not been determined.

The Property is not presently involved in any material litigation, nor, to our knowledge is any material litigation threatened against the Property, other than routine litigation arising in the ordinary course of business such as disputes with tenants. The Property believes that the costs and related liabilities, if any, which may result from such actions will not materially affect the Property's operating results.

**NOTE 8. SUBSEQUENT EVENTS**

Management of ESRT has evaluated events and transactions for potential recognition or disclosure through July 21, 2014, the date the statements of revenues and certain expenses were available to be issued.

**Empire State Realty Trust, Inc.**

**Unaudited Pro Forma Condensed Consolidated Financial Statements**

Empire State Realty Trust, Inc., together with Empire State Realty OP, L.P. (the Company), made the following acquisitions since January 1, 2014:

| <b>Property Name</b> | <b>Date of Acquisition</b> | <b>Purchase Price</b> |
|----------------------|----------------------------|-----------------------|
| 112 West 34th Street | July 15, 2014              | \$ 423.6 million      |
| 1400 Broadway        | July 15, 2014              | \$ 310.0 million      |

The unaudited pro forma condensed consolidated balance sheet assumes that the 2014 acquisitions occurred on March 31, 2014, and the unaudited pro forma condensed consolidated statements of income assume that the 2014 acquisitions occurred on January 1, 2013.

In management's opinion, all adjustments necessary to reflect the effects of these acquisitions have been made. The unaudited pro forma condensed consolidated statements of income are not necessarily indicative of what actual results of operations would have been had the Company made these acquisitions on the first day of the period presented, nor does it purport to represent the results of operations for future periods.

**Empire State Realty Trust, Inc.**

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**

**As of March 31, 2014**

**(Unaudited)**

**(amounts in thousands)**

|                                                             | <b>Historical<br/>Empire State<br/>Realty Trust,<br/>Inc. (A)</b> | <b>112 West 34th<br/>Street (B)</b> | <b>1400 Broadway<br/>(B)</b> | <b>Pro Forma<br/>Empire State<br/>Realty Trust,<br/>Inc.</b> |
|-------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------|------------------------------|--------------------------------------------------------------|
| <b>ASSETS</b>                                               |                                                                   |                                     |                              |                                                              |
| Commercial real estate properties, net                      | \$ 1,352,434                                                      | \$ 261,626                          | \$ 178,340                   | \$ 1,792,400                                                 |
| Cash and cash equivalents                                   | 44,703                                                            | 3,004                               | 130                          | 47,837                                                       |
| Restricted cash                                             | 54,832                                                            | 1,197                               | 3,441                        | 59,470                                                       |
| Tenant and other receivables, net                           | 29,644                                                            | 730                                 | 720                          | 31,094                                                       |
| Deferred rent receivables, net                              | 74,971                                                            |                                     |                              | 74,971                                                       |
| Prepaid expenses and other assets                           | 23,535                                                            | 1,389                               | 2,453                        | 27,377                                                       |
| Deferred costs, net                                         | 79,032                                                            | 874                                 | 813                          | 80,719                                                       |
| Acquired below-market ground lease, net                     | 61,886                                                            | 142,568                             | 119,331                      | 323,785                                                      |
| Acquired lease intangibles, net                             | 237,900                                                           | 52,689                              | 35,916                       | 326,505                                                      |
| Goodwill                                                    | 491,479                                                           |                                     |                              | 491,479                                                      |
| <b>Total assets</b>                                         | <b>\$ 2,450,416</b>                                               | <b>\$ 464,077</b>                   | <b>\$ 341,144</b>            | <b>\$ 3,255,637</b>                                          |
| <b>LIABILITIES AND EQUITY</b>                               |                                                                   |                                     |                              |                                                              |
| <b>Liabilities:</b>                                         |                                                                   |                                     |                              |                                                              |
| Mortgage notes payable                                      | \$ 878,545                                                        | \$ 96,538                           | \$ 86,863                    | \$ 1,061,946                                                 |
| Term loan and credit facility                               | 325,000                                                           | 107,886                             | 82,114                       | 515,000                                                      |
| Accounts payable and accrued expenses                       | 71,712                                                            | 6,031                               | 2,949                        | 80,692                                                       |
| Acquired below-market leases, net                           | 125,106                                                           | 24,472                              | 16,681                       | 166,259                                                      |
| Deferred revenue and other liabilities                      | 22,574                                                            | 492                                 | 313                          | 23,379                                                       |
| Tenants security deposits                                   | 32,939                                                            | 1,197                               | 3,482                        | 37,618                                                       |
| <b>Total liabilities</b>                                    | <b>1,455,876</b>                                                  | <b>236,616</b>                      | <b>192,402</b>               | <b>1,884,894</b>                                             |
| <b>Equity:</b>                                              |                                                                   |                                     |                              |                                                              |
| <b>Empire State Realty Trust, Inc. stockholders equity:</b> |                                                                   |                                     |                              |                                                              |
| <b>Preferred stock</b>                                      |                                                                   |                                     |                              |                                                              |
| Class A common stock                                        | 945                                                               | 12                                  | 13                           | 970                                                          |
| Class B common stock                                        | 11                                                                |                                     |                              | 11                                                           |
| Additional paid-in capital                                  | 316,683                                                           | 19,959                              | 21,214                       | 357,856                                                      |
| Retained earnings                                           | 63,885                                                            |                                     |                              | 63,885                                                       |
|                                                             | 381,524                                                           | 19,971                              | 21,227                       | 422,722                                                      |



|                                                                |              |            |            |              |
|----------------------------------------------------------------|--------------|------------|------------|--------------|
| Total Empire State Realty Trust, Inc. s<br>stockholders equity |              |            |            |              |
| Non-controlling interests in operating<br>partnership          | 613,016      | 207,490    | 127,515    | 948,021      |
| Total equity                                                   | 994,540      | 227,461    | 148,742    | 1,370,743    |
| Total liabilities and equity                                   | \$ 2,450,416 | \$ 464,077 | \$ 341,144 | \$ 3,255,637 |

- (A) Represents the unaudited historical condensed balance sheet of Empire State Realty Trust, Inc. ( ESRT ) as of March 31, 2014.
- (B) Reflects the acquisition of the ground and operating leases at 112 West 34th Street from 112 West 34th Street Associates L.L.C. and 112 West 34th Street Company L.L.C. and the ground lease at 1400 Broadway from 1400 Broadway Associates L.L.C. for \$733.6 million consisting of \$167.7 million by assumption of existing mortgage debt on the properties, \$186.6 million in cash, and \$379.3 million in shares common stock of ESRT and operating partnership units of Empire State Realty OP, L.P. ( ESRO ). The cash amount was funded from proceeds from ESRO s credit facility. Acquisition expenses and loan

assumption fees of \$5.0 million were funded from cash and cash equivalents and from proceeds from ESRO's credit facility. The acquisitions are accounted for under the purchase method of accounting in accordance with ASC 805-10, Business Combinations. The allocation of purchase price shown is based on ESRT's preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired.

The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings and building improvements, are depreciated over their estimated useful lives. The amounts allocated to tenant improvements are amortized over the lives of the remaining respective lease terms. The amounts allocated to in-place lease assets, above- and below-market leases and to intangible lease assets are amortized over the lives of the respective remaining lease terms. As a result of the acquisition method of accounting, the carrying value of the mortgage debt assumed for 112 West 34th Street and 1400 Broadway was adjusted to its fair value resulting in a \$15.7 million premium. The premium is amortized to interest expense over the remaining lives of the underlying debt instruments.

**Empire State Realty Trust, Inc.**

**Unaudited Pro Forma Condensed Consolidated Statements of Income**

**For the Three Months Ended March 31, 2014**

(amounts in thousands, except per share amounts)

|                                                                   | <b>Historical<br/>Empire State<br/>Realty Trust,<br/>Inc. (AA)</b> | <b>Adjustments<br/>for 112 West<br/>34th Street<br/>(BB)</b> | <b>Adjustments<br/>for 1400<br/>Broadway (BB)</b> | <b>Other Pro<br/>Forma<br/>Adjustments<br/>(CC)</b> | <b>Pro Forma<br/>Empire State<br/>Realty Trust,<br/>Inc.</b> |
|-------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------|
| <b>Revenues:</b>                                                  |                                                                    |                                                              |                                                   |                                                     |                                                              |
| Rental revenue                                                    | \$ 90,204                                                          | \$ 5,615                                                     | \$ 7,924                                          | \$ 1,950 (EE)                                       | \$ 105,693                                                   |
| Tenant expense reimbursement                                      | 15,153                                                             | 970                                                          | 1,157                                             |                                                     | 17,280                                                       |
| Observatory revenue                                               | 17,301                                                             |                                                              |                                                   |                                                     | 17,301                                                       |
| Construction revenue                                              | 14,963                                                             |                                                              |                                                   |                                                     | 14,963                                                       |
| Third-party management and other fees                             | 611                                                                |                                                              |                                                   | (158) (FF)                                          | 453                                                          |
| Other revenue and fees                                            | 2,074                                                              | 7                                                            | 38                                                |                                                     | 2,119                                                        |
| <b>Total revenues</b>                                             | <b>140,306</b>                                                     | <b>6,592</b>                                                 | <b>9,119</b>                                      | <b>1,792</b>                                        | <b>157,809</b>                                               |
| <b>Operating expenses:</b>                                        |                                                                    |                                                              |                                                   |                                                     |                                                              |
| Property operating expenses                                       | 36,311                                                             | 1,968                                                        | 2,836                                             | (158) (FF)<br>1,175 (GG)                            | 42,132                                                       |
| Marketing, general, and administrative expenses                   | 8,675                                                              |                                                              |                                                   |                                                     | 8,675                                                        |
| Observatory expenses                                              | 6,981                                                              |                                                              |                                                   |                                                     | 6,981                                                        |
| Construction expenses                                             | 14,283                                                             |                                                              |                                                   |                                                     | 14,283                                                       |
| Real estate taxes                                                 | 18,373                                                             | 1,279                                                        | 1,263                                             |                                                     | 20,915                                                       |
| Depreciation and amortization                                     | 30,115                                                             | 996                                                          | 1,661                                             | 4,966 (HH)                                          | 37,738                                                       |
| <b>Total operating expenses</b>                                   | <b>114,738</b>                                                     | <b>4,243</b>                                                 | <b>5,760</b>                                      | <b>5,983</b>                                        | <b>130,724</b>                                               |
| <b>Total operating income</b>                                     | <b>25,568</b>                                                      | <b>2,349</b>                                                 | <b>3,359</b>                                      | <b>(4,191)</b>                                      | <b>27,085</b>                                                |
| Interest expense                                                  | (14,337)                                                           | (1,396)                                                      | (1,253)                                           | (641) (II)<br>1,151 (JJ)                            | (16,476)                                                     |
| <b>Net income</b>                                                 | <b>11,231</b>                                                      | <b>953</b>                                                   | <b>2,106</b>                                      | <b>(3,681)</b>                                      | <b>10,609</b>                                                |
| Net income attributable to non-controlling interests              | (6,862)                                                            |                                                              |                                                   | 467 (KK)                                            | (6,395)                                                      |
| <b>Net income attributable to Empire State Realty Trust, Inc.</b> | <b>\$ 4,369</b>                                                    | <b>\$ 953</b>                                                | <b>\$ 2,106</b>                                   | <b>\$ (3,214)</b>                                   | <b>\$ 4,214</b>                                              |

Total weighted average shares:

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|                                                                       |          |          |
|-----------------------------------------------------------------------|----------|----------|
| Basic                                                                 | 95,575   | 98,242   |
| Diluted                                                               | 95,617   | 98,284   |
| Net income per share attributable to Empire State Realty Trust, Inc.: |          |          |
| Basic earnings per share                                              | \$ 0.05  | \$ 0.04  |
| Diluted earnings per share                                            | \$ 0.05  | \$ 0.04  |
| Dividends per share                                                   | \$ 0.085 | \$ 0.085 |

**Empire State Realty Trust, Inc.**

**Unaudited Pro Forma Condensed Consolidated Statements of Income**

**For the Year Ended December 31, 2013**

(amounts in thousands, except per share amounts)

|                                                 | <b>Empire State<br/>Realty Trust,<br/>Inc.<br/>Period<br/>from<br/>October 7,<br/>2013 through<br/>December 31,<br/>2013 (AA)</b> | <b>The<br/>Predecessor<br/>Period from<br/>January 1,<br/>2013 through<br/>October 6,<br/>2013 (DD)</b> | <b>112 West<br/>34th Street<br/>(BB)</b> | <b>1400<br/>Broadway<br/>(BB)</b> | <b>Pro Forma<br/>Adjustments<br/>(CC)</b> | <b>Pro Forma<br/>Empire State<br/>Realty Trust,<br/>Inc.</b> |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------|-------------------------------------------|--------------------------------------------------------------|
| <b>Revenues:</b>                                |                                                                                                                                   |                                                                                                         |                                          |                                   |                                           |                                                              |
| Rental revenue                                  | \$ 79,987                                                                                                                         | \$ 148,690                                                                                              | \$ 22,750                                | \$ 27,503                         | \$ 11,115 (EE)                            | \$ 290,045                                                   |
| Tenant expense reimbursement                    | 15,836                                                                                                                            | 21,272                                                                                                  | 3,866                                    | 4,205                             |                                           | 45,179                                                       |
| Observatory revenue                             | 23,735                                                                                                                            |                                                                                                         |                                          |                                   |                                           | 23,735                                                       |
| Construction revenue                            | 5,265                                                                                                                             | 18,636                                                                                                  |                                          |                                   |                                           | 23,901                                                       |
| Third-party management and other fees           | 550                                                                                                                               | 5,067                                                                                                   |                                          |                                   | (499) (FF)                                | 5,118                                                        |
| Other revenue and fees                          | 2,210                                                                                                                             | 12,407                                                                                                  | 7,100                                    | 6,271                             | (12,557) (FF)<br>(837) (FF)               | 14,594                                                       |
| <b>Total revenues</b>                           | <b>127,583</b>                                                                                                                    | <b>206,072</b>                                                                                          | <b>33,716</b>                            | <b>37,979</b>                     | <b>(2,778)</b>                            | <b>402,572</b>                                               |
| <b>Operating expenses:</b>                      |                                                                                                                                   |                                                                                                         |                                          |                                   |                                           |                                                              |
| Property operating expenses                     | 34,453                                                                                                                            | 41,297                                                                                                  | 9,041                                    | 10,336                            | (1,336) (FF)<br>4,698 (GG)                | 98,489                                                       |
| Marketing, general, and administrative expenses | 15,254                                                                                                                            | 23,600                                                                                                  |                                          |                                   |                                           | 38,854                                                       |
| Observatory expenses                            | 5,687                                                                                                                             |                                                                                                         |                                          |                                   |                                           | 5,687                                                        |
| Construction expenses                           | 5,468                                                                                                                             | 19,821                                                                                                  |                                          |                                   |                                           | 25,289                                                       |
| Real estate taxes                               | 17,191                                                                                                                            | 24,331                                                                                                  | 4,980                                    | 4,923                             |                                           | 51,425                                                       |
| Formation transaction expenses                  |                                                                                                                                   | 4,507                                                                                                   |                                          |                                   |                                           | 4,507                                                        |
| Depreciation and amortization                   | 27,375                                                                                                                            | 38,963                                                                                                  | 5,463                                    | 6,293                             | 18,634 (HH)                               | 96,728                                                       |
| <b>Total operating expenses</b>                 | <b>105,428</b>                                                                                                                    | <b>152,519</b>                                                                                          | <b>19,484</b>                            | <b>21,552</b>                     | <b>21,996</b>                             | <b>320,979</b>                                               |
| <b>Total operating income</b>                   | <b>22,155</b>                                                                                                                     | <b>53,553</b>                                                                                           | <b>14,232</b>                            | <b>16,427</b>                     | <b>(24,774)</b>                           | <b>81,593</b>                                                |
| <b>Other income (expense):</b>                  |                                                                                                                                   |                                                                                                         |                                          |                                   |                                           |                                                              |

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|                                                                       |           |          |          |          |                            |           |
|-----------------------------------------------------------------------|-----------|----------|----------|----------|----------------------------|-----------|
| Equity in net income of non-controlled entities                       |           | 14,875   |          |          |                            | 14,875    |
| Interest expense                                                      | (13,147)  | (50,660) | (5,621)  | (4,726)  | (2,565) (II)<br>4,527 (JJ) | (72,192)  |
| Settlement expense                                                    |           | (55,000) |          |          |                            | (55,000)  |
| Acquisition expenses                                                  | (138,140) |          | (1,596)  | (1,307)  | 2,903 (FF)                 | (138,140) |
| Gain on consolidation of non-controlling interests                    | 322,563   |          |          |          |                            | 322,563   |
| Net income (loss)                                                     | 193,431   | (37,232) | 7,015    | 10,394   | (19,909)                   | 153,699   |
| Net income (loss) attributable to the Predecessor                     |           | 37,232   | (5,381)  | (7,973)  | 13,046                     | 36,924    |
| Net income attributable to non-controlling interests                  | (118,186) |          |          |          | (2,669) (KK)               | (120,885) |
| Net income attributable to Empire State Realty Trust, Inc.            | \$ 75,245 | \$       | \$ 1,634 | \$ 2,421 | \$ (9,532)                 | \$ 69,768 |
| Total weighted average shares:                                        |           |          |          |          |                            |           |
| Basic                                                                 | 95,574    |          |          |          |                            | 98,237    |
| Diluted                                                               | 95,611    |          |          |          |                            | 98,273    |
| Net income per share attributable to Empire State Realty Trust, Inc.: |           |          |          |          |                            |           |
| Basic earnings per share                                              | \$ 0.79   |          |          |          |                            | \$ 0.71   |
| Diluted earnings per share                                            | \$ 0.79   |          |          |          |                            | \$ 0.71   |
| Dividends per share                                                   | \$ 0.0795 |          |          |          |                            | \$ 0.0795 |

- (AA) Represents ESRT's unaudited historical condensed consolidated statements of income for the three months ended March 31, 2014 and the period from October 7, 2013 through December 31, 2013.
- (BB) Reflects the acquisition of the ground and operating leases at 112 West 34th Street from 112 West 34th Street Associates L.L.C. and 112 West 34th Street Company L.L.C. and the ground lease at 1400 Broadway from 1400 Broadway Associates L.L.C. for \$733.6 million consisting of \$167.7 million by assumption of existing mortgage debt on the properties, \$186.6 million in cash, and \$379.3 million in shares common stock of ESRT and operating partnership units of ESRO. The cash amount was funded from proceeds from ESRO's credit facility. Acquisition expenses and loan assumption fees of \$5.0 million were funded from cash and cash equivalents and from proceeds from ESRO's credit facility. The acquisitions are accounted for under the purchase method of accounting in accordance with ASC 805-10, Business Combinations. The allocation of purchase price shown is based on ESRT's preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired.
- The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings and building improvements, are depreciated over their estimated useful lives. The amounts allocated to tenant improvements are amortized over the lives of the remaining respective lease terms. The amounts allocated to in-place lease assets, above- and below-market leases and to intangible lease assets are amortized over the lives of the respective remaining lease terms. As a result of the acquisition method of accounting, the carrying value of the mortgage debt assumed for 112 West 34th Street and 1400 Broadway was adjusted to its fair value resulting in a \$15.7 million premium. The premium is amortized to interest expense over the remaining lives of the underlying debt instruments.
- (CC) Excludes non-recurring acquisition expenses related to the acquisition of 112 West 34th Street and 1400 Broadway.
- (DD) Represents ESRT's Predecessor's condensed statement of income for the period January 1, 2013 through October 6, 2013. See ESRT's Annual Report on Form 10-K for the year ended December 31, 2013 for additional explanation regarding the Predecessor.
- (EE) Rental revenue has been adjusted to reflect pro forma adjustments for the net amortization of acquired above- and below-market lease assets and liabilities and the pro forma adjustments to straight line rental revenue assuming the acquisitions occurred on January 1, 2013.
- (FF) Supervisory and management fees, acquisition cost reimbursement, and other income from the acquired properties are eliminated in consolidation for pro forma purposes.
- (GG) To record amortization of acquired below-market ground lease assets over the lives of the remaining respective lease terms.
- (HH) Depreciation and amortization have been adjusted to reflect pro forma depreciation and amortization. The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. In order to calculate depreciation and amortization expense, the amounts allocated to net real estate, which includes buildings and building improvements, were depreciated over their estimated useful lives of 40 years. The amounts allocated to tenant improvements were amortized over the lives of the remaining respective lease terms. The amounts allocated to in-place lease assets were amortized over the lives of the respective remaining lease terms.
- (II) To record the pro forma effect of interest expense on borrowings of \$190.0 million under ESRT's credit facility. A variance in interest rate of 1/8% on the credit facility would have an impact of \$0.2 million and \$0.1 million on net income attributable to Empire State Realty Trust, Inc. for the year ended December 31, 2013 and the three months ended March 31, 2014.
- (JJ) Interest expense has been adjusted to reflect pro forma changes in deferred finance cost amortization and reduction in interest expense related to the fair value adjustment on the assumed debt.
- (KK) Net income attributable to non-controlling interests has been adjusted to reflect pro forma changes to net income and the issuance of ESRO units as a result of the acquisitions.





**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**EMPIRE STATE REALTY TRUST, INC.** (Registrant)

By: /s/ Thomas N. Keltner, Jr.

Name: Thomas N. Keltner, Jr.

Title: Executive Vice President & General Counsel

Date: July 21, 2014