

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2007

350 Bleecker Street Apartment Corp.
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Independent Auditors' Report

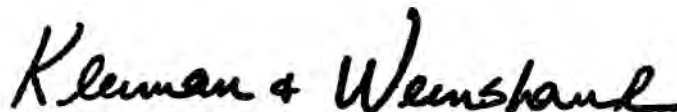
To the Shareholders of
350 Bleecker Street Apartment Corp.

We have audited the accompanying balance sheet of 350 Bleecker Street Apartment Corp. as of December 31, 2007, and the related statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the corporation. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of 350 Bleecker Street Apartment Corp. as of December 31, 2006, were audited by other auditors whose report dated July 11, 2007, expressed an unqualified opinion on those statements.

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 Corp. as of December 31, 2007, and the results of its operations, changes in shareholders' equity, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The corporation has not presented the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be part of, the basic financial statements.



New York, New York
June 19, 2008

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Cash	\$ 309,921	\$ 231,790
Investments	219,530	209,182
Due From Shareholders	1,172	16,759
Due From Commercial Tenant	104,105	45,841
Prepaid Expenses	18,346	17,802
Property and Equipment – Net	4,370,188	4,375,857
Mortgage Costs – Net	<u>56,283</u>	<u>67,540</u>
Total Assets	<u>\$ 5,079,545</u>	<u>\$ 4,964,771</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 76,608	\$ 61,428
Capital Improvements Payable	49,303	82,780
Abatements Due to Shareholders	40,268	25,602
Maintenance Charges Received in Advance	3,169	2,078
Mortgage Payable	<u>4,250,000</u>	<u>4,250,000</u>
Total Liabilities	<u>\$ 4,419,348</u>	<u>\$ 4,421,888</u>
Shareholders' Equity		
Capital Stock	17,244	17,244
Additional Paid in Capital	10,660,735	10,660,735
Retained Earnings (Deficit)	(10,017,782)	(10,134,907)
Other Comprehensive Income (Loss):		
Net Unrealized Loss	<u>0</u>	<u>(189)</u>
Total Shareholders' Equity	<u>660,197</u>	<u>542,883</u>
Total Liabilities and Shareholders' Equity	<u>\$ 5,079,545</u>	<u>\$ 4,964,771</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2007 and 2006

	2007	2006
Income		
Maintenance Charges	\$ 1,198,113	\$ 1,168,669
Less: Abatements	(85,652)	(76,389)
Operating Assessments	87,986	76,726
Commercial Rent	137,097	110,823
Transfer Fees	210,420	132,300
Sublet Fees	20,964	17,052
Investment Income	16,274	10,273
Laundry Income	12,141	14,209
NCB Patronage Dividends	960	1,529
Other Income	<u>18,247</u>	<u>14,948</u>
Total Income	<u>1,616,550</u>	<u>1,470,140</u>
Expenses		
Real Estate Taxes	558,062	501,700
Less: Abatements	(85,652)	(76,389)
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	299,862	265,551
Utilities and Heating	98,847	101,926
Water and Sewer	20,568	19,626
Repairs and Maintenance	104,485	97,640
Insurance	53,461	60,807
Management Fees	48,296	46,018
Professional Fees	27,004	42,093
Corporation Taxes	5,995	5,917
Office and Administration	<u>7,246</u>	<u>3,241</u>
Total Expenses	<u>1,388,499</u>	<u>1,318,455</u>
Income From Operations	228,051	151,685
Depreciation and Amortization	<u>(110,926)</u>	<u>(370,089)</u>
Net Income (Loss)	<u><u>\$ 117,125</u></u>	<u><u>\$ (218,404)</u></u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholders' Equity
For the Years Ended December 31, 2007 and 2006

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Other Comprehensive Income (Loss)
Balance - December 31, 2005	\$ 17,244	\$10,660,735	\$ (9,916,503)	\$ 0
Net Income (Loss)	0	0	(218,404)	0
Net Unrealized Gain (Loss) on Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(189)</u>
Balance - December 31, 2006	\$ 17,244	\$ 10,660,735	\$ (10,134,907)	(189)
Net Income	0	0	117,125	0
Net Unrealized Gain (Loss) on Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(189)</u>
Balance - December 31, 2007	<u>\$ 17,244</u>	<u>\$10,660,735</u>	<u>\$(10,017,782)</u>	<u>0</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ <u>117,125</u>	\$ <u>(218,404)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	110,926	370,089
(Increase) decrease in due from shareholders	15,587	30,688
(Increase) decrease in due from commercial tenant	(58,264)	(11,769)
(Increase) decrease in prepaid expenses	(544)	26,167
Increase (decrease) in accounts payable	(18,297)	81,027
Increase (decrease) in due to shareholders	14,666	7,699
Increase (decrease) in maintenance in advance	<u>1,091</u>	<u>1,226</u>
Total adjustments	<u>65,165</u>	<u>505,127</u>
Net cash provided (used) by operating activities	<u>182,290</u>	<u>286,723</u>
Cash flows from investing activities:		
Additions to property and equipment	(94,000)	(271,066)
Increase in investments	(10,348)	(8,792)
Net unrealized gain (loss) on investments	<u>189</u>	<u>(189)</u>
Net cash provided (used) by investing activities	<u>(104,159)</u>	<u>(280,047)</u>
Net increase (decrease) in cash and equivalents	78,131	6,676
Cash and equivalents, beginning of year	<u>231,790</u>	<u>225,114</u>
Cash and equivalents, end of year	<u><u>309,921</u></u>	<u><u>231,790</u></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, 2007

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 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, 2007, the sponsor owned 26 apartments and was the tenant under the commercial lease (see Note 5). Maintenance charges, operating assessments and commercial rent applicable to the sponsor totaled approximately \$410,000 (31% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2007.

The corporation is authorized to issue 17,244 shares of \$1 par value capital stock of which 17,244 shares are issued and outstanding at December 31, 2007 and 2006.

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.

Investments, which at December 31, 2007 consist of a Merrill Lynch Ready Asset Fund and two (2) Bank Certificates of Deposit (maturing in January and March 2008), are stated at cost, adjusted for amortization of premiums and discounts, which approximates fair value.

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 \$113,000 are amortized over the term of the loans.

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

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2007

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.

Certain reclassifications have been made to the December 31, 2006 financial statements to conform to the December 31, 2007 financial statement presentation.

Note 3 - Property and Equipment:

Property and equipment consists of the following at December 31,:

	<u>2007</u>	<u>2006</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, Furniture and Fixtures	<u>2,443,981</u>	<u>2,349,981</u>
	15,766,686	15,672,686
Less: Accumulated Depreciation	<u>11,396,498</u>	<u>11,296,829</u>
	<u>\$ 4,370,188</u>	<u>\$ 4,375,857</u>

Note 4 - Mortgage Indebtedness:

Indebtedness consists of a mortgage note payable to National Consumer Cooperative Bank ("NCB") in the amount of \$4,250,000. The mortgage, which matures February 1, 2013, requires monthly payments of interest only at the rate of 5.89% per annum. Prepayment prior to August 1, 2011 is prohibited. Thereafter, prepayment is subject to penalties, as set forth in the agreement.

In addition, the corporation has available a line of credit with NCB, secured by a second mortgage. The line of credit, which matures February 1, 2013, requires payments of interest only at NCB's Base Rate plus 1.35%. Under the terms of the agreement, \$2,000,000 of the line of credit is restricted and can only be used for any judgments levied in connection with specific legal actions, which were settled in July 2003. At December 31, 2007, the corporation had \$1,000,000 (the portion not restricted to the specific legal actions) available on this line of credit.

Note 5 - Commercial Rent:

The corporation has entered into a master lease agreement with the sponsor for its

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2007

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, however, these additional rents may not exceed 75% of the total sublease rents collected by the sponsor.

Note 6 - Real Estate Taxes:

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are either credited against the real estate tax due on the property, or distributed directly to shareholders by New York State and New York City. The corporation is required to pass on the abatements credited against the real estate tax due on the property to the eligible shareholders. For the years ended December 31, 2007 and 2006, abatements received by the corporation totaled \$85,652 and \$76,389, respectively.

Note 7 - Income Taxes:

The corporation is subject to taxation as a cooperative corporation for federal, state and local purposes. As a cooperative corporation, an allocation of patronage and nonpatronage income and expenses is required. Expenses attributable to the generation of patronage income (income from business done with or for tenant-shareholders) are deductible only to the extent of patronage income. Patronage income in excess of allocable expenses may be subject to income tax. Nonpatronage income (income from activities not from business done with or for the tenant-shareholders, which merely enhances the overall profitability of the cooperative) in excess of allocable expenses, is subject to income tax. The corporation believes that all its income is patronage income.

At December 31, 2007, the corporation had a net operating loss carryover of approximately \$6,500,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2026. 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.

Note 8 - Retirement Plan:

The corporation has instituted a SIMPLE retirement plan for its employees, for which contributions by the corporation are discretionary. For the years ended December 31, 2007 and 2006, contributions to this plan by the corporation totaled \$8,919 and \$7,353, respectively.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2007

Note 9 - 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. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation has the right to borrow, utilize available cash, increase maintenance charges, impose special assessments, 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 10 - Concentration of Credit Risk:

The corporation maintains cash balances and investments at institutions insured up to \$100,000 by the Federal Deposit Insurance Corporation ("FDIC") and up to \$500,000 by the Securities Investor 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, these balances may exceed insured levels.

Note 11 - Shareholder Information:

The percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 54% for the year ended December 31, 2007.

A portion of monthly maintenance charges applicable to the payment of principal on the mortgage indebtedness, and special assessments earmarked for capital expenditures, 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, :

2003 – 2007	\$ 0.00
2002	1.82
2001	1.55
2000	7.92

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**Independent Auditors' Report
on Supplementary Information**

To the Shareholders of
350 Bleecker Street Apartment Corp.

The statements of Actual vs. Budget and Expense Analysis by Percentage are supplementary information presented for purposes of additional analysis only. They are not a required part of the basic financial statements of 350 Bleecker Street Apartment Corp., nor are they intended to be in accordance with accounting principles generally accepted in the United States of America. Accordingly, we express no opinion on them.

Kleiman & Weinshank

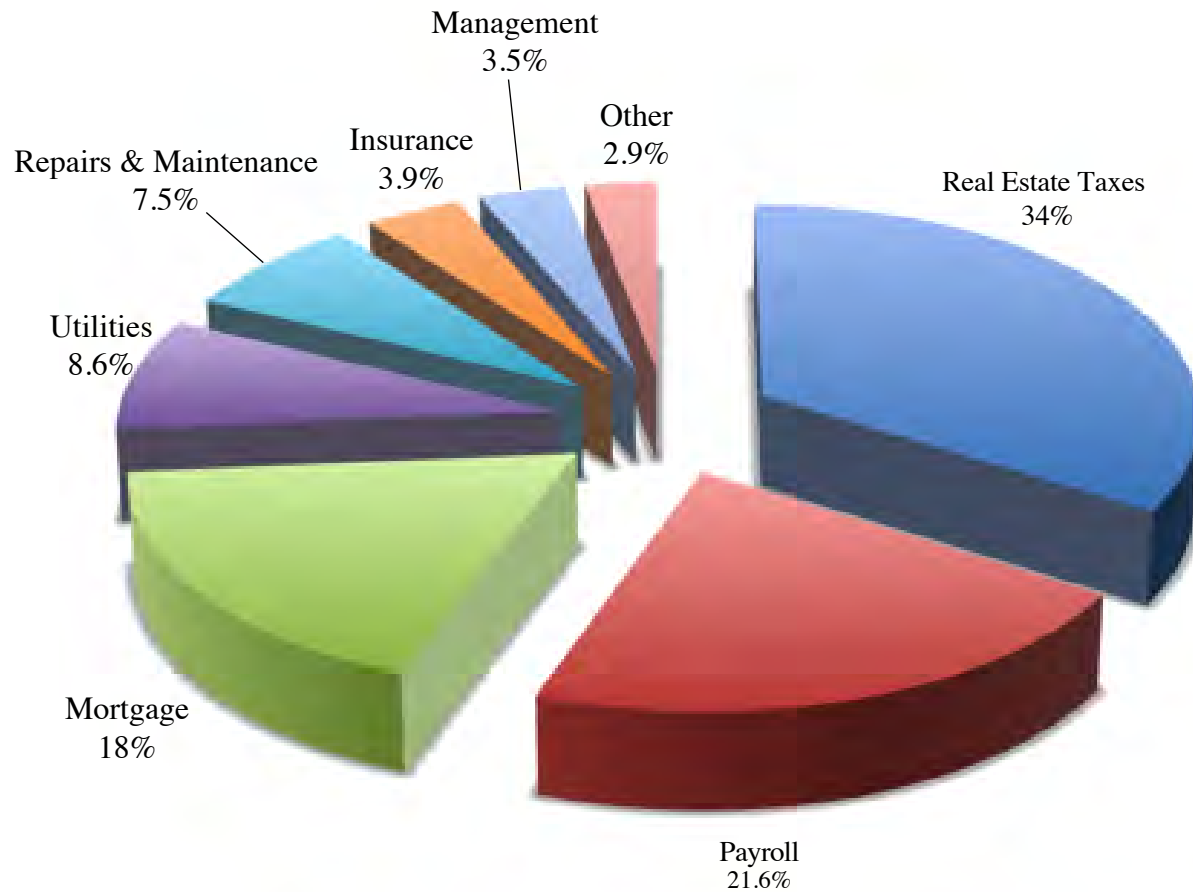
New York, New York
June 19, 2008

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2007

	Actual	Budget
Income		
Maintenance Charges	\$ 1,198,113	\$ 1,168,669
Less: Abatements	-85,652	0
Operating Assessment	87,986	80,000
Commercial Rent	137,097	92,000
Transfer Fees	210,420	0
Sublet Fees	20,964	17,000
Investment Income	16,274	1,500
Laundry Income	12,141	14,000
NCB Patronage Dividends	960	0
Other Income	18,247	10,312
Total Income	<u>1,616,550</u>	<u>1,412,925</u>
Expenses		
Real Estate Taxes	558,062	548,265
Less: Abatements	(85,652)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	299,862	267,936
Utilities and Heating	98,847	98,500
Water and Sewer	20,568	25,000
Building Supplies	25,363	22,500
Elevator Maintenance	10,897	10,263
Other Repairs and Maintenance	68,225	53,288
Insurance	53,461	56,239
Management Fees	48,296	47,859
Professional Fees	27,004	20,400
Corporation Taxes	5,995	7,500
Office and Administration	7,246	4,850
Total Expenses	<u>1,388,499</u>	<u>1,412,925</u>
Income From Operations	<u>228,051</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, 2007



See independent auditors' report on supplementary information