

**350 Bleecker Street Apartment Corp.**

**Financial Statements**

**December 31, 2010**

**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 sheets of 350 Bleecker Street Apartment Corp. as of December 31, 2010 and 2009, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. 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 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 audits provide 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, 2010 and 2009, 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.

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.

*Kleiman & Weinshank*

New York, New York  
June 2, 2011

**350 Bleecker Street Apartment Corp.**  
**Balance Sheets**  
**December 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Cash	\$ 245,967	\$ 258,970
Investments	83,949	44,007
Due From Shareholders	2,382	6,856
Due From Commercial Tenant (Note 5)	942,155	839,136
Provision For Receivable in Dispute (Note 5)	(942,155)	(839,136)
Real Estate Tax Refunds Receivable	0	16,121
Prepaid Expenses	39,353	45,233
Escrow Deposit	0	10,000
Property and Equipment - Net	4,317,895	4,413,642
Mortgage Costs - Net	22,512	33,769
Security Deposits Held	<u>0</u>	<u>10,805</u>
<b>Total Assets</b>	<b><u>\$ 4,712,058</u></b>	<b><u>\$ 4,839,403</u></b>

**Liabilities and Shareholders' Equity**

**Liabilities**

Accounts Payable and Accrued Expenses	\$ 84,995	\$ 64,148
Capital Improvements Payable	0	15,494
Abatements Due to Shareholders	60,787	57,065
Income Received in Advance	2,596	3,536
Mortgage Payable	4,250,000	4,250,000
Security Deposits Payable	<u>18,000</u>	<u>19,305</u>
<b>Total Liabilities</b>	<b><u>4,416,378</u></b>	<b><u>4,409,548</u></b>

**Shareholders' Equity**

Capital Stock	17,244	17,244
Additional Paid in Capital	10,660,735	10,660,735
Retained Earnings (Deficit)	<u>(10,382,299)</u>	<u>(10,248,124)</u>
<b>Total Shareholders' Equity</b>	<b><u>295,680</u></b>	<b><u>429,855</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 4,712,058</u></b>	<b><u>\$ 4,839,403</u></b>

See accompanying notes to financial statements.

**350 Bleecker Street Apartment Corp.**  
**Statements of Operations**  
**For the Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Income</b>		
Maintenance Charges	\$ 1,374,002	\$ 1,330,854
Less: Abatements	(124,529)	(112,347)
Operating Assessments	114,673	100,015
Commercial Rent	86,000	86,000
Transfer Fees	93,480	74,200
Sublet Fees	47,028	31,169
Investment Income	697	953
Laundry Income	24,715	25,705
Other Income	<u>25,989</u>	<u>22,773</u>
<b>Total Income</b>	<u>1,642,055</u>	<u>1,559,322</u>
<b>Expenses</b>		
Real Estate Taxes	766,481	704,883
Less: Abatements	(124,529)	(112,347)
Less: Refunds	0	(16,121)
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	331,329	322,719
Electric and Gas	28,203	23,242
Heating	54,524	55,694
Water and Sewer	28,726	25,643
Repairs and Maintenance	87,158	97,588
Insurance	51,646	49,548
Management Fees	51,000	51,000
Professional Fees	118,949	25,709
Corporation Taxes	10,945	10,301
Office and Administration	<u>6,125</u>	<u>2,909</u>
<b>Total Expenses</b>	<u>1,660,882</u>	<u>1,491,093</u>
<b>Income (Loss) From Operations</b>	(18,827)	68,229
<b>Other Items</b>		
Provision For Receivable in Dispute (Note 5)	0	(151,175)
Depreciation and Amortization	<u>(115,348)</u>	<u>(119,004)</u>
<b>Net Income (Loss)</b>	<u>\$ (134,175)</u>	<u>\$ (201,950)</u>

See accompanying notes to financial statements.

**350 Bleecker Street Apartment Corp.**  
**Statements of Shareholder's Equity**  
**For the Years Ended December 31, 2010 and 2009**

	<b>Capital Stock</b>	<b>Additional Paid In Capital</b>	<b>Retained Earnings (Deficit)</b>
<b>Balance - December 31, 2008</b>	\$ 17,244	\$ 10,660,735	\$ (10,046,174)
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(201,950)</u>
<b>Balance - December 31, 2009</b>	17,244	10,660,735	(10,248,124)
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(134,175)</u>
<b>Balance - December 31, 2010</b>	<u>\$ 17,244</u>	<u>\$ 10,660,735</u>	<u>\$ (10,382,299)</u>

See accompanying notes to financial statements

**350 Bleecker Street Apartment Corp.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ <u>(134,175)</u>	\$ <u>(201,950)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	115,348	119,004
Provision for receivable in dispute	103,019	839,136
(Increase) decrease in due from shareholders	4,474	2,452
(Increase) decrease in due from commercial tenant	(103,019)	(687,961)
(Increase) decrease in real estate tax refunds receivable	16,121	(16,121)
(Increase) decrease in prepaid expenses	5,880	(27,200)
(Increase) decrease in escrow deposit	10,000	(10,000)
Increase (decrease) in accounts payable	5,353	(4,782)
Increase (decrease) in due to shareholders	3,722	11,884
Increase (decrease) in charges received in advance	(940)	(3,248)
Increase (decrease) in security deposits payable	<u>9,500</u>	<u>8,500</u>
Total adjustments	<u>169,458</u>	<u>231,664</u>
<b>Net cash provided (used) by operating activities</b>	<u>35,283</u>	<u>29,714</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(8,344)	(14,633)
Increase in investments	<u>(39,942)</u>	<u>(37)</u>
<b>Net cash provided (used) by investing activities</b>	<u>(48,286)</u>	<u>(14,670)</u>
<b>Net increase (decrease) in cash and equivalents</b>	(13,003)	15,044
<b>Cash and equivalents, beginning of year</b>	<u>258,970</u>	<u>243,926</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 245,967</u>	<u>\$ 258,970</u>
<b>Supplemental disclosures of cash flow information:</b>		
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, 2010**

**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, 2010, the sponsor owned 23 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 \$350,000 (24% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2010.

The corporation is authorized to issue shares of \$1 par value capital stock, of which 17,244 are issued and outstanding at December 31, 2010 and 2009.

**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 are stated at cost, which approximates fair value. At December 31, 2010, investments 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 \$113,000 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 to provide funds for major repairs, replacements, and improvements. These charges and assessments are recognized as income by the corporation when billed.

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.



**350 Bleecker Street Apartment Corp.**  
**Notes to Financial Statements**  
**December 31, 2010**

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 June 2, 2011, which is the date the financial statements were 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>2010</u>	<u>2009</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>2,712,505</u>	<u>2,704,161</u>
	16,035,210	16,026,866
Less: Accumulated Depreciation	<u>11,717,315</u>	<u>11,613,224</u>
	<u>\$ 4,317,895</u>	<u>\$ 4,413,642</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, secured by the land and building. 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

**350 Bleecker Street Apartment Corp.**  
**Notes to Financial Statements**  
**December 31, 2010**

a second mortgage. The line of credit, which also 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, 2010, 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 is the landlord under a master lease agreement with the sponsor for its commercial space and parking garage. The lease, which expires July 31, 2060, requires minimum rent of \$86,000 per annum, subject to escalation. In addition, the corporation is entitled to additional rents and certain operating expenses in excess of base amounts. However, these additional rents may not exceed 75% of the total sublease rents and additional rents collected by the sponsor.

The corporation has asserted a claim against the sponsor as tenant under the master lease agreement for more than \$900,000 in escalations of the annual rent for the period from and after July 1, 2003. The sponsor has disputed the corporation's claim and the parties are proceeding with arbitration to settle. In light of the dispute, a provision for receivable in dispute has been recorded in the accompanying financial statements.

**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 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, 2010 and 2009, abatements received by the corporation totaled \$124,529 and \$112,347, respectively.

In September 2009, the corporation obtained a reduction in the assessed value of its property which resulted in real estate tax refunds totaling \$16,121 for the period July 1, 2008 to September 30, 2009, and additional real estate tax reductions in future years. Legal fees in connection with the reduction in the assessed value totaled approximately \$22,000, of which approximately \$8,000 relates to periods through December 31, 2010, with recognition of the the remaining fees deferred to future years when the benefit of the reductions will be realized.

**350 Bleecker Street Apartment Corp.**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 7 - 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 all its activity is patronage, and for the years ended December 31, 2010 and 2009, no provision for income tax is required. The corporation also believes that if certain of its activities are determined to be nonpatronage, the expenses allocable to such activities would result in no taxable income.

At December 31, 2010, the corporation had a net operating loss carryover of approximately \$5,400,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2030. 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 8 - Retirement Plan:**

The corporation has instituted a SIMPLE retirement plan for its employees, for which contributions by the corporation are discretionary. For each of the years ended December 31, 2010 and 2009, the corporation's contributions to this plan totaled approximately \$9,000.

**Note 9 - Future Major Repairs and Replacements:**

The corporation has not presented a study of the remaining useful lives of the

**350 Bleecker Street Apartment Corp.**  
**Notes to Financial Statements**  
**December 31, 2010**

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 by the Federal Deposit Insurance Corporation ("FDIC") and 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:**

Special assessments earmarked for capital improvements and the portion of monthly 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:

2003 - 2010	\$ 0.00
2002	1.82
2001	1.55
2000	7.92

For the year ended December 31, 2010, the percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 62%.

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**Independent Auditors' Report  
on Supplementary Information**

To the Shareholders of  
350 Bleeker 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 Bleeker 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*

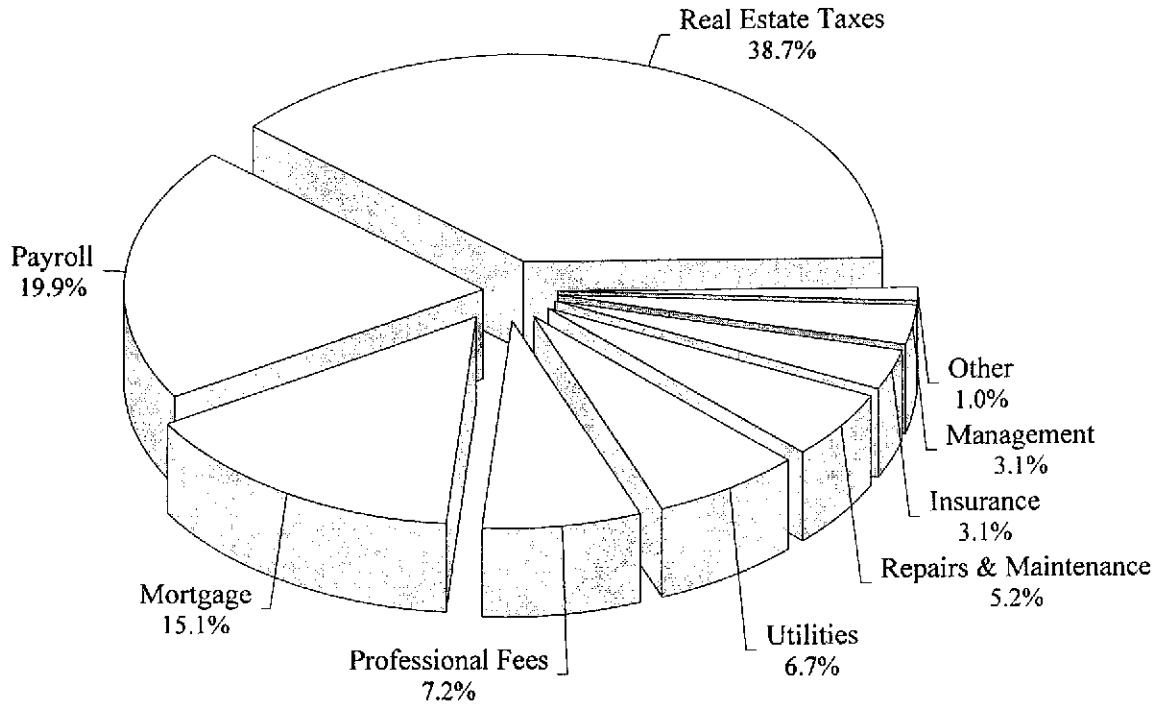
New York, New York  
June 2, 2011

**350 Bleecker Street Apartment Corp.**  
**Actual vs. Budget**  
**For the Year Ended December 31, 2010**

	Actual	Budget
<b>Income</b>		
Maintenance Charges	\$ 1,374,002	\$ 1,374,002
Less: Abatements	(124,529)	0
Operating Assessment	114,673	100,000
Commercial Rent	86,000	92,000
Transfer Fees	93,480	0
Sublet Fees	47,028	42,516
Investment Income	697	500
Laundry Income	24,715	25,000
Other Income	<u>25,989</u>	<u>23,880</u>
<b>Total Income</b>	<u>1,642,055</u>	<u>1,657,898</u>
<b>Expenses</b>		
Real Estate Taxes	766,481	745,889
Less: Abatements	(124,529)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	331,329	300,929
Electric and Gas	28,203	29,000
Heating	54,524	75,648
Water and Sewer	28,726	26,458
Building Supplies	27,656	30,000
Elevator Maintenance	11,571	11,091
Other Repairs and Maintenance	47,931	46,650
Insurance	51,646	50,674
Management Fees	51,000	51,000
Professional Fees	118,949	23,500
Corporation Taxes	10,945	10,000
Office and Administration	<u>6,125</u>	<u>6,100</u>
<b>Total Expenses</b>	<u>1,660,882</u>	<u>1,657,264</u>
<b>Income (Loss) From Operations</b>	<u>\$ (18,827)</u>	<u>\$ 634</u>

See independent auditors' report on supplementary information.

**350 Bleecker Street Apartment Corp.**  
**Expense Analysis by Percentage**  
**For the Year Ended December 31, 2010**



See independent auditors' report on supplementary information