WRITTEN STATEMENT OF BARRY LUSTIG

SENIOR VICE PRESIDENT LEASING AND DEVELOPMENT TO ASHKENAZY ACQUISTION CORPORATION

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,

U.S. HOUSE OF REPESENTATIVES

JULY 22, 2009

Chairwoman Norton and the Members of the Subcommittee, I thank you for the opportunity to speak before you today on behalf of Union Station Investco LLC (USI) regarding the progress behind Union Station Investco LLC, the operation and management of Union Station and its leasing and development plans over the past year since our last meeting a year ago.

Union Station Investco LLC

Ben Ashkenazy, through Union Station Investco LLC, was the purchaser of the leasehold interest in Union Station. With over 20 years of experience in real estate and as Chairman and Chief Executive Officer of Ashkenazy Acquisition Corp, he leads the company's vision and under his stewardship the firm has developed into one of the leading real estate investors and operators in the United States. Mr. Ashkenazy has concluded real estate transactions valued over $5 billion throughout his career.

Headquartered in New York City, Ashkenazy Acquisition Corporation (AAC) is a private, real estate investment firm, focusing on retail and office assets. AAC is made of an experienced team of in-house, seasoned professionals. With more than seventy properties, AAC has a superior performance history in purchasing and managing premier assets. AAC has acquired over 13 million square feet of retail, office and residential properties, located throughout the United States and Canada some of which have been listed below.

Jones lang LaSalle (JLL) is currently engaged by USI to serve as manager and property agent. JLL has been involved with Union Station for the past 20 years, and has largely responsible for the revitalization of Union Station.

Union StationLeasing and Development Activity

Union Station is not only a historic landmark but an architectural gem. USI's goals are to continually enhance the functionality of the station as a premier intermodal transportation hub while continually adhering to the Architectural, Historic, Vendor / Tenant Equality and Tenant / Landlord communication standards for the property.

Included within this presentation is an "exhibit a" showing pictorially what I will be discussing today.

I will now summarize for you what you will see in the following pages:

The Leasing and Development activity since our acquisition within the Station Concourse is as follows.

- Swarovski Crystal 895 sf- New Tenancy (Open)
- Art of Shaving 670 sf – New Tenancy (Open)
- Shoo Woo 2535 sf – New Tenancy (Open)
- Citi Bank 800 sf – New Tenancy (under construction)
- Au Bon Pain – Renewal fully executed.
- Pizzeria Uno 9275 sf – Renewal fully executed
- B. Smith 7605 sf – Renewal fully executed.
- Bon Voyage 630 sf – Renewal / Relocation
- Sbarro 2575 sf – Renewal fully executed.

The proposed re-development within the Station Concourse / Train Concourse Peninsula is presently in the Architectural / MEP design phase. The re-development incorporates new two story visual presence for the train concourse retailer visibility. A new hallway will be created from the Train Concourse to the Station Concourse on the far east side of the building so as to elevate traffic pinch points. The Leasing strategy for this peninsula development will remain consistent with present retail focus on the intermodal traveler retail / food / dining needs.

The Leasing and Development activity since last years hearing within the Metro Concourse, or otherwise refered to as the food hall is as follows.

- Jamaica Jamaica @ 650 sf – New Tenancy (Open)
- Subway 790 sf – New Tenancy (Under construction)
- Taco Bell 535 sf – New Tenancy (under construction)
- Sarku Japan 535 sf – New Tenancy (Open)
- Haagen Dazs – Relocation / Renewal (soon under construction)
- Nothing But Donuts / Paradise Smoothings - Relocation / Renewal (Open)
- New York Deli 415 sf – Renewal
- Acropolis 395 sf – Renewal
- Bo Jangles 1180 sf - Presently under lease Negotiation

We also have re-developed the Metro Marketplace with the introduction of a cart / kiosk marketplace consisting of 8 merchants which caters to the vast array of tourists on this level.

Within the Train concourse we are presently working along with Amtrak in developing an enhanced waiting / gate area for the transit consumers. The train Concourse redevelopment is within first phase of design / operational feasibility between USI, Amtrak & USRC. Redevelopment involves the expansion and reconfiguration of the entire Amtrak waiting / gate area to create a friendlier, relaxing and more security conscious area throughout the entire Amtrak gate zone.

As we spoke last year we are continually working on the development for the main hall in creating a new Center Café structure along with the communicating vertical stair elements bringing property guests up and down to the present theatre area within the metro concourse. Replacement of current structure will enhance traffic flow and site lines throughout the main hall, east and west halls visibility. The entire project will be fully integrated to better represent a 21st Century intermodal transportation hub. Status of development; approximately 9 mos. have been spent working with the involvement of CFA staff. Full engagement of a Washington DC experienced historical architect will be created in the short term for the purpose of navigating USI through the approval process of all appropriate organizations.

We are also proposing to re-merchandise the West Hall of the property with the Introduction of a new category of fast casual dining establishments with the "best in category" quality of merchandising. Pleasant new interior patio space within the west hall will be created for visitors to enjoy the historical architectural and unique ambience. Our goal is to develop a unique gathering space promoting longer stays with customers of Union Station. Tenants proposed patio's will be flex in nature to allow exhibits and property events to still remain. All Architectural / MEP design work completed as of this date. Presently seeking acceptance and approvals from all appropriate parties.

Burnham Place and Columbus Plaza Developments

USI and its architects continually work to support the ability to improve Union Station for the addition of Burnham Place which will be developed utilizing the air rights located over the train tracks at Union Station.

Finally, USI is in agreement with the National Park Service, District of Columbia and USRC for the enhancements to be made to Columbus Plaza adjacent to Union Station. As part of the overall improvement project, City Metro buses will have a convenient location, front and center, for passenger boarding and drop off.

Possessory Interest Tax

Still looming over Union Station, and all of the previously stated development plans, is the unintended and unbudgeted impact of the District of Columbia's Possessory Interest tax legislation (PIT) which is the greatest single threat to the future and Union Station's ongoing sustained viability.

Prior to the adoption of the PIT legislation by the DC government, and over the short period of time since the Redevelopment Corporation took charge of the rehabilitation of Union Station, it has been transformed from a dilapidated building condemned as unfit for human habitation to a major transportation hub, retail center and tourist destination catering to the residents of the District of Columbia, tourists and commuters from both the DC area and across America.

The success of Union Station as an intermodal transportation facility is based on a careful and strategic balance of (1) budgeting for the ever growing costs of maintaining, securing and operating the century old National Landmark, (2) preserving the crucial tenant mix at Union Station and (3) the costs to improve Union Station as an intermodal transportation facility.

The District's PIT has endangered all of that progress. For instance, the possessory interest taxes under the proposed assessment for Tax Year 2008 – 2009 has reached nearly $3,000,000. This is an increase of **278 %** over the taxes for the TY 2007 assessment. Such an amount cannot be paid and the projects outlined herein still be accomplished.

It is USI's position that the PIT is being wrongfully assessed against it and USI is vigorously fighting to save Union Station from the inevitable downward spiral that it would suffer as a result of the excessive PIT assessment and taxes that are currently sought by the District. USI has been negotiating with the DC Mayor and Council for the adoption of a PILOT program that would specify and permit a reasonable amount of annual PIT for Union Station to pay. The DC Council has introduced such legislation and it is currently pending action and funding. If passed, it would ensure that the future success of USI will not be sidetracked or endangered by such local taxation.

Absent this significant local tax relief, that has been vigorously championed by various DC Council members including Mr. Evans & Mr. Wells, it is unlikely that USI will be able to pay the proposed PIT taxes together with all of the other increased operating costs, security costs, tenant allowances and improvements that are required to maintain and improve Union Station as intermodal transportation facility.

In the unfortunate event that this PILOT legislation does not pass or is not fully funded, then we may have to return to you and this committee to seek Congressional relief from the local District PIT in order to ensure the completion and success of the projects outlined in this testimony, as well as the overall viability and purpose of this important Federal building.

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Chairwoman Norton and the Members of the Subcommittee, I thank you again for the opportunity to speak before you today on behalf of Union Station Investco LLC.

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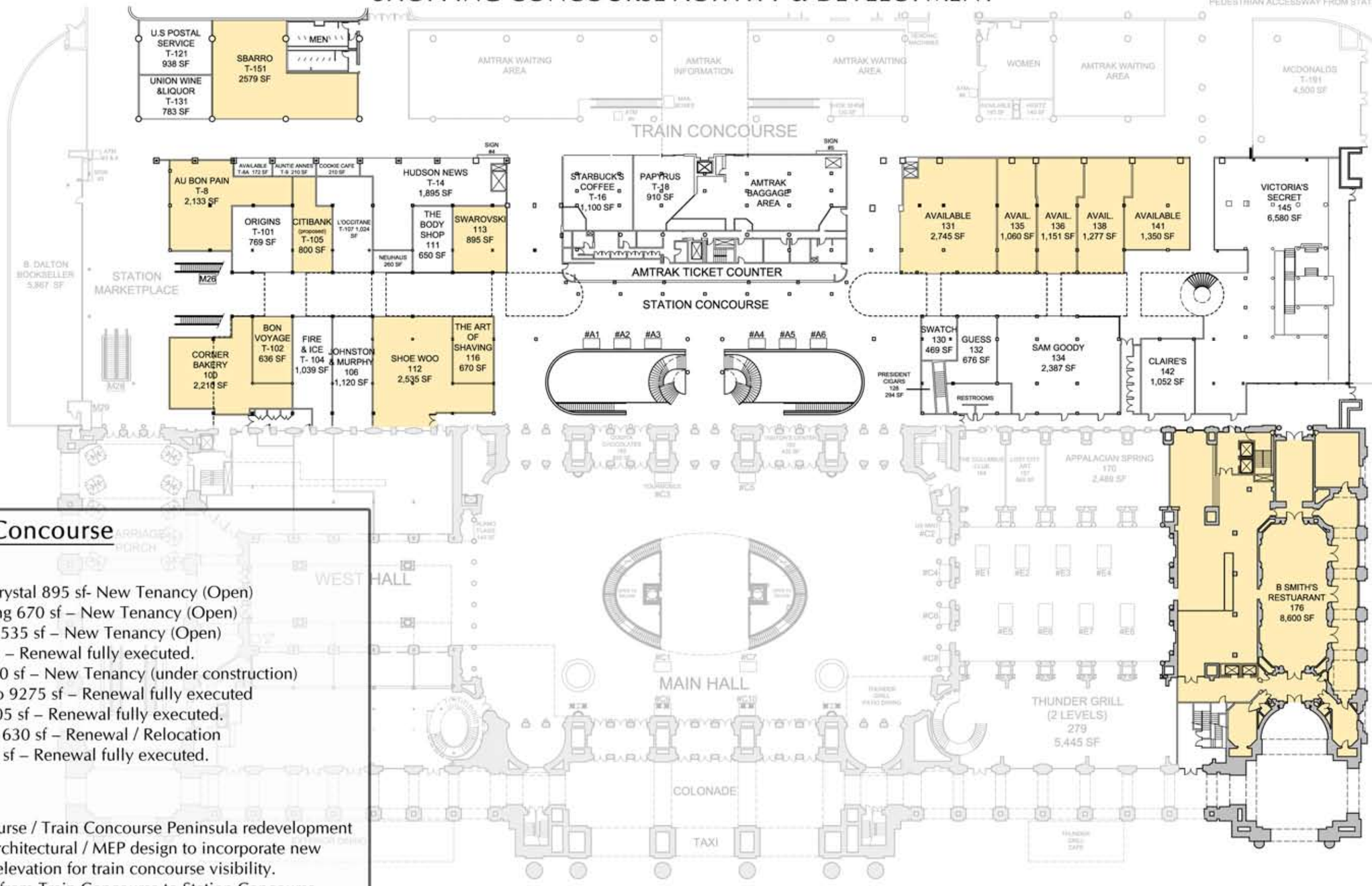
Exhibit A

Disclaimer: The contents herein are subject to modification and or rescission and may be further subject to governmental or third party approvals.

SHOPPING CONCOURSE ACTIVITY & DEVELOPMENT



I. Station Concourse

Leasing:

- Swarovski Crystal 895 sf- New Tenancy (Open)
- Art of Shaving 670 sf – New Tenancy (Open)
- Shoo Woo 2535 sf – New Tenancy (Open)
- Au Bon Pain – Renewal fully executed.
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- Bon Voyage 630 sf – Renewal / Relocation
- Sbarro 2575 sf – Renewal fully executed.

Development

Station Concourse / Train Concourse Peninsula redevelopment presently in Architectural / MEP design to incorporate new 2 story visual elevation for train concourse visibility.
New Hallway from Train Concourse to Station Concourse on far east side of building. Leasing strategy for this peninsula development will remain consistent with present retail focus on the intermodal traveler retail / food / dining needs.

0 25′ 50′ 100′

N

GENERAL NOTE:
THE TENANT SHALL FIELD VERIFY ALL EXISTING CONDITIONS AND DIMENSIONS PRIOR TO ANY WORK AND SHALL BE RESPONSIBLE FOR ALL WORK AND MATERIALS FURNISHED BY GENERAL & SUB-CONTRACTORS.

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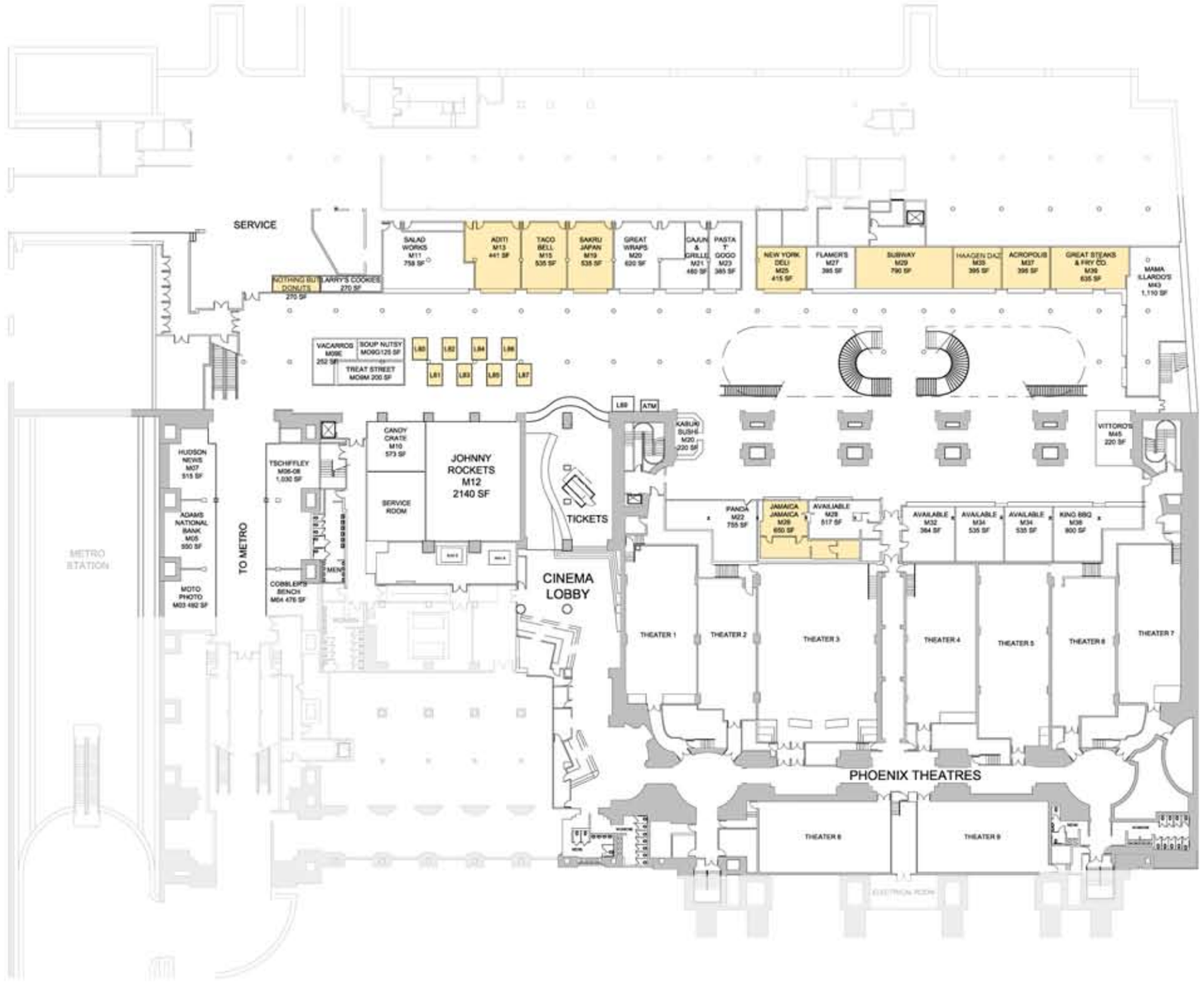
LOWER LEVEL ACTIVITY



II. Metro Concourse (Food Hall)

Leasing:

- Jamaica Jamaica @ 650 sf – New Tenancy (Open)
- Subway 790 sf – New Tenancy (Under construction)
- Taco Bell 535 sf – New Tenancy (under construction)
- Sarku Japan 535 sf – New Tenancy (Open)
- Haagen Dazs – Relocation / Renewal (soon under construction)
- Nothing But Donuts / Paradise Smoothings - Relocation / Renewal (Open)
- New York Deli 415 sf – Renewal
- Acropolis 395 sf – Renewal
- Bo Jangles 1180 sf - Presently under lease Negotiation

Development

Metro Marketplace - Developed and opened cart / kiosk marketplace consisting of 8 merchants.

LOWER LEVEL (EXISTING)

0 25′ 50′ 100′

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LOWER LEVEL-EXISTING

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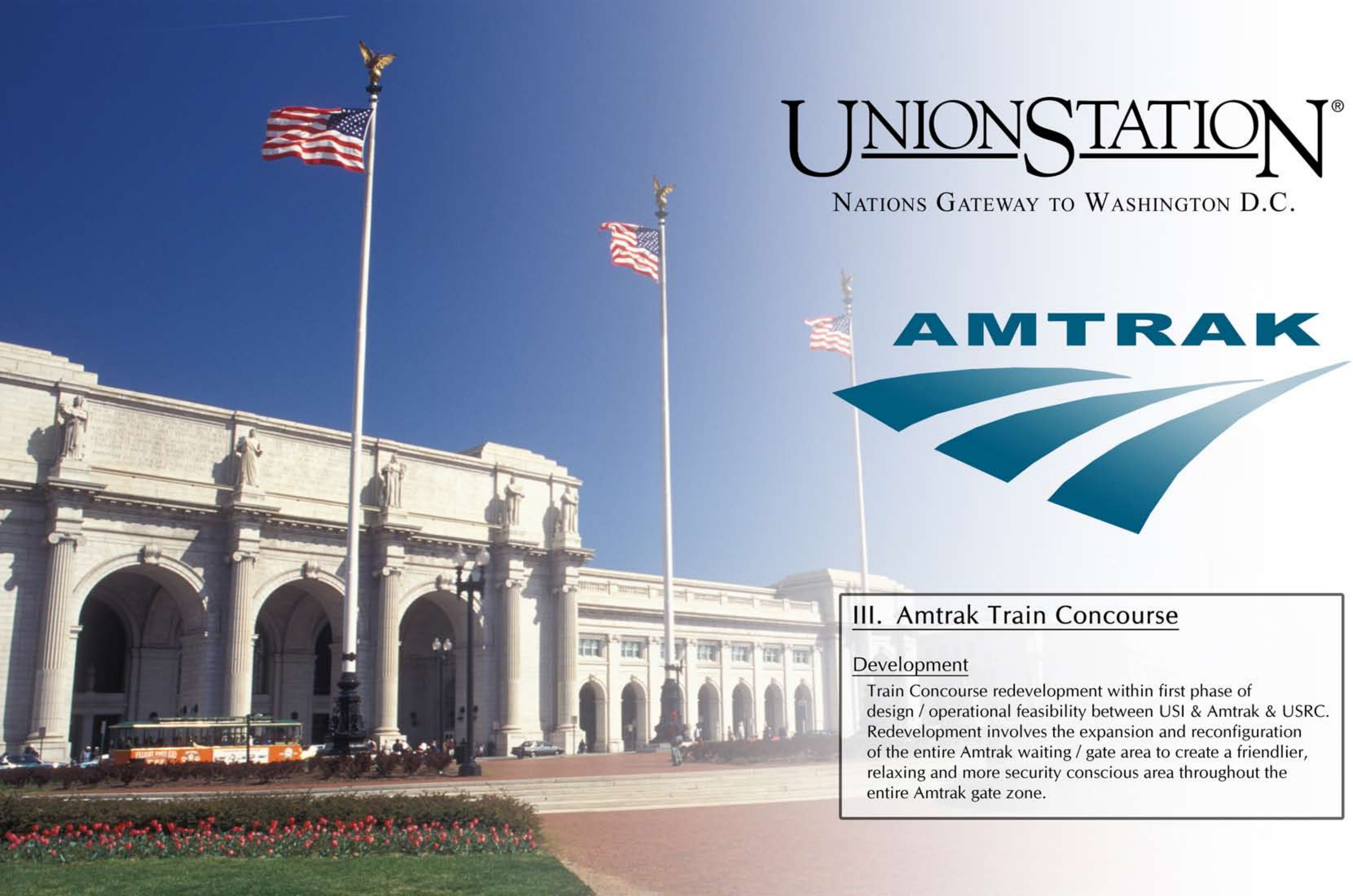

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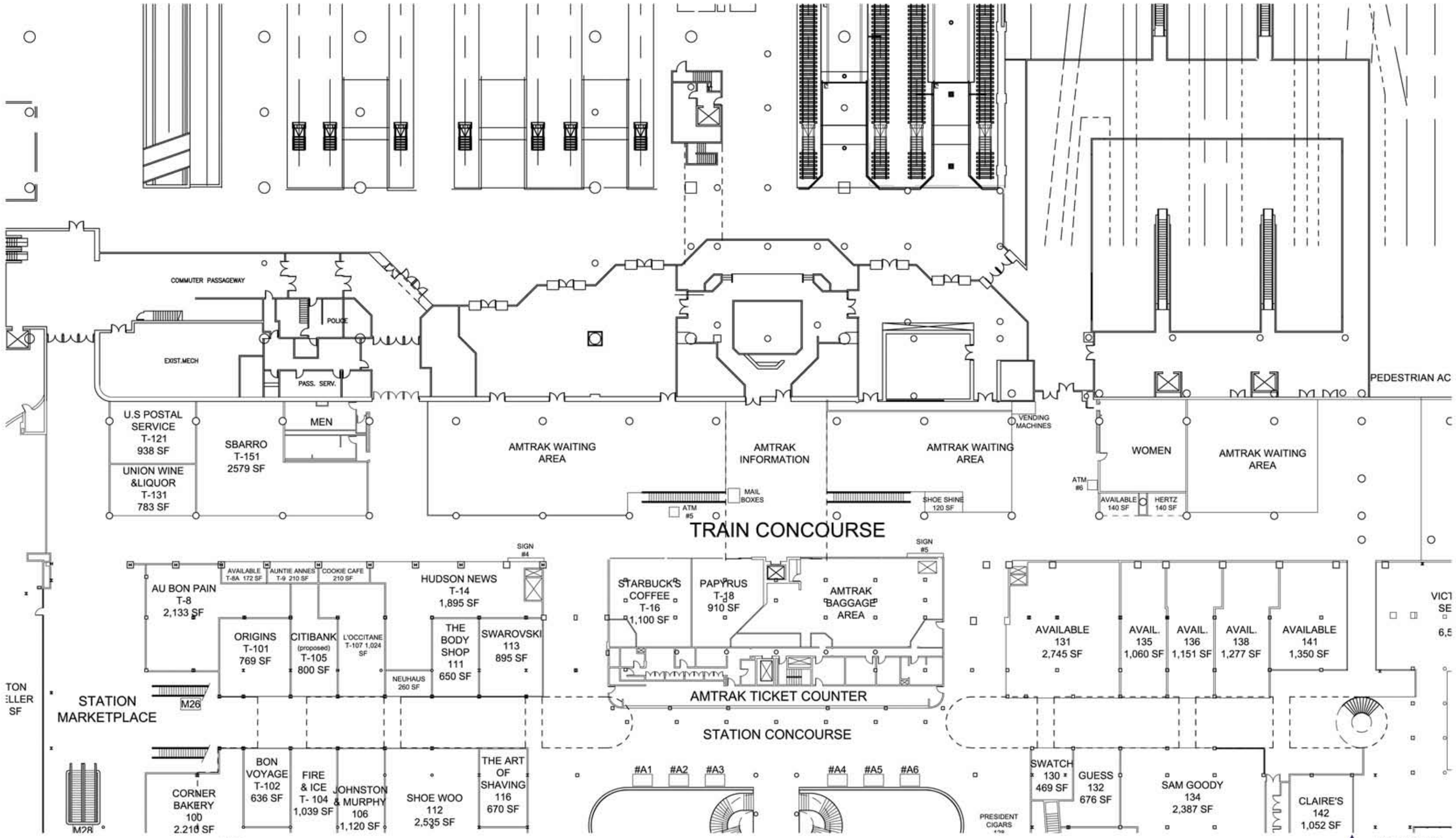
NATIONS GATEWAY TO WASHINGTON D.C.

AMTRAK

III. Amtrak Train Concourse

Development

Train Concourse redevelopment within first phase of design / operational feasibility between USI & Amtrak & USRC. Redevelopment involves the expansion and reconfiguration of the entire Amtrak waiting / gate area to create a friendlier, relaxing and more security conscious area throughout the entire Amtrak gate zone.



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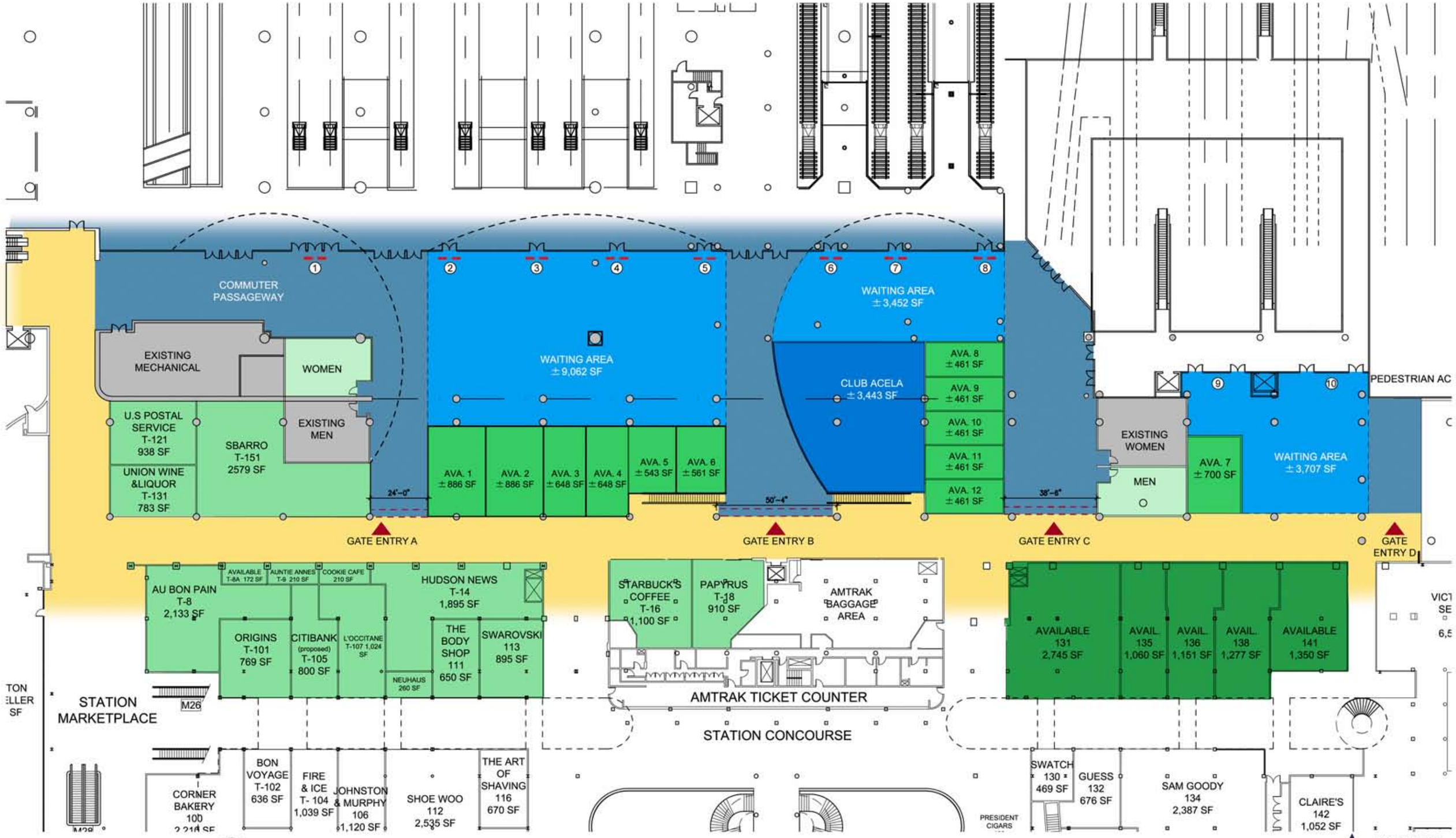

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RENDERING OF PROPOSED NEW AMTRAK WAITING,
ACELA CLUB AND OFFICES

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RENDERING OF PROPOSED NEW RETAIL

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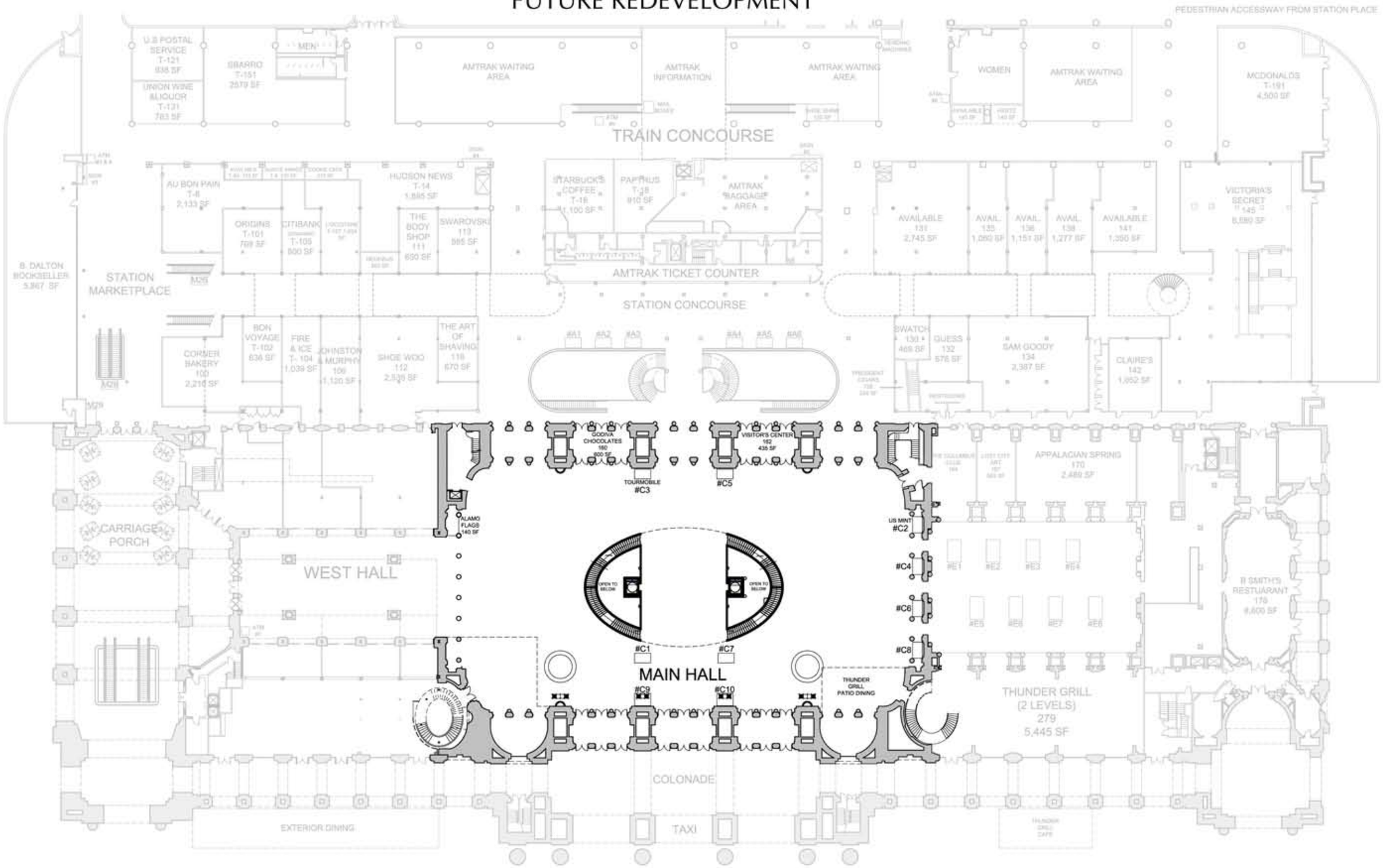
FUTURE REDEVELOPMENT



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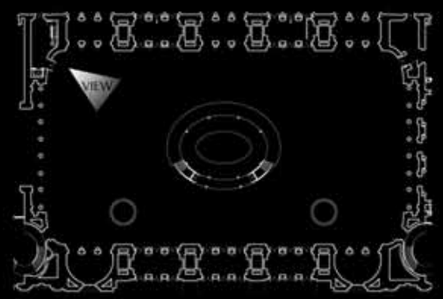
IV. Main Hall

Development

The development for the main hall is centered around creating a new Center Café structure along with the communicating vertical stair elements bringing property guest up and down to the present theatre area within the metro concourse. Replacement of current structure will enhance traffic flow and site lines throughout the main hall, east and west halls visibility. The entire project will be fully integrate better representing a 21st Century transportation hub. Status of development; approximately 9 mos. have been spent working with involvement by CFA staff. Full engagement of a Washington DC experienced historical architect will be created in the short term for the purpose of navigating USI through the approval process of all appropriate organizations.



Main Hall

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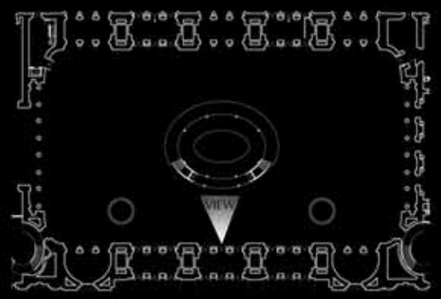

Main Hall

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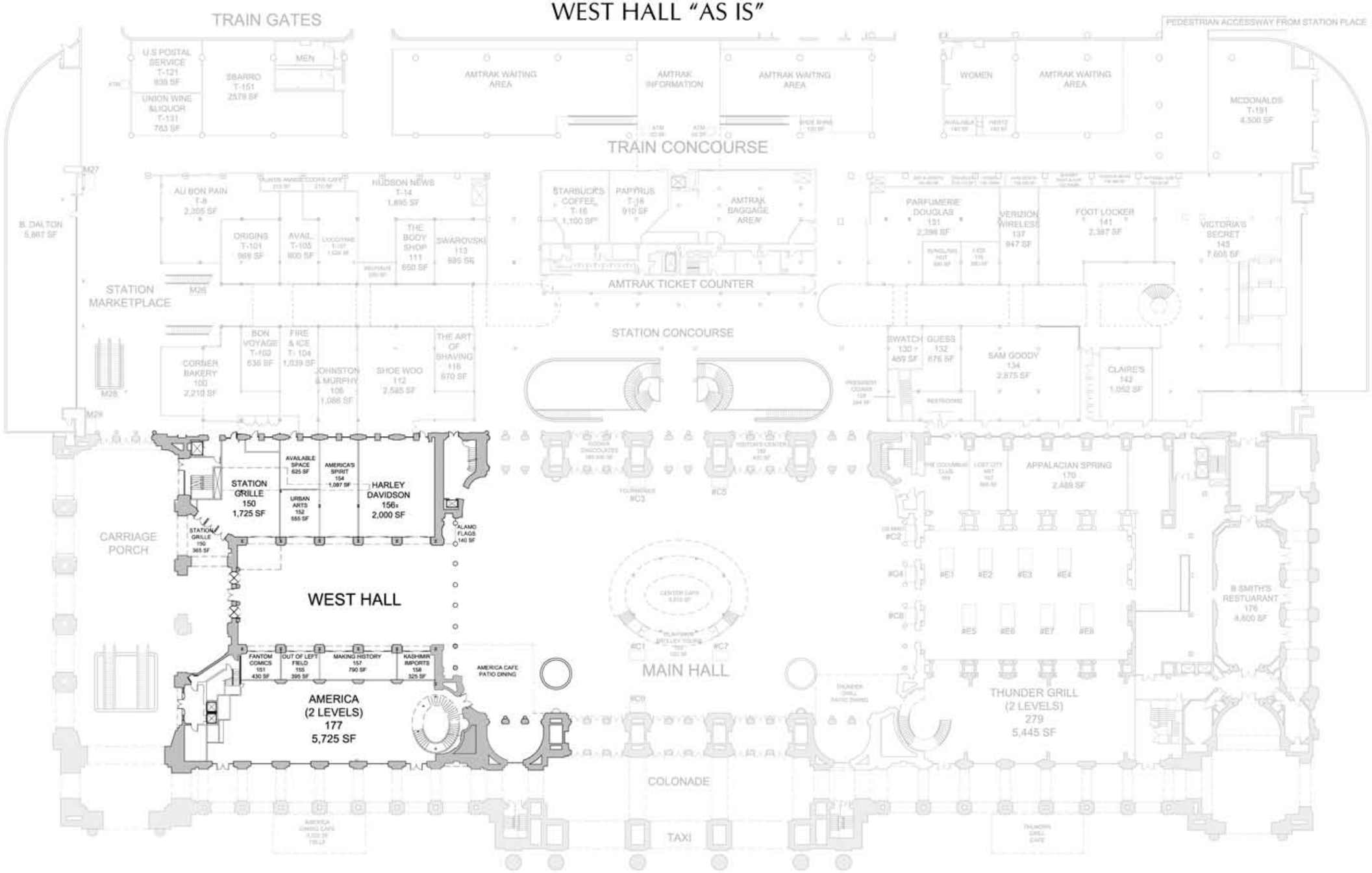
WEST HALL "AS IS"



STREET LEVEL-EXISTING

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0 25′ 50′ 100′

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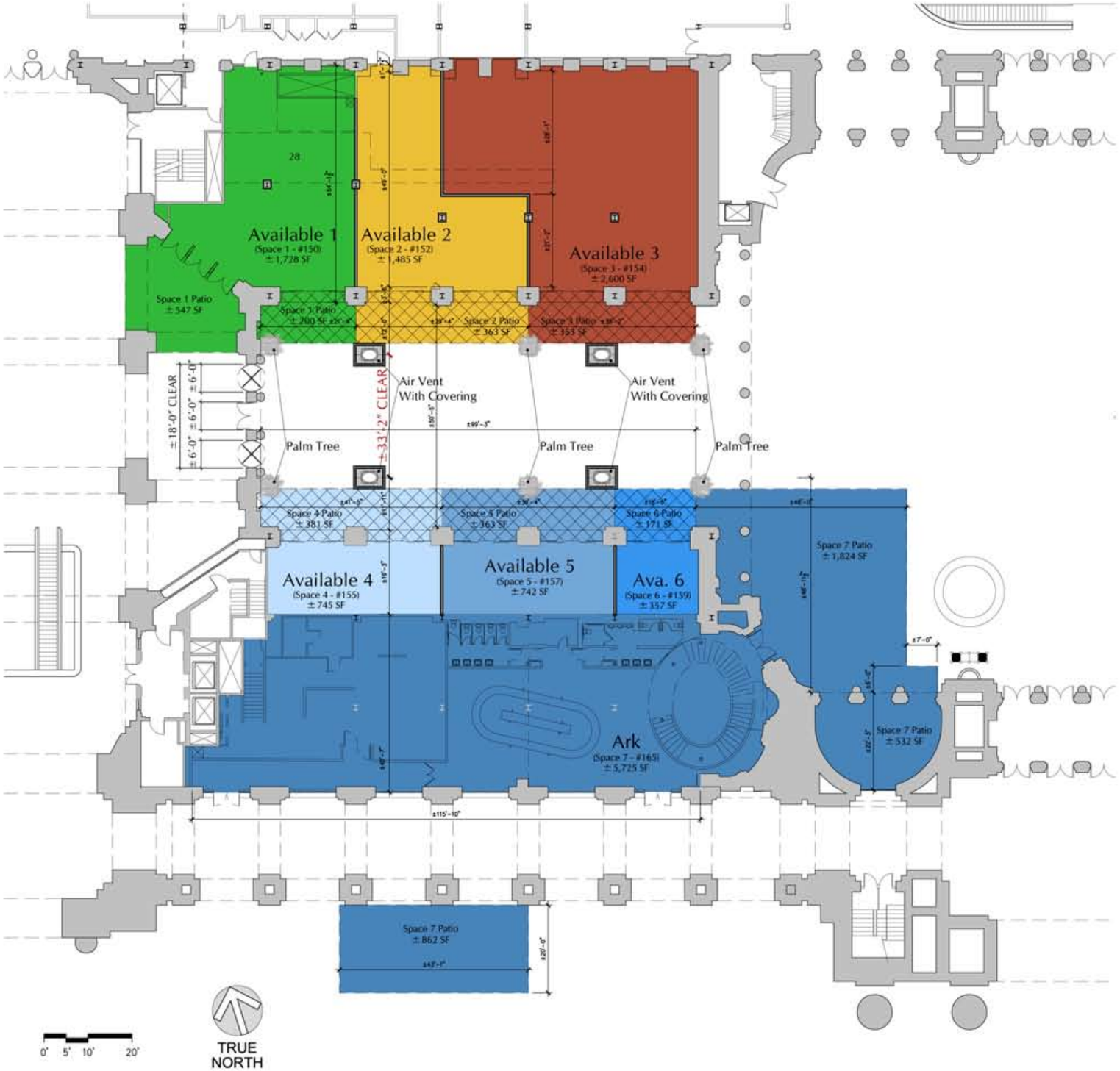

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Square footage for West Hall Common Area

Current net square footage:	± 4,657 SF
Future net square footage:	± 3,290 SF

STREET LEVEL-PROPOSED

V. West Hall

Development

West Hall re-merchandising / re-development ;
All Architectural / MEP design work completed as of this date. Presently seeking acceptance and approvals from all appropriate parties.
Theme of development – Introduction of a new category of fast casual dining establishments with the "best in category" quality of merchandising.
Pleasant new interior patio space within the west hall will be created for visitors to enjoy the historical architectural and unique ambience. Goals of development is to create a unique gathering space promoting customers to stay at Union Station longer. Tenants patio's to be flex in nature to allow exhibits and property events to still remain.

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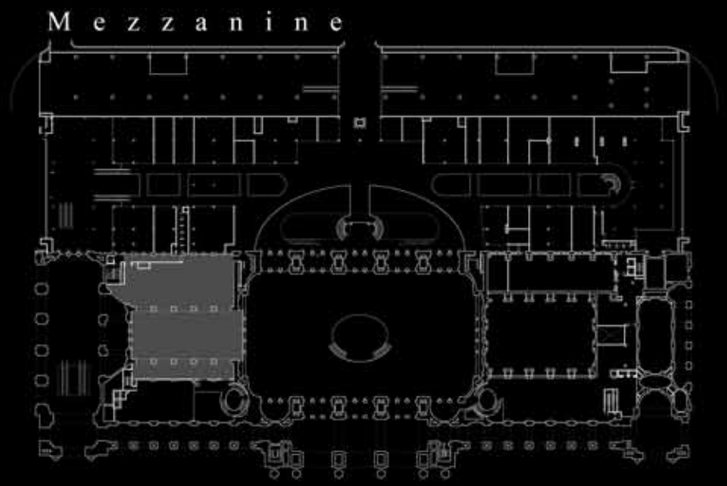
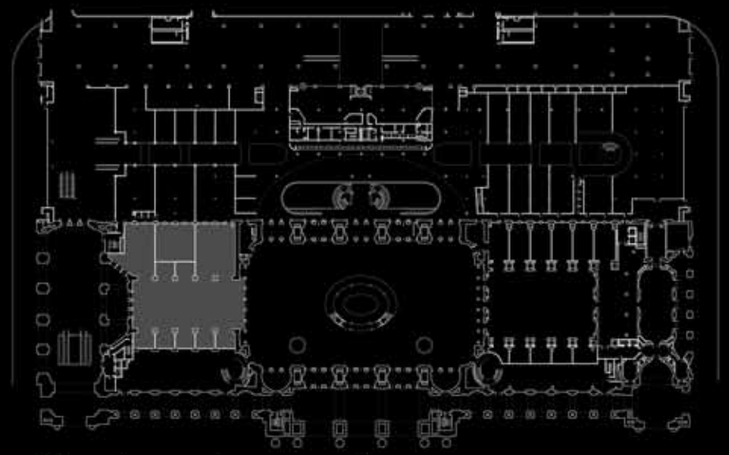


WESTHALL PLAZA



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