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## SPECIAL RISKS

### Mortgage Balloon Payment

The premises will be purchased subject to a ten-year wrap-around mortgage to be given to the Sponsor at the closing in the sum of \$3,000,000 with constant monthly payments of \$25,000 interest only. Since principal will not be amortized over the life of the wrap-around mortgage loan, at the end of the ten-year period the Apartment Corporation will be required to pay to the Sponsor the \$3,000,000 in principal which will then be due. See "Terms of the Mortgages Which Will Affect the Property."

Accordingly, the Apartment Corporation will have to make arrangements to pay such mortgage when due, either from funds collected from the purchasers of the Apartments (by assessments or increased monthly payments or otherwise) or from financing obtained from a bank or other source. There can be no assurance as to the availability or terms of such financing.

### Long Term Master Lease of Commercial Space

At the closing of title the Apartment Corporation will give to the Sponsor or its designee a Master Commercial Lease covering all of the commercial space in the building, including the garage. The term of the Master Commercial Lease will be 75 years. The rental will be \$86,000 plus (a) certain limited increases in operating expenses and (b) increases in real estate taxes attributable to the commercial space in excess of such taxes for 1984-1985, but not more than 12 percent of the total increases in real estate taxes for the whole building, over such base period. The sponsor will be entitled to any profit on the Master Commercial Lease and will bear any risk of loss relating thereto. The Apartment Corporation will bear certain costs such as fuel and certain repairs. See "Master Commercial Lease".

### Fire and Rent Insurance

The building is covered for fire insurance for \$6,320,000. Although it has been agreed by the insurance company that this amount will be sufficient to prevent coinsurance under the policy, it is unlikely that it would be sufficient to cover the reconstruction of the building in the event of total destruction. The rent insurance of \$400,000 would only cover operating expenses for less than six months. In the event of major damage to the building, it is unlikely that maintenance payments would recommence within such period.

## INTRODUCTION

This Plan contains all of the detailed terms of the transaction. Copies of this Plan, all documents referred to herein and all Exhibits submitted to the Department of Law in connection herewith will be available for inspection, without charge, and for copying, at a reasonable charge, to prospective purchasers and their attorneys at the office of the Sponsor.

**THE PURCHASE OF A COOPERATIVE APARTMENT HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ THIS OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING A SUBSCRIPTION (OR PURCHASE) AGREEMENT.**

### Nature of the Transaction

The building at 350 Bleecker Street, New York, New York (the "Building") and the land on which it is erected are owned by Bleecker Charles Company (the "Sponsor"), a New York limited partnership of which Kenneth B. Newman is the managing partner. Such building and land are hereinafter collectively called the "Property". Sponsor has entered into an agreement (the "Contract of Sale") to sell the Property to 350 Bleecker Street Apartment Corp. (the "Apartment Corporation"). In the event this Plan is declared effective and is thereafter consummated, Sponsor will convey legal title to the Property to the Apartment Corporation. Accordingly, upon consummation of this Plan, the Apartment Corporation will become the legal owner of the Property.

### The Offer

Under this Plan, the Apartment Corporation is offering its shares for sale to individuals 18 years of age and over to raise funds to purchase the Property from Sponsor. A total of 17,202 shares of capital stock of the Apartment Corporation have been allocated in blocks to 137 residential apartments and are initially being offered for sale at a total cash sum (i.e., "Total Cash Payment") of \$600 per share to existing tenants for the first 90 days from the date this Plan is presented to them. See Schedule A. During such period there will be no increase in prices and the Sponsor will not accept Subscriptions from non-tenant purchasers for occupied units. No shares have been allocated to the apartment occupied by the superintendent. All apartments are subject to the rent stabilization laws.

This is a non-eviction plan. No non-purchasing tenant may be evicted by application of Section 352-eee or 352-eeee of the General Business Law or the rent regulatory laws or after the expiration of his lease. See "Rights of Existing Tenants n,

The purchaser of a cooperative apartment buys shares of the Corporation (the Apartment corporation) which owns the building in which the apartment is located. Ownership of the shares entitles the purchaser to a special lease of his apartment commonly known as a proprietary lease. As a shareholder he will have the right to vote annually for the Board of Directors which will conduct the affairs of the Apartment Corporation and supervise the operation of the building. As a lessee, he will pay as rent (customarily called maintenance charges) a proportionate share of the Apartment Corporation's cash requirements for the operation and maintenance of the building and creation of such reserve for contingencies as the Board of Directors may deem proper.

The prices for the blocks of shares allocated to the various apartments in the building are found in Schedule A at pages 8-8d. THESE PRICES HAVE BEEN SET BY THE SPONSOR AND ARE NOT SUBJECT TO APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENTAL AGENCY. The estimated annual maintenance charges for each apartment for the first year of cooperative operation are set forth on pages 8-8d (See also Schedule 8, page 14).

#### Features of Cooperative Ownership Under This Plan

This plan has been designed to give each purchaser the same rights and benefits generally enjoyed by owners of cooperative apartments, including the following:

- (i) the right to exclusive possession of the apartment purchased under a long term lease (the "Proprietary Lease");
- (ii) the right, subject to the conditions contained in the tax opinion set forth at pages 18 to 22, to deduct from his adjusted gross income for Federal, State and City income tax purposes that portion of the maintenance charges paid by him which represents his pro rata share of real estate taxes on the land and building (the "property") and mortgage interest paid or incurred by the Apartment Corporation with respect to the property; (No warranty or representation is made that the taxing authorities will allow such deductions.)
- (iii) the right to decorate his apartment any way he sees fit and, upon consent of the Apartment Corporation (which may not be reasonably withheld), the right to make any desired alterations, additions or improvements to the apartment;

- (iv) the right as a shareholder to vote annually for the election of the Apartment Corporation's Board of Directors that will conduct the affairs of the Apartment Corporation, including supervision of, and making determinations involving, the property;
- (v) the right to sell his apartment and retain all proceeds of such sale or sublet his apartment and retain the rental from such subletting, provided the prospective purchaser or subtenant is first approved by the Apartment Corporation's Board of Directors or (if they refuse) tenant-shareholders owning at least 65% of the Apartment Corporation's outstanding shares (see "Summary of the Principal Terms of the Proprietary Lease");
- (vi) the right to obtain a loan in any amount, collaterally secured by a pledge of his shares and Proprietary Lease to a recognized lending institution. (Savings and commercial banks in New York State are permitted to finance up to 95% of the purchase price of an apartment for purchasers whose credit, income and reputation are acceptable to the bank making the loan; however, no representation is made as to the terms, conditions or availability of such financing); and
- (vii) the right to terminate liability for future maintenance charges by cancelling his Proprietary Lease and surrendering possession of the apartment and related shares to the Apartment Corporation, without compensation, effective on any September 30th after the third anniversary of the consummation of the Plan, upon compliance with certain customary conditions set forth in paragraph 35 of the proprietary lease (popularly known as the "escape clause").

Similar to other cooperative housing corporations, the rent payable under the Proprietary Lease will be based strictly on the projected cash requirements of ownership and operation of the property and may in the discretion of the Apartment Corporation's Board of Directors include a reserve for contingencies, replacements and repairs.

There are 138 apartments in the building of which 137 are the subject of this Offering. All are rent-stabilized.

The superintendent resides in Apt. L-G and his apartment is not included in this Offering.

The applicable New York City Rent Laws are summarized in Part I under "Rights of Existing Tenants" and printed in full in Part II commencing at page 145. These laws grant certain rights to tenants whether or not they wish to purchase.

In Part II there is a detailed inspection report of the property which should be carefully reviewed by the prospective purchaser.

#### DEFINITIONS

These definitions should be read in conjunction with technical definitions appearing in the Proprietary Lease and By-Laws. (See Part II.)

Apartment or Unit - The dwelling space allocated to a particular block of shares evidenced by a Proprietary Lease.

Apartment Corporation or Cooperative Corporation - The legal entity which is created pursuant to the Business Corporation Law of the State of New York to own property as a cooperative. Individuals acquiring an interest in specific apartments become shareholders in the corporation.

Assessed Value - The value placed on the property by the taxing authority, which, when multiplied by the tax rate, determines the real estate tax on the property.

Assessment - A determination made by the Board of Directors that some cash requirement be imposed upon tenant-shareholders beyond the ordinary maintenance charges and the amount of such additional imposition on a pro rata basis.

By-Laws - The framework of regulations adopted by a corporation governing its meetings and internal operations, and defining the authority of its Board of Directors and officers.

Closing Date or Closing - The date fee title to the property is acquired by the Apartment Corporation, subsequent to the "Effective Date".

Effective Date - The date when purchasers are formally notified that Sponsor has received the requisite Subscription Agreements (pursuant to applicable law) to schedule a Closing Date.

Filing or Acceptance for Filing - Formal notification by the New York State Department of Law that Sponsor's submitted Plan may be used as an offering document.

Maintenance Charges - The charges fixed by the Board of Directors to cover the Apartment Corporation's cash requirements for the following year. Each lessee pays such charges in the proportion that the number of shares allocated to his apartment bears to the total number of shares outstanding.

Offeree - Any person entitled to service of any document pursuant to NYCRR Part 18 including (i) one residential tenant per unit, (ii) subscribers or purchasers who have executed and delivered Subscription Agreements or Purchase Agreements to Sponsor, Apartment Corporation or Selling Agent, and are not in default, (iii) shareholders of the Apartment Corporation, and (iv) any other person entitled to service pursuant to local law or regulation.

Offering Plan, or Plan - A statement which has been accepted for filing, and any amendments thereto, designed to provide disclosure of all material facts concerning the offering of shares of the Apartment Corporation, in order to aid a prospective purchaser in making an informed decision regarding his purchase.

Presentation, or Date of Presentation - The date a copy of the Offering Plan is personally delivered or three (3) days after a copy is mailed to the tenants of the building.

Proprietary Lease - The agreement between the Apartment Corporation, as Landlord, and the Purchaser, as Tenant, defining their respective rights and obligations with regard to the occupancy of the Apartment allocated to the shares acquired by said purchaser.

Purchase of, or Subscription for, a block of shares and appurtenant Proprietary Lease under a Subscription Agreement is sometimes referred to as the "purchase of an apartment;" and the apartment to which it relates is sometimes referred to as "his apartment", the "apartment purchased", or the "apartment owned."

Purchaser(s) - Person(s) so named in a Subscription (or Purchase) Agreement which is still in effect or person(s) who have purchased an apartment as hereinabove defined.

Selling Agent - Kenneth B. Newman Realty Corp., the entity which has been designated by the Apartment Corporation to originate and supervise sales.

Sponsor - Bleecker Charles Company, the entity conveying interests in the property to the Apartment Corporation. See Identity of Parties.

Subscription Agreement or Purchase Agreement - The contract made between the Apartment Corporation and a Purchaser to respectively sell and purchase shares of stock in the Apartment Corporation entitling the Purchaser to a Proprietary Lease for a specific apartment.

Tenant-Shareholder - The Purchaser of shares of stock in the Apartment Corporation who has executed a Proprietary Lease appurtenant thereto.

Unsold Shares - Shares of the Apartment Corporation not sold or fully paid for by the Closing Date that are acquired by Sponsor, individuals who are members of the Sponsor, or individuals produced by the Sponsor. Such shares retain their character as "Unsold Shares" regardless of transfer, until:

(a) such shares become the property of a purchaser for bona fide occupancy (by Purchaser, or a person related to him by blood or marriage) of the apartment to which such shares are allocated; or

(b) the holder of such shares (or a person related to him by blood or marriage) becomes a bona fide occupant of the apartment.

Rent laws - The Rent, Eviction and Rehabilitation Regulations of the City Housing and Development Administration, the New York City Rent Stabilization Law of 1969 and the Code adopted pursuant thereto, singly or collectively, as the context may require.

BLEECKER CHARLES COMPANY  
350 Bleecker Street  
New York, N. Y.

SCHEDULE A  
SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS  
(ant related information at the date of presentation of the Plan.)  
PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS  
Estimated Maintenance Charges and Estimated Income Tax  
Deductions for the First Year of Cooperative Operation.

Apt	Rooms (each Apt. has 1 Bath)	Shares Allocated (1)	Cash Purchase Price to Tenant	Cash Purchase Price to Non-Tenant	Approximate Amount of Mortgage Allocable to	Estimated Maintenance Charges		Estimated Annual Amount Deductible for Income Tax
			Purchaser @ \$600.00 Per Share (1)	Tenant Purchaser @ \$p00.00 Per Share	Shares @ \$174.398 Per Share (2)	Annual @ \$39.70 Per Share (3)	Monthly @ \$3.31 Per Share (3)	Purposes @ \$25.72 Per Share (4)
L-A	2	86	\$ 51,600	\$ 77,400	\$ 14,998.23	\$ 3,414.20	\$ 284.66	\$ 2,211.92
1-A	2	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
2-A	2	104	62,400	93,600	18,137.39	4,128.80	344.24	2,674.88
3-A	2	106	63,600	95,400	18,486.19	4,208.20	350.86	2,726.32
4-A	2	108	64,800	97,200	18,834.98	4,287.60	357.48	2,777.76
5-A	2	110	66,000	99,000	19,183.78	4,367.00	364.10	2,829.20
6-A	2	112	67,200	100,800	19,532.58	4,446.40	370.72	2,880.64
L-B	3	124	74,400	111,600	21,625.35	4,922.80	410.44	3,189.28
1-B	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-B	3	128	76,800	115,200	22,322.94	5,081.60	423.68	3,292.16
3-B	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-B	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04
5-B	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-B	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
L-C	3	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
1-C	2 1/2	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
2-C	2 1/2	106	63,600	95,400	18,486.19	4,208.20	350.86	2,726.32
3-C	2 1/2	108	64,800	97,200	18,834.98	4,287.60	357.48	2,777.76
4-C	2 1/2	110	66,000	99,000	19,183.78	4,367.00	364.10	2,829.20
5-C	2 1/2	112	67,200	100,800	19,532.58	4,446.40	370.72	2,880.64
6-C	2 1/2	115	69,000	103,500	20,055.77	4,565.50	380.65	2,957.80
L-D	S	77	46,200	69,300	13,428.65	3,056.90	254.87	1,980.44
1-DV	S	82	49,200	73,800	14,300.64	3,255.40	271.42	2,109.04
2-D	S	84	50,400	75,600	14,649.43	3,334.80	278.04	2,160.48
3-D	S	86	51,600	77,400	14,998.23	3,414.2	284.66	2,211.92
4-D	S	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
5-D	S	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
6-D	S	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
L-E	4	181	108,600	162,900	31,566.04	7,185.70	599.11	4,655.32
1-E	4	185	111,000	166,500	32,263.63	7,344.50	612.35	4,758.20
2-E	4	187	112,200	168,300	32,612.43	7,423.90	618.97	4,809.64
3-E	4	191	114,600	171,900	33,310.02	7,582.70	632.21	4,919.52
4-E	4	194	116,400	174,600	33,833.21	7,701.80	642.14	4,989.68

BLEECKER CHARLES COMPANY  
350 Bleecker Street  
New York, N.Y.  
SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS  
(ant related information at the date of presentation of the Plan.)  
PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS  
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Deductions for the First Year of Cooperative Operation.

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			Purchaser @ \$600.00 Per Share (1)	Tenant Purchaser @ \$p00.00 Per Share	Shares @ \$174.398 Per Share (2)	Annual @ \$39.70 Per Share (3)	Monthly @ \$3.31 Per Share (3)	Purposes @ \$25.72 Per Share (4)
5-E	4	420	\$120,000	\$180,000	\$34,879.60	\$ 7,940.00	\$ 662.00	\$ 5,144.00
6-E	4-T	219	131,400	197,100	38,193.16	8,694.30	724.89	5,632.68
L-F	SV	77	46,200	69,300	13,428.65	3,056.90	254.87	1,980.44
1-F	S	82	49,200	73,800	14,300.64	3,255.40	271.42	2,109.04
2-F	S	84	50,400	75,600	14,649.43	3,334.80	278.04	2,160.48
3-F	SV	86	51,600	77,400	14,998.23	3,414.20	284.66	2,211.92
4-F	S	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
5-F	S	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
6-F	S	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
1-G	4	185	111,000	166,500	32,263.63	7,344.50	612.35	4,758.20
2-G	4	187	112,200	168,300	32,612.43	7,423.90	618.97	4,809.64
3-G	4	191	114,600	171,900	33,310.02	7,582.70	632.21	4,912.52
4-G	4	194	116,400	174,600	33,833.21	7,701.80	642.14	4,989.68
5-G	4	200	120,000	180,000	34,879.60	7,940.00	662.00	5,144.00
6-G	4-T	219	131,400	197,100	38,193.16	8,694.30	724.89	5,632.68
L-H	S	77	46,200	69,300	13,428.65	3,056.90	254.87	1,980.44
1-H	S	82	49,200	73,800	14,300.64	3,255.40	271.42	2,109.04
2-H	S	84	50,400	75,600	14,649.43	3,334.80	278.04	2,160.48
3-H	SV	86	51,600	77,400	14,998.23	3,414.20	284.66	2,211.92
4-H	S	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
5-H	S	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
6-H	S	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
L-J	3	124	74,400	111,600	21,625.35	4,922.80	410.44	3,189.28
1-J	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-J	3	128	76,800	115,200	21,322.94	5,081.60	423.68	3,292.16
3-J	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-J	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04
5-J	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-J	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
L-K	3	124	74,400	111,600	21,625.35	4,922.80	410.44	3,189.28
1-K	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-K	3	128	76,800	115.2	22,322.94	5,081.60	423.68	3,292.16
3-K	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60

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			Purchaser @ \$600.00 Per Share (1)	Tenant Purchaser @ \$p00.00 Per Share	Shares @ \$174.398 Per Share (2)	Annual @ \$39.70 Per Share (3)	Monthly @ \$3.31 Per Share (3)	Purposes @ \$25.72 Per Share (4)
4-K	3	132	\$ 79,200	\$ 118,800	\$ 23,020.54	\$ 5,240.40	\$ 436.92	\$ 3,395.04
5-K	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-K	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
1-L	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-L	3	128	76,800	115,200	22,322.94	5,081.60	423.68	3,292.16
3-L	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-L	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04
5-L	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-L	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
L-M	3	124	74,400	111,600	21,625.35	4,922.80	410.44	3,189.28
1-M	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-M	3	128	76,800	115,200	22,322.94	5,081.60	423.68	3,292.16
3-M	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-M	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04
5-MV	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-M	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
L-N	S	77	46,200	69,300	13,428.65	3,056.90	254.87	1,980.44
1-N	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-N	3	128	76,800	115,200	22,322.94	5,081.60	423.68	3,292.16
3-N	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-N	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04
5-N	3	134	80,400	120,600	23,369.33	5,319.80	443.54	3,446.48
6-N	3	140	84,000	126,000	24,415.72	5,558.00	463.40	3,600.80
1-P	4	185	111,000	166,500	32,263.63	7,344.50	612.35	4,758.20
2-P	4	187	112,200	168,300	32,612.43	7,423.90	618.97	4,809.64
3-P	4	191	114,600	171,900	33,310.02	7,582.70	632.21	4,912.52
4-P	4	194	116,400	174,600	33,833.21	7,701.80	642.14	4,989.68
5-P	4	200	120,000	180,000	34,879.60	7,940.00	662.00	5,144.00
6-P	4	206	123,600	185,400	35,925.99	8,178.20	681.86	5,298.32
1-R	3	126	75,600	113,400	21,974.15	5,002.20	417.06	3,240.72
2-R	3	128	76,800	115,200	22,322.94	5,081.60	423.68	3,292.16
3-R	3	130	78,000	117,000	22,671.74	5,161.00	430.30	3,343.60
4-R	3	132	79,200	118,800	23,020.54	5,240.40	436.92	3,395.04

BLEECKER CHARLES COMPANY  
350 Bleecker Street  
New York, N.Y.

SCHEDULE A  
SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS  
(ant related information at the date of presentation of the Plan.)  
PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS  
Estimated Maintenance Charges and Estimated Income Tax  
Deductions for the First Year of Cooperative Operation.

Apt	Rooms (each Apt. has 1 Bath)	Shares Allocated (1)	Cash Purchase Price to Tenant	Cash Purchase Price to Non-Tenant	Approximate Amount of Mortgage Allocable to	Estimated Maintenance Charges		Estimated Annual Amount Deductible for Income Tax
			Purchaser @ \$600.00 Per Share (1)	Tenant Purchaser @ \$p00.00 Per Share	Shares @ \$174.398 Per Share (2)	Annual @ \$39.70 Per Share (3)	Monthly @ \$3.31 Per Share (3)	Purposes @ \$25.72 Per Share (4)
5-R	3	134	\$ 80,400	\$ 120,600	\$ 23,369.33	\$ 5,319.80	\$ 443.54	\$ 3,446.48
6-R	3-T	150	90,000	135,000	26,159.70	5,955.00	496.50	3,858.00
1-S	4	185	111,000	166,500	32,263.63	7,344.50	612.35	4,758.20
2-S	4	187	112,200	168,300	32,612.43	7,423.90	618.97	4,809.64
3-S	4	191	114,600	171,900	33,310.02	7,582.70	632.21	4,912.52
4-S	4	194	116,400	174,600	33,833.21	7,701.80	642.14	4,989.68
5-S	4	200	120,000	180,000	34,879.60	7,940.00	662.00	5,144.00
6-S	4-T	219	131,400	197,100	38,193.16	8,694.30	724.89	5,632.68
1-T	S	82	49,200	73,800	14,300.64	3,255.40	271.42	2,109.04
2-T	S	84	50,400	75,600	14,649.43	3,334.80	278.04	2,160.48
3-T	S	86	51,600	77,400	14,998.23	3,414.20	284.66	2,211.92
4-T	S	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
5-T	S	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
6-T	S	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
1-U	2 1/2	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
2-U	2 1/2	106	63,600	95,400	18,486.19	4,208.20	350.86	2,726.32
3-U	2 1/2	108	64,800	97,200	18,834.98	4,287.60	357.48	2,777.76
4-U	2 1/2 -V	110	66,000	99,000	19,183.78	4,367.00	364.10	2,829.20
5-U	2 1/2	112	67,200	100,800	19,532.58	4,446.40	370.72	2,880.64
6-U	2 1/2	115	69,000	103,500	20,055.77	4,565.50	380.65	2,957.80
1-V	3	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
2-V	3	106	63,600	95,400	18,486.19	4,208.20	350.86	2,726.32
3-V	3	108	64,800	97,200	18,834.98	4,287.60	357.48	2,777.76
4-V	3V	110	66,000	99,000	19,183.78	4,367.00	364.10	2,829.20
5-V	3	112	67,200	100,800	19,532.58	4,446.40	370.72	2,880.64
6-V	3	115	69,000	103,500	20,055.77	4,565.50	380.65	2,957.80
1-W	S	82	49,200	73,800	14,300.64	3,255.40	271.42	2,109.04
2-W	S	84	50,400	75,600	14,649.43	3,334.80	278.04	2,160.48
3-W	S	86	51,600	77,400	14,998.23	3,414.20	284.66	2,211.92
4-W	S	88	52,800	79,200	15,347.02	3,493.60	291.28	2,263.36
5-W	S	90	54,000	81,000	15,695.82	3,573.00	297.90	2,314.80
6-W	S	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24
1-X	2 1/2	92	55,200	82,800	16,044.62	3,652.40	304.52	2,366.24

BLEECKER CHARLES COMPANY  
350 Bleecker Street  
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SCHEDULE A  
SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS  
(ant related information at the date of presentation of the Plan.)  
PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS  
Estimated Maintenance Charges and Estimated Income Tax  
Deductions for the First Year of Cooperative Operation.

Apt	Rooms (each Apt. has 1 Bath)	Shares Allocated (1)	Cash Purchase Price to Tenant	Cash Purchase Price to Non-	Approximate Amount of Mortgage Allocable to	Estimated Maintenance Charges		Estimated Annual Amount Deductible for Income Tax
			Purchaser @ \$600.00 Per Share (1)	Tenant Purchaser @ \$p00.00 Per Share	Shares @ \$174.398 Per Share (2)	Annual @ \$39.70 Per Share (3)	Monthly @ \$3.31 Per Share (3)	Purposes @ \$25.72 Per Share (4)
1-X	2 1/2	106	\$ 63,600	\$ 95,400	\$ 18,486.19	\$ 4,208.20	\$ 350.86	\$ 2,726.32
3-X	2 1/2 V	108	64,800	97,200	18,834.98	4,287.60	357.48	2,777.76
4-X	2 1/2	110	66,000	99,000	19,183.78	4,367.00	364.10	2,829.20
5-X	2 1/2	112	67,200	100,800	19,532.58	4,446.40	370.72	2,880.64
6-X	2 1/2 V	115	69,000	103,500	20,055.77	4,565.50	380.65	2,957.80
TOTALS		17,202	\$10,321,200	\$15,481,800	\$2,999,994.46	\$ 682,919.40	\$ 56,938.62	\$442,435.44

FOOTNOTES TO SCHEDULE "A n

All apartments are rent-stabilized. Reference is made to the section of this Plan entitled "RIGHTS OF PRESENT TENANTS."

1. Apartments are offered for sale for a cash price of \$600 per share to tenants only as to their apartments and a cash price of \$900 per share to others. General price changes, as well as prices to tenants in occupancy, may be made prior to the closing of title only by a duly filed amendment to this Plan. Prices to non-occupants may be changed at any time without any notice and without amendment to this Plan. See "Changes in Prices and Units". Prices to non-occupants are negotiable. See "Procedure to Purchase" for closing costs applicable to purchasers.

The share allocation was designed to attribute values proportionate to a particular apartment, taking into account various factors, including size, layout, light, view, special features, location and overall appeal.

The number of rooms of each apartment has been determined substantially in accordance with the standards of the Real Estate Board of the City of New York.

No shares have been allocated to the Superintendent's apartment (L-G).

(L) Designates lobby level.

(S) Designates Studio.

(T) Designates Terrace.

(V) Designates vacant apartment.

2. Tenant-shareholders will have no personal liability to any mortgagee for any payments to be made under the mortgage herein. The Apartment Corporation will be responsible therefor, and the failure of a significant number of individuals to make maintenance payments may result in a foreclosure and the loss of each individual's equity in his or her apartment. Interest and amortization payments are included in monthly maintenance charges. Leases are subordinate to the mortgage.

3. These amounts are estimated by the Sponsor for the first year of operation of the premises as a cooperative apartment building and assume a closing will occur on

July 1, 1985. These prices do not include charges for electricity which are paid by the individual apartment owners. If a purchaser obtains financing for the purchase of the shares acquired by him, the purchaser's debt service will be an additional expense. Projected maintenance charges do not include certain other costs for which the shareholder is responsible, such as repairs to the interior of the unit, separately metered gas, electricity, and cable television service.

4. These amounts are estimated for the first year of operation in accordance with the Sponsor's estimate. These amounts may vary with changes in real estate taxes. The projected tax deduction may vary in future years due to changes in, among other things, real property taxes resulting from changes in assessed value, the tax rate, or the method of assessing real property. Projected tax deductions do not include interest paid by a purchaser on his own financing, which would be deductible under current income tax laws.

## CHANGES IN PRICES AND UNITS

Subject to the conditions hereinafter set forth and the approval of the Sponsor, the Apartment Corporation reserves the right, exercisable at any time prior to the closing, and the Sponsor reserves the right at any time and from time to time after the closing, to change the amount of the cash purchase price of any of the blocks of shares from the amount shown in the foregoing Schedule "A", the terms of sale and the manner of payment. Consequently, purchasers of shares allocated to apartments affected by such change may pay or may have paid more or less than other purchasers under this Plan for the same number of shares allocated to similar apartments, but this shall not affect any prior or later sale of shares allocated to apartments unaffected by such change. However, no such change will affect the maintenance charges or number of shares allocated to an apartment as to which the amount of the cash purchase price was changed, nor will such change vary the total number of authorized shares which the Apartment Corporation may issue. The offering prices set forth in Schedule A may be changed only by duly filed amendment to the Plan when the change in price is an across-the-board increase or decrease affecting one or more lines of apartments or apartment types, or is to be advertised, or is a price increase for an individual purchaser. Unless it would constitute a prohibited discriminatory inducement, the Sponsor may enter into an agreement with an individual purchaser (other than a tenant-in-occupancy) to sell one or more units at prices lower than those set forth in Schedule A to non-tenant purchasers without filing an amendment, since such prices are negotiable. Any change in prices to Tenants in Occupancy prior to the closing will be by amendment to this Plan.

No change in the amount of the cash purchase price of any block of shares or in share allocation prior to closing will be made prior to the closing unless a licensed real estate broker familiar with cooperative offerings of this kind is of the opinion that the new amount of the cash purchase price is not less than an amount bearing a "reasonable relationship" to the portion of the value of the Apartment Corporation's equity in the property attributable to such apartment.

In order to meet the possible varying demands for size and type of apartments or to meet particular requirements of prospective purchasers or for any other reason, the Sponsor reserves the right at any time prior to the effective date of the Plan without prior notice or amendment to the Plan to

change the size, layout, internal partitioning and number of apartments; and by amendment to the Plan subdivide one or more apartments into separate apartments; and combine separate apartments into one or more apartments; provided only that the consent of all governmental authorities having jurisdiction is first obtained (if such approval is required by law). Thereafter, the Sponsor may make such changes only if the common areas and the charges related thereto are not adversely effected. If the size or layout of an apartment is changed, the number of shares allocated to such apartment may be increased or decreased; however, no such reallocation of shares will have the effect of increasing or decreasing the total number of shares allocated to all apartments nor shall any shares be reallocated unless there has first been obtained an opinion of a licensed real estate broker familiar with cooperative offerings of this kind that such "reasonable relationship", as determined on the date that the change is made, has been preserved. Any reallocation of shares will vary the estimated maintenance charges, the mortgage allocations and the estimated amounts deductible for income tax purposes from the amounts set forth in Schedule "A". No such change, however, will affect the proportion or amount of maintenance charges, proportion of taxes and interest deductible for income tax purposes in respect of any apartment which was not the subject of such change.

Unless an affected subscriber consents, no material change will be made in unit size, layout or share allocation if a subscription agreement has been executed and delivered to the Sponsor for that unit and the subscriber is not in default. No material change will be made in the total number of shares or in the size or quality of public areas unless subscribers not in default receive a right to rescind within a reasonable period of time that is not less than 15 days after the date of presentation to exercise such right. The Sponsor shall return any deposit or downpayment promptly to such subscribers who so rescind.

After the closing, the holders of Unsold Shares will have the same rights as the Sponsor to either change the size, layout and partitioning of any apartment owned by them and to reallocate shares in connection with such change, provided (i) that the total number of shares reallocated to all apartments which are the subject of such changes will not vary, and (ii) an opinion is obtained, as described above, that the "reasonable relationship" of the shares has been maintained. In addition, the holders of Unsold Shares may resell the apartments held by them for any

price, and they may change such price from time to time without prior notice or approval of any other person, except as to changes offered to all the tenants in occupancy on the date of presentation of this Plan, or where required by the rent laws, in which case such change shall be made only by duly filed amendment to this Plan. Any change in the number of apartments being offered or the charges related thereto shall be made only by duly filed amendment to this Plan.

Notwithstanding the foregoing, the total authorized and issued shares may be increased if an existing apartment is enlarged by using space in the building to which no shares of the Apartment Corporation were previously allocated or such space is converted into a new residential apartment. No such increase in shares, however, will occur unless an opinion has first been obtained from a licensed real estate broker familiar with cooperative offerings of this kind that such "reasonable relationship", as determined as of the date when the new shares are issued, is maintained. If it shall be necessary to increase the total number of authorized shares which the Apartment Corporation may issue solely by reason of the foregoing, the Apartment Corporation will cooperate with the holders of Unsold Shares in amending the certificate of incorporation for that purpose. An increase in the total number of shares issued will result in reducing the proportion that the number of shares outstanding, with a concomitant decrease in the amount of the estimated deduction for income tax purposes available to each shareholder. Such decrease may possibly not result in reducing the maintenance charges fixed by the Board of Directors and payable by each shareholder.

No change in the cash purchase price, size or layout of an apartment or in the number of shares allocated thereto will be made with respect to any apartment for which a purchase agreement has been accepted and under which the purchaser is not then in default. If any apartment is subdivided or if two or more apartments are combined, the Plan will be promptly amended.

BUDGET FOR FIRST YEAR OF COOPERATIVE OPERATION

SCHEDULE B

Budget For First Year of Cooperative Operation  
Beginning July 1, 1985 (1)

Projected Income

Maintenance Charges (17,202 shares at \$39.70 per share) .....	\$683,000
Commercial (2) .....	86,000
Laundry and other(3) .....	9,000
Total .....	\$778,000

Projected Expense

Labor (4) .....	\$ 82,500
Heating (5) .....	48,400
Utilities (electricity and gas) (6) .....	24,800
Water charges and sewer rents (7) .....	12,000
Repairs, maintenance and supplies (8) .....	24,000
Service contracts (9) .....	7,200
Insurance (10) .....	13,500
Management fees (11) .....	42,000
Legal and audit fees (12) .....	5,000
Franchise and corporate taxes (13) .....	10,905
Real estate taxes (14) .....	204,055
Mortgage payments (15) .....	300,000
Contingency (16) .....	3,140
Licenses, Permits, Fees and Miscellaneous Expenses .....	500
Total .....	\$778,000

FOOTNOTES TO SCHEDULE "B"

- (1) Projection assumes that the first year of operation will be the fiscal year commencing July 1, 1985. The actual first year of operation may commence at an earlier or later date.
- (2) Minimum rent payable under The Master Commercial Lease. The rent will automatically increase or decrease to reflect increases or decreases in real estate taxes and operating expenses attributable to the commercial space in excess of current taxes and expenses with certain limitations thereon. See "Master Commercial Lease. Under the Master Commercial Lease, the Sponsor will retain any excess of income received from the commercial tenants (including the garage) over the amount payable under the Master Commercial Lease.

Current monthly rentals for garage space are \$170. Under Section 60 of the Multiple Dwelling Law, parking spaces must be made available to occupants of the building within 30 days after written request therefor.

Except for heating, which must be supplied by the Apartment Corporation, the tenant and subtenants under the Master Commercial Lease will be responsible for payment of all gas and electric expenses for the commercial space.

- (3) Laundry income is based on actual income received on a monthly basis from the laundry concessionaire. This income will be reduced by the cost of electricity, gas, hot and cold water and cleaning of the laundry room, which will be the responsibility of the Apartment Corporation. Such expense items have been included in the respective projected expenses contained in Schedule B.
- (4) Payroll is based upon four non-union employees consisting of one superintendent, one full time and two part time porters. Payroll taxes and Worker's Compensation insurance are estimated to be \$8,000.00. The superintendent is furnished an apartment and utilities rent free, in addition to his salary. Employees wages meet or exceed state minimum wage laws.
- (5) The building uses #4 oil for heating. This estimate assumes oil consumption for heat and domestic hot water of 44,000 gallons per year at \$1.10 per gallon including tax. Consumption for 1982 was 51,837 gallons, and consumption for 1983 was 34,808 gallons. Consumption for 1981 was 47,653 gallons.

- (6) This category includes electrical and gas costs for public areas, the laundry room and the superintendent's apartment, and gas costs for cooking use in each apartment, which includes sales tax and a 10% increase over the calendar year 1983, allowing for increases in price. The estimate is based on annual consumption of 100,000 K.W.H. of electricity and annual consumption of 11,000 hundred cubic feet of gas. Consumption for 1982 was 93,685 K.W.H. and 9,553 cubic feet, respectively, and consumption for 1983 was 97,362 K.W.H. and 11,280 hundred cubic feet, respectively. Consumption for 1981 was 123,648 R.W.H. and 10,832 hundred cubic feet. Electricity costs are estimated at 15¢ per K.W.H. (representing approximately 10% above present costs, including sales taxes and anticipated fuel adjustment costs). Gas costs are estimated at 70¢ per hundred cubic feet (representing approximately 15% above present costs, including sales taxes).
- (7) Water and Sewer charges are based upon the actual charge for water and sewer for the year 1983 and reasonably anticipated increases.
- (8) Principally roofing and exterior repairs, janitorial and other supplies. This estimate does not include repairs, maintenance or supplies to be used in individual apartments, which items are the responsibility of the individual shareholders.

This estimate includes \$20,000 for general repairs and \$4,000 in supplies.

- (9) Insurance coverage includes the following:

<u>COVERAGE</u>	<u>AMOUNT</u>
<u>Building</u>	\$6,320,000.
Stipulated Amount - 90% co-insurance \$500 deductible	
<u>Boiler and Machinery</u> Accidental damage	\$ 500,000.
<u>Rents</u> 60% co-insurance	\$ 400,000.
<u>Water Damage</u>	\$ 100,000.
<u>Comprehensive General Liability</u> Bodily injury & property damage Includes: Personal injury coverage Water Damage Legal Liability	1,000,000. 100,000.
<u>Excess Liability Umbrella</u>	5,000,000.
<u>Personal Property Liability</u>	20,000.
<u>Officers and Directors Liability</u>	100,000.

The basic building insurance includes coverage for the elevator and elevator collision, fidelity bond and garage keepers liability. Purchasers should obtain their own insurance at their own cost to cover fire and other losses to contents on their apartments and liability insurance for occurrences within their Units.

Based on estimate of Bloomgarden & Leisner, Inc. licensed insurance brokers, Great Neck, N.Y.

- (10) Service contracts exist for sprinkler maintenance (\$162.38 per month) and elevator maintenance (\$281.45 per month). Also included is approximately \$75 per month for extermination service.
- (11) The Management Agreement will be with Kenneth B. Newman Realty Corp. and will be for a five-year period commencing with the closing, provided that either party may cancel the contract after three years from the closing upon 90 days' advance written notice to the other. See "Management Agreement."
- (12) Accounting services include preparation of material under heading "DOCUMENTS TO BE RECEIVED PERIODICALLY BY SHAREHOLDERS." (See page 67b), namely Financial Statements and Report of Deduction for Income Tax Purposes, Filing of Corporate Tax Return, Income and Franchise Tax Return. Legal services as usually provided on an "as needed" basis.
- (13) This item has been estimated on the basis of the current rates of franchise and corporate taxes of .0004 for each tax multiplied by the total sum of \$13,630,836 representing projected net liquid capital of \$309,636 from the reserve fund plus the market value of the property measured by the total cash insiders price of \$10,321,200 and the mortgage of \$3,000,000.
- (14) Based upon 1984/85 transitional valuation of \$2,206,000 and a tax rate of \$9.25 per \$100 of assessed valuation.

The assessed valuation for the current year and three preceding years are:

<u>Year</u>	<u>Actual Assessed Valuation</u>	<u>Transitional Valuation</u>	<u>Tax Rate/\$100</u>
1984/5	\$3,100,000	\$2,206,000	\$9.15
1983/4	2,630,000	1,906,000	9.06
1982/3	2,100,000	1,700,000	8.95
1981/2	1,600,000	--	8.95

No representation is made as to future assessed valuation or rates. Certiorari proceedings are pending and will be continued after the closing for the benefit of the Apartment Corporation at its expense. The aim of such proceedings is to reduce the assessed valuation and, as a result the real estate taxes assessed on the property. Transitional valuation for 1982-83 and thereafter is based on settlement of such proceedings for 1982/83. Any refunds for the period prior to the closing will belong to the Sponsor.

The transitional assessed value for the 1984-85 fiscal year includes the 1981/82 fiscal year's assessed value plus (a) three-fifths of the amount by which the assessed value has increased for the 1982/3 tax year (b) two-fifths of such increase of the 1983/4 tax year over the 1982/3 tax year and (c) one-fifth of such increase of the 1984/5 tax year over the 1983/4 tax year. See sec. 1805(2) of the Real Property Tax Law. The collectible assessed value of the property will increase one-fifth during each of the next three years (assuming no additional increase in the assessed value of the property during such time) until, by the fifth year, the full increase is collectible. Assuming a tax rate of 9.15%, the increase of \$300,000 in assessed valuation would result in a yearly increase of \$27,450 in real estate taxes, which would raise maintenance by \$1.60 per share for the annual period commencing July 1, 1985, together with at least a similar increase for the period commencing July 1, 1986.

- (15) See Page 51 for a description of the mortgage indebtedness. The mortgage is payable monthly with \$300,000 in interest paid during the first full year of operations. The principal of the mortgage, \$3,000,000, will be due ten years from the closing.
- (16) This reserve may be applied at the discretion of the Board of Directors, to meet unforeseen expenses, or for other appropriate corporate purposes. The contingency fund is intended to provide for any unanticipated expenses or increases in the projected expenses. The Reserve Fund (page 47) is intended to cover capital improvements and repairs, and is in addition to the contingency fund.

In the opinion of the Sponsor, the projected receipts are adequate to meet the estimated expenses for the first fiscal year of operation projected to commence on July 1, 1985. If such projected commencement date differs by six months or more from the anticipated

closing date the Plan will be amended to disclose then current budget projections. Should such amended projections exceed the original projections by 25% or more, purchasers will be offered a 10-day option to rescind their offer to purchase and have their deposit and interest, if any, refunded on account of such change.

THE FOREGOING SCHEDULE, HOWEVER, IS NOT INTENDED AND SHOULD NOT BE TAKEN AS A GUARANTEE OR WARRANTY BY ANYONE THAT THE ANNUAL RENT (MAINTENANCE CHARGES) OR OTHER INCOME OR EXPENSES FOR SUCH FISCAL YEAR OR ANY SUBSEQUENT YEAR OF OPERATION OF THE PROPERTY BY THE APARTMENT CORPORATION WILL BE AS SET FORTH IN SAID SCHEDULE, OR THAT THE FIRST YEAR OF COOPERATIVE OWNERSHIP WILL ACTUALLY COMMENCE ON JULY 1, 1985.

Sponsor has reserved the right to modify, terminate, renew and/or replace existing service, maintenance, employment, concessionaire and other agreements and insurance policies and to enter into new agreements and policies that will be binding on the Apartment Corporation on the Closing Date, provided that if the terms of such agreements are substantially different from those set forth herein, the Plan shall be duly amended to reflect same. No service or maintenance contract will be made after the presentation date which materially increases the estimated maintenance charges for the first year of cooperative operation.

May 23, 1984

OPINION OF REASONABLE RELATIONSHIP

350 Bleecker Street Apartment Corp.  
c/o Kenneth B. Newman  
488 Madison Avenue  
New York, NY 10022

Re: Cooperative Offering Plan ("Plan"): 350 Bleecker Street  
New York, New York ("Building")

Gentleman:

The undersigned has prepared the allocation of shares, Total Cash Payment for each apartment and other estimates contained in the schedule entitled "Purchase Prices of Shares and Related Data" for inclusion in the above referenced Plan.

The share allocation was designed to and fairly does attribute value proportionate to a particular apartment, taking into account various factors, including size, layout, light, view, special features, location and overall appeal.

In our opinion, at the date of this letter, the Total Cash Payment to be paid for each and every apartment is not less than an amount that bears a reasonable relationship to the portion of the fair market value of the equity you will acquire on consummation of the Plan in the above captioned premises which is attributable to such apartment. We are also of the opinion that such reasonable relationship will continue until the Plan is consummated, at which time, if such be the case, we will give you a further written opinion that the actual Total Cash Payment paid for each block of shares meets such reasonable relationship standard.

We are aware that under the Plan you will have the right to change the Total Cash Payments of apartments from time to time, provided no such change will be made without first obtaining our written opinion that such reasonable relationship test be preserved. As a result of such changes, the purchaser of an apartment may pay more or less than the purchaser of a comparable apartment having the same number of shares. It is our opinion that such reasonable relationship will be maintained notwithstanding that comparable apartments, with the same number of shares allocated to each, are sold for different Total Cash Payments in accordance with the foregoing.

  
**AJCLARKE**  
MANAGEMENT CORP.

1501 Broadway  
New York, N.Y. 10036  
212 764 5600

**AJ. CLARKE CPM(1943-1979)**  
**HARVEY A. CLARKE**  
**ANDREW M. CLARKE**  
**MICHAEL D. GRABOW**

350 Bleecker Street Apartment Corp. -2- May 23, 1984

**AJCLARKE**  
MANAGEMENT CORP.

1501 Broadway  
New York, N.Y. 10036  
212 764 5600

The undersigned are licensed real estate brokers, having no beneficial interest in the Sponsor or in the profitability of the conversion. We have had over eleven years of prior experience appraising and selling residential cooperative units. You have advised the undersigned of your intention to reproduce this letter in the Plan and we hereby consent to such use.

Very truly yours,

A. J. CLARKE MGMT. CORP  
By:



H. A. CLARKE

HAC:rb

AJ. CLARKE CPM(1943-1979)  
HARVEY A. CLARKE  
ANDREW M. CLARKE  
MICHAEL D. GRABOW

WEISS & FELDMAN  
ACCOUNTANTS

BURTON FELMAN, CPA  
IRA FINE  
MARK GUTTERMAN, C.P.A.

2 PANOOME ROAD  
MANHASSET, NEW YORK 11030  
(516) 365-6600  
(212) 517-3016

March 27, 1984

Bleecker Charles Company  
205 East 77th Street  
New York, N.Y. 10021

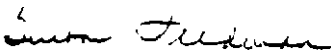
Gentlemen:

We have examined the Statement of Operations of Bleecker Charles Company for the years ended December 31, 1983, 1982, and 1981. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the auditing records and such other procedures as we considered necessary.

In our opinion, the Statement of Income and Expenses of Bleecker Charles Company presents fairly the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of previous years.

Very truly yours,  
WEISS & FELDMAN

By:

  
Burton Feldman, C.P.A.

BF/djs

BLEECKER CHARLES COMPANY

STATEMENT OF INCOME AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31

	<u>1983</u>	<u>1982</u>	<u>1981</u>
<u>INCOME</u>			
Rental income:			
Apartments	\$ 624,357	\$ 628,329	\$ 629,778
Garage	47,449	41,844	34,814
Stores	71,084	64,300	60,000
Other income	<u>7,721</u>	<u>6,531</u>	<u>5,472</u>
Total income	<u>750,611</u>	<u>741,004</u>	<u>730,064</u>
<u>EXPENSES</u>			
Interest on 1st mortgage	144,907	147,128	149,161
Real estate taxes	165,990	149,465	138,725
Water and sewer taxes	10,404	9,698	8,101
Fuel	40,291	50,996	46,030
Gas and electric	20,751	17,418	18,145
Insurance	29,578	28,081	21,802
Management fees	39,226	36,292	35,059
Payroll	62,995	58,271	52,697
Payroll taxes and employee benefits	11,863	7,066	6,752
Legal and accounting fees	9,201	5,919	11,955
General And Administrative expenses	4,494	5,543	3,496
Repairs and maintenance			
Painting	17,782	3,758	7,481
Supplies	4,458	5,235	4,115
Miscellaneous repairs and Maintenance	11,876	19,821	11,096
Total	573,816	544,691	al4,615
Income before depreciation and amortization	176,795	196,313	215,449
Depreciation and amortization expense	<u>32,252</u>	<u>31,784</u>	<u>35,057</u>
Net income	<u>\$144,543</u>	<u>\$164,529</u>	<u>\$180,392</u>

WEISS & FELDMAN  
ACCOUNTANTS

BURTON FELMAN, CPA  
IRA FINE  
MARK GUTTERMAN, C.P.A.

2 PANOOME ROAO  
MANHASSET, NEW YORK 11030  
(516) 365-6600  
(212) 517-3016

December 10, 1984

Bleeker Charles Company  
c/o Kenneth Newman, Esquire  
488 Madison Avenue New York, N.Y. 10022

Gentlemen:

We have reviewed the accompanying Statement of Operating Income for the period January 1, 1984 to September 30, 1984 in accordance with standards established by the American Institute of Certified Public Accountants. All information included in this financial statement is the representation of the management of Bleeker Charles Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statement taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in conformity with generally accepted accounting principles.

Respectfully submitted,

WEISS & FELDMAN

*Weiss and Feldman*

BF:rag  
encl.



ATTORNEYS' INCOME TAX OPINION

**BLUMENTHAL & LYNNE**

A PROFESSIONAL CORPORATION  
COUNSELLORS AT LAW

RICHARD L. BLUMENTHAL\*  
MICHAEL LYNNE  
JEROME J. STRELOV

488 MADISON AVENUE  
NEW YORK, N.Y. 10022  
TELEPHONE 212 758 - 0190  
TELEX 14811

\*ADMITTED IN N.Y. AND FLA

December 5, 1984

350 Bleecker Street Apartment Corp.  
c/o Kenneth B. Newman, Esq.  
488 Madison Avenue  
New York, New York 10022

Re: Offering Plan - Plan to Convert to  
Cooperative Ownership Premises at  
350 Bleecker Street, New York, New York

Gentlemen:

In accordance with your request, we have prepared this tax opinion concerning the proposed offering plan (the "Plan") pursuant to which 350 Bleecker Street Apartment Corp. (the "Apartment Corporation") will purchase for cooperative ownership the building (including the land on which it is situated) known as 350 Bleecker Street, New York, New York. You have requested our opinion as to whether the Apartment Corporation will qualify as a cooperative housing corporation for federal, New York State and New York City income tax purposes upon consummation of the Plan.

We have reviewed and are familiar with the Certificate of Incorporation and By-laws of the Apartment Corporation as amended through the date hereof. We have reviewed the Plan, in which Bleecker Charles Company is the Sponsor, and are familiar with the contract of sale pursuant to which the Sponsor agrees to sell to the Apartment Corporation all of its rights, title and interest in the Building (as that term is used in the Plan).

The opinions expressed herein are based solely upon the following documents and on the following assumptions:

(a) the validity of the opinion of A. J. Clarke Management Corp. that on the date of the closing under the Plan, the price of each block of shares allocated to an apartment in the Building bears a reasonable

relationship to the portion of the fair market value of the Apartment Corporation's equity in the Building and the land on which it is situated attributable to the apartment to which the block of shares is allocated and that the price for a block of shares will be changed if, and only if, the new price bears a reasonable relationship to that portion of the equity in the Building and land attributable to the apartment to which such block of shares is allocated; and

(b) that in each taxable year of the Apartment Corporation, not less than 80% of the gross income of the Apartment Corporation will be derived from qualified "tenant-stockholders" (as that term is defined in Section 216(b)(2) of the Internal Revenue Code of 1954, as amended (the "Code"). It should be noted that it is not clear that assessments for mortgage amortization payments constitute gross income for purposes of the 80% test; compare Park Place, Inc., 57 T.C. 769 (1972) with Eckstein v. United States, 452 F.2d 1036 (Ct. Cl. 1971). It should also be noted that the Apartment Corporation will have substantial receipts from commercial tenants which will increase in the future in accordance with the leases with such tenants. There can be no assurance, therefore, that in the future the Apartment Corporation will continue to satisfy such 80% test; and

(c) the Plan is strictly adhered to.

Based on the foregoing (but without passing on the validity of the opinions set forth above) and provided that the Plan is declared effective and there is a closing under the Plan strictly in accordance with the terms thereof, it is our opinion that:

1. the Apartment Corporation will qualify as a "cooperative housing corporation" within the present meaning of Section 216(b)(1) of the Code, Section 615 of the Tax Law of the State of New York and Section T46-15.0 of the Administrative Code of the City of New York, notwithstanding that blocks of the same number of shares allocated to similar apartments may be sold at different prices at different times;

2. in any taxable year in which not less than 80% of the Apartment Corporation's gross income consists of rent received from qualified "tenant-stockholders", each "tenant-stockholder" will be entitled, under present tax laws and regulations, to deduct from his adjusted gross income for federal and New York State and City income tax purposes his proportionate share of (a) real estate taxes

paid or incurred by the Apartment Corporation (during the taxable year of such tenant-stockholder) on the Building and the land on which it is situated, and (b) interest paid or incurred by the Apartment Corporation (during the taxable year of such tenant-stockholder) on mortgages to which the Building and the land on which it is situated are subject, to the extent that such tenant-stockholder has paid or incurred within his taxable year, an amount equal to such proportionate shares of taxes and interest paid or incurred by the Apartment Corporation;

3. if all shares of the Apartment Corporation not subscribed for prior to the closing of title and the accompanying proprietary leases are acquired by one or more financially responsible individuals not acting on behalf of the Sponsor, each for his own account, the maintenance charges paid by such individuals will be deemed rent received from qualified "tenant-stockholders" within the present meaning of Section 216(b)(2) of the Code (and accordingly Eckstein v. United States, supra, will not be applicable). In addition, if the Sponsor acquires any stock of the Apartment Corporation from the Apartment Corporation by purchase, within one year from the date the Building and land on which it is situated is transferred to the Apartment Corporation by the Sponsor, or acquires any stock of the Apartment Corporation by foreclosure (or by instrument in lieu of foreclosure) of any purchase-money security interest in such stock held by the Sponsor, and if the Sponsor also has acquired the right to occupy the apartments to which such stock is appurtenant, the Sponsor will be treated as a "tenant-stockholder" for a period not to exceed three years from the date of acquisition, and during such Period maintenance charges paid by the Sponsor will also be deemed rent received from qualified "tenant-stockholders". We note that the Sponsor is obligated under the Plan to sell any shares which it acquires within three years from the date of their acquisition.

It is our position that all individuals who acquire shares of the Apartment Corporation will meet the requirement of Section 216 of the Code that all stockholders of the Apartment Corporation be entitled to occupy their apartments for dwelling purposes. It is established that a voluntary sublease of an apartment by a tenant-stockholder" does not disqualify a corporation as a cooperative housing corporation; nor does disqualification result when the stockholder purchases the stock (and obtains his proprietary lease) subject to occupancy by an existing tenant for a fixed term. Rev. Rul. 66-341, 66-2 Cum. Bul. 101. Many cooperative plans have been

promulgated in New York within the last twenty years under which substantial numbers of purchasers of shares were unable to evict existing tenants, and we are aware of no court decision or published ruling in which the Internal Revenue Service has taken the position that a cooperative housing corporation is disqualified merely because one or more tenants occupying apartments could not be evicted by reason of rent control laws and regulations. Accordingly, we are of the opinion that even if existing tenants remain in occupancy by reason of provisions of law, such as those contained in the Rent Stabilization Laws, Rent Control Laws or the General Business Law, the Apartment Corporation should qualify as a cooperative housing corporation. In these situations, the tenant-stockholders would also meet the requirements of the Treasury Regulations (Reg. 1.216.1(d) (2)), which provides "The stockholder is not required to occupy the premises. The right against the corporation to occupy the premises is sufficient."

Although the Internal Revenue Service had previously taken the position that the right of occupancy requirement for a cooperative housing corporation would not be met where, under the applicable provisions of rent control laws and regulations, the tenants occupying apartments could not be evicted by the stockholders entitled to the proprietary leases, in Revenue Ruling 80-299 (1980-2 c.b. 82) the Service has issued a ruling that a constructive right to occupy an apartment is sufficient to satisfy the requirements of Section 216(b) of the Code.

It should be noted that the real estate taxes applicable to the premises will increase over the next several years by virtue of the full value assessment of the land and building which must be phased in over a five-year period commencing with the 1982/83 tax period. The increase in real estate taxes will be 20% per year from that date on a cumulative basis, with additional increases resulting from increases in valuation and rates of tax.

Part of the sums contributed by the tenant-stockholders for their shares in the Apartment Corporation will be set aside in the Working Capital Fund and used to pay operating expenses of the Corporation. We are aware that the amount of a special assessment used for operating expenses may be treated as rental income from the tenant-stockholders. See Eckstein v. United States, supra; Concord Village, Inc. v. Commissioner, 65 T.C. 142 (1975). However, under traditional tax principles, funds furnished for current operating expenses by shareholders of a regular corporation are treated as contributions to

capital. The same principle should apply to an initial investment made to a cooperative housing corporation for its shares even if part of the investment is used for operating expenses. Accordingly, we believe that it is reasonable under the circumstances to treat the payment to the Working Capital Fund as a capital contribution, but, because of the lack of judicial or administrative authority on this point, we are unable to predict the outcome if the matter were litigated. The Internal Revenue Service may seek to treat the supplemental contributions to the reserve fund required by the Administrative Code of the City of New York (and possibly the initial contribution as well) as income derived from other qualified tenant-stockholders. If this position is upheld, and if the amount of such contributions in any fiscal year of the Apartment Corporation, when added to all other income derived from other then-qualified tenant-stockholders, exceeds 20% of the Apartment Corporation's gross income, then tenant-stockholders would not be entitled to the tax benefits otherwise available under §216 of the Code. We believe it is reasonable to treat the contributions to the reserve fund in the same manner as the contributions to the Working Capital Fund, but there is no judicial or administrative authority at this point, and we are unable to predict the outcome if the matter were litigated.


In our opinion, based upon the budget contained in the Plan, and subject to the foregoing, the Apartment Corporation will qualify as a cooperative housing corporation and tenant-stockholders will be entitled to income tax deductions. However, this opinion is not a guarantee: it is based upon existing rules of law applied to the facts and documents referred to above. No assurances can be given that the tax laws upon which counsel base this opinion will not change. In no event will the Sponsor, the Sponsor's counsel, the Apartment Corporation, counsel to the Apartment Corporation, the selling agent or any other person be liable if the Apartment Corporation ceases to meet the requirements of the Internal Revenue Code of 1954, as amended, or the New York State tax law, as amended, if there are changes in the facts on which counsel relied in issuing this opinion, or if there are changes in the applicable statutes, regulations, decisional law or Internal Revenue Service rulings on which counsel relied.

We understand that this letter is to be made a part of the Offering Plan and consent to its reproduction therein.

Very truly yours,

**BLUMENTHAL & LYNNE,**  
**A Professional Corporation**

By

  
Richard L. Blumenthal

## RIGHTS OF EXISTING TENANTS

### 1. 90-Day Exclusive Right to Purchase

(a) This is a non-eviction offering plan. Any tenant in occupancy who does not purchase the shares allocated to his apartment will not be evicted by reason of conversion of the Property to cooperative ownership. See Document Number 5 in Part II of the Plan, Section 352-eeee of the New York State General Business Law, which is the law that governs cooperative conversions in New York City.

(b) Each bona fide tenant in occupancy on the date this Plan is accepted for filing by the Attorney General shall have the exclusive right to purchase his Apartment for a period of ninety (90) days, commencing on the date that this Plan is accepted for filing by the Attorney General. During the 90-day exclusive period, the Sponsor or the Selling Agent shall not show the Apartment of any such bona fide tenant in occupancy to third parties, such as other prospective purchasers of the Apartment, unless said bona fide tenant in occupancy has waived his right to purchase his Apartment in writing.

(c) Bona fide tenants in occupancy on the date this Plan is accepted for filing by the Attorney General may purchase their Apartment at a reduced price as set forth in the column entitled "Cash Purchase Price to Tenant Purchaser" on Schedule A, Purchase Price and Share Allocation. A tenant's election to purchase his Apartment may be made by complying with the procedure set forth under "Procedure to Purchase." Upon the expiration of the 90-day exclusive period, tenants in occupancy shall lose their right to purchase their Apartments at the reduced prices and prices for all such Apartments shall be increased to the prices set forth in the Column entitled "Purchase Price to Non-Tenant Purchaser" on Schedule A, as said amounts may be changed pursuant to duly filed amendments to the Plan.

(d) In the event the lease of a bona fide tenant in occupancy on the date this Plan is accepted for filing by the Attorney General expires during the 90-day exclusive period, said tenant must enter into a new lease of the Apartment in order to preserve his exclusive right to purchase.

(e) A bona fide tenant in occupancy on the date this Plan is accepted for filing by the Attorney General who fails to elect to purchase his Apartment during the 90-day exclusive period as above set forth may subsequently purchase his Apartment at the same price and on the same terms and conditions available to Non-Tenant Purchasers as set forth in this Plan or any amendment thereto.

(f) In the event this Plan is substantially amended at any time during the final 30 days of the 90-day exclusive period and such amendment affects the rights of bona fide tenants in occupancy, then the 90-day exclusive period shall be extended for an additional 30 days commencing on the date said amendment is filed with the Attorney General.

(g) The Omnibus Housing Act of 1983 (L. 1983 c.403) amends, inter alia, the Emergency Housing Rent Control Law, the Local Emergency Housing Rent Control Law, and the Emergency Tenant Protection Act of 1974 and the Real Property Law and makes substantive changes in the law governing the relations of landlord and tenant.

The new law enacted a new Section 226-g to the Real Property Law which treats assignment and subletting separately. A tenant may not assign his lease without the written consent of the owner. Consent to assign may be unconditionally withheld without cause. If consent is unreasonably withheld, the tenant's only remedy is to be released from the lease.

A tenant has the right to sublease subject to the written consent of the landlord in advance of the subletting. Such consent shall not be unreasonably withheld. Tenants are entitled to sublet their apartments for a maximum of two years out of every four years. If the landlord unreasonably withholds consent, the tenant may sublet in accordance with the request and may recover the costs of the proceeding including attorneys' fees if it is found that the owner acted in bad faith by withholding consent.

The new law also provides that it shall be unlawful for a landlord to restrict occupancy of a residential premises, by express lease terms or otherwise, to a tenant or tenants or to tenants and their immediate families.

The primary residence of a tenant may be determined by a court of competent jurisdiction. No action or proceeding shall be commenced seeking to recover possession on the ground that the housing accommodation is not occupied by the tenant as his or her primary residence unless the owner or lessor shall have given thirty (30) days notice of his intention to commence such action or proceeding.

## 2. Notice to Tenants in Occupancy

(a) Pursuant to Section 352-eeee of the General Business Law, this Plan may not be declared effective until Subscription Agreements have been executed and delivered for

at least fifteen percent (15%) of the Apartments in the Building (21 Apartments) by either (i) bona fide tenants in occupancy on the date this Plan is accepted for filing by the Attorney General, who represent that they are not purchasing as an accommodation to or for the benefit of Sponsor or principals of Sponsor (ii) bona fide purchasers who represent that they or one of the members of their immediate family intend to occupy a particular Apartment when it becomes vacant and who represent that they are not purchasing as an accommodation to or for the benefit of Sponsor or principals of Sponsor and (iii) an assignee of a subscription agreement who executes an affidavit stating that said assignee was not procured by Sponsor or Selling Agent and that the assignee or a member of the assignee's immediate family intends to occupy the apartment when and if it becomes vacant, provided, however, that the Apartment Corporation must consent to the assignment and the Tenant (Assignor) must have executed a subscription agreement and paid the full downpayment required thereunder. (See "Effective Date of Plan and Closing Date.") Accordingly, the law requires that the Sponsor notify bona fide tenants in occupancy -and the Attorney General of the percentage of Apartments for which Subscription Agreements have been executed so that they may be apprised of the legal status of this Plan as follows:

(i) The Sponsor must notify the Attorney General of the percentage of Apartments for which Subscription Agreements have been executed and delivered by filing with the Attorney General a sworn statement ("Sworn Statement") which sets forth said percentage on the following dates:

1. Once every thirty (30) days during the 90-day exclusive period as above set forth, (or the 30th, 60th, 88th and 90th day after this Plan is presented to Tenants in Occupancy);

2. Every thirty (30) days after the expiration of the 90-day exclusive period until this Plan is declared effective or abandoned; and,

3. In the event any other exclusive purchase period is provided for in a substantial amendment to this Plan, on the tenth and second day before the expiration of said exclusive purchase period.

(ii) In addition, the Sponsor must post a copy of the Sworn Statement to be filed with the Attorney General as above set forth in subparagraph (i) in a prominent place accessible to all Tenants in Occupancy in each of the Buildings before noon on the day the statement is to be filed with the Attorney General. This Sworn Statement shall remain posted until the next Sworn Statement must be posted.

### 3. Protection for Non-Purchasing Tenants

(a) This is a non-eviction Plan. The Law provides that a bona fide rent stabilized tenant in occupancy on the date this Plan is accepted for filing by the Attorney General may not be evicted from his Apartment for failure to purchase his Apartment and such non-purchasing tenant shall continue to be protected by the rent stabilization laws after this Plan is declared effective. Any such non-purchasing tenant shall be entitled to remain in possession of his respective Apartment and to demand a lease and renewal lease pursuant to the RSL and the Code, unless any such non-purchasing tenant fails to pay rent, refuses to renew his lease, uses the premises illegally, refuses reasonable access to the owner or otherwise defaults in any of the obligations of his lease or tenancy so as to permit termination of his tenancy and eviction in accordance with the provisions of the RSL and the Code. No rent stabilized tenant in occupancy of an Apartment on the date this Plan is accepted for filing by the Attorney General is under any obligation to purchase his Apartment. An owner of an Apartment or the shares allocated thereto may not commence an action to recover possession of any Apartment from a non-purchasing tenant claiming that he seeks said Apartment for occupancy by himself or his family.

(b) This Plan may not be amended at any time to provide that it shall be an eviction plan.

(c) Non-occupant purchasers must agree to grant the Managing Agent for each Apartment occupied by a non-purchasing tenant an irrevocable Power of Attorney and to provide on a "non-discriminatory basis" as provided by Section 352-eeee all services and facilities required by law. Such services and facilities are mandated primarily under the Multiple Dwelling Law of New York and the Buildings Code provisions of the Administrative Code of the City of New York, which contain specific requirements and standards respecting maintenance, repairs, usability of means of egress and certain health and sanitation requirements. Accordingly, the services and facilities which the Managing Agent must provide to non-purchasing tenants substantially exceeds those to be provided to purchasers of shares under the Plan, who have to provide most or all of such services themselves.

### 4. Additional Tenant's Rights Under Section 352-eeee

(a) Notwithstanding the expiration or amendment of Section 352-eeee, the rights of bona fide non-purchasing tenants in occupancy or purchasers shall not be abrogated or abridged.

(b) This Plan may not be accepted for filing by the Attorney General if an excessive number of long term vacancies exist on the date this Plan is first submitted for review to the Department of Law. Long term vacancies mean apartments not leased or occupied by bona fide tenants for more than five (5) months prior to the date of such submission. Excessive means a vacancy rate in excess of the greater of (i) ten (10%) percent and (ii) a percentage that is double the normal average vacancy rate for the Buildings for two (2) years prior to the January preceding the date this Plan is first submitted to the Department of Law.

(c) Any tenant who has vacated his Apartment or is about to vacate his Apartment because any person is engaged in any course of conduct (including but not limited to interruption or discontinuance of essential services) which substantially interferes with or disturbs the comfort, repose, peace or quiet of such tenant in his use or occupancy of his Apartment or the facilities related thereto may apply to the Attorney General for a determination that such conduct does exist or has taken place and in such case, the Attorney General may apply to a court of competent jurisdiction for an order restraining such conduct and if he deems it appropriate, an order restraining the Sponsor from selling the shares allocated to the Apartment. Any such tenant may, of course, apply to any such court on his own behalf.

(d) All Apartments occupied by non-purchasing tenants shall be managed by the same Managing Agent who manages all other Apartments in the Buildings. Such Managing Agent shall provide to non-purchasing tenants all services and facilities required by law on a non-discriminatory basis.

#### 5. Sponsor's Representations

(a) In accordance with the requirements of Section 352-eeee, the Sponsor agrees to guarantee the obligation of the Managing Agent to provide all such services and facilities until such time as the Sponsor surrenders control of the Apartment Corporation's Board of Directors.

(b) The Sponsor has agreed that this Plan shall not be declared effective and will be abandoned unless, within fifteen (15) months from the date this Plan is accepted for filing by the Attorney General, Subscription Agreements have been signed for the purchase of shares of the Apartment Corporation allocated to at least fifteen (15%) percent of the Apartments subject to this Plan.

(c) Any person purchasing an Apartment to which shares of the Apartment Corporation have been allocated and herein offered for sale, and which Apartment is occupied by an non-purchasing tenant, is urged to consult his own attorney in order to become fully apprised of the effect of the RSL, the Code and Section 352-eeee on his rights as a purchaser and his obligations to any existing tenant or occupant.

(d) In the event the RSL, the Code, or Section 352-eeee is amended, this Plan will be amended accordingly.

#### RIGHTS AND DUTIES OF NON-TENANT PURCHASERS

A purchaser of the shares allocated to an Apartment occupied by a non-purchasing tenant shall purchase such shares subject to (a) the terms and conditions of the existing lease or tenancy, (b) the terms and conditions of the Plan, and (c) applicable provisions of the law of the State and City of New York then in effect. A prospective non-occupant purchaser of an occupied Apartment may examine the lease for that Apartment, which is on file at the Managing Agent's office and may inspect said Apartment subsequent to the expiration of the 90-day exclusive period as set for the under "Rights of Existing Tenants." Upon purchasing the shares allocated to an Apartment occupied by a non-purchasing tenant, a non-occupant purchaser shall be required to pay maintenance charges and expenses for his Apartment to the Apartment Corporation, even if the amount of said maintenance charges and expenses exceed the amount of the rent received from the tenant in occupancy. Such purchaser shall also be responsible to perform all obligations of the landlord pursuant to the lease or tenancy of the tenant in occupancy which shall include without limitation, the obligation or repair, replacement and maintenance of the plumbing fixtures, refrigerator, range, lighting fixtures and other equipment in the Apartment, as well as painting of the Apartment. Such purchaser also agrees to (i) join the Rent Stabilization Association or other industry organization if either is required by law, (ii) offer renewal leases to the non-purchasing tenant in accordance with the RSL and the Code. Prospective purchasers of Apartments occupied by tenants should consult their attorneys with respect to their rights and obligations as owner of an Apartment occupied by a non-purchasing tenant.

Upon purchasing an Apartment occupied by a non-purchasing tenant the purchaser shall be entitled to collect and retain (except as otherwise set forth in this Plan) all rents payable by the tenant occupying the Apartment. If the

non-purchasing tenant is entitled to a refund of rent and part or all of such rent is applicable to a period prior to the Closing Date, the Sponsor shall be obligated to pay such amount to the non-purchasing tenant on or before the date of surrender of possession of the Apartment by the Apartment Corporation. The security deposit of a non-purchasing tenant will be transferred to the purchaser of such Apartment and must be held by such purchaser pursuant to New York law.

The Apartment Corporation's Managing Agent is authorized on behalf and at the expense of the purchaser, to provide the purchasing and non-purchasing tenant all services and facilities required by law on a non-discriminatory basis. The purchaser of an apartment occupied by a non-purchasing tenant other than a holder of Unsold Shares is required to deposit at closing (and keep on deposit) with the Managing Agent an amount equal to two (2) months' rent (maintenance charges) for his apartment, which sum may be used by the Managing Agent to provide such services and facilities to the non-purchasing tenant required by the terms of the tenant's lease or law. The amount deposited shall be promptly replenished by the purchaser to the extent the deposit is so applied by the Managing Agent. Such sum shall be held by the Managing Agent until used to provide such services and facilities and the unapplied amount shall be returned to the purchaser when he sells and transfers ownership of the apartment. The requirements of this paragraph shall not be applicable to the holders of the Unsold Shares.

Costs and expenses incurred in connection with the ownership of an apartment occupied by another (including, without limitation, legal fees and litigation expenses for enforcing the obligations of such tenant under his or her lease or tenancy) will be borne entirely by the purchaser and Sponsor makes no representation in that regard.

A purchaser who acquires the shares allocated to an apartment occupied by any such tenant will be required to pay to the Apartment Corporation the maintenance charges for such apartment, whether the same are greater or less than the rent received from the tenant in occupancy. By reason of the terms of the purchaser's proprietary lease, the rent laws, and any other applicable laws, regulations, and rules, the purchaser will also be responsible for the due performance of all of the obligations of the landlord under the lease with, or tenancy of, the tenant, including obligations to maintain, repair and replace plumbing fixtures, refrigerator, range, lighting fixtures and other equipment in the apartment, and to paint the apartment, among other things.

Any person interested in purchasing shares of the Apartment Corporation allocated to an apartment in which he does not reside is urged to examine any lease pertaining to the apartment to which such shares are allocated, verifying not only the expiration date of the lease, and any renewal thereof, but also rent currently payable for the apartment (which may be more or less than the maintenance charges that will be payable to the Apartment Corporation for such apartment after the closing under the Plan) and the obligations of the landlord thereunder.

It is recommended that every such person consult an attorney in order to become fully apprised of the effect of the rent laws on his right as a purchaser and his obligations to any existing tenant or occupant. See section above entitled "Rights of Existing Tenants."

A purchaser of the shares allocated to an apartment subject to a lease will be entitled to receive the unapplied portion of any security deposit held by the Sponsor under the terms of the lease. Such security must be held by the purchaser, in trust, in an interest bearing account in accordance with §7-103 of the New York General Obligations Law.

No representation, guaranty or warranty is made that the rent laws will or will not continue to apply to any apartments or that there will or will not be any further amendments thereto. However, any rights granted under this Plan will not be abrogated or abridged (see page 26 above).

#### PROCEDURE TO PURCHASE

A person desiring to purchase shares of the Apartment Corporation will be required to execute a Subscription Agreement in quadruplicate in the form contained in Part II of this Plan, and return it to the Sponsor or to the Selling Agent at the Property, together with a check in the amount of \$1,000 to be applied towards the Total Cash Payment for tenants in occupancy exercising their right to purchase during the 90-day exclusive period, and 10% of the Total Cash Payment for all other purchasers, payable to the order of "Kenneth B. Newman, P.C. Special Account". Upon the expiration of the 90-day exclusive period a deposit of 10% of the Total Cash Payment shall be required of all persons desiring to purchase shares of the Apartment Corporation.

The Sponsor will promptly deposit and hold all monies received by it directly or through its agent, employees or escrow agent in a segregated, special account at Bank of

Commerce, 56 East 42nd Street, New York, N.Y. entitled "Kenneth B. Newman, P.C. Special Account" (or some similar title) and said funds may only be released upon written instructions of an attorney at law, at the Closing or prior to the Closing if the purchaser rescinds or defaults or if this Plan is abandoned. All monies so received by the Sponsor shall be held in a non-interest bearing account. The Sponsor is responsible for complying with the escrow and trust provisions of Sections 352-e(2)(b) and 352(h) of the New York General Business Law with respect to all monies received from purchasers.

After the Plan is declared effective, each purchaser will be given fifteen (15) days written notice (accompanied by two copies of the Proprietary Lease) within which time he must deliver to the Selling Agent (i) his unendorsed personal certified check or official cashier's check in the amount of the balance of the Total Cash Payment made payable to "Kenneth B. Newman, P.C. Special Account" and (ii) the duplicate Proprietary Leases signed by him before a notary public who must acknowledge the instrument in the space provided. All such monies received shall be deposited in the "Kenneth B. Newman, P.C. Special Account" and shall be handled in accordance with the provisions of Sections 352-e(2)(b) and 352-h of the New York General Business Law. Such notice to pay the balance of the Total Cash Payment shall not be sent unless the Closing of title to the Property has been scheduled to occur within sixty (60) days from the date such payment is due.

Notwithstanding the foregoing, if a purchaser obtains financing from a bank, trust company or other lending institution, then only that portion of the balance of the Total Cash Payment which is not financed need be paid within said fifteen (15) day period. However, in such case, the purchaser must submit together with such payment (i) a copy of a written commitment from the lending institution (in form satisfactory to counsel for the Apartment Corporation) for the portion of the Total Cash Payment to be financed, (ii) all documents (including the so-called "Recognition Agreement") which the institution will require the Apartment Corporation to execute and (iii) a check payable to the order of Blumenthal & Lynne, counsel to the Sponsor-Seller in the amount of \$300 for services in connection with the supervising, coordinating and arranging the closing of the sale and pledge of such purchaser's shares and Proprietary Lease. If the purchaser complies with the foregoing, then the financed portion of the balance of the Total Cash Payment will be payable on the Closing Date. Purchaser may apply the proceeds of the financing to make such payment However, no Purchaser may finance an amount in excess of 75% of the Total Cash Payment to be paid by said Purchaser.

If within the aforesaid fifteen (15) day period a purchaser fails to pay the unfinanced balance of his Total Cash Payment or to sign and return said Proprietary Leases, or if the Apartment Corporation fails to receive the financed portion of the Total Cash Payment by the Closing Date, and any such failure is not cured within a further period of thirty (30) days after sending written notice thereof, the Apartment Corporation's sole remedy is to cancel the Subscription Agreement and retain as and for liquidated damages all payments made thereunder (but in no event to exceed ten (10%) percent of the Total Cash Payment plus the cost of any special work in the apartment ordered by purchaser if any), hereinafter collectively called the "Liquidated Sum". TIME IS OF THE ESSENCE TO CURE SUCH DEFAULT WITHIN SUCH 30 DAY PERIOD. Any payments received in excess of the Liquidated Sum shall be refunded to the defaulting purchaser with reasonable promptness after cancellation. In the event the Subscription Agreement is cancelled, the Apartment Corporation will have the right to sell said shares and Proprietary Lease to a third-party purchaser and the Apartment Corporation, Sponsor and Selling Agent shall be relieved of all further liability and obligations thereunder and under this Plan with regard to the defaulting purchaser.

In addition, if a tenant-purchaser is evicted from his apartment due to his failure to pay rent or to otherwise comply with any other obligations of his lease or tenancy, or if he vacates or abandons his apartment, his Subscription Agreement may be cancelled at the option of the Apartment Corporation and all monies deposited thereunder forfeited together with any interest earned thereon (but in no event to exceed the Liquidated Sum).

In the event that insufficient funds are raised through this Plan to effectuate the purchase of the Property or if for any reason whatsoever title to the Property is not transferred to the Apartment Corporation on or prior to fifteen (15) months from the date this Plan is accepted for filing by the Attorney General, then all outstanding Subscription Agreements will be terminated and the monies received thereunder shall be fully returned to those purchasers who are in good standing, within forty-five (45) days of such event.

With respect to any purchaser who has defaulted under his Subscription Agreement and has failed to cure the default within the applicable grace period, or whose Subscription Agreement has been previously cancelled, the Apartment Corporation shall retain as liquidated damages the Liquidated Sum and any sums deposited in excess thereof will

be refunded to the delinquent purchaser. All forfeited monies received by the Apartment Corporation will be paid to the Sponsor or Selling Agent pursuant to the Contract of Sale.

All monies received under each Subscription Agreement shall be held in such special account, and may not be withdrawn therefrom, until (i) the closing of title to the shares or (ii) upon cancellation of the Subscription Agreement due to purchaser's uncured default or (iii) the abandonment of the Plan, whereupon such monies shall be paid to the party entitled to receive same as set forth in the Subscription Agreement. The amounts paid by the purchasers will be handled in accordance with the provisions of Sections 352-e(2)(b) and 352-h of the New York General Business Law.

All non-tenant purchasers may rescind the Subscription Agreement by either (i) personally delivering written notice of rescission to the Sponsor or Selling Agent within seven (7) days after execution of the Subscription Agreement or (ii) mailing written notice of such rescission to the Sponsor or Selling Agent, which notice shall be postmarked not later than seven (7) days subsequent to the execution of said Subscription Agreement. In the event of such rescission, the Sponsor shall promptly refund the full deposit to the non-tenant purchaser.

All tenant-purchasers shall have three (3) business days to review this Plan and all filed amendments to this Plan prior to executing a Subscription Agreement.

The Subscription Agreement is not assignable. The right of assignment may be granted pursuant to an amendment to this Plan in compliance with §18.3Q of the Regulations promulgated by the Department of Law.

If, prior to the effective date of this Plan or the expiration of any exclusive period, whichever is later, the Sponsor amends this Plan so that the terms and conditions hereof become more favorable to tenant-purchasers, then in such event, a tenant-purchaser who was in occupancy on the date this Plan is accepted for filing by the Attorney General and who executed and submitted a Subscription Agreement prior to such amendment may elect to benefit from the more favorable terms and conditions contained in the amendment by giving Sponsor or Selling Agent written notice of said election within ten (10) days after the amendment is filed.

Within 20 days after a purchaser delivers an executed Subscription Agreement along with a check for deposit as required hereunder, the Apartment Corporation or Sponsor must either (i) accept the Subscription Agreement and return a fully executed counterpart to the purchaser or (ii) reject the Subscription Agreement and refund the full deposit previously tendered by the purchaser, or (iii) request additional information. In the event the Apartment Corporation or Sponsor fails to either accept or reject the Subscription Agreement as provided herein, the purchaser may rescind the Subscription Agreement as above provided.

Tenants in occupancy may purchase a vacant Apartment or any other available Apartment not occupied by the tenant at the same price and on the same terms and conditions available to non-tenant purchasers on a first-come, first served, basis.

This Plan or the Subscription Agreement may not contain or be modified to contain any provision which in any way contravenes any purchasers' rights under Article 23-A of the New York General Obligations Law. The Subscription Agreement to be used by tenant-purchasers who purchase Apartments during the exclusive period may not be modified except by a duly filed amendment to the Plan.

In the event of any conflict between the terms and conditions of this Plan and the Subscription Agreement, the terms and conditions of this Plan shall be paramount and prevail.

Closing of title to the shares and the related Proprietary Leases will take place at the office of Blumenthal & Lynne, a Professional Corporation, counsellors at law, 488 Madison Avenue, New York, NY 10022 or such other location as the Sponsor may designate in writing. Purchasers desiring to arrange for such closing to take place at another place in New York City should promptly notify the Sponsor at that address, and, in addition, will be responsible for the payment of an attendance fee to Counsel for the Apartment Corporation of not more than \$400. If a purchaser defaults in performance of his Subscription Agreement and thereafter cures it, or closes at a later date than the Closing, the purchaser will pay a fee of \$400 to such Counsel at the closing of his apartment.

In addition, it will be a condition of closing of title to any apartment with the tenant in occupancy that he has paid all charges up to and including the date upon which he signs proprietary lease and receives the shares of stock allocated to his apartment. It is a default under the Subscription Agreement if such charges are not paid.

No tenant in occupancy will have any exclusive or preferential right to purchase any vacant apartment or apartment occupied by another. Any exclusive right granted to tenants hereunder shall apply only to purchases by such tenants in occupancy of the apartment actually occupied by them. However, rent-stabilized tenants in occupancy as of the date of presentation of the Plan may, if they wish, enter into Subscription Agreements for vacant apartments or apartments occupied by another, on the same footing as if they were non-occupants of the building. The Sponsor is under no obligation to accept Subscription Agreements from rent-stabilized tenants for vacant apartments or apartments occupied by others.

#### SUPERINTENDENT'S APARTMENT

No shares have been allocated to the superintendent's apartment which is presently located on the ground floor and known as Apartment L-G. The superintendent's apartment may be changed to another apartment in the building although the shares allocated to it may have to be acquired at a later time by the Apartment Corporation. At such time as the superintendent's apartment is changed, an equitable number of authorized but unissued shares of the Apartment Corporation may be allocated to Apartment L-G and issued at the discretion of the Apartment Corporation.

#### EFFECTIVE DATE OF THE PLAN AND CLOSING DATE

The following provisions will determine whether, and when, the Plan will be declared effective for the purpose of closing:

The Plan may be declared effective if within 15 months from the date of its presentation to the tenants Subscription Agreements are executed and accepted for at least 15% of the tenants in occupancy.

When Subscription Agreements have been executed and accepted for the sale to purchasers of 80% of the Apartment Corporation's shares offered hereby and the conditions above have been met, the Plan must be declared effective.

The Sponsor will notify all tenants and purchasers when 15% of the tenants in occupancy of apartments have signed subscription agreements.

If the Plan is not declared effective within 15 months after the date of presentation, the Plan will be deemed abandoned and all monies paid by purchasers will be refunded to them in full, with interest earned, if any.

If the Plan is abandoned, the Sponsor-Seller will offer to any tenant of a rent stabilized apartment whose lease has theretofore expired a renewal lease in compliance with the provisions of the New York City Rent Stabilization Law and Code and the Emergency Tenant Protection Act.

The Plan will be declared effective by written notice to all purchasers and tenants in the building and the simultaneous filing of an amendment to the Plan to the effect that it has been declared effective.

The Sponsor shall, on the 30th, 60th, 88th and 90th day and every 30 days thereafter from the date of issue of the letter of the attorney general stating that this offering plan has been filed to the date the Plan becomes effective or is abandoned, as the case may be, file with the attorney general a written statement, under oath, stating the percentage of tenants entitled to possession who have consented in writing to purchase under the Plan. A copy of such statements shall be posted in a conspicuous place in the building.

The Sponsor may, at its option, declare the Plan abandoned for any reason whatsoever before it is declared effective. Once the Plan has been declared effective and notice thereof given to tenants and purchasers, the Plan may not be thereafter abandoned, except in the event of (i) the existence of a defect in title which cannot be cured without cost or litigation and which is not waived by a majority of the then existing purchasers; (ii) the existence of work orders of any mortgagee or insurance carrier or violations of record which are noted after the date this Plan is first presented; (iii) the damage or destruction of the building by fire or other casualty, or (iv) the taking of any portion of the property by condemnation or eminent domain. The Sponsor shall not be obligated to cure title defects after the date the Plan is accepted for filing unless caused by the Sponsor. There will be no obligation on the part of the Sponsor to incur expense or engage in litigation to cure title defects or to comply with work orders or to remove violations of record above the amount of \$60,000.

After the Plan has been declared effective, the sale of the Property to the Apartment Corporation will close on a date (herein sometimes called the "Closing Date") to be fixed by the Sponsor-Seller, which shall be not less than 30 days nor more than 180 days thereafter, unless the closing is adjourned. The Sponsor may elect to accelerate the date of closing, but in such event no purchaser will be obligated to pay the balance due under his Subscription Agreement until at least 30 days after the giving of notice that the Plan has been declared effective.

The foregoing provisions of this Section are based upon the laws in effect on the date of presentation of the Plan. The Sponsor reserves the right to amend this Section if such laws, or any of them, expire or are modified or repealed during this offering. A copy of each amendment to this Plan reflecting a change in the law will be furnished to all tenants after acceptance for filing.

On the Closing Date, fee title to the property will be conveyed to the Apartment Corporation and each purchaser will thereupon become obligated for the payment of maintenance charges under his proprietary lease, whether or not he has taken possession of the apartment and whether or not the tenant in possession, if there be one, pays the rent required to be paid by him. Certificates for the shares of the Apartment Corporation and the accompanying proprietary leases will be issued to the purchasers as of the Closing Date and will be delivered promptly thereafter.

The Sponsor will acquire (or will procure an individual or individuals to acquire) all shares not subscribed for prior to the closing of title and execute proprietary leases for all the apartments to which such shares are allocated, so that all of the shares of the Apartment Corporation will be issued and proprietary leases will be executed for all apartments to which shares are allocated. However, not later than three years after the closing of title the Sponsor will sell any shares which it acquires to one or more financially responsible individuals, each for his own account, who will be acting for or on behalf of the Sponsor. See "Unsold Shares" below.

#### INTERIM POSSESSION AGREEMENT

Sponsor may offer any Purchaser, in its sole and absolute discretion, the right to possession of an apartment prior to closing. In such event, Sponsor, Apartment Corporation, and Purchaser shall enter into an Interim Possession Agreement ("IPA"), simultaneous with the Subscription Agreement. IT IS EXPRESSLY AGREED THAT SUCH IPA IS NOT INTENDED BY EITHER PARTY TO CONSTITUTE A RENTAL AGREEMENT AND PURCHASER/"CONTRACT VENDEE IN POSSESSION" SHALL NOT BE PROTECTED BY ANY RENT LAWS. Such Purchaser (Contract Vendee in Possession) shall accept the apartment in its "as is" condition at the time that he takes possession thereof.

The charges payable thereunder shall be as negotiated by Sponsor and Purchaser, but in no event shall such charges be credited toward the Purchase Price of shares. The term of such IPA shall expire on the Closing Date if this Plan shall have been declared effective notwithstanding any

longer term contained therein. If this Plan is abandoned, the Sponsor or Purchaser may, at any time cancel such IPA and vacate the premises upon sixty (60) days' prior written notice to the other party. The charges under the IPA shall be due and payable to Sponsor for the entire period until the end of the month in which Purchaser has vacated the premises.

It shall be a default under the IPA if the Purchaser thereunder fails to comply with all of his obligations under his Subscription Agreement. A default in the performance or observance of the terms and conditions of the IPA will also be a default under the terms of the Subscription Agreement and will permit the Sponsor to cancel the same in accordance with its terms. The IPA shall provide that the "Contract Vendee in Possession" shall, from the occupancy date set forth in the IPA, have such responsibilities (except "Maintenance Charges") as a tenant-shareholder would have under the Proprietary Lease (e.g. pay utilities, make repairs, etc.) of the Apartment Corporation.

Until the Apartment Corporation acquires title to the property, "Contract Vendees in Possession" of apartments in the building will not be able to claim the income tax deduction described in the introduction to this Plan. Such deductions may become available only (a) when and if this Plan is declared effective and there is a closing hereunder, and (b) when and if the conditions set forth in the Opinion of Counsel included herein have been met, and then and only for the period subsequent to the Closing Date. Charges due under any IPA shall be adjusted as of the Closing Date between Sponsor and the Purchaser.

Sponsor does not presently offer the right to rescind the Subscription Agreement or the IPA (except in case of abandonment of the Plan or a material change in the total number of shares or in the size or quality of public areas). However, should such right be offered in the future, and exercised by Purchaser, or if the plan is abandoned, then the Purchaser's right to rescind will be conditioned upon his surrendering possession of the apartment and leaving the same vacant, in good condition and broom clean within 60 days. He must also pay any charges due under his IPA. In the event the "Contract Vendee in Possession" fails to so vacate the apartment upon his recission, abandonment of the Plan, or Purchaser's failure to close, the Purchaser's deposit shall be forfeited as liquidated damages. Nothing contained herein shall relieve any Purchaser of liability for damage caused to the apartment or any liability under the Subscription Agreement.

## RIGHT OF TENANTS TO PURCHASE VAC~NT APARTMENTS

Subject to the prior consent of the Sponsor, each tenant in occupancy of an apartment in the Building on the date of presentation of this Plan will have the non-exclusive right, on a "first come, first served" basis, for the first 90 days after said presentation date (and not thereafter), to purchase any vacant apartment (the "Vacant Apartment") in the Building in substitution for the apartment he now occupies, on and subject to his complying with, all of the following terms and conditions:

(a) The Total Cash Payment to tenants for such Vacant Apartment shall be the product of (i) \$600 multiplied by (ii) the number of shares allocated to the Vacant Apartment.

(b) The Subscription Agreement for the Vacant Apartment and down payment must be received before the expiration of such 90 day period.

(c) Simultaneously with the submission of the Subscription Agreement, the tenant must execute and deliver to the Selling Agent: (i) an interim lease for the Vacant Apartment (at the rent and on the terms set forth below) and (ii) an agreement cancelling any existing lease or tenancy effective on the date the term of the interim lease commences (such cancellation agreement to be in form and substance satisfactory to sponsor-seller) and transferring any unapplied rent security to secure tenant's obligations under the interim lease.

(d) The interim lease shall be on the form required by Sponsor-Seller and shall provide (i) a rent not to exceed the maximum rent permitted to be collected under the Rent Stabilization Law ("RSL") and Code; (ii) the payment of rent and term to commence not later than 30 days from the date of submission of the Subscription Agreement and to expire on the earlier of one year or the Closing Date; (iii) the right of the landlord to cancel the interim lease in the event the tenant fails to pay and perform any of his obligations under the Subscription Agreement; and (iv) such other additional provisions consistent with the RSL and Code as Sponsor-Seller may require and the tenant may agree to.

(e) On the date of commencement of the term of the interim lease, tenant shall surrender possession of the apartment in which he presently resides: (i) in broom swept clean condition (with all personal belongings, furniture, furnishings, wall coverings and decorations removed), (ii) in good order, condition and repair (subject only to reasonable use, wear and tear) and (iii) vacant, free and clear of all leases, tenants, occupants and rights of possession.

If a tenant wishes to be safeguarded against the possibility of losing the right to purchase his own apartment should he be unsuccessful in purchasing a Vacant Apartment, he may execute a Subscription Agreement for the apartment in which he now resides (for the Total Cash Purchase Price to Tenants as set forth in this Plan) in addition to the Subscription Agreement for such Vacant Apartment. If the tenant submits two Subscription Agreements, he shall be required to make only one down payment for both Subscription Agreements equal to 10% of the higher purchase price. Both such Subscription Agreements must be accompanied by the Notice of Election to Purchase Vacant Apartment set forth in Part II of the Plan (properly completed and signed), which provides that the Subscription Agreement being submitted for the apartment presently occupied by the tenant shall be deemed cancelled in the event such tenant is the successful purchaser of the Vacant Apartment. Said notice further provides that in the event the tenant is not the successful purchaser of the Vacant Apartment, then the Subscription Agreement for the Vacant Apartment submitted by him shall be deemed cancelled. The two Subscription Agreements and said notice should be sent simultaneously to the Selling Agent.

Under no circumstances may a tenant be allowed to purchase more than one apartment at the Total Cash Purchase Price of \$600 per share.

A tenant in occupancy who elects to purchase a Vacant Apartment shall purchase same in its then "as is" condition, and Sponsor is under no obligation to make any improvements or repairs in connection therewith.

Except as provided above, the execution of a Subscription Agreement for a Vacant Apartment will be deemed a waiver of the Tenant's right to purchase the shares allocated to his current apartment. The security deposit allocated to the Tenant's current apartment will be credited to the deposit relating to the Vacant Apartment when the term of the Interim Lease Agreement commences.

A Subscription Agreement entered into by a Tenant for a Vacant Apartment will be considered in determining whether the fifteen (15%) percent requirement for declaring this Plan effective has been met.

#### APARTMENT CORPORATION

The Apartment Corporation was formed on September 30, 1980 under the Business Corporation Law of the State of New York. It has only one class of stock consisting of an authorized capital of 20,000 common shares of the par value of \$1 each, of which 17,202 shares are to be issued under this Plan and 2,798 are to remain unissued.

By-laws adopted by the Apartment Corporation are reproduced in PART II. By-laws require not less than 3 nor more than 7 directors. The first Board to be elected by the tenant-stockholders shall consist of seven members. The present officers and directors, each of whom were selected by the Sponsor, are:

Kenneth B. Newman, President - Director  
Stephen A. Newman - Director  
Shirley Ricardo, Secretary - Director

These officers and directors will resign in favor of directors to be elected by all shareholders at a meeting to be held approximately 30 days after the closing. Directors shall be elected by a plurality of votes cast at a meeting at which a quorum shall be present. The entire number of directors to be elected shall be voted for at one and the same time and not separately. All of the holders of Unsold Shares shall be entitled to vote their shares at all elections. However, the by-laws provide that at least one less than a majority of directors to be elected must be residents of the building (that is, if seven directors are to be elected, at least 3 directors must reside in the building).

Directors and officers shall serve without compensation. The Board of Directors shall be responsible for the day-to-day operation of the Apartment Corporation.

Any Director may be removed from office at any time, with or without cause, at the pleasure of the shareholders, upon affirmative vote of the shareholders of record taken at a shareholders' meeting duly called for that purpose; provided, however, that the Directors elected by the "holders of unsold shares" may be replaced only by designees of such "holders of unsold shares."

Notwithstanding the foregoing, however, Sponsor as a holder of Unsold Shares and other holders of Unsold Shares shall agree that, after the fifth anniversary of the Closing Date, or whenever the Unsold Shares constitute less than fifty (50%) percent of the shares whichever event first occurs, they shall not exercise voting control over the Board of Directors.

The Apartment Corporation will have a lien on the shares of each shareholder to secure payment of maintenance charges and other indebtedness under the proprietary lease as well as the faithful performance and observance of all the terms, covenants and conditions of such lease.

So long as shareholders of the unsold shares continue to own at least twenty-five (25%) percent of the then outstanding capital shares of the Apartment Corporation,

the Board of Directors may not, without the consent of such holders having first been obtained:

1) increase the number of or change the type of employees from that described in this Plan in the Schedule of Projected Receipts and Expenses for the First Year of Operation;

2) provide for new or additional services other than those indicated in said Schedule unless the annual cost of such new or additional services, when added to the annual cost of the services being provided, is no greater than the amount set forth in said Schedule; or

3) undertake any capital or major improvement or addition unless required by law or which is approved by resolution of a majority of the Board of Directors or 65% of the shareholders and is necessary to avoid jeopardy to the continued existence of the premises or which constitutes a danger to health or safety or to avoid risk of deterioration, destruction or breakdown of a component part, fixture or element of the building.

4) establish any reserves, including (without limitation) a reserve for contingencies, repairs, improvements or replacements, other than a twelve (12) month reserve from contingencies not exceeding five (5%) percent of the budgeted operating expenses (exclusive of mortgage debt service) for the ensuing twelve (12) months of cooperative operation.

Notwithstanding the foregoing, the Apartment Corporation may take any of the actions enumerated in clauses (1) through (4) above if the cost of such actions, when added to all other budgeted expenses of the Corporation, shall not result in increasing the maintenance charges for any year of operation by more than 5% above the previous year's maintenance charges, or if required by applicable law or regulation.

The Certificate of Incorporation may be amended only by the affirmative vote of a majority of the shares of the Corporation issued and outstanding.

The by-laws may be amended, altered, repealed and added to by vote of shareholders holding at least 2/3 of the then outstanding shares or by 2/3 of the Board of Directors, except the Directors may not amend, repeal or alter certain by-law provisions and except further that so long as there are any Unsold Shares outstanding, the by-laws may not be altered, amended, repealed or added to without the unanimous consent of all shareholders.

## UNSOLD SHARES

If any shares of the Apartment Corporation (which have been allocated to apartments in the Building) are not purchased and fully paid for by the Closing Date ("Unsold Shares"), in order to comply with Section 216 of the Internal Revenue Code of 1954, as amended (the "Code"), the Sponsor will continue to hold such shares or will produce, reputable, financially responsible individuals (the "Individuals") who will, individually, purchase or acquire such Unsold Shares and who will enter into proprietary leases for the apartments to which such shares are allocated. The Individuals, all of whom shall be natural persons, will hold the Unsold Shares for their own account and not as nominees for, or the benefit of, any other individual or any corporation, partnership, joint venture or other entity or as participants in any tenancy-in-common or joint tenancy, unless permitted by the Code or the regulations and rulings thereunder. Such purchasers may be persons connected with the Sponsor, but each shall purchase and pay for his own shares individually and be reasonably fiscally responsible to meet the obligations of ownership, and not be acting as nominee for any other person, firm or entity in the ownership of Unsold Shares or in the disposition of proceeds therefrom. A holder of Unsold Shares is the Sponsor or the Individual(s) designated as such by the Sponsor at the closing or any other person who holds Unsold Shares as defined in Paragraph 38 of the proprietary lease. Sponsor agrees that if any holder of Unsold Shares fails to fulfill his obligation to pay maintenance charges and assessments due under his proprietary lease, Sponsor guarantees to pay same. This guarantee shall cease and the Sponsor shall be relieved of all further obligations thereunder upon the earlier of the (i) purchase of the Unsold Shares allocated to the apartment covered by such proprietary lease by a bona fide purchaser for occupancy or (ii) the holder of Unsold Shares or a person related by blood or marriage to the holder of Unsold Shares takes occupancy as a bona fide resident of the apartment covered by such proprietary lease. If the Sponsor pays the maintenance charges or assessments of a holder of Unsold Shares, the Sponsor will be subrogated to all the Apartment Corporation's rights and remedies under the proprietary lease and By-laws against the defaulting holder of Unsold Shares and the Apartment Corporation will, at the time of such performance by the Sponsor, enter into a subrogation agreement in form reasonably satisfactory to Sponsor.

The Unsold Shares include shares for which Purchase Agreements have been entered into, but not fully paid for, at closing. Upon payment of the unpaid balance of the Total Cash Payment for each block of these subscribed shares on

the Closing Date by a holder of Unsold Shares the Sponsor will assign to such holder of Unsold Shares its rights to receive such unpaid moneys from the purchaser. If during the period provided for such cure, the Purchaser pays the balance due, the holder of Unsold Shares will transfer the certificate for the shares and related proprietary lease to the purchaser, and no consent by the Apartment Corporation shall be required. A holder of Unsold Shares shall comply with the trust fund provisions of General Business Law Section 352-h and escrow provisions under General Business Law Section 352-e2b.

The consideration for the Unsold Shares at closing will meet the reasonable relationship standard of Section 216 of the Code.

Sponsor represents that it has the financial resources to meet its obligations with respect to the Unsold Shares. No bond or other security has been furnished to secure Sponsor's obligations except that the Apartment Corporation will have a lien upon the Shares to secure performance of all unpaid obligations of the Sponsor and holders of Unsold Shares under the proprietary lease.

The Apartment Corporation is prohibited from imposing any fees or charges on the holder of Unsold Shares for transfer or subletting. A holder of Unsold Shares may use apartments for models or offices and may make alterations or additions to an apartment without the consent of the Apartment Corporation so long as such alterations or additions are made in compliance with building codes and related laws. See "Changes in Cash Purchase Prices and Apartment Sizes and Layouts" which describes other rights of holders of Unsold Shares with respect to changes in the number, size and layout of apartments. Neither the subletting of the Apartment or the assignment of a proprietary lease by a holder of Unsold Shares (or any financing transaction in connection therewith) shall require the consent of the Apartment Corporation.

A holder(s) of Unsold Shares may not cancel his proprietary lease(s) unless either (i) shareholders owning a majority of the Apartment Corporation's issued and outstanding shares (other than Unsold Shares) shall have given notice of intent to cancel or (ii) all Unsold Shares constitute fifteen (15%) percent or less of the Apartment Corporation's issued and outstanding shares, and at least five (5) years have elapsed since the Apartment Corporation acquired title to the Building and on the effective date of cancellation the holder(s) of Unsold Shares pays to the

Apartment Corporation a sum equal to the product of the then current monthly rent (maintenance charges) payable under the proprietary lease(s) multiplied by twenty-four (24).

In the event that any non-purchasing tenant is receiving or in the future receives the benefit of reduced rent as a Senior Citizen tenant which entitles the Apartment Corporation to a reduction in its real estate taxes, then to the extent permitted by law the Apartment Corporation will enter into an agreement to cooperate with the holder of Unsold Shares (or any other owners of the shares) for such apartment so that such holder of Unsold Shares (or other owner) may, in accordance with applicable law, receive the benefit of the reduced real estate taxes so long as the applicable law allows; and in this regard, the Apartment Corporation will agree to execute and file the necessary and appropriate documents to obtain such tax savings and shall pass the benefit of such tax savings to such holder of Unsold Shares (or other owner of the shares).

In connection with the sale by Sponsor or any holder of Unsold Shares which will be financed by a lender, the Apartment Corporation will, on request, promptly execute and deliver to a bank or other lender the standard recognition agreement then being used by banks or other lenders. A holder of Unsold Shares may elect to become the occupant of the apartment covered by his proprietary lease, and, from the time that he becomes the occupant thereof, the Sponsor shall no longer be responsible for the performance of his proprietary lease, and the shares in question will no longer be considered "Unsold Shares".

If the maximum legal rent for any apartment occupied by a non-purchasing tenant is increased by reason of any act of the Apartment Corporation, including, without limitation, major capital expenditures for improvements or increased services provided by the Apartment Corporation, or increases in operating costs for which pass-alongs or increases in rent may be granted or allowed by any provision of law, the Apartment Corporation will cooperate with the holders of Unsold Shares to secure such increases in rent, and the Apartment Corporation will provide and file such documentation and will provide such information as is reasonably necessary or required by law to obtain such increases. The Apartment Corporation will not be obligated to engage in litigation or to take any action to insure such increases, other than to provide and file such information as is reasonably necessary or required by law to permit the holders of Unsold Shares to secure such increases. The holders of Unsold Shares will be under no obligation to account to the Apartment Corporation for any rents received

from non-purchasing tenants. The Apartment Corporation, in addition, will provide such holders with any contractor's certificate which may be required to obtain any such increase; and if an extra charge is made therefor, such holders will reimburse the Apartment Corporation to the extent thereof.

The Apartment Corporation will provide those services required by the rent laws.

A holder of Unsold Shares may elect to become the occupant of the space covered by his Proprietary Lease. From the time that a holder of Unsold Shares or a person related to him by blood or marriage becomes the occupant of such unit, or whenever "Unsold Shares" are purchased by a bona fide purchaser for occupancy, such shares lose their character as "Unsold Shares." From such time, Sponsor shall be relieved of further obligations with respect thereto.

Holders of Unsold Shares and Sponsor have certain special rights and obligations. They shall comply with the trust fund provisions of G8L §352-h and escrow deposit provisions of GBL §352-e2(b). See Para. 38 of the Proprietary Lease and Article III of By-Laws. Additionally, a holder of Unsold Shares who is the Sponsor, designated by Sponsor, a principal of Sponsor, a nominee of Sponsor or of a principal of Sponsor shall amend the plan to provide current and accurate information until the shares allocated to units of such holder of Unsold Shares have been sold to bona fide purchasers. Such a holder of Unsold Shares also shall provide prospective purchasers with a copy of the Offering Plan and all filed amendments.

#### PURCHASERS FOR INVESTMENT OR RESALE

A purchaser for investment or resale ("PIR") is a purchaser who purchases shares allocated to three (3) or more units which units are not for occupancy by such purchaser or persons related by blood, marriage or adoption to such purchaser. In connection with the sale of such units, a PIR shall register as a broker-dealer pursuant to GBL §359-e and shall comply with the trust fund provisions of GBL §352-h and the escrow deposit provisions of S352-e(2)b of the GBL. A PIR shall provide the following documents to a prospective purchaser, provided they are available to such holder, at no cost to the purchaser, three (3) business days before entering a Purchase Agreement:

(a) Copy of the most recent financial statement of the Apartment Corporation, if any.

(b) Copy of the most recent notice from the Apartment Corporation of the interest and taxes deductible for income tax purposes, if any.

(c) Copies of notices from the Apartment Corporation concerning changes in maintenance charges, potential assessments, planned major capital improvements and proposed refinancing of the Building's mortgage(s), if any.

(d) Copies of pleadings in pending lawsuits or proceedings the outcome of which may affect the offering of the unit, seller's capacity to perform all of its obligations under the Purchase Agreement or the rights of an existing tenant, if any.

(e) If the unit is occupied, copy of the tenant's lease and representation of the tenant's status under any applicable rent law and status as an Eligible Senior Citizen or Eligible Disabled Person.

(f) Copies of the By-Laws and Proprietary Lease of the Apartment Corporation, as amended.

(g) Copy of notice of uncured violations of record in the unit that are the responsibility of the proprietary lessee to cure, if any.

#### RESERVE FUNDS

##### Working Capital Fund

On the Closing Date, from the amount of cash raised by this offering, the Apartment Corporation will retain the sum of \$15,000 as a reserve fund for working capital and related corporate purposes as determined by the Board of Directors. No representation is made that the reserve fund will be adequate to cover current or future expenses, and if additional funds are required over and above the reserve fund, it may be necessary to increase maintenance charges. No portion of this Fund may be used to pay closing adjustments, to make capital improvements to the building, or for any other purpose other than as expressly set forth herein.

THE PROPERTY IS OFFERED IN ITS CURRENT CONDITION AS SET FORTH IN THIS OFFERING PLAN. NO GOVERNMENTAL AGENCY HAS PASSED UPON THE ADEQUACY OF THE RESERVE FUND OR ON THE PHYSICAL CONDITION OF THE BUILDING.

## Reserve Fund

Pursuant to Title YYYY of Chapter 51 of the Administrative Code of the City of New York, (the "Code"), the Sponsor of a cooperative conversion plan in New York City is required to establish a Reserve Fund for the Apartment Corporation in certain minimum amounts (See page Y1 of this Plan for the text of this law).

This Fund will be used for making capital repairs, replacements and improvements necessary for the health and safety of the residents of the Building as determined by the Board of Directors. Capital replacements shall include, but shall not be limited to, building wide replacements of a major component of any of the following systems: (a) elevator; (b) heating, ventilating or air conditioning; (c) plumbing; (d) wiring; (e) windows; (f) major structural replacements to the building; but shall not include replacements made to cure code violations of record. While Sponsor is in control of the Board of Directors, this fund may not be used to reduce projected maintenance charges in the Plan.

The Reserve Fund is in addition to the Working Capital Fund and may not be reduced by closing adjustments.

Pursuant to the Code the Reserve Fund is required to be in an amount equal to either:

(a) 3% of the total price (which is defined in the Code as the total number of shares in the offering multiplied by the last price per share which was offered to tenants-in-occupancy prior to the effective date of the plan regardless of the number of sales made), or

(b) (i) 3% of the actual sales price of all cooperative shares sold by the Sponsor at the time the plan is declared effective, provided, however, that if such amount is less than 1% of the total price, then the Reserve Fund shall be established as a minimum of 1% of the total price;

plus

(ii) supplemental contributions to be made by the Sponsor at a rate of 3% of the actual sales price of cooperative shares for each unit or its allocable shares held by the Sponsor and sold to bona fide purchasers subsequent to the effective date of the Plan and within five years of the Closing Date notwithstanding that the total amount contributed may exceed

3% of the total price, and provided, further, that, if five years from 30 days after the Closing Date the total contributions by the Sponsor to the Reserve Fund are less than 3% of the total price, the Sponsor shall pay the difference between the amount contributed and 3% of the total price.

If the method of establishing the Reserve Fund described in subparagraph (b) above is selected by the Sponsor, supplemental contributions shall be made within 30 days of each sale.

The Sponsor is entitled to a credit (the "Improvement Credit.") against the amount to be contributed to the Reserve Fund equal to the actual cost of any capital repairs, replacements or improvements begun by Sponsor after the "Red Herring" plan was submitted to the Department of Law and before the Plan is declared effective provided that the replacements and their actual or estimated costs are disclosed in the Plan or a duly filed amendment thereto and the credit for the cost of capital replacements does not exceed 1% of the total price offered to tenants before the Plan is declared effective. In this connection the Sponsor intends to repair the sidewalks and concrete garage roof adjacent to the building at a cost of approximately \$28,000 for which it will be entitled to a credit. In the event that any reserve for replacements or similar fund is required under any mortgage affecting the property on the Closing Date, the Sponsor shall transfer to the Apartment Corporation all of its right, title and interest in and to such fund and the total amount of such fund shall be credited against the amount to be contributed to the Reserve Fund.

It is solely within the Sponsor's discretion to determine which method to use in establishing the Reserve Fund, and Sponsor need not elect either method until 30 days after the Closing Date.

Assuming the last price offered to tenants-in-occupancy before the Plan is declared effective is \$600 per share, if the first method of establishing the Reserve Fund is selected, the Apartment Corporation will receive, within 30 days after the Closing Date, the sum of \$309,636 (less the Improvement Credit, if any). No further payments by Sponsor would thereafter be required or paid. If the second method is chosen, the Apartment Corporation will receive a minimum of \$309,636 (less the amount of any Improvement Credit) within 30 days after the Closing Date; and, in addition, the Apartment Corporation would receive supplemental payments of 3% of the actual sales price of shares of units sold by the Sponsor for a period of five years from the Closing Date. If, after five years and 30 days from the Closing Date, the

amount contributed by Sponsor, together with the amount of any Improvement Credit, does not equal 3% of the total price, as defined, the Sponsor shall contribute an amount which will bring Sponsor's total contributions to the Reserve Fund up to the 3% level.

It should be noted that, the Internal Revenue Service may treat the supplemental contributions (and possibly the initial contribution as well) as income derived from other than qualified tenant-stockholders. If the Internal Revenue Service takes this position and is upheld, and if the amount of such contributions in any fiscal year of the Apartment Corporation, when added to all other income derived from other than qualified tenant-stockholders, exceeds 20% of the Apartment Corporation's gross income, then tenant-shareholders would not be entitled to the tax benefits otherwise available under Section 216 of the Internal Revenue Code for that year (see discussion in Counsel's Tax Opinion).

The Apartment Corporation shall report to shareholders on a semi-annual basis with respect to all deposits into and withdrawals from the Reserve Fund.

As further required by Section YYYY51-5.0 of the Code, not later than the 30 days following the acceptance of the Plan for filing and until the Closing Date, the Sponsor shall designate an agent on the premises who shall make available for inspection by the tenants a listing of all violations of record against the Building as determined by the Department of Buildings and the Department of Housing Preservation and Development. All newly-issued violations shall be added to such listing within 48 hours of their issuance and maintained as described above. Alternatively, the Sponsor may satisfy the requirements of this section by posting and maintaining such a listing in a prominent place accessible to all tenants in the Building.

While the Sponsor is in control of the Board of Directors of the Apartment Corporation, the Reserve Fund and/or the Working Capital Fund may not be used to reduce the projected maintenance charges set forth in Schedule A of the Plan.

The Property is offered in its current condition as set forth in this Plan. Neither the Department of Law nor any other government agency has passed upon the adequacy of the Reserve Fund or the Working Capital Fund. No representation is made that the Reserve Fund or the Working Capital Fund will be adequate to cover current expenses, including repairs or replacements. If additional funds are required over and above such funds, the Board of Directors may find it necessary to increase maintenance charges or provide for a special assessment.

FINANCIAL FEATURES

The basic financial plan of this cooperative project is as follows:

	(1)	(2)
17,202 Shares	\$10,321,200	\$15,481,800
Mortgage Indebtedness.....	<u>3,000,000</u>	<u>3,000,000</u>
Total Purchase Price.....	\$13,321,200	\$18,481,800
(Less (a) Reserve Fund to be retained by Apartment Corporation.....	309,636	309,636
(b) Working Capital Fund.....	<u>15,000</u>	<u>15,000</u>
Net Offering Proceeds due Sponsor (2).....	<u>\$12,996,564</u>	<u>\$18,157,164</u>

- (1) Assumes all shares are sold to Tenants who have executed and delivered Subscription Agreements within 90 days of the Presentation Date.
- (2) Assumes all shares are sold to Outsiders and Tenants who have not executed and delivered Subscription Agreements within 90 days of the Presentation Date.

The Total Cash Offering is subject to adjustment in the event the Total Cash Payment for one or more blocks of shares is changed in accordance with the right so to do reserved in the Plan. (See Changes in Prices and Units.)

The Net Offering Proceeds will also be subject to adjustment as set forth below.

The cash received from the shares sold under the Plan will be used (i) to pay the costs and expenses of this offering, as hereinafter set forth, (ii) to provide the Apartment Corporation's Working Capital Fund and Reserve Fund, and (iii) to provide the balance to Sponsor as part of the consideration for Sponsor's transfer of title to the Apartment Corporation.

Under the Contract of Sale, Sponsor is to convey the Property to the Apartment Corporation in exchange for all the Unsold Shares, plus an amount equal to the net proceeds realized from those shares sold at the time of conveyance after deducting therefrom the Working Capital Fund, and Reserve Fund (hereinafter called the "Cash Proceeds"). The Cash Proceeds shall be subject to the following adjustments:

(a) The Cash Proceeds shall be reduced by an amount equal to all costs and expenses incurred by the Apartment Corporation on or prior to the Closing Date in connection with the promulgation and consummation of this Plan (hereinafter collectively called "Offering Expenses"), including, but not limited to, selling expenses and commissions; the net cost of a fee title insurance policy in the amount of the total consideration paid to Sponsor for the Property and mortgagee's title insurance, if obtained; printing, advertising and organizational costs; legal fees and disbursements; governmental filing fees; New York City and State Real Property Transfer Tax; Mortgage Tax; and recording fees and charges. All sums advanced by Sponsor on behalf of the Apartment Corporation in payment of the foregoing expenses, or in payment of any other offering Expenses, shall reduce the Cash Proceeds herein provided. All unpaid Offering Expenses shall be paid by the Apartment Corporation on the Closing Date. The Cash Proceeds, after closing adjustments as herein described, shall, therefore, be reduced by an amount equal to the combination of the sums advanced by Sponsor on behalf of the Apartment Corporation at or prior to the Closing Date, and the total of Offering Expenses paid by the Apartment Corporation on or prior to the Closing Date.

The Offering Expenses do not include customary items of closing adjustments to be apportioned between Sponsor and the Apartment Corporation. (See Contract of Sale.) The foregoing Offering Expenses shall be paid solely from the proceeds of this offering and shall in no event reduce the Working Capital Fund.

If any Offering Expenses are not paid on the Closing Date and are paid by the Apartment Corporation thereafter, then to the extent of such payments, Sponsor shall reimburse the Apartment Corporation in full and the Cash Proceeds shall be deemed to have been reduced accordingly. If such payments are made directly by Sponsor on behalf of the Apartment Corporation, the Cash Proceeds shall similarly be deemed to have been reduced accordingly. The obligation of Sponsor to reimburse the Apartment Corporation herein provided shall survive the closing of title.

(b) If the Total Cash Payment for any block of shares sold prior to the Closing Date is changed pursuant to the right reserved to the Apartment Corporation to change same, the Cash Proceeds shall be increased or decreased, as the case may be, by the net difference resulting from all such changes in Total Cash Payments; and

(c) The Cash Proceeds will be increased by a sum equal to all monies (inclusive of interest) forfeited by defaulting Purchasers under their respective Subscription Agreements.

The Cash Proceeds, as adjusted in accordance with the foregoing, will be paid to Sponsor at Closing by (a) transferring to Sponsor all monies then being held by the escrowee as deposits under Subscription Agreements in effect of the Closing Date (exclusive of interest thereon which shall be paid over or credited to the respective purchasers) and as deposits forfeited by defaulting Purchasers (inclusive of interest), and (b) as to the balance of the said Cash Proceeds, by good certified check of the Apartment Corporation or by official cashier's check, drawn against a bank maintaining a branch in New York City.

TERMS OF THE MORTGAGES WHICH WILL AFFECT THE PROPERTY  
AT THE CLOSING OF TITLE

The premises are presently subject to a consolidated first mortgage held by Emigrant Savings Bank in the original principal amount of \$1,750,000.00 with interest at the rate of 8-7/8% per annum payable in monthly installments of principal and interest of \$14,262.50 up to and including October 1, 1987 when the entire amount then remaining unpaid thereunder with accrued interest shall become due and payable (approximately \$1,510,660). Each monthly payment when paid is to first be applied to accrued interest on the principal of the mortgage at the rate of 8-7/8% per annum and the balance to the reduction of principal thereof. At the time of the closing, the reduced balance of the mortgage will be approximately \$1,700,000. There is not a due on sale clause in such mortgage and at the closing, no default will exist under such mortgage. Sponsor will make all payments due prior to the closing thereunder.

The premises will be purchased subject to a 10-year wrap-around mortgage (the "Wrap-Around Mortgage") to be given to the Sponsor at the closing in the sum of \$3,000,000 with constant monthly payments of \$25,000 interest (10% per year). No amortization of principal will be included in such monthly payments. In addition, payments will be required to be made monthly of all taxes for the Property, including water and sewer charges. Under the wrap-around mortgage the Sponsor will be obligated to apply all payments received first to payments required to be made under the first mortgage described above (including taxes and insurance) and thereafter to payments on the wrap-around mortgage, provided that the payments to be made thereunder do

not exceed the payments set forth herein. The lien of both mortgages will not exceed approximately \$4,700,000 but the indebtedness of the Apartment Corporation will not exceed \$3,000,000. The Sponsor will request the holder of the underlying mortgage to notify the Apartment Corporation of any default in payments owing thereunder by the wrap-around mortgagee.

The wrap-around mortgage shall provide that the Sponsor or the holder of the wrap-around mortgage by his acceptance thereof agrees, at his sole expense, to refinance the first mortgage, described above or make other arrangements so that such mortgage is satisfied or its terms shall expire simultaneously with or after the term of the wrap-around mortgage, unless it is refinanced. If the first mortgage is refinanced (a right reserved by the Sponsor) such refinanced first mortgage may not exceed \$3,000,000 in principal and the debt service (interest and amortization payments) may not exceed the debt service on the wrap-around mortgage. The wrap-around mortgage shall also provide that if the holder defaults in any payment due on any underlying mortgage and the applicable grace period has expired, if all payments due have been met by the wraparound mortgagor, the wraparound mortgage shall be deemed satisfied; provided however, if the holder of the wraparound mortgage becomes current on all past due payments, the holder of the underlying mortgage has not commenced foreclosure proceedings or has discontinued foreclosure proceedings because of default, and the holder of the wrap-around mortgage pays all expenses incurred by the apartment corporation as a result of such default by the holder, including legal fees and fees paid to arrange for refinancing the underlying mortgages, the wraparound mortgage shall be reinstated.

It will also provide that if the term of any underlying mortgage is longer than the term of the wrap-around mortgage, such underlying mortgage will contain a provision permitting prepayment at the time when the wrap-around mortgage is not in default thereunder, the holder of the wrap-around mortgage will, at his expense, satisfy the underlying mortgage.

If the holder of the wrap-around mortgage shall obtain additional funds as the result of refinancing or restructuring the underlying mortgage, such funds shall not in any way inure to the benefit of the apartment corporation, but shall be the sole property of the holder of the wrap-around mortgage.

Under the wrap-around mortgage, the apartment corporation will appoint the Sponsor and each future holder of the wrap-around mortgage severally as its agent(s) solely for

the purpose of executing and delivering such documents on its behalf as are necessary or desirable in order to effectuate the refinancing or other restructuring of the underlying mortgage(s) and shall stipulate that such agency is coupled with an interest and irrevocable during the term of the wrap-around mortgage. The apartment corporation will also covenant thereunder to elect a designee of the Sponsor and each future holder of the wrap-around mortgage as a vice president of the apartment corporation for the sole purpose of executing and delivering such documents in its name and under its seal. The failure of the apartment corporation to do so within ten (10) days after written demand delivered personally or by certified mail shall constitute a default under the wrap-around mortgage entitling the holder thereof to declare the unpaid principal and accrued interest thereunder immediately due and payable.

The wrap-around mortgage shall also provide that if the holder of any present or future underlying mortgage requires that deposits be made in escrow for the purpose of paying real estate taxes, water charges, sewer rents or insurance premiums, the apartment corporation shall be obligated to make such deposits as are reasonably required. If such funds are not available to the apartment corporation from other sources at such time as they are required, it may be necessary to increase maintenance charges for that purpose.

Except as provided herein, any mortgages to be provided hereunder shall be drawn on a form of the New York Board of Title Underwriters or one used by a banking institution in the City of New York for loans of like lien.

If the apartment corporation should fail to pay any installment of interest or real estate taxes or insurance premiums when due, or fail to maintain adequate insurance coverage, it will be a default under the wrap-around mortgage entitling the holder to declare the entire principal immediately payable. There is no grace period within which to cure defaults in payments of interest, taxes and insurance premiums; all other defaults may be cured within two days after notice thereof.

The wrap-around mortgage will also provide that the indebtedness secured thereby shall bear interest at the rate of 1-1/2% per month from and after the date of any default thereunder until such default is cured.

After the first meeting of the Apartment Corporation's Board of Directors, which will not be controlled by the Sponsor or the holders of unsold shares, the Apartment Corporation shall have the right to require that the Sponsor or the holder of the wrap-around mortgage provide a banking

institution, licensed to do business and located in the City of New York, or a law firm in New York City, to act as servicing agent for the purpose of receiving all payments due under the wrap-around mortgage, and making distributions of such monies to the party entitled to the same. The Apartment Corporation shall pay any cost or expense of the servicing agent for the wrap-around mortgage.

#### MASTER COMMERCIAL LEASE

At closing of title, the Apartment Corporation (the "Lessor") will give to Sponsor or its designee, (the "Lessee") a master commercial lease ("Master Commercial Lease") covering all the commercial space in the Building, consisting of the stores located on the ground floor of the Building and the Garage and related storage space (hereinafter collectively called the "Commercial Space"). No shares of the Apartment Corporation have been allocated to any portion of the Commercial Space.

The term of the Master Commercial Lease will be for seventy-five (75) years commencing on the Closing Date under the Plan and ending on the seventy-fifth (75th) anniversary of such Closing Date.

The Master Commercial Lease will initially provide for an annual rent of \$86,000 payable on the first day of each month in equal monthly installments. Additional rent will be payable under the Master Commercial Lease if there are increases attributable to the commercial space covered by the lease (a) for real estate taxes in excess of such taxes for the tax period 1984/85, but no such increase shall exceed 12% of any increase of such taxes for the whole premises over the base period, and (b) for operating expenses including fuel, insurance and labor (exclusive of doormen and elevator operators and other employees who do not provide services relating to the commercial space) in excess of such expenses for 1984. In no event shall the total additional rent payable under the Master Commercial Lease exceed 75% of the total rents and additional rents collected from subtenants of the commercial space.

The cost of electricity and gas is separately metered for the Commercial Space and will be paid by the sub-tenants thereof. The Apartment Corporation will be required to supply heat and hot water to the Commercial Space.

The Lessee shall have the right to use, maintain, repair, alter and replace any existing electric, plumbing, utility, ventilation and other mechanical lines, conduits, mains, pipes, ducts, fans, equipment and related apparatus

in the Building which services, or is for the benefit of, the Commercial Space. The Lessee shall be responsible for maintaining the Commercial Space and making all non-structural repairs thereto. The Lessee shall have the right, without Lessor's consent (except as herein stated), to make changes, alterations, improvements and decorations (structural or non-structural) to the Commercial Space, provided any structural change, alteration or improvement shall be consented to by Lessor, which consent may not be unreasonably withheld or delayed.

Lessee shall have the absolute right to assign its interest in the Master Commercial Lease or sublet all or any portions of the Commercial Space without the Lessor's consent. In addition, Lessee shall have the right to mortgage its leasehold estate without Lessor's consent.

Lessee and all partners of Lessee shall not be personally liable for any of the terms, covenants and conditions of the Master Commercial lease, and in the event of Lessee's default, Lessor's sole remedy and Lessee's sole liability shall be limited to Lessee's leasehold estate.

The Master Commercial Lease shall provide that the Commercial Space or any portion thereof may be used for any use permitted by law provided such use is not for an immoral purpose.

A copy of the proposed Master Commercial Lease is available for inspection at the office of the Selling Agent.

The following leases for the indicated portions of the Commercial Space are now in effect:

<u>Tenant</u>	<u>Use</u>	<u>Lease Expiration Date</u>	<u>Current Annual Base Rent</u>
Anthony J. Cracchiola	Beauty Salon	12/31/86	\$20,400
La Provence de Pierre Deux, Inc.	Gifts and furniture	7/30/90	\$39,600
E & P Parking Corp.	Garage	4/30/97	\$41,844

## SUMMARY OF PRINCIPAL TERMS OF PROPRIETARY LEASE

The proprietary lease is for a term ending on December 31, 2075, but may be extended by the vote of the holders of a majority of the Apartment Corporation's issued and outstanding shares. As a lessee, every shareholder of the Apartment Corporation will be obligated to pay the maintenance charges for his apartment as fixed by the Board of Directors based upon the Board's determination as to the Apartment Corporation's cash requirements.

Each shareholder will also have the following rights and obligations under his proprietary lease:

1. He may, if not in default under the proprietary lease, cancel his lease and surrender his shares and possession of the apartment to the Apartment Corporation (without receiving any compensation), effective on any September 30 after the third anniversary of the consummation of this Plan, on at least six (6) months' prior notice to the Apartment Corporation. If he elects to cancel, he will have no liability for payment of maintenance charges after the effective date of the cancellation, but will remain liable for any indebtedness owing prior to such effective date. Reference should be made to paragraph 35 for other prerequisites to be met to cancel the lease. This provision (generally known as the "escape clause") may be availed of by any shareholder, including the holders of Unsold Shares. However, a holder of Unsold Shares may not so cancel unless (i) the owners of a majority of all outstanding shares (other than the Unsold Shares) have elected to cancel their proprietary leases or (ii) the Unsold Shares constitute 15% or less of the outstanding shares, at least five (5) years have elapsed since the Apartment Corporation became the owner of the property and, on the effective date of cancellation, the holder of Unsold Shares pays to the Apartment Corporation a sum equal to the product of the then current maintenance charge for the apartment or apartments being surrendered multiplied by 24.

2. The shares may not be sold or the proprietary lease assigned, nor the apartment sublet, without first obtaining the consent of the Board of Directors or (if the Board shall have failed or refused to give its consent) or the written consent or vote of shareholders owning at least 65% of the Apartment Corporation's outstanding shares. Such consent may be arbitrarily refused, provided such refusal is not based upon race, color, creed or other ground proscribed by law. An assignment may not be effected without complying with additional requirements of the proprietary lease (see paragraph 16 thereof); and with respect to a subletting, the Board or shareholders may impose such conditions as they

desire. In addition, a charge determined by the Board of Directors may be imposed to cover reasonable legal fees and other expenses of the Apartment Corporation (including charges of the managing agent) in connection with such assignment or subletting. The foregoing provisions are not applicable to the holders of Unsold Shares who may freely sell the Unsold Shares and appurtenant proprietary leases or sublet their apartments without payment of any charges or the consent of any person. See "Unsold Shares" at Page 32 for further details.

3. He will be responsible for the cost of interior repairs (including maintenance and replacement of all appliances, plumbing fixtures and other fixtures and equipment) and decorating in his apartment. The consent of the Apartment Corporation is required before alterations or additions may be made in the apartment or to its fixtures and equipment (which consent may not be unreasonably withheld). Notwithstanding the foregoing, a holder of Unsold Shares may make alterations or additions in or to his apartment (and to its fixtures and equipment) without obtaining the Apartment Corporation's consent.

4. He may use his apartment for (i) any home occupation use permitted under applicable zoning law, building code or other rules and regulations of governmental authorities having jurisdiction and (ii) residential purposes, and for no other purpose unless otherwise consented to in writing by the Apartment Corporation. The foregoing is not applicable to the holders of Unsold Shares, each of whom may also use their apartments as models and offices in connection with the offering of such apartments for sale or rent or any other lawful purpose.

5. On the happening of any of the following events of default, the Apartment Corporation may terminate the lease:

- (i) the lease and appurtenant shares are not owned by the same person;
- (ii) certain acts of bankruptcy or insolvency of the lessee;
- (iii) an assignment of the lease or subletting of the apartment without compliance with the terms of the lease or an unauthorized occupancy of the apartment which continues for ten (10) days after written notice;
- (iv) failure to pay rent or other charges for one month which is not cured within ten (10) days after written notice;

- (v) failure to perform any other covenant of the lease which is not cured within thirty (30) days after written notice; or
- (vi) a determination by two-thirds of the Board of Directors that lessee's tenancy is undesirable.

Upon the occurrence of any such default which is not cured within the applicable grace period, if any, the Apartment Corporation may take possession of the apartment and, at its option, relet it for the account of the defaulting proprietary lessee. Notwithstanding such reletting or termination, the lessee will continue to be liable for the payment of rent until his apartment is sold; and if the proceeds of such sale are insufficient to pay his indebtedness to the Apartment Corporation, he will remain liable for the deficiency. Any surplus will be paid over to the lessee after payment of all liens on his stock or apartment of which the Apartment Corporation has notice in the order of priority of such liens. Reference should be made to paragraph 31 of the proprietary lease as to other conditions under which it may be terminated by the Apartment Corporation.

6. The proprietary lease and related shares may be pledged to a recognized lending institution. If prior written notice of such pledge is received from the lender, the Apartment Corporation will notify the lender of any default by the lessee under his proprietary lease and the lender will have an additional period of time equal to the time originally given the lessee within which to cure such default. If the lessee defaults under the loan, the Apartment Corporation will, on notice from the lender, transfer the proprietary lease and shares of the defaulting lessee to the individual produced by the lender, provided the lender shall have first paid all rent and other arrearages due from the defaulting lessee. If the lease is so transferred, the individual produced by the lender will have all of the rights afforded a holder of the Unsold Shares under the proprietary lease so long as the apartment is not personally occupied by him or a member of his family.

7. The terms of the proprietary lease may be changed only by the approval of lessees owning at least 2/3 of the Apartment Corporation's outstanding shares, except no change shall be made in the provisions which (i) affect the right of a holder of Unsold Shares to freely sublet his apartment or to assign his lease or (ii) eliminate or modify any other right privilege of a holder of Unsold Shares without his consent.

The form of proprietary lease is printed in full in Part II to which reference should be made for its full details.

#### CONTRACT OF SALE

By agreement ("Contract of Sale") dated as of April 24, 1984, the Sponsor has contracted with the Apartment Corporation to sell the premises known as and by street number 350 Bleecker Street, New York, New York. The Contract of Sale provides for title to be conveyed to the Apartment Corporation by Bargain and Sale Deed with Covenants against Grantor's Acts, subject to all the terms and conditions of this Offering Plan, and further subject only to the following exceptions:

(a) Mortgage indebtedness in the sum of \$3,000,000 and the underlying first mortgage hereinabove described under the heading "Terms of the Mortgages which will Affect the Property at the Closing of Title", at page 47.

(b) Leases in force on the Closing Date and rights of all tenants in possession, and the Master Commercial Lease.

(c) Any state of facts shown on a survey made by Charles J. Dearling dated March 7, 1962 and redated September 5, 1972 by Peter C. Hansen, and any changes since that date, provided such changes do not render title unmarketable.

(d) Zoning regulations and ordinances, as the same may be amended between the date of presentation of this Plan and the Closing Date, provided they do not prohibit the existence or present use of the building.

(e) Any rights of gas, electricity, steam, telephone or other utility companies to maintain, repair and replace any wires, conduits, pipes, valves, chutes and vaults on, over, under and adjacent to the property.

(f) Encroachment of stoops, areas, walls, cellar steps, trim, cornices and projections, if any, on streets or highways; and consents by any owner of the property for the erection of any structure on, under or above any street or streets on which the property may abut.

(g) Management and service agreements referred to on Page 63.

(h) Covenants, easements, agreements and restrictions of record which do not prohibit the present use of the property.

(i) Variations between record lines and fences, hedges, retaining walls and tax lots.

(j) The following standard printed exceptions contained in the form of title insurance policies: (i) defects and encumbrances arising or becoming a lien after the date the policy becomes effective, except as therein provided; (ii) consequences of the exercise and enforcement or attempted enforcement of any governmental war or police powers over the premises; (iii) judgments against the insured or estates, interests, defects, objections, liens or encumbrances created, suffered, assumed or agreed to, by or with the privity of the insured; (iv) title to any property beyond the lines of the premises, -or title to areas within or r-rights or easements in any abutting streets, roads, avenues, lanes, ways or waterways, or the right to maintain therein vaults, tunnels, ramps or any other structure or improvement, unless the policy specifically provides that such titles, rights, or easements are insured (notwithstanding any provisions of this clause (iv) to the contrary, the policy, unless otherwise excepted, will insure the ordinary rights of ingress and egress belonging to abutting owners); (v) compliance by the building or other structures upon the premises or their use with federal, state and municipal laws, regulations and ordinances; and (vi) title to any personal property, whether attached to or used in connection with the premises or otherwise.

(k) The lien for any unpaid assessment payable in installments, except Sponsor will pay all such assessments due and payable prior to the Closing Date and the Purchaser will be obligated to pay all installments due at or subsequent to said closing (except further that the then current installment, if any, shall be apportioned as of the Closing Date);

(l) The lien of any unpaid franchise or corporation tax or estate tax with respect to any corporation or individual in the chain of title, provided the title insurance company insuring the Purchaser's title to the Property shall insure against the collection of such taxes out of the Property;

(m) Violations noted or issued by any governmental authority to be performed by, or caused by the acts or omissions of, tenants of the Property. If there are any other violations that are noted or issued on the Closing Date by any governmental authority having jurisdiction and work orders issued by the Closing Date by the holder of the First Mortgage or an insurance carrier which cost in the aggregate not in excess of Sixty Thousand (\$60,000.00) Dollars to correct and remove, the Sponsor may elect to abandon this Plan prior to the closing;

(n) The terms of this Plan, as amended, (subject to Sponsor's approval thereof); and

(o) Any other lien or encumbrance which does not render title unmarketable.

The Property has been designated as part of an historical district. Accordingly the Property is subject to the restrictions on use as provided in Chapter 8-A of the New York City Charter.

The terms and conditions of this Plan and the exceptions subject to which the Apartment Corporation is to take title may be omitted from the deed, but they shall, nonetheless, survive the closing.

The Sponsor will provide the Apartment Corporation with a copy of the survey above referred to at or prior to closing.

With regard to violations of record upon the premises as of the Closing Date, the Sponsor will convey title to the premises free of all such violations except as provided below.

The Apartment Corporation's title will be insured at the closing by The Chicago Title Company or such other duly licensed title insurance company as Sponsor may designate.

The sale will include all of the Sponsor's fixtures and personal property attached to or used in connection with the operation of the property. All kitchen appliances owned by the Sponsor will become the property of the Apartment Corporation on-the closing date. If a non-purchasing tenant vacates his apartment prior to closing and removes a kitchen stove or refrigerator belonging to him, the Sponsor will at its own expense provide a replacement which may not be new, but which will be in good working order and will be similar in size and quality to the appliances presently contained in such apartment at the date of presentation of this Plan.

The Contract of Sale provides that the following items will be apportioned at the closing between the Sponsor and the Apartment Corporation as of the date preceding the closing: (a) real estate taxes, (b) water and sewer charges, (c) fuel, (d) prepaid insurance premiums provided that the coverage conforms to the insurance coverage included in the expense estimates for the Plan's first full year, (e) payments under service and union contracts, including pension and welfare fund contributions, (f) mortgage interest, (g) wages and payroll expenses, including vacation accruals in accordance with the standard union contract, (h)

rents, if any, (i) fees for assignable permits and licenses, if any, (j) escrow deposits, if any, with the holder of the first mortgage, (k) senior citizens' exemptions and (l) tax abatements from capital improvements made prior to the closing.

The security deposits, if any, of tenants who purchase will be refunded to each tenant within 15 days after the closing if the tenant is not in default under the terms of his lease or tenancy. The security deposit of a non-purchasing tenant who is not in default under the terms of his lease or tenancy will be transferred after the closing to the purchaser of shares allocated to the apartment to be held in accordance with §7-103 of the General Obligations Law.

The Sponsor is authorized, under the Contract of Sale, to continue any proceedings brought during the year in which title closes for the reduction of the assessed valuation of the property for real estate tax purposes and to litigate or settle such proceeding in Sponsor's sole discretion. The net refund, if any, for any fiscal year for which the Apartment Corporation is entitled to a share shall be divided in accordance with the apportionment of real estate taxes made at the closing, after deducting all expenses, including without limitation counsel's fees necessarily incurred in obtaining such reduction. The Apartment Corporation will deliver to the Sponsor, upon demand, receipted bills and cancelled checks used in payment of such taxes and shall execute any and all consents and other documents and do any other act or thing necessary for the collection of such refund by the Sponsor.

Conflicts between the Contract of Sale and this Plan shall be resolved in favor of the Plan.

If any item to be apportioned cannot be adjusted on the Closing Date because it is not fully ascertainable, then such item or items shall be apportioned and adjusted at the closing to the extent reasonably possible, and the balance as soon thereafter as the undetermined amounts can be ascertained.

Except as otherwise expressly provided, the customs in respect closings adopted by the Real Estate Board of New York, Inc., as amended, shall apply to apportionments and all other matters therein mentioned.

The Sponsor reserves the right to renew, extend and modify existing leases and to enter into new leases at any time prior to the closing on such terms and rental (but not to exceed the maximum legal rent, if any) as Sponsor deems desirable for any residential, office or commercial space (including any space vacant on the date of this Plan or which becomes vacant thereafter), except an apartment for

which a Subscription Agreement is in force and effect (unless entered into with the purchaser(s) of such apartment). The Sponsor further reserves the right, prior to the Closing Date, to renew, extend or modify the existing service, maintenance and concessionaire contracts, and to enter into new service, maintenance and concessionaire contracts in place of present contracts on such terms as the Sponsor deems desirable (except that if the terms of the service, maintenance and concessionaire agreements which are to be binding on the Apartment Corporation at closing are substantially different from that set forth in the "Schedule of Projected Receipts and Expenses for First Year of Cooperative Operation", the Plan will be amended to reflect such difference). No new contract will be made which will materially reduce existing services or materially raise the estimated maintenance charges without the written consent of a majority of the then existing purchasers (other than the holders of Unsold Shares). The Sponsor also reserves the right to evict any tenant who defaults under his lease or tenancy, subject to and in accordance with the rent laws.

The Sponsor will not be obligated to rent any apartment which is now or hereafter becomes vacant; and it is likely that any such vacancies will not be offered for rent except to a purchaser of the block of shares allocated to such apartment. A current rent roll is available for inspection by prospective purchasers and their representatives at Sponsor's office.

If the property is damaged by fire or other casualty prior to the Closing Date, the Sponsor may, but is not obligated under the Plan, to repair the damage. If the Sponsor elects to repair the damage: (i) the expense of the repair will be borne entirely by the Sponsor who shall retain all insurance proceeds resulting from the casualty, (ii) the damage shall be substantially repaired prior to the Closing Date to as near its former condition as is reasonably practicable, and (iii) the two year period from the presentation date of this Plan within which title is to be transferred to the Apartment Corporation shall be tolled pending completion of the repair, but not longer than nine months. Sponsor and the Apartment Corporation will in no event be liable to purchasers under this Plan, and Sponsor will not be liable to the Apartment Corporation in the event of any delay in repairing the damage.

Under no circumstances shall a purchaser of an apartment affected by such casualty be required to pay the balance due under his Subscription Agreement unless and until (i) the damage to his apartment has been substantially repaired to as near as reasonably practicable to its

condition immediately prior to the casualty and (ii) its essential services (such as gas, electricity and heat) and reasonable means of ingress and egress to the street have been restored.

If Sponsor elects not to repair the damage, the Plan will be abandoned, in which case all Subscription Agreements will be deemed automatically cancelled and purchasers in good standing will be refunded their deposits without interest. Upon such refund being made, the Apartment Corporation and Sponsor will be relieved and discharged of all contractual liability under the Plan and Subscription Agreements.

All representations of the Sponsor under this Plan and all of the Sponsor's obligations under this Plan which are to be performed subsequent to the Closing Date and all of the Sponsor's obligations under the GBL will survive the delivery of the deed. The Sponsor will maintain the property until the closing in substantially the same condition and manner as on the date of presentation of this Plan.

The price for the property is payable as follows:

A. by payment of an amount equal to the entire cash proceeds received by the Apartment Corporation up to and including the Closing Date under this Plan from the sale of its shares, less the initial payments to the Reserve Fund of the Apartment Corporation;

B. by the issuance of Unsold Shares in accordance with this Plan;

C. by acceptance of title subject to the mortgage(s) described in this Plan; and

D. by the Apartment Corporation executing, acknowledging and delivering to the Sponsor or its designee a bond or, at the option of the Sponsor, a note, secured by a purchase money wrap-around mortgage on the property and the short term mortgage, as described in this Plan.

The price payable to the Sponsor will be reduced by sums retained by the Apartment Corporation for:

i) all closing expenses (other than items customarily adjusted between sellers and purchasers of real property) including, without limitation, the cost of title insurance and mortgage taxes;

ii) all expenses incurred by it in connection with its organization, the preparation and presentation of the

Plan and the sale of shares prior to the Closing Date, including, without limitation, and the following:

1. Cost of fee title policy in favor of the Corporation (and searches and surveys).
2. Printing and document reproduction.
3. Mortgage tax.
4. Advertising and mailing.
5. Organizational costs (including incorporation, books, records, stock certificates).
6. Legal fees and disbursements.
7. New York City capital gains and real estate transfer taxes.
8. Accounting and auditing fees.
9. Government filing fees.
10. Recording charges.
11. Architectural and engineering costs.
12. Selling Agent consultation fees and commissions.
13. Other consultation fees.

iii) all sums paid to or at the direction of the Selling Agent pursuant to an agreement with it over the aggregate of all amounts forfeited by purchasers under the terms of Subscription Agreements then in default. The Apartment Corporation will cause a forfeiture of the down payment made by any defaulting subscriber, unless such forfeiture is waived by the Sponsor.

#### SPONSOR'S PROFIT

The Sponsor is Bleecker Charles Company, a New York Limited Partnership. It acquired the property January 26, 1962 from Bleecker Charles Corp. and has agreed to sell the Property to the Apartment Corporation with the intention and expectation of making a substantial profit. However, the exact profit to be realized by Sponsor cannot now be determined and will depend upon such variable factors as the net amount of all adjustments to be made to the Cash Price of the Property (as discussed in "Financial Features" above), the uncertainty of future market conditions, the length of time required to sell all the shares offered under the Plan, losses and disbursements arising from obligations assumed by Sponsor under this Plan, and other contingencies. Under the Master Commercial Lease the Sponsor will also retain for its own account any difference between the rental payable to the Apartment Corporation and the amounts collected from tenants.

## SALES AGENCY AGREEMENT

The Apartment Corporation has entered into a Sales Agency Agreement with Kenneth B. Newman Realty Corp., wherein the latter is given the exclusive agency to sell all blocks of shares offered under this Plan. The duties of the Sales Agent will be to:

(1) use its best efforts to sell the shares of the Apartment Corporation pursuant to the Plan;

(2) execute Subscription Agreements as agent for the Apartment Corporation with prospective purchasers of the shares whose credit, financial condition and reputation are satisfactory to the Sales Agent and Apartment Corporation;

(3) prepare purchase applications and assist prospective purchasers in preparing loan applications;

(4) execute as agent for the Apartment Corporation all Recognition Agreements with lenders who extend financing to purchasers of shares (including purchasers of Unsold Shares), provided the form of agreement has been approved by counsel to the Apartment Corporation; and

(5) act as Transfer Agent and, in that capacity, issue Stock Certificates and Proprietary Leases to purchasers at closing under their respective Subscription Agreements and to record such issuance on the appropriate books and records of the Apartment Corporation.

The Sales Agency Agreement shall continue until three years after the Closing Date, unless sooner terminated in the event the Plan is abandoned or as otherwise provided therein.

The Sales Agent shall receive the following fee for all services under this Agreement:

(1) In the event the Plan is declared effective and title to the Property closes, the Sales Agent shall be paid a fee of not more than six (6%) percent of the actual Total Cash Payments, net of all reductions in Total Cash Payments and credits (nNet Total Cash Paymentsn), received by the Apartment Corporation from the sale of all its shares (other than Unsold Shares). Such fee will be due on the Closing Date. In addition, the Sales Agent will be reimbursed for all out-of-pocket expenses (other than salaries for sales staff and office overhead). The fee and amount so reimbursed shall be paid from the proceeds of sale of the shares, but shall not diminish the Reserve Fund.

(2) If the Plan is abandoned, the Sales Agent shall not be entitled to receive a fee.

The purchasers of Unsold Shares shall pay the Agent comparable fees in connection with the sale of the Unsold Shares. The Apartment Corporation will have no responsibility for such fee.

The Apartment Corporation shall indemnify the Sales Agent against all liability, claims, costs, etc. (including, without limitation, attorneys' fees) resulting from the failure of the Sponsor or the Apartment Corporation to comply with its obligations under the Plan or any Subscription Agreement, unless same is due to the Agent's malfeasance, misfeasance or non-feasance. Any sums payable pursuant to such indemnity shall be considered an Offering Expense and paid from the proceeds of this offering, but shall in no event reduce the Reserve Fund.

See "Identity of Parties" for relationship between Selling Agent and Sponsor.

#### MANAGEMENT AGREEMENT AND OTHER CONTRACTUAL ARRANGEMENTS

On the Closing Date, the Apartment Corporation will enter into an agreement with Kenneth B. Newman Realty Corp. to act as managing agent of the property for a period of five years after the closing, provided that either party may cancel such agreement after three years on 90 days written notice. The managing agent may terminate the agreement at any time upon at least sixty (60) days prior written notice. Such managing agent shall receive compensation of \$3,500 a month for the first three years and \$4,000 per month thereafter.

The fees of the managing agent will be payable monthly out of maintenance charges collected. The agreement will not be assignable by the managing agent without the consent of the Apartment Corporation except to an entity controlled by the principals of the managing agent or his relatives and will not be unilaterally cancellable by the Apartment Corporation before the end of its initial term. If the Apartment Corporation shall be in default under the terms of the agreement, or shall fail or refuse to comply with or abide by any rule, order, determination, ordinance or law of any federal, state or municipal authority, the contract will be cancellable by the managing agent upon two days' prior written notice.

The services to be rendered by the managing agent will include bookkeeping, billing and collection of maintenance charges, hiring and discharging of employees and filing of

all employment tax returns and other employment data, supervision of routine building maintenance and repairs, purchase of supplies for the building (which will be paid for by the Apartment Corporation), and attendance at directors' and shareholders' meetings. The managing agent will make no repair expenditures for any single item or class of work in excess of \$5,000 without the authorization of the Board of Directors of the Apartment Corporation, except in the case of emergencies.

The Apartment Corporation, at its own expense, will retain a certified public accountant to maintain its corporate books and records and to prepare annual financial reports and tax statements, copies of which are to be furnished to its shareholders.

Other Contractual Arrangements:

Expense Contracts

<u>Name of Contractor</u>	<u>Services</u>	<u>Payment</u>	<u>Expiration Date</u>
Republic Elevator Company Inc.	Elevator	\$227 per mo.	month to month
Rael Sprinkler Maintenance Corp.	Sprinkler System	\$163 per mo.	month to month

Income Contracts

<u>Name of Contractor</u>	<u>Services</u>	<u>Payment</u>	<u>Expiration Date</u>
Coinmach Industries, Inc.	Laundry	\$750 month	July 1, 1987

Garage Space

The lease for the garage will be assigned to the Sponsor at the closing and will become a sublease under the Master Commercial Lease. The current monthly rental therefor is approximately \$170. Under Section 60 of the Multiple Dwelling Law, parking spaces must be made available to occupants of the building within 30 days after written request therefor. Individual garage rents charged to non-purchasing tenants are subject to limitations under the Rent Stabilization Law.

Also see "Master Commercial Lease".

## IDENTITY OF PARTIES

The Sponsor and owner of the property is Bleecker Charles Company, a Limited Partnership, 488 Madison Avenue, New York, New York 10022. The sole Managing Partner of Bleecker Charles Company is Kenneth B. Newman.

Mr. Newman has been actively engaged in the management of real estate for many years and presently has substantial interests in several buildings in Manhattan. He is an attorney admitted to the Bar of the State of New York, and represents the Sponsor as counsel in this and other matters.

Bumenthal & Lynne, a Professional Corporation, counselors at law, 488 Madison Avenue, New York, New York, represents the Sponsor in this matter and has prepared the Plan and related documents.

The Selling Agent, Kenneth B. Newman Realty Corp., a domestic corporation, is controlled by Kenneth B. Newman. Mr. Newman is a limited partner and the managing partner of Bleecker Charles Company.

Charles B. Ferris a licensed Professional Engineer of Charles B. Ferris Associates has prepared the report of building condition at the request of the Sponsor.

Stephen Newman a director of the Sponsor is an attorney, a professor of law and an author in New York City, and is the brother of Kenneth B. Newman.

## DOCUMENTS TO BE RECEIVED PERIODICALLY BY SHAREHOLDERS

All shareholders of the Apartment Corporation will be entitled to receive, annually, from the corporation, at the corporation's expense, copies of the following:

a) Statement of amounts deductible for income tax purposes prepared within three (3) months of the end of each calendar year.

b) An annual audited financial statement prepared by an independent certified public accountant within four (4) months of the end of each calendar year.

c) Notice of each annual meeting of shareholders for the purpose of electing a Board of Directors and conducting such other business as may lawfully come before such meeting.

The aforesaid dates may be changed at a later time pursuant to the by-laws.

#### DOCUMENTS ON FILE

In accordance with §352-e(9) of the General Business Law, copies of this Offering Statement - Plan of Cooperative Ownership and all exhibits or documents referred to herein shall be available for inspection by prospective purchasers and by any person who shall have purchased securities offered by this Plan or shall have participated in the offering of such securities at the office of Kenneth B. Newman Realty Corp., 488 Madison Avenue, New York, New York 10022, and shall remain available for such inspection for a period of six years from the closing date.

#### GENERAL

This Plan contains a fair summary of the material provisions of the documents referred to herein, however, statements made as to the provisions of such documents are qualified in all respects by the contents of such documents. Sponsor shall amend the plan if necessary so that it shall include audited statements covering the period ending within 6 months of its acceptance date before the plan shall be declared effective.

The Plan does not knowingly omit any material fact or contain any untrue statement of any material fact. Exact copies are contained in Part II hereof of the proprietary lease, Subscription Agreement, by-laws and house rules. The Sponsor's statement of present building condition and the reports of Sponsor's Engineer, as well as the aforementioned documents, are integral parts of this Plan.

In 1982, an action was brought against Sponsor in the Supreme Court, New York County by Elaine Antell, a former tenant in the premises. The claims asserted relate to personal injuries suffered by plaintiff in the premises, allegedly resulting from the negligence of defendant. The claims are covered by insurance (except for a claim for punitive damages of \$1,000,000). The action is currently in the discovery stage and special counsel to the Company does not believe the claim for punitive damages has any substantial merit.

Oscar Newman, the general partner of the Sponsor (a limited partnership) died in 1982. In April, 1984, as a result of an action instituted by Kenneth B. Newman, the son of Oscar Newman, an order was issued appointing Kenneth B. Newman to act as managing partner in winding up the partnership (including by cooperative conversion). No appeal was taken from such order and the time within which to appeal has expired. There has been no order issued which would impede the transfer of the property to the Apartment Corporation.

Except for such actions, there are no lawsuits or other proceedings now pending, or any judgments outstanding either against the Sponsor or the Apartment Corporation or any person or persons which might become a lien against the property or which materially affect this Offering.

This Plan is offered only to persons over 18 years of age resident in the State of New York.

The Sponsor-Seller agrees to pay such interest on deposits as a court may in the future consider just and proper as part of an order granted pursuant to any action that may be brought under Section 354 of the General Business Law.

In accordance with the law of the State and City of New York, the Sponsor represents that the Sponsor, the Apartment Corporation and the Selling Agent will not discriminate against any person because of his or her sex, race, creed, color, national origin or ancestry in the sale of the shares offered by the Plan, or in the leasing of any apartment in the building.

As of the date of first presentation of this Plan, neither the Sponsor nor the Selling Agent or any of their representatives or agents has raised funds or made any preliminary offering to or binding agreement with tenants, subtenants, or non-resident prospective purchasers with respect to the purchase of apartments in the building. A prior offering plan for conversion of the premises to cooperative ownership was filed by the Sponsor with the Department of Law on February 3, 1982. The Plan was not declared effective and was abandoned as of August 2, 1983. All deposits under Subscription Agreements were returned.

The Sponsor reserves the right, from time to time prior to the Closing Date, without obtaining the consent of purchasers or others, to revise the terms and conditions on which the shares offered hereby are to be sold, including changes affecting the rights, obligations and liabilities of purchasers and the Apartment Corporation. All substantive or material revisions will be contained in a duly filed amendment to this Plan. If a material revision adversely affecting the rights, obligations or liabilities of then existing purchasers or the Apartment Corporation, or reducing the undertakings or obligations of the Sponsor, purchasers will be given the right to rescind their Subscription Agreements and to receive a refund of their down payment (with interest, if any, earned thereon) within 30 days after the presentation of the amendment. However, such rescission, as to purchasers who first became tenants of the

building after the Plan was originally presented, shall be conditioned on the cancellation of any interim lease and surrender of possession of their apartments.

No person has been authorized to make any representation which is not expressly contained herein. This Plan may not be changed or modified orally, and no notice need be given prior to the filing of an amendment to this Plan.

#### SPONSOR'S STATEMENT OF BUILDING CONDITION

The Sponsor makes the following representations concerning the description and condition of the building and its improvements (including size of the parcel of land on which it stands and other information relating thereto). With reference to the Sponsor's preparation of such material, Sponsor consulted with Charles B. Ferris Associates and commissioned a report from it. The report is set forth on the following pages, which report the Sponsor adopts in full.

The Sponsor represents that Sponsor does not know of any defects or need for repairs or existing condition in the building which is not set forth in the report and that to the best of Sponsor's knowledge the following description set forth in such report accurately states the condition of the building and its equipment.

The property is offered in its current condition, reasonable wear and tear excepted. Neither the Sponsor nor the Apartment Corporation will have any obligation to make any repairs or improvements or do any other work except as specifically set forth in this Plan. The Sponsor will, however, maintain and operate the building until the Closing Date in substantially the same manner and condition as on the date of presentation of this Plan and will cure or cause to be cured all violations of record against the property on the Closing Date, except violations caused by acts or omissions of tenants, the maintenance of television or radio antennae, air-conditioning units, window guards or window anchors, obstruction of fire escapes by tenants, and violations resulting from alterations, improvements, enclosures, partitioning, roof planters, roof structures, solariums, or any other work of any kind done in any apartment or common area of the building by any present or previous tenant or occupant. The Sponsor has made arrangements for certain roofing, boiler and sidewalk repairs, and prior to the closing will arrange for repairs to the concrete pavement in the yard of the premises which serves as the garage roof.

Prior to the Closing, Sponsor will eliminate all dangerous or hazardous conditions of which Sponsor has notice. In addition, Sponsor will provide updated inspection certificates and permits prior to Closing including elevator inspection certificate, boiler safety inspection, garage permit and air resources certificate for the incinerator, and the Sponsor will remedy any defective conditions relating thereto prior to the Closing.

In accordance with Local Law Title YYYY51.10, Sponsor shall, within 30 days of this Plan's acceptance for filing, designate an agent on the premises who shall keep a listing of all violations of record against the building as determined by the Department of Buildings and the Department of Housing Preservation and Development, which list shall be available for inspection by tenants until Closing. All newly issued violations shall be made available through such agent within 48 hours of their issuance.

Sponsor is informed that as of December 19, 1984, there are no violations of record affecting the premises.

Dated: December 31, 1984

BLEECKER CHARLES CO  
Sponsor

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