

Highland Square Preservation L.P.

30 Hudson Yards, Floor 72

New York, NY 10001

Re: Explanation of Other Reserves

The development budget for Highland Square Apartments includes the following reserves shown in Line 76 of tab 9:

- Replacement Reserve - \$45,600 (\$300/unit minimum required in the 2025 QAP)
- Insurance Escrow - \$30,527 (see page 4 of the lender's Letter of Interest for Permanent Financing)
 - Calculated as 4 months of monthly insurance costs
- Tax Escrow - \$76,942 (see page 4 of the lender's Letter of Interest for Permanent Financing)
 - Calculated as 6 months of monthly tax costs
- Re-Stabilization Reserve - \$200,000 (see page 4 of the lender's Letter of Interest for Permanent Financing)

Per the QAP, the Other reserves are included in the full application for the Authority's review and approval.