

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2008

350 Bleecker Street Apartment Corp.
Table of Contents
December 31, 2008

	Page No.
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Operations	3
Statements of Shareholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	10
Actual vs. Budget	11
Expense Analysis by Percentage	12

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Independent Auditors' Report

To the Shareholders of
350 Bleecker Street Apartment Corp.

We have audited the accompanying balance sheets of 350 Bleecker Street Apartment Corp. as of December 31, 2008 and 2007, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 350 Bleecker Street Apartment Corp. as of December 31, 2008 and 2007, and the results of its operations, changes in shareholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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



New York, New York
June 8, 2009

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2008 and 2007

	2008	2007
Assets		
Cash	\$ 243,926	\$ 309,921
Investments	43,970	219,530
Due From Shareholders	9,308	1,172
Due From Commercial Tenant	151,175	104,105
Prepaid Expenses	18,033	18,346
Property and Equipment - Net	4,506,756	4,370,188
Mortgage Costs - Net	<u>45,026</u>	<u>56,283</u>
Total Assets	<u>\$ 5,018,194</u>	<u>\$ 5,079,545</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 51,070	\$ 76,608
Capital Improvements Payable	33,354	49,303
Abatements Due to Shareholders	45,181	40,268
Income Received in Advance	6,784	3,169
Mortgage Payable	<u>4,250,000</u>	<u>4,250,000</u>
Total Liabilities	<u>4,386,389</u>	<u>4,419,348</u>
Shareholders' Equity		
Capital Stock	17,244	17,244
Additional Paid in Capital	10,660,735	10,660,735
Retained Earnings (Deficit)	<u>(10,046,174)</u>	<u>(10,017,782)</u>
Total Shareholders' Equity	<u>631,805</u>	<u>660,197</u>
Total Liabilities and Shareholders' Equity	<u>\$ 5,018,194</u>	<u>\$ 5,079,545</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2008 and 2007

	2008	2007
Income		
Maintenance Charges	\$ 1,235,360	\$ 1,198,113
Less: Abatements	(91,974)	(85,652)
Operating Assessments	85,470	87,986
Commercial Rent	140,237	137,097
Transfer Fees	62,990	210,420
Sublet Fees	48,890	20,964
Investment Income	6,583	16,274
Laundry Income	11,780	12,141
NCB Patronage Dividend	0	960
Other Income	13,158	18,247
Total Income	<u>1,512,494</u>	<u>1,616,550</u>
Expenses		
Real Estate Taxes	568,683	558,062
Less: Abatements	(91,974)	(85,652)
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	328,902	299,862
Utilities and Heating	96,057	98,847
Water and Sewer	24,564	20,568
Repairs and Maintenance	79,701	104,485
Insurance	52,208	53,461
Management Fees	49,773	48,296
Professional Fees	49,795	27,004
Corporation Taxes	9,831	5,995
Office and Administration	2,786	7,246
Total Expenses	<u>1,420,651</u>	<u>1,388,499</u>
Income From Operations	91,843	228,051
Depreciation and Amortization	<u>(120,236)</u>	<u>(110,926)</u>
Net Income (Loss)	<u>\$ (28,393)</u>	<u>\$ 117,125</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholders' Equity
For the Years Ended December 31, 2008 and 2007

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Other Comprehensive Income (Loss)
Balance - December 31, 2006	\$ 17,244	\$ 10,660,735	\$ (10,134,906)	\$ (189)
Net Income	0	0	117,125	0
Net Unrealized Gain on Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>189</u>
Balance - December 31, 2007	17,244	10,660,735	(10,017,781)	0
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(28,393)</u>	<u>0</u>
Balance - December 31, 2008	<u>\$ 17,244</u>	<u>\$ 10,660,735</u>	<u>\$ (10,046,174)</u>	<u>\$ 0</u>

See accompanying notes to financial statements

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income (loss)	<u>\$ (28,393)</u>	<u>\$ 117,125</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120,236	110,926
(Increase) decrease in due from shareholders	(8,135)	15,587
(Increase) decrease in due from commercial tenant	(47,070)	(58,264)
(Increase) decrease in prepaid expenses	313	(544)
Increase (decrease) in accounts payable	(41,487)	(18,297)
Increase (decrease) in due to shareholders	4,913	14,666
Increase (decrease) in maintenance in advance	<u>3,615</u>	<u>1,091</u>
Total adjustments	<u>32,385</u>	<u>65,165</u>
Net cash provided (used) by operating activities	<u>3,992</u>	<u>182,290</u>
Cash flows from investing activities:		
Additions to property and equipment	(245,547)	(94,000)
(Increase) decrease in investments	175,560	(10,348)
Net unrealized gain on investments	<u>0</u>	<u>189</u>
Net cash provided (used) by investing activities	<u>(69,987)</u>	<u>(104,159)</u>
Net increase (decrease) in cash and equivalents	(65,995)	78,131
Cash and equivalents, beginning of year	<u>309,921</u>	<u>231,790</u>
Cash and equivalents, end of year	<u>\$ 243,926</u>	<u>\$ 309,921</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 250,325	\$ 250,325

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2008

Note 1 - Organization:

The corporation (a cooperative housing corporation) began operations in July 1985 under the laws of the State of New York to provide housing to shareholders on a cooperative basis. The corporation's property, which is located in the Borough of Manhattan, consists of 137 residential apartments (some of which have been subsequently combined), commercial space, and a parking garage. At December 31, 2008, the sponsor owned 25 apartments and was the tenant under the commercial lease (see Note 5). Maintenance charges, operating assessments and commercial rent applicable to the sponsor totaled approximately \$400,000 (29% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2008.

The corporation is authorized to issue 17,244 shares of \$1 par value capital stock of which 17,244 shares are issued and outstanding at December 31, 2008 and 2007.

Note 2 - Summary of Significant Accounting Policies:

The accompanying financial statements were prepared using the accrual method of accounting. The corporation prepares its tax returns using the cash method of accounting.

Investments are stated at cost, which approximates fair value. At December 31, 2008, investments consisted of a Merrill Lynch Ready Asset Fund.

Property and equipment are stated at cost. Expenditures which represent improvements to property are capitalized, while repairs and maintenance are charged to operations. Depreciation is computed using rates adequate to depreciate the cost of applicable assets over their expected useful lives.

Mortgage and line of credit costs of approximately \$113,000 are amortized over the term of the loans.

It is the corporation's policy to charge a transfer fee to shareholders upon the sale of shares applicable to their apartments equal to 2% of the gross selling price. Such transfer fees are recognized as income to the corporation at the time of transfer.

For purposes of the statements of cash flows, the corporation considers all highly liquid investments acquired with a maturity of three months or less to be cash equivalents.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2008

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the corporation to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Property and Equipment:

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

	<u>2008</u>	<u>2007</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>2,689,528</u>	<u>2,443,981</u>
	16,012,233	15,766,686
Less: Accumulated Depreciation	<u>11,505,477</u>	<u>11,396,498</u>
	<u>\$ 4,506,756</u>	<u>\$ 4,370,188</u>

Note 4 - Mortgage Indebtedness:

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

In addition, the corporation has available a line of credit with NCB, secured by a second mortgage. The line of credit, which matures February 1, 2013, requires payments of interest only at NCB's Base Rate plus 1.35%. Under the terms of the agreement, \$2,000,000 of the line of credit is restricted and can only be used for any judgments levied in connection with specific legal actions, which were settled in July 2003. At December 31, 2008, the corporation had \$1,000,000 (the portion not restricted to the specific legal actions) available on this line of credit.

Note 5 - Commercial Rent:

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

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2008

its commercial space and parking garage. The lease, which expires July 31, 2060, requires minimum rent of \$86,000 per annum. In addition, the corporation is entitled to additional rents based on a percentage of the increase in real estate taxes and certain operating expenses in excess of base amounts, however, these additional rents may not exceed 75% of the total sublease rents collected by the sponsor.

Note 6 - Real Estate Taxes:

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are either credited against the real estate tax due on the property, or distributed directly to shareholders by New York State and New York City. The corporation is required to pass on the abatements credited against the real estate tax due on the property to the eligible shareholders. For the years ended December 31, 2008 and 2007, abatements received by the corporation totaled \$91,974 and \$85,652, respectively.

Note 7 - Income Taxes:

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

At December 31, 2008, the corporation had a net operating loss carryover of approximately \$6,000,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2028. The corporation is unable to determine the future benefit, if any, of the loss carryover and accordingly, a valuation allowance has been provided to offset any potential future benefit.

Note 8 - Retirement Plan:

The corporation has instituted a SIMPLE retirement plan for its employees, for which contributions by the corporation are discretionary. For the years ended

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2008

December 31, 2008 and 2007, the corporation's contributions to this plan totaled \$9,350 and \$8,919, respectively.

Note 9 - Future Major Repairs and Replacements:

The corporation has not presented a study of the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation has the right to borrow, utilize available cash, increase maintenance charges, impose special assessments, delay repairs and replacements until the funds are available or, any combination of the above. The effect on future maintenance charges to the shareholders has not been determined at this time.

Note 10 - Concentration of Credit Risk:

The corporation maintains cash balances and investments at institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). The insurance provided by SIPC is for losses caused by failure of the financial institution, not against losses caused by the changes in the market value of investments held by the financial institution. At times during the year, these balances may exceed insured levels.

Note 11 - Shareholder Information:

A portion of monthly maintenance charges applicable to the payment of principal on the mortgage indebtedness, and special assessments earmarked for capital expenditures, can increase a tenant-shareholders' cost basis in their stock of the corporation. These increases, on a per share basis, are as follows, for the years ended December 31,:

2003 - 2008	\$ 0.00
2002	1.82
2001	1.55
2000	7.92

For the year ended December 31, 2008, the percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 56%.

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Independent Auditors' Report on Supplementary Information

To the Shareholders of
350 Bleecker Street Apartment Corp.

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

Kleiman & Weinshank

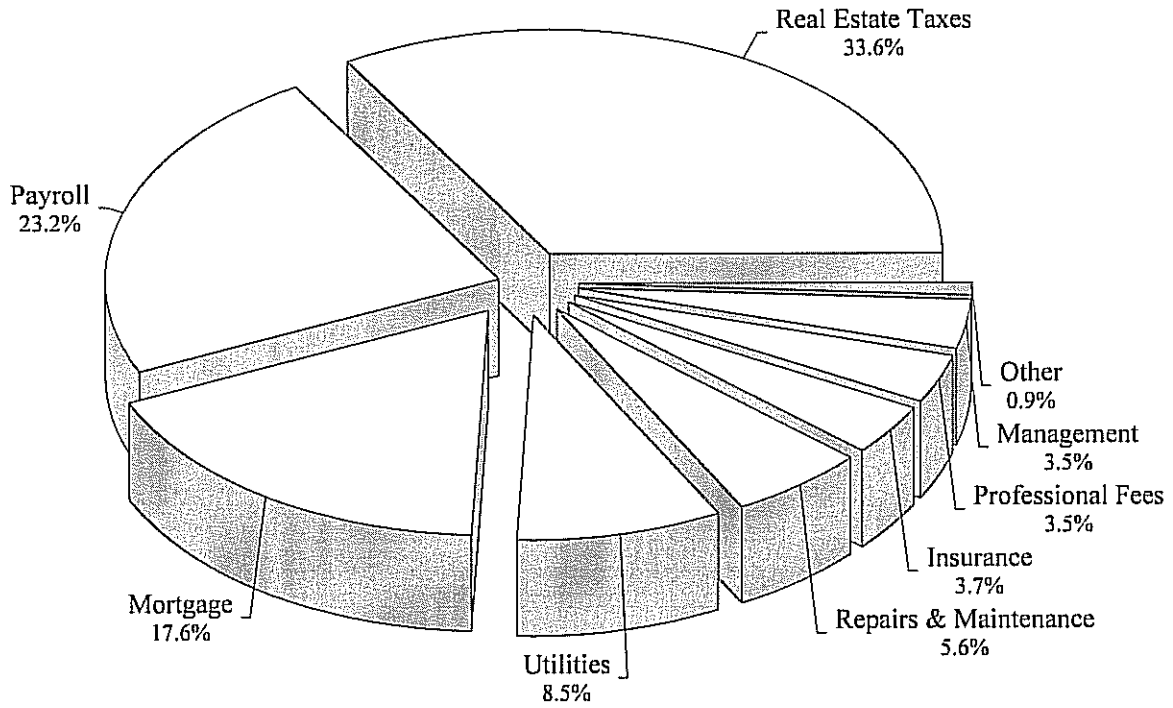
New York, New York
June 8, 2009

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2008

	Actual	Budget
Income		
Maintenance Charges	\$ 1,235,360	\$ 1,235,359
Less: Abatements	(91,974)	0
Operating Assessment	85,470	80,000
Commercial Rent	140,237	92,000
Transfer Fees	62,990	0
Sublet Fees	48,890	20,088
Investment Income	6,583	1,000
Laundry Income	11,780	10,000
Other Income	13,158	9,300
Total Income	<u>1,512,494</u>	<u>1,447,747</u>
Expenses		
Real Estate Taxes	568,683	547,561
Less: Abatements	(91,974)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	328,902	294,898
Utilities and Heating	96,057	100,000
Water and Sewer	24,564	22,739
Building Supplies	29,508	24,000
Elevator Maintenance	11,201	10,763
Other Repairs and Maintenance	38,992	58,897
Insurance	52,208	57,291
Management Fees	49,773	49,773
Professional Fees	49,795	18,900
Corporation Taxes	9,831	7,500
Office and Administration	2,786	5,100
Total Expenses	<u>1,420,651</u>	<u>1,447,747</u>
Income From Operations	<u>\$ 91,843</u>	<u>\$ 0</u>

See independent auditors' report on supplementary information.

**350 Bleecker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2008**



See independent auditors' report on supplementary information