

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2012

350 Bleecker Street Apartment Corp.
Table of Contents
December 31, 2012

	Page No.
Independent Auditors' Report	1 - 2
Financial Statements:	
Balance Sheets	3
Statements of Operations	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	13
Actual vs. Budget	14
Expense Analysis by Percentage	15

Kleiman & Weinshank, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2 Penn Plaza
5th Floor
New York, NY 10121

Tel: (212) 247-9000
Fax: (212) 247-9004
www.kwnycpa.com

Independent Auditors' Report

To the Board of Directors and Shareholders of
350 Bleecker Street Apartment Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of 350 Bleecker Street Apartment Corp., which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The corporation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 corporation'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 the corporation's management, as well as evaluating the overall presentation of the financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of 350 Bleecker Street Apartment Corp. as of December 31, 2012 and 2011, and the results of its operations, changes in shareholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The corporation has not presented the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the omission of this supplementary information.

Kleiman & Weinsbank

New York, New York
March 12, 2013

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2012 and 2011

	2012	2011
Assets		
Cash	\$ 817,289	\$ 234,091
Investment	0	83,886
Due From Shareholders	2,685	8,041
Due From Commercial Tenant (Note 6)	36,312	329,332
Prepaid Expenses	67,852	33,940
Mortgage Refinancing Deposit	86,000	0
Property and Equipment - Net	4,372,004	4,233,267
Mortgage Costs - Net	<u>14,438</u>	<u>11,255</u>
Total Assets	<u>\$ 5,396,580</u>	<u>\$ 4,933,812</u>

Liabilities and Shareholders' Equity

Liabilities

Accounts Payable and Accrued Expenses	\$ 202,223	\$ 149,790
Abatements Payable	73,216	72,782
Income Received in Advance	3,096	1,168
Mortgage Payable	4,250,000	4,250,000
Security Deposits Payable	<u>29,100</u>	<u>22,500</u>
Total Liabilities	<u>4,557,635</u>	<u>4,496,240</u>

Shareholders' Equity

Capital Stock	17,246	17,244
Additional Paid in Capital	10,671,128	10,660,735
Retained Earnings (Deficit)	<u>(9,849,429)</u>	<u>(10,240,407)</u>
Total Shareholders' Equity	<u>838,945</u>	<u>437,572</u>
Total Liabilities and Shareholders' Equity	<u>\$ 5,396,580</u>	<u>\$ 4,933,812</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2012 and 2011

	2012	2011
Income		
Maintenance Charges	\$ 1,631,693	\$ 1,456,773
Less: Abatements	(142,892)	(134,496)
Less: Designated for Capital Improvements	(80,000)	0
Operating Assessments	146,574	126,360
Commercial Rent	167,959	149,230
Transfer Fees	162,170	31,370
Sublet Fees	37,151	43,263
Investment Income	1,490	448
Laundry Income	20,210	26,690
Other Income	<u>39,213</u>	<u>31,116</u>
Total Income	<u>1,983,568</u>	<u>1,730,754</u>
Expenses		
Real Estate Taxes	927,383	866,975
Less: Abatements	(142,892)	(134,496)
Less: Refunds	(34,193)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	359,937	337,076
Electric and Gas	25,942	24,888
Heating	48,685	48,159
Water and Sewer	29,473	29,602
Repairs and Maintenance	103,517	100,124
Insurance	52,874	51,900
Management Fees	52,541	51,765
Professional Fees	67,386	99,572
Corporation Taxes	19,333	15,549
Office and Administration	<u>5,348</u>	<u>4,320</u>
Total Expenses	<u>1,765,659</u>	<u>1,745,759</u>
Income (Loss) From Operations	217,909	(15,005)
Other Items		
Commercial Lease Modification Fee (Note 6)	200,000	0
Charges Designated for Capital Improvements	80,000	0
Commercial Rent Settlement - Prior Years (Note 6)	0	266,102
Depreciation and Amortization	<u>(106,931)</u>	<u>(109,205)</u>
Net Income	<u>\$ 390,978</u>	<u>\$ 141,892</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholder's Equity
For the Years Ended December 31, 2012 and 2011

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)
Balance - December 31, 2010	\$ 17,244	\$ 10,660,735	\$ (10,382,299)
Net Income	<u>0</u>	<u>0</u>	<u>141,892</u>
Balance - December 31, 2011	17,244	10,660,735	(10,240,407)
Issuance of Capital Stock	2	10,393	0
Net Income	<u>0</u>	<u>0</u>	<u>390,978</u>
Balance - December 31, 2012	<u>\$ 17,246</u>	<u>\$ 10,671,128</u>	<u>\$ (9,849,429)</u>

See accompanying notes to financial statements

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net income (loss)	<u>\$ 390,978</u>	<u>\$ 141,892</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,931	109,205
Provision for recovery of receivable in dispute	0	(942,155)
(Increase) decrease in due from shareholders	5,356	(5,659)
(Increase) decrease in due from commercial tenant	293,020	612,823
(Increase) decrease in prepaid expenses	(33,912)	5,413
Increase (decrease) in accounts payable	52,433	64,795
Increase (decrease) in abatements payable	434	11,995
Increase (decrease) in charges received in advance	1,928	(1,428)
Increase (decrease) in security deposits payable	<u>6,600</u>	<u>4,500</u>
Total adjustments	<u>432,790</u>	<u>(140,511)</u>
Net cash provided (used) by operating activities	<u>823,768</u>	<u>1,381</u>
Cash flows from investing activities:		
Additions to property and equipment	(235,351)	(13,320)
Decrease in investment	<u>83,886</u>	<u>63</u>
Net cash provided (used) by investing activities	<u>(151,465)</u>	<u>(13,257)</u>
Cash flow from financing activities:		
Mortgage refinancing deposit	(86,000)	0
Mortgage costs	(13,500)	0
Issuance of capital stock	<u>10,395</u>	<u>0</u>
Net cash provided (used) by financing activities	<u>(89,105)</u>	<u>0</u>
Net increase (decrease) in cash and equivalents	583,198	(11,876)
Cash and equivalents, beginning of year	<u>234,091</u>	<u>245,967</u>
Cash and equivalents, end of year	<u>\$ 817,289</u>	<u>\$ 234,091</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 250,325	\$ 250,325

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

Note 1 - Organization:

The corporation (a cooperative housing corporation) began operations in July 1985 under the laws of the State of New York to provide housing to shareholders on a cooperative basis. The corporation's property, which is located in the Borough of Manhattan, consists of 137 residential apartments (some of which have been subsequently combined), commercial space, and a parking garage. At December 31, 2012, the sponsor owned 20 apartments and was the tenant under the commercial lease (see Note 6). Maintenance charges, operating assessments and commercial rent applicable to the sponsor totaled approximately \$445,000 (23% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2012.

The corporation is authorized to issue shares of \$1 par value capital stock, of which 17,246 shares are issued and outstanding at December 31, 2012, and 17,244 shares were issued and outstanding at December 31, 2011.

Note 2 - Summary of Significant Accounting Policies:

The accompanying financial statements were prepared using the accrual method of accounting. The corporation prepares its tax returns using the cash method of accounting.

Investment was stated at cost, which approximated fair value. At December 31, 2011, investment consisted of a Merrill Lynch Ready Asset Fund.

Property and equipment are stated at cost. Expenditures which represent improvements to property are capitalized, while repairs and maintenance are charged to operations. Depreciation is computed using rates adequate to depreciate the cost of applicable assets over their expected useful lives.

Mortgage and line of credit costs of approximately \$126,000 are amortized over the term of the loans.

Shareholders are subject to various charges and assessments to fund the corporation's operations. In addition, the corporation may periodically impose special assessments or designate a portion of maintenance charges to provide funds for major repairs, replacements, and improvements. These charges and assessments are recognized as income by the corporation when billed.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

It is the corporation's policy to charge a transfer fee to shareholders upon the sale of shares applicable to their apartments equal to 2% of the gross selling price. Such transfer fees are recognized as income to the corporation at the time of transfer.

For purposes of the statements of cash flows, the corporation considers all highly liquid investments acquired with a maturity of three months or less to be cash equivalents.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the corporation to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The corporation has evaluated events and transactions that occurred through March 12, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Note 3 - Property and Equipment:

Property and equipment consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>2,961,176</u>	<u>2,725,825</u>
	16,283,881	16,048,530
Less: Accumulated Depreciation	<u>11,911,877</u>	<u>11,815,263</u>
	<u>\$ 4,372,004</u>	<u>\$ 4,233,267</u>

Note 4 - Mortgage Indebtedness:

At December 31, 2012, indebtedness consisted of a \$4,250,000 mortgage note payable to National Consumer Cooperative Bank ("NCB"). The mortgage was secured by the property, required monthly payments of interest only at the rate of 5.89% per annum, and was scheduled to mature on February 1, 2013. In addition, the corporation had available a line of credit with NCB. The line of credit was secured by a second mortgage on the property, required payments of interest only at NCB's Base Rate plus

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

1.35%, and also was scheduled to mature on February 1, 2013. Under the terms of the agreement, \$2,000,000 of the line of credit was restricted and could only be used for any judgments levied in connection with specific legal actions, which were settled in July 2003. At December 31, 2012, the corporation had \$1,000,000 (the portion not restricted) available on this line of credit.

On January 30, 2013, the corporation refinanced its mortgage with NCB in the amount of \$4,300,000. The mortgage is secured by the property, requires payments of interest only at the rate of 3.67% per annum, and matures February 1, 2023. Prepayment is subject to penalties, as set forth in the agreement. As a condition of obtaining the mortgage, the corporation is required to maintain a bank account with NCB with a minimum balance of \$100,000 through January 30, 2014.

In connection with the refinancing, the corporation obtained a \$500,000 line of credit with NCB. The line of credit is secured by a second mortgage on the property, bears interest at the greater of the one-month LIBOR plus 3.75%, or 4.5%, and also matures February 1, 2023. Payments of interest only are required through February 1, 2018. Thereafter, in addition to payments of interest, principal payments of \$100 per month are required. In addition, the corporation is required to pay a facilities maintenance fee of \$1,250 per annum.

Note 5 - Capital Stock Transaction:

In June 2012, the corporation issued 2 shares of capital stock attributable to hallway space for \$10,395.

Note 6 - Commercial Rent:

Through December 27, 2012, the corporation was the landlord under a master lease agreement with the sponsor (see below) for its commercial space and parking garage. The lease, which expires July 31, 2060, requires minimum rent of \$86,000 per annum. In addition, the corporation is entitled to additional rents based on a percentage of the increase in real estate taxes and certain operating expenses in excess of base amounts.

The corporation had asserted a claim against the sponsor, as tenant under the master lease, for more than \$900,000 in additional rents for the period from and after July 1, 2003, which was disputed by the sponsor. In January 2012, the parties amended the lease and, among other items, agreed to settle the disputed additional rents for \$329,332, of which \$63,230 represents additional rents for real estate taxes

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

for the year ended December 31, 2011 (included in Commercial Rent on the accompanying 2011 Statements of Operations).

In December 2012, the parties further amended the lease, and the corporation received a fee of \$200,000 as consideration to agree to certain modifications to the lease. On December 28, 2012, the sponsor assigned the lease to an unrelated entity.

Note 7 - Real Estate Taxes:

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are credited against the real estate tax due on the property and the corporation is required to pass on the abatements to the eligible shareholders. For the years ended December 31, 2012 and 2011, abatements received by the corporation totaled \$142,892 and \$134,496, respectively.

During the year ended December 31, 2012, the corporation obtained a reductions in the assessed value of its property which resulted in real estate tax refunds totaling \$34,193 for the periods July 1, 2011 to December 31, 2011, and July 1, 2012 to September 30, 2012, and additional real estate tax savings in future years. Legal fees in connection with the reductions in the assessed value totaled approximately \$75,000, of which approximately \$15,000 relates to periods through December 31, 2012, with the recognition of the remaining fees deferred to future years when the fees will be paid and the benefit of the reductions will be realized.

Note 8 - Corporation Taxes:

The corporation is subject to taxation as a cooperative corporation for federal, state, and local purposes. A cooperative corporation is required to classify its income and expenses as patronage or nonpatronage. Expenses attributable to producing patronage income cannot be deducted from nonpatronage income. As a result, nonpatronage income in excess of allocable expenses is subject to income tax. Patronage income is defined as income derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the cooperative's principal business activity, and thus facilitates the accomplishment of the cooperative's business purpose. However, if the transaction or activity which produces the income merely enhances the overall profitability of the cooperative, then the income therefrom is nonpatronage income. The corporation believes there is substantial authority to classify all its activity as patronage, and for the years ended December 31, 2012 and 2011, no provision for income tax is required. The corporation also believes that if certain of its activities are

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

determined to be nonpatronage, the expenses allocable to such activities would result in no taxable income.

At December 31, 2012, the corporation had a net operating loss carryover of approximately \$4,300,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2031. The corporation is unable to determine the future benefit, if any, of the loss carryover and accordingly, a valuation allowance has been provided to offset any potential future benefit.

In addition to income taxes, New York State ("NYS") and New York City ("NYC") have alternative tax bases. Corporation Taxes reflected in the Statements of Operations represent NYS and NYC tax on the capital of the corporation, adjusted to market value.

Note 9 - Commitment:

The corporation has entered into a contract for the rehabilitation of the building's facade totaling approximately \$300,000, plus other costs in connection with the project. Through December 31, 2012, costs of approximately \$200,000 have been incurred on this contract, leaving approximately \$100,000 to be incurred in the subsequent period.

Note 10 - Future Major Repairs and Replacements:

The corporation has not presented a study of the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The corporation's governing documents do not require the accumulation of funds to finance future major repairs and replacements. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation has the right to utilize available cash, increase maintenance charges, impose special assessments, borrow, delay repairs and replacements until the funds are available or, any combination of the above. The effect on future maintenance charges to the shareholders has not been determined at this time.

Note 11 - Concentration of Credit Risk:

The corporation maintains cash balances and investments at institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2012

Protection Corporation ("SIPC"). The insurance provided by SIPC is for losses caused by failure of the financial institution, not against losses caused by the changes in the market value of investments held by the financial institution. At times during the year, account balances exceed insured balances.

Note 12 - Shareholder Information:

Special assessments and the portion of maintenance charges designated for capital improvements, and the portion of maintenance charges applicable to the payment of principal on the mortgage indebtedness, can increase a tenant-shareholders' cost basis in their stock of the corporation. These increases, on a per share basis, are as follows, for the years ended December 31:

2012	\$ 4.64
2003 - 2011	0.00
2002	1.82
2001	1.55
2000	7.92

For the year ended December 31, 2012, the percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 55%.

Kleiman & Weinshank, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2 Penn Plaza
5th Floor
New York, NY 10121

Tel: (212) 247-9000
Fax: (212) 247-9004
www.kwnycpa.com

**Independent Auditors' Report
on Supplementary Information**

To the Board of Directors and Shareholders of
350 Bleecker Street Apartment Corp.

We have audited the financial statements of 350 Bleecker Street Apartment Corp. as of and for the years ended December 31, 2012 and 2011, and our report thereon dated March 12, 2013, which expressed an unmodified opinion on those financial statements appears on Pages 1-2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of Actual vs. Budget and Expense Analysis by Percentage, which are the responsibility of the corporation's management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Kleiman & Weinshank

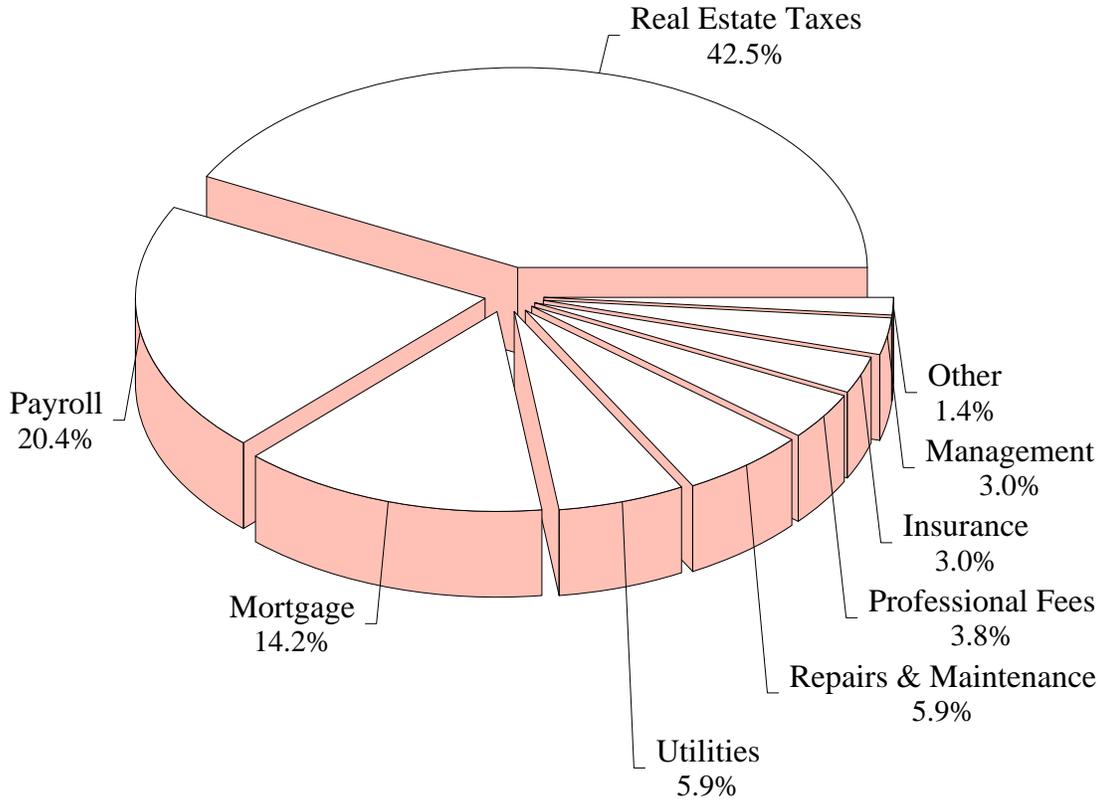
New York, New York
March 12, 2013

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2012

	Actual	Budget (Unaudited)
Income		
Maintenance Charges	\$ 1,631,693	\$ 1,631,649
Less: Designated for Capital Improvements	(80,000)	(80,000)
Operating Assessment	146,574	145,000
Commercial Rent	167,959	86,000
Transfer Fees	162,170	0
Sublet Fees	37,151	35,000
Investment Income	1,490	200
Laundry Income	20,210	30,000
Other Income	<u>39,213</u>	<u>31,600</u>
Total Income	<u>2,126,460</u>	<u>1,879,449</u>
Expenses		
Real Estate Taxes	927,383	884,613
Less: Refunds	(34,193)	0
Mortgage Interest - First	250,325	250,325
Mortgage Interest - Second	0	7,500
Payroll and Related Expenses	359,937	349,628
Electric and Gas	25,942	31,000
Heating	48,685	58,000
Water and Sewer	29,473	32,034
Building Supplies	19,797	27,500
Elevator Maintenance	11,331	10,309
Other Repairs and Maintenance	72,389	56,593
Insurance	52,874	54,656
Management Fees	52,541	52,541
Professional Fees	67,386	44,000
Corporation Taxes	19,333	15,000
Office and Administration	<u>5,348</u>	<u>5,750</u>
Total Expenses	<u>1,908,551</u>	<u>1,879,449</u>
Income From Operations	<u>\$ 217,909</u>	<u>\$ 0</u>

See independent auditors' report on supplementary information.

**350 Bleecker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2012**



See independent auditors' report on supplementary information