

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2011

350 Bleecker Street Apartment Corp.
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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.

We have audited the accompanying balance sheets of 350 Bleecker Street Apartment Corp. as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 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 information.

Kleiman & Weinshank

New York, New York
April 12, 2012

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2011 and 2010

	2011	2010
Assets		
Cash	\$ 234,091	\$ 245,967
Investments	83,886	83,949
Due From Shareholders	8,041	2,382
Due From Commercial Tenant (Note 5)	329,332	942,155
Provision For Receivable in Dispute (Note 5)	0	(942,155)
Prepaid Expenses	33,940	39,353
Property and Equipment - Net	4,233,267	4,317,895
Mortgage Costs - Net	<u>11,255</u>	<u>22,512</u>
Total Assets	<u>\$ 4,933,812</u>	<u>\$ 4,712,058</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 149,790	\$ 84,995
Abatements Due to Shareholders	72,782	60,787
Income Received in Advance	1,168	2,596
Mortgage Payable	4,250,000	4,250,000
Security Deposits Payable	<u>22,500</u>	<u>18,000</u>
Total Liabilities	<u>4,496,240</u>	<u>4,416,378</u>
Shareholders' Equity		
Capital Stock	17,244	17,244
Additional Paid in Capital	10,660,735	10,660,735
Retained Earnings (Deficit)	<u>(10,240,407)</u>	<u>(10,382,299)</u>
Total Shareholders' Equity	<u>437,572</u>	<u>295,680</u>
Total Liabilities and Shareholders' Equity	<u>\$ 4,933,812</u>	<u>\$ 4,712,058</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2011 and 2010

	2011	2010
Income		
Maintenance Charges	\$ 1,456,773	\$ 1,374,002
Less: Abatements	(134,496)	(124,529)
Operating Assessments	126,360	114,673
Commercial Rent	149,230	86,000
Transfer Fees	31,370	93,480
Sublet Fees	43,263	47,028
Investment Income	448	697
Laundry Income	26,690	24,715
Other Income	<u>31,116</u>	<u>25,989</u>
Total Income	<u>1,730,754</u>	<u>1,642,055</u>
Expenses		
Real Estate Taxes	866,975	766,481
Less: Abatements	(134,496)	(124,529)
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	337,076	331,329
Electric and Gas	24,888	28,203
Heating	48,159	54,524
Water and Sewer	29,602	28,726
Repairs and Maintenance	100,124	87,158
Insurance	51,900	51,646
Management Fees	51,765	51,000
Professional Fees	99,572	118,949
Corporation Taxes	15,549	10,945
Office and Administration	<u>4,320</u>	<u>6,125</u>
Total Expenses	<u>1,745,759</u>	<u>1,660,882</u>
Income (Loss) From Operations	(15,005)	(18,827)
Other Items		
Commercial Rent Settlement - Prior Years (Note 5)	266,102	0
Depreciation and Amortization	<u>(109,205)</u>	<u>(115,348)</u>
Net Income (Loss)	<u>\$ 141,892</u>	<u>\$ (134,175)</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholder's Equity
For the Years Ended December 31, 2011 and 2010

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)
Balance - December 31, 2009	\$ 17,244	\$ 10,660,735	\$ (10,248,124)
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(134,175)</u>
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	<u>\$ 17,244</u>	<u>\$ 10,660,735</u>	<u>\$ (10,240,407)</u>

See accompanying notes to financial statements

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ <u>141,892</u>	\$ <u>(134,175)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,205	115,348
Provision for (recovery of) receivable in dispute	(942,155)	103,019
(Increase) decrease in due from shareholders	(5,659)	4,474
(Increase) decrease in due from commercial tenant	612,823	(103,019)
(Increase) decrease in real estate tax refunds receivable	0	16,121
(Increase) decrease in prepaid expenses	5,413	5,880
(Increase) decrease in escrow deposit	0	10,000
Increase (decrease) in accounts payable	64,795	5,353
Increase (decrease) in due to shareholders	11,995	3,722
Increase (decrease) in charges received in advance	(1,428)	(940)
Increase (decrease) in security deposits payable	<u>4,500</u>	<u>9,500</u>
Total adjustments	<u>(140,511)</u>	<u>169,458</u>
Net cash provided (used) by operating activities	<u>1,381</u>	<u>35,283</u>
Cash flows from investing activities:		
Additions to property and equipment	(13,320)	(8,344)
(Increase) decrease in investments	<u>63</u>	<u>(39,942)</u>
Net cash provided (used) by investing activities	<u>(13,257)</u>	<u>(48,286)</u>
Net increase (decrease) in cash and equivalents	(11,876)	(13,003)
Cash and equivalents, beginning of year	<u>245,967</u>	<u>258,970</u>
Cash and equivalents, end of year	<u>\$ 234,091</u>	<u>\$ 245,967</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, 2011

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, 2011, the sponsor owned 22 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 \$360,000 (23% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2011.

The corporation is authorized to issue shares of \$1 par value capital stock, of which 17,244 are issued and outstanding at December 31, 2011 and 2010.

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, 2011, 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, 2011

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 April 12, 2012, 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>2011</u>	<u>2010</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>2,725,825</u>	<u>2,712,505</u>
	16,048,530	16,035,210
Less: Accumulated Depreciation	<u>11,815,263</u>	<u>11,717,315</u>
	<u>\$ 4,233,267</u>	<u>\$ 4,317,895</u>

Note 4 - Mortgage Indebtedness:

Indebtedness consists of a \$4,250,000 mortgage note payable to National Consumer Cooperative Bank ("NCB"). The mortgage is secured by the land and building, requires monthly payments of interest only at the rate of 5.89% per annum, and matures February 1, 2013. Prepayment is subject to penalties, as set forth in the agreement.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2011

In addition, the corporation has available a line of credit with NCB, secured by a second mortgage on the property. 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, 2011, 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. 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 agreement for more than \$900,000 in additional rents (see above) for the period from and after July 1, 2003, which was disputed by the sponsor. On January 31, 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 for the year ended December 31, 2011 (included in Commercial Rent on the accompanying Statements of Operations) and \$266,102 represents additional rents for real estate taxes and certain operating expenses through December 31, 2010.

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, 2011 and 2010, abatements received by the corporation totaled \$134,496 and \$124,529, respectively.

Note 7 - Corporation Taxes:

The corporation is subject to taxation as a cooperative corporation for

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2011

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, 2011 and 2010, 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, 2011, the corporation had a net operating loss carryover of approximately \$4,800,000 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 - 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.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2011

Note 9 - 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, account balances may exceed insured levels.

Note 10 - Shareholder Information:

Special assessments 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:

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

For the year ended December 31, 2011, the percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 64%.

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5th Floor
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**Independent Auditors' Report
on Supplementary Information**

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

Our audit was 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 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the corporation's management and 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 audit 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.

Kleiman & Weinshank

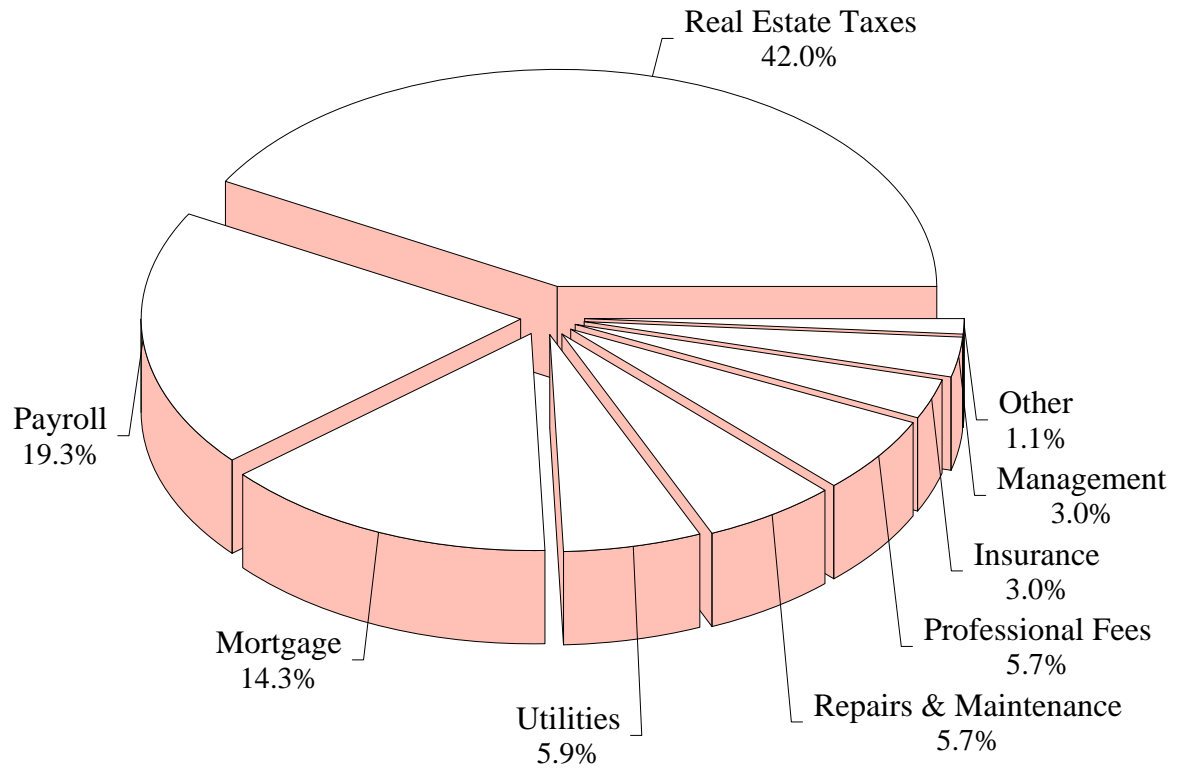
New York, New York
April 12, 2012

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2011

	Actual	Budget
Income		
Maintenance Charges	\$ 1,456,773	\$ 1,456,490
Less: Abatements	(134,496)	0
Operating Assessment	126,360	120,000
Commercial Rent	149,230	86,000
Transfer Fees	31,370	0
Sublet Fees	43,263	49,932
Investment Income	448	500
Laundry Income	26,690	25,000
Other Income	<u>31,116</u>	<u>29,800</u>
Total Income	<u>1,730,754</u>	<u>1,767,722</u>
Expenses		
Real Estate Taxes	866,975	815,079
Less: Abatements	(134,496)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	337,076	312,602
Electric and Gas	24,888	29,000
Heating	48,159	58,000
Water and Sewer	29,602	31,827
Building Supplies	27,368	30,000
Elevator Maintenance	11,842	11,309
Other Repairs and Maintenance	60,914	75,056
Insurance	51,900	55,509
Management Fees	51,765	51,765
Professional Fees	99,572	26,500
Corporation Taxes	15,549	15,000
Office and Administration	<u>4,320</u>	<u>5,750</u>
Total Expenses	<u>1,745,759</u>	<u>1,767,722</u>
Income (Loss) From Operations	<u><u>\$ (15,005)</u></u>	<u><u>\$ 0</u></u>

See independent auditors' report on supplementary information.

**350 Bleecker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2011**



See independent auditors' report on supplementary information