

350 BLEECKER STREET APARTMENT CORPORATION

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

350 BLEECKER STREET APARTMENT CORPORATION

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Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA
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FRANK LIONEL, CPA

Independent Auditor's Report

To The Board of Directors and Shareholders of
350 Bleecker Street Apartment Corporation:

We have audited the accompanying balance sheets of 350 BLEECKER STREET APARTMENT CORPORATION as of December 31, 2005 and 2004, and the related statements of operations, accumulated deficit (and supporting schedules) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 350 BLEECKER STREET APARTMENT CORPORATION as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of costs of major repairs and replacements that will be required in the future, that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Marin & Montanye LLP

March 10, 2006

BALANCE SHEETS

As of December 31, 2005 and 2004

	<u>2005</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
<u>Cash and Cash Equivalents:</u>		
Operating accounts – Citibank	\$ 36,169	\$ 33,655
Citibank - Money Market account	134,828	318,452
Fidelity - Cash	949	931
NCB – Money Market account	<u>53,168</u>	<u>51,760</u>
	225,114	404,798
Investment – Merrill Lynch	200,390	-0-
Receivables:		
Shareholders arrears	43,263	11,026
Commercial arrears	34,072	13,299
Sundry receivable	2,953	4,501
Prepaid Expenses:		
Insurance	31,084	33,258
Real estate tax	65	7,445
Employee benefits	3,581	2,781
Fuel inventory	8,749	4,210
Service contract	1,163	559
Corporate tax	<u>558</u>	<u>3,129</u>
<u>TOTAL CURRENT ASSETS</u>	550,992	485,006
<u>PROPERTY AND EQUIPMENT</u>		
Land	2,779,843	2,779,843
Building	10,542,862	10,542,862
Building equipment	96,491	79,837
Building improvements	<u>1,982,424</u>	<u>1,972,424</u>
	15,401,620	15,374,966
Less: Accumulated depreciation	<u>(10,937,996)</u>	<u>(10,460,720)</u>
<u>NET PROPERTY AND EQUIPMENT</u>	4,463,624	4,914,246
<u>OTHER ASSETS</u>		
Unamortized mortgage refinance costs	67,797	74,054
Unamortized line of credit costs	<u>14,000</u>	<u>16,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,093,413</u>	<u>\$ 5,489,306</u>

See Notes to Financial Statements.

BALANCE SHEETS

As of December 31, 2005 and 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2005</u>	<u>2004</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses - Schedule 1	\$ 34,761	\$ 25,628
Real estate tax abatements and exemptions payable – (Note 13)	21,124	20,056
Prepaid occupancy income	852	1,478
Senior citizen exemption payable	3,339	1,823
Move in/out deposits payable	1,000	1,000
Accrued mortgage interest – (Note 6)	<u>20,860</u>	<u>20,860</u>
<u>TOTAL CURRENT LIABILITIES</u>	81,936	70,845
<u>LONG TERM LIABILITIES</u>		
Mortgage Payable – (Note 6)	<u>4,250,000</u>	<u>4,250,000</u>
<u>TOTAL LIABILITIES</u>	4,326,321	4,320,845
<u>STOCKHOLDERS' EQUITY</u>		
Capital Stock - Common, issued and outstanding 17,244 and 17,232 shares as of December 31, 2005 and 2004, respectively at \$1 par value – (Note 7)	17,244	17,232
Paid-in Capital in excess of par value	10,660,736	10,601,493
Accumulated deficit	<u>(9,916,503)</u>	<u>(9,450,264)</u>
<u>TOTAL STOCKHOLDERS' EQUITY</u>	<u>761,477</u>	<u>1,168,461</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 5,093,413</u>	<u>\$ 5,489,306</u>

See Notes to Financial Statements.

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>	
<u>INCOME</u>			
<u>Income from Shareholders</u>			
Maintenance charges	\$ 1,137,827	\$ 1,106,185	
Special assessments – (Note 8)	\$ 76,193	75,137	
Apartment resale fees – (Note 9)	11,440	114,830	
Sublet fees	14,460	2,874	
Late charges	950	1,850	
Storage	<u>17,387</u>	<u>-0-</u>	
<u>TOTAL INCOME</u>	1,258,257	1,300,876	
<u>OTHER INCOME</u>			
Commercial income – (Note 5)	86,000	86,000	
Commercial rent escalation – (Note 5)	13,057	7,962	
Laundry income	14,273	8,340	
Interest income	5,114	2,468	
NCB Patronage refund – (Note 10)	1,269	35,080	
Workers' compensation dividend	1,855	-0-	
Miscellaneous income	<u>2,300</u>	<u>2,579</u>	
<u>Total Other Income</u>	<u>123,868</u>	<u>142,429</u>	
<u>TOTAL INCOME</u>	<u>1,382,125</u>	<u>1,443,305</u>	
<u>COST OF OPERATIONS</u>			
Administrative expenses	Schedule 2	142,668	126,984
Operating expenses	Schedule 3	387,321	331,820
Maintenance expenses	Schedule 4	103,634	89,471
Taxes	Schedule 5	475,882	445,449
Financial expenses	Schedule 6	<u>250,325</u>	<u>250,873</u>
<u>TOTAL COSTS OF OPERATIONS</u>		<u>1,359,830</u>	<u>1,254,597</u>
<u>INCOME FROM OPERATIONS BEFORE DEPRECIATION AND AMORTIZATION</u>			
		22,295	188,708
Depreciation and amortization expense	Schedule 7	(488,534)	(482,540)
<u>NET LOSS</u>		(466,239)	(293,832)
Beginning Accumulated Deficit		<u>(9,450,264)</u>	<u>(9,156,432)</u>
Ending Accumulated Deficit		<u>\$(9,916,503)</u>	<u>\$(9,450,264)</u>

See Notes to Financial Statements.

350 BLEECKER STREET APARTMENT CORPORATIONEXHIBITS C & DSTATEMENT OF CASH FLOWSEXHIBIT CFor The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss	\$ (466,239)	(293,832)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization expense	488,534	482,540
Increase in receivables	(51,462)	(15,751)
Decrease in prepaid expenses	6,182	74,760
Increase in accounts payable and accrued expenses	11,090	9,984
Increase in accounts payable and accrued expenses	<u>(390)</u>	<u>-0-</u>
Total adjustments	<u>453,954</u>	<u>551,533</u>
<u>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	(12,285)	257,701
<u>CASH FLOWS FROM INVESTING ACTIVITY</u>		
Increase in investment	(200,000)	-0-
Purchase of property and equipment	<u>(26,654)</u>	<u>(62,045)</u>
<u>CASH USED BY INVESTING ACTIVITIES</u>	(226,654)	(62,045)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in Capital stock – sale of hallway space	12	10
Increase in Paid-in Capital – sale of hallway space	<u>59,243</u>	<u>60,343</u>
<u>CASH PROVIDED BY FINANCING ACTIVITY</u>	<u>59,255</u>	<u>60,353</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(179,684)	256,009
Cash and cash equivalents at beginning of year	<u>404,798</u>	<u>148,789</u>
Cash and cash equivalents at end of year	<u>\$ 225,114</u>	<u>\$ 404,798</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATIONEXHIBIT D

	<u>2005</u>	<u>2004</u>
Cash paid during the year:		
Corporate taxes	\$ 7,015	\$ 6,812
Interest	\$ 250,325	\$ 250,325

See Notes to Financial Statements.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 1 - ORGANIZATION

350 Bleecker Street Apartment Corporation (the "Corporation") is a cooperative housing corporation incorporated in the State of New York in September 1980. The closing of title on the property was July 1985. The Corporation owns the land and seven story building located in the borough of Manhattan, New York which originally consisted of 137 residential apartments (some of which have been subsequently combined), two commercial stores, a laundry room and a garage. The primary purpose of the Corporation is to manage the operations of 350 Bleecker Street Apartment Corporation, and maintain common elements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Depreciation

Property and equipment are recorded at cost and are being depreciated over their estimated useful lives using the straight-line method.

Amortization

Amortization of mortgage cost is computed using the straight-line method over the term of the loan. Line of credit costs are amortized over the life of the loan.

Shareholder Maintenance

Tenant-shareholders are subject to monthly maintenance charges to provide funds for the Corporation's operating expenses, future capital acquisitions, and repairs and replacements. Tenant-shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose maintenance charges are delinquent. The Corporation considers all tenant-shareholder receivables at December 31, 2005 to be collectible. Accordingly, no allowance for doubtful accounts is required. If any receivables become uncollectible, they will be charged to operations when the determination is made. Any excess maintenance charges at year end are retained by the Corporation for use in future years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect 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 may differ from those estimates.

Reclassification

Certain items in the 2004 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net loss.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Total funds on deposit at Citibank generally exceed FDIC limits due to daily cash flow requirements. The amount exceeding this limit at December 31, 2005 was \$73,000.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 4 - MARKETABLE SECURITIES

The Corporation has investments in marketable equity securities which are as follows:

As of December 31, 2005:

<u>Available for sale</u>	<u>Cost</u>	<u>Unrealized Gain / (Loss)</u>	<u>Fair Value</u>
Merrill Lynch Ready Assets Trust	\$ 200,390	-0-	\$ 200,390

Money fund shares classified as available for sale are not bank deposits or FDIC insured and are not guaranteed by the brokerage house. These funds are subject to investment risks due to market fluctuations including possible loss of the principal amount invested.

These funds are insured by the Securities Investor Protection Corporation (SPIC) which protects the Corporation's securities up to a maximum of \$500,000 (\$100,000 cash, \$400,000 securities).

NOTE 5 - RELATED PARTY TRANSACTIONS

Sponsor Owned Apartments

The Sponsor owned 3,818 shares and 3,838 shares or 22.14% and 22.16% of the total issued shares as of December 31, 2005 and 2004, respectively. Maintenance charges attributed to the Sponsor totaled \$251,988 and \$245,116 for the years ended December 31, 2005 and 2004, respectively. As of December 31, 2005, the Sponsor owed \$39,315 for maintenance on these apartments.

Master Commercial Lease

The Corporation has a master commercial lease agreement with the Sponsor, Bleecker Charles Company, entered into in July 31, 1985, with the then President of 350 Bleecker Street Apartment Corporation, who is the general partner of Bleecker Charles Company. Under the terms of the master commercial lease, monthly payments of \$7,167 monthly or \$86,000 annually, are to be paid by the Sponsor to the Cooperative. The term of the lease agreement is for 75 years, commencing July 31, 1985 and terminating on July 31, 2060. As of December 31, 2005, the Sponsor owed \$12,804 for the commercial lease.

In addition to the annual charge to the Sponsor, additional rent is due the Cooperative in direct proportion to increases or decreases in the annual real estate taxes attributable to 350 Bleecker Street Apartment Corporation in excess of such taxes for 1984/1985 (the "base period"), but no such increase shall exceed 12% of any increase of such taxes for the whole premises over the base period. Sponsor shall be further responsible for, as additional rent, all operating expenses including fuel, insurance and labor, in excess of such expenses relating to the commercial space for the base year. The total additional rent payable shall not exceed 75% of the total rents and additional rents collected. Additional rent payable, shall be paid by the Sponsor within 30 days following submission of copies of paid bills. For the year ended December 31, 2005 and 2004, the amounts due to the Corporation for this provision were \$13,057 and \$7,962 respectively. The Sponsor is also liable for the sidewalk related costs which have yet been calculated or billed. As of the balance sheet date, this amount had not been billed to or paid by the Sponsor.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 6 - MORTGAGE PAYABLE AND LINE OF CREDIT

Mortgage Payable

On January 14, 2003, the Corporation refinanced its existing mortgage held by National Cooperative Bank ("NCB"). The new mortgage with NCB, in the principal amount of \$4,250,000, provides for monthly payments of \$20,860 which consist of interest only at 5.89% per annum. The mortgage matures on February 1, 2013, at which time any accrued interest and unpaid principal balance will become due and payable. Prepayment is permitted without penalty during the ninety days preceding maturity. No prepayment may be made prior to August 1, 2011. The mortgage note is collateralized by the land and building owned by the Corporation.

Under the term of the agreement, the Corporation is required to maintain a deposit of \$50,000 in a reserve account with NCB for one year. As of January 14, 2004 the Corporation satisfied this requirement and is no longer obligated to maintain the reserve account with NCB. The Corporation must also maintain a replacement and operating reserve in an amount equal to at least 10% of the aggregate amount of maintenance charges paid the previous year to the Corporation. The deposit of \$50,000 may be counted toward the operating reserve requirement. Any reduction below this amount must be restored in six months. As of December 31, 2005 and 2004, the Corporation complied with this requirement.

Interest expense was \$250,325 for each of the years ended December 31, 2005 and 2004.

Line of Credit

Under the terms of the new mortgage agreement, NCB has made available to the Corporation a \$3,000,000 revolving line of credit. Under the terms of the mortgage agreement \$2,000,000 of the credit line is restricted and can only be used for any judgments levied in connection with specific legal actions. Interest on draw downs will be 1.35% above the prime rate as reported in the *Wall Street Journal*. The credit line matures on February 1, 2013, at which time any accrued interest and outstanding principal shall become due and payable. Advances must be made in minimum amounts of not less than \$50,000. There has been no draw down on this line of credit as of December 31, 2004.

NOTE 7 - COMMON STOCK

In 2005, the Corporation issued and sold 12 additional shares of stock allocated to hallway space for a total of \$60,100. The amount received in excess of the par value of shares less legal disbursements of \$845 was recorded as an additional Paid-in Capital.

In 2004, the Corporation issued and sold 10 additional shares of stock allocated to hallway space for a total of \$62,336. The amount received in excess of the par value of shares less legal disbursements of \$1,983 was recorded as an additional Paid-in Capital.

NOTE 8 - SPECIAL ASSESSMENTS

In 2005, the Corporation imposed an assessment equal to \$4.42 per share to fund operations. The per share amount corresponds to the amount credited to eligible unit owners with regard to their tax abatement credit. The Corporation raised a total of \$76,193 of which \$16,861 is attributable to Sponsor owned units which were not eligible for tax abatement credits for the year ended December 31, 2005.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 8 - SPECIAL ASSESSMENTS - continued

In 2004, the Corporation imposed an assessment equal to \$4.36 per share to fund operations. The per share amount corresponds to the amount credited to eligible unit owners with regard to their tax abatement credit. The Corporation raised a total of \$75,137 of which \$16,685 was attributable to Sponsor owned units which were not eligible for the tax abatement credits for the year ended December 31, 2004.

NOTE 9 - APARTMENT RESALE FEES

The Corporation's current resale fee policy requires sellers to pay the Corporation 2% of the sale price upon the transfer of stock to a new owner. For the years ended December 31, 2005 and 2004, the Corporation received resale fees totaling \$11,440 and \$114,830 attributed to the sale of 1 and 11 apartments, respectively.

NOTE 10 - INVESTMENT IN NATIONAL COOPERATIVE BANK

Class B2 Stock is acquired through patronage refunds. The stock is currently non-transferrable and non-redeemable. The Bank Act does not allow a dividend to be paid on this stock.

If a borrower accumulates over 12.5% of its loan amount in Class B Stock, the member owner may receive Class C Stock. Class C Stock can be held only by eligible borrowers of NCB. Class C Stock is non-redeemable by NCB but is transferrable among eligible borrowers of NCB. Class C Stock may be purchased directly from NCB or is received as part of NCB's patronage refund distribution. NCB may pay a cash dividend on its Class C Stock.

Under the NCB's Capitalization and Patronage Refund Policy, the total amount of patronage is based, in part, on the amount of fees and interest paid by each member in relation to the member's loan. Member's refunds are a combination of cash and stock; stock being a permanent capital investment in NCB. NCB's patronage refund is distributed in the form of cash and Class B2 and/or Class C Stock. The cash portion of the refund is a function of the total stock owned by that member, and ranges from 35 to 55 percent of the total amount received by the member.

All Class B Stock may be used by the Cooperative to offset any future purchase requirements.

Patronage refunds have been received as follows:

	<u>Cash</u>	<u>Class B2 Stock</u>
2005	\$ 1,269	\$ 2,357
2004	\$ 35,000	\$ 65,149

NOTE 11 - CAPITAL IMPROVEMENTS

During the year ended December 31, 2005, the Corporation entered into a contract with Sterling Management for lobby renovation. The total amount of the contract is \$76,622. As of December 31, 2005, the Corporation has paid a deposit of \$10,000 on this contract. During the year ended December 31, 2005, the Corporation also incurred and paid \$11,475 for gym air conditioner installation and \$5,179 for furniture and fixtures.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 11 - CAPITAL IMPROVEMENTS - continued

In February of 2006, subsequent to balance sheet date, the Corporation entered into a contract with Richmond Elevator Company for the upgrade and renovation of two existing elevators. The total amount of the contract is \$134,930. The contract is scheduled to be completed during the year of 2006.

During the year ended December 31, 2004, the Corporation incurred and paid \$22,911 for installation of public hallway lights, \$5,817 for heater computer replacement and \$4,345 for rooftop irrigation system.

NOTE 12 - INDIVIDUAL RETIREMENT PLAN

The Board of Directors established a simple IRA for its non-union employees. The Corporation contribution is discretionary. For the years ended December 31, 2005 and 2004, the contributions were \$6,235 and \$1,705, respectively.

NOTE 13 - REAL ESTATE TAX ABATEMENTS

New York State School Tax Relief Program

The New York State School Tax Relief Program is a credit that is applied for by each individual taxpayer or shareholder and it represents a reduction of taxable value when calculating the real estate tax. The STAR credit received by the Corporation resulted in a tax savings of \$8,615 for the shareholders for the years ended December 31, 2005 and 2004, respectively. These amounts are being credited to the eligible shareholders.

Condo/Coop Tax Abatements

As a result of revisions to Section 467(a) of the New York Real Property Tax Law, certain shareholders of the Cooperative units are eligible for partial abatements of their real estate taxes commencing with the 1996/1997 tax year. The abatement program has been extended through the 2007/2008 tax year.

For the year ended December 31, 2005, the Corporation received credits of \$59,519 on its tax bills representing the abatements for the last two quarters of the 2004/2005 tax year and the first two quarters of the 2005/2006 tax year. These amounts are being credited to the eligible shareholders.

For the year ended December 31, 2004, the Corporation received credits of \$59,344 on its tax bills representing the abatements for the last two quarters of the 2003/2004 tax year and the first two quarters of the 2004/2005 tax year. These amounts are being credited to the eligible shareholders.

NOTE 14 - CORPORATION TAX

During 1996, in a case involving a conventional cooperative, the United States Tax Court ruled that Subchapter T of the Internal Revenue Code, not Section 277, applies to housing cooperatives that qualify under Section 216 of the Internal Revenue Code. Subchapter T requires allocations of patronage and non-patronage source income.

350 BLEECKER STREET APARTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005 and 2004

NOTE 14 - CORPORATION TAX - continued

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the year ended December 31, 2005, is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2005, the Corporation sustained a loss and is not liable for federal tax. The Corporation also has net operating loss carryforwards from prior years for tax purposes totaling \$10,125,941. The tax loss carryforwards, if not used against taxable income expire beginning in tax year 2007 and continuing through tax year 2024. The Corporation is also subject to New York State and City tax based on the higher of net income or capital. Current tax expense is \$8,599.

It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses. Therefore, no deferred tax assets have been recognized.

NOTE 15 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation has not conducted a study to determine 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. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation may utilize available cash, borrow funds, increase maintenance charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA
PATRICIA A. PRUSINSKI, CPA

FRANK LIONEL, CPA

Independent Auditor's Report
On Supplementary and Prospective Information

To The Board of Directors and Shareholders of
350 Bleecker Street Apartment Corporation:

Our report on our audits of the basic financial statements of 350 BLEECKER STREET APARTMENT CORPORATION for 2005 and 2004 appears on Page 1. The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information contained in the accompanying Supporting Schedules and Comparative Schedule of Income and Expenditures - Budget and Historical is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have compiled the accompanying forecast of 350 BLEECKER STREET APARTMENT CORPORATION for the year ending December 31, 2006, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance in the accompanying presentation or assumption. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

March 10, 2006 for Historical Statements
March 11, 2006 for Forecasted Statements

Marin & Montanye LLP

350 BLEECKER STREET APARTMENT CORPORATION

SUPPORTING SCHEDULES- BALANCE SHEETS

As of December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</u>		<u>Schedule 1</u>
Legal	\$ 5,990	\$ 2,450
Miscellaneous administrative and telephone	842	635
Fuel oil	4,538	-0-
Electricity	1,837	1,346
Gas	7,741	8,868
Water and sewer charges	-0-	1,306
Exterminating	41	241
Heating and plumbing repairs	4,407	3,405
Supplies and janitorial materials	626	349
Grounds expense	218	276
Payroll	4,670	4,246
Payroll taxes	291	136
General repairs and maintenance	-0-	625
Miscellaneous operating	-0-	1,745
New York City real estate taxes	3,453	-0-
Corporate taxes	<u>107</u>	<u>-0-</u>
<u>TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES</u>	<u>\$ 34,761</u>	<u>\$ 25,628</u>

See Accountant's Report

350 BLEECKER STREET APARTMENT CORPORATION

SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS

For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ADMINISTRATIVE EXPENSES</u>		<u>Schedule 2</u>
Management fee	\$ 44,462	43,167
Legal	9,883	8,161
Legal – Tax reduction	425	425
Auditing	8,875	8,600
Telephone	1,100	1,093
Consultants	400	1,433
Stationery, printing, miscellaneous administrative expenses	9,015	8,997
Insurance	<u>68,508</u>	<u>55,108</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 142,668</u>	<u>\$ 126,984</u>
<u>OPERATING EXPENSES</u>		<u>Schedule 3</u>
Electricity	\$ 29,683	\$ 19,093
Water and sewer charges	27,575	14,388
Gas heat	43,542	39,930
Domestic hot water	7,228	6,267
Cooking gas	4,574	3,483
Payroll	201,788	193,132
Payroll taxes	16,944	15,888
Payroll insurance	10,797	4,956
Employee benefits	43,549	30,969
Permits and miscellaneous operating	<u>1,641</u>	<u>3,714</u>
TOTAL OPERATING EXPENSES	<u>\$ 387,321</u>	<u>\$ 331,820</u>
<u>MAINTENANCE EXPENSES</u>		<u>Schedule 4</u>
Heating repairs	\$ 7,597	\$ 5,567
Plumbing repairs	1,005	11,139
Supplies	13,756	13,311
Grounds	11,699	9,974
Elevator repair and maintenance	38,735	13,642
Painting and plastering	9,350	3,460
Exterminating	2,805	2,862
Uniforms	68	213
Special repairs	5,500	19,370
Supplies and janitorial materials	<u>13,119</u>	<u>9,933</u>
TOTAL MAINTENANCE EXPENSES	<u>\$ 103,634</u>	<u>\$ 89,471</u>

See Accountant's Report.

350 BLEECKER STREET APARTMENT CORPORATION

SUPPORTING SCHEDULES – OPERATING EXPENSES

For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>TAXES</u>		<u>Schedule 5</u>
New York City real estate tax	\$ 467,283	450,533
New York State franchise taxes	6,425	2,908
New York City corporate tax	<u>2,174</u>	<u>2,008</u>
<u>TOTAL TAXES</u>	<u>\$ 475,882</u>	<u>455,449</u>
<u>FINANCIAL EXPENSES</u>		<u>Schedule 6</u>
Interest on mortgage – National Cooperative Bank	\$ 250,325	250,325
Other interest	<u>-0-</u>	<u>548</u>
<u>TOTAL FINANCIAL EXPENSES</u>	<u>\$ 250,325</u>	<u>\$ 250,873</u>
<u>DEPRECIATION AND AMORTIZATION</u>		<u>Schedule 7</u>
Building	\$ 383,377	\$ 383,377
Building equipment	13,255	10,124
Improvements	80,645	77,782
Amortization of mortgage costs	9,257	9,257
Amortization of credit line costs	<u>2,000</u>	<u>2,000</u>
<u>TOTAL DEPRECIATION AND AMORTIZATION</u>	<u>\$ 488,534</u>	<u>\$ 482,540</u>

See Accountant's Report.

COMPARATIVE SCHEDULE OF INCOME AND EXPENDITURES – BUDGET, HISTORICAL AND FORECAST

Years Ended December 31, 2005 and 2004 (Historical) and Year Ending December 31, 2006 (Forecasted)

	2005		2004	2006
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>
	<u>Unaudited</u>			
<u>INCOME</u>				
Maintenance charges	\$1,137,312 (1)	\$1,137,827 (1)	\$1,106,185	\$1,169,143 (1)
Special assessment	\$75,000	\$76,193	\$75,137	\$75,000
Apartment resale fees	57,415	11,440	114,830	80,000
Sublet fees 4,000	14,460	2,874	13,992	
Late charges	1,500	950	1,850	1,000
Storage	10,808	17,387	-0-	4,600
Commercial rent	86,000	86,000	86,000	86,000
Commercial rent escalation	5,337	13,057	7,962	10,675
Laundry income	9,988	14,273	8,340	11,416
Interest and dividend income	1,000	5,114	2,468	2,500
Miscellaneous	8,008	2,300	2,579	2,500
NCB patronage refund	-0-	1,269	35,080	-0-
Workers' compensation dividend	-0-	1,855	-0-	-0-
TOTAL INCOME	\$1,396,368	\$1,382,125	\$1,443,305	\$1,456,826
<u>EXPENDITURES</u>				
Management fee	44,462	44,462	43,167	44,462
Auditing	10,000	8,875	8,600	10,000
Legal and tax reduction	5,000	10,308	8,586	5,000
Telephone	4,748	1,100	1,093	4,748
Miscellaneous administrative expenses	6,523	9,015	8,997	6,523
Insurance	63,934	68,508	55,108	63,934
Consultants	1,200	400	1,433	1,200
Electricity	19,918	29,683	19,093	19,918
Water and sewer charges	19,361	27,575	14,388	19,361
Gas	58,200	55,344	49,680	58,200
Payroll	202,118	201,788	193,132	202,118
Payroll taxes	16,962	16,944	15,888	16,962
Payroll insurance	11,213	10,797	4,956	11,213
Employee benefits	33,546	43,549	30,969	33,546
Permits and miscellaneous operating	2,842	1,641	3,714	1,500
Plumbing and heating repairs	6,000	8,602	16,706	6,000
Supplies	20,000	13,756	13,311	6,000
Grounds	12,000	11,699	9,974	6,000
Elevator repairs and maintenance	10,445	38,735	13,642	10,445
Painting and plastering	3,000	9,350	3,460	10,445
Exterminating	3,000	2,805	2,862	3,000
Special repairs	-0-	5,500	19,370	-0-
Miscellaneous maintenance and repair	10,000	13,187	10,146	14,000
New York City real estate taxes	463,057	467,283	450,533	463,057
N.Y.S. and N.Y.C. corporate taxes	6,000	8,599	4,916	6,000
Mortgage interest	250,325	250,325	250,325	250,325
Other interest	-0-	-0-	548	-0-
Contingency	20,000	-0-	-0-	20,000
TOTAL EXPENDITURES	1,303,854	1,359,830	1,254,597	1,397,598
BUDGET SURPLUS (DEFICIT)	\$ 92,514			\$ 59,228
ACTUAL SURPLUS		\$ 22,295	\$ 188,708	

(1) Reflects a 2.8% increase effective January 1, 2005 and a 2.7% increase January 1, 2006.

See Accountant's Compilation Report and Summary of Significant Accounting Policies and Assumptions.

350 BLEECKER STREET APARTMENT CORPORATION

YEAR ENDING DECEMBER 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

- NOTE A: The financial forecast presents, to the best of management's knowledge and belief, the Company's expected results of operations for the forecast period. Accordingly, the forecast reflects its judgment, as of March 11, 2006, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein, are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
- NOTE B: Basis of Accounting - The accompanying forecast is presented using the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.
- NOTE C: Income Tax -The Corporation is subject to Federal income tax based on net income. The Corporation is also subject to New York State Franchise tax and New York City corporation tax based on the higher of net income or capital.
- NOTE D: Revenue - Maintenance charges have been computed reflecting an increase of 2.7% effective January 1, 2006.
- NOTE E: Expenses - Utility increases are due to increases in rates set by the appropriate agencies. Real estate taxes are computed based on the assessed valuation times the current tax rate of 12.396%.
- NOTE F: Debt - The accompanying forecast assumes the following debt:
1. Mortgage Payable - Based on monthly payments of \$20,860 each representing payments of interest only at a rate of 5.89% per annum.