

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2009

350 Bleecker Street Apartment Corp.
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Independent Auditors' Report

To the Shareholders of
350 Bleecker Street Apartment Corp.

We have audited the accompanying balance sheets of 350 Bleecker Street Apartment Corp. as of December 31, 2009 and 2008, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 350 Bleecker Street Apartment Corp. as of December 31, 2009 and 2008, and the results of its operations, changes in shareholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Kleiman & Weinshank

New York, New York
April 13, 2010

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Cash	\$ 258,970	\$ 243,926
Investments	44,007	43,970
Due From Shareholders	6,856	9,308
Due From Commercial Tenant (Note 5)	839,136	151,175
Provision For Receivable in Dispute (Note 5)	(839,136)	0
Real Estate Tax Refunds Receivable	16,121	0
Prepaid Expenses	45,233	18,033
Escrow Deposit	10,000	0
Property and Equipment - Net	4,413,642	4,506,756
Mortgage Costs - Net	33,769	45,026
Security Deposits Held	<u>10,805</u>	<u>0</u>
Total Assets	<u>\$ 4,839,403</u>	<u>\$ 5,018,194</u>

Liabilities and Shareholders' Equity

Liabilities

Accounts Payable and Accrued Expenses	\$ 64,148	\$ 51,070
Capital Improvements Payable	15,494	33,354
Abatements Due to Shareholders	57,065	45,181
Income Received in Advance	3,536	6,784
Mortgage Payable	4,250,000	4,250,000
Security Deposits Payable	<u>19,305</u>	<u>0</u>
Total Liabilities	<u>4,409,548</u>	<u>4,386,389</u>

Shareholders' Equity

Capital Stock	17,244	17,244
Additional Paid in Capital	10,660,735	10,660,735
Retained Earnings (Deficit)	<u>(10,248,124)</u>	<u>(10,046,174)</u>
Total Shareholders' Equity	<u>429,855</u>	<u>631,805</u>
Total Liabilities and Shareholders' Equity	<u>\$ 4,839,403</u>	<u>\$ 5,018,194</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2009 and 2008

	2009	2008
Income		
Maintenance Charges	\$ 1,330,854	\$ 1,235,360
Less: Abatements	(112,347)	(91,974)
Operating Assessments	100,015	85,470
Commercial Rent	86,000	140,237
Transfer Fees	74,200	62,990
Sublet Fees	31,169	48,890
Investment Income	953	6,583
Laundry Income	25,705	11,780
Other Income	<u>22,773</u>	<u>13,158</u>
Total Income	<u>1,559,322</u>	<u>1,512,494</u>
Expenses		
Real Estate Taxes	704,883	568,683
Less: Abatements	(112,347)	(91,974)
Less: Refunds	(16,121)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	322,719	328,902
Electric and Gas	23,242	29,185
Heating	55,694	66,872
Water and Sewer	25,643	24,564
Repairs and Maintenance	97,588	79,701
Insurance	49,548	52,208
Management Fees	51,000	49,773
Professional Fees	25,709	49,795
Corporation Taxes	10,301	9,831
Office and Administration	<u>2,909</u>	<u>2,786</u>
Total Expenses	<u>1,491,093</u>	<u>1,420,651</u>
Income From Operations	68,229	91,843
Other Items		
Provision For Receivable in Dispute (Note 5)	(151,175)	0
Depreciation and Amortization	<u>(119,004)</u>	<u>(120,236)</u>
Net Income (Loss)	<u>\$ (201,950)</u>	<u>\$ (28,393)</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholder's Equity
For the Years Ended December 31, 2009 and 2008

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)
Balance - December 31, 2007	\$ 17,244	\$ 10,660,735	\$ (10,017,781)
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(28,393)</u>
Balance - December 31, 2008	17,244	10,660,735	(10,046,174)
Net Income (Loss)	<u>0</u>	<u>0</u>	<u>(201,950)</u>
Balance - December 31, 2009	<u>\$ 17,244</u>	<u>\$ 10,660,735</u>	<u>\$ (10,248,124)</u>

See accompanying notes to financial statements

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net income (loss)	<u>\$ (201,950)</u>	<u>\$ (28,393)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	119,004	120,236
Provision for receivable in dispute	839,136	0
(Increase) decrease in due from shareholders	2,452	(8,135)
(Increase) decrease in due from commercial tenant	(687,961)	(47,070)
(Increase) decrease in real estate tax refunds receivable	(16,121)	0
(Increase) decrease in prepaid expenses	(27,200)	313
(Increase) decrease in escrow deposit	(10,000)	0
Increase (decrease) in accounts payable	(4,782)	(41,487)
Increase (decrease) in due to shareholders	11,884	4,913
Increase (decrease) in charges received in advance	(3,248)	3,615
Increase (decrease) in security deposits payable	<u>8,500</u>	<u>0</u>
Total adjustments	<u>231,664</u>	<u>32,385</u>
Net cash provided (used) by operating activities	<u>29,714</u>	<u>3,992</u>
Cash flows from investing activities:		
Additions to property and equipment	(14,633)	(245,547)
(Increase) decrease in investments	<u>(37)</u>	<u>175,560</u>
Net cash provided (used) by investing activities	<u>(14,670)</u>	<u>(69,987)</u>
Net increase (decrease) in cash and equivalents	15,044	(65,995)
Cash and equivalents, beginning of year	<u>243,926</u>	<u>309,921</u>
Cash and equivalents, end of year	<u>\$ 258,970</u>	<u>\$ 243,926</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, 2009

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, 2009, 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 \$365,000 (26% of total maintenance charges, operating assessments, and commercial rent) for the year ended December 31, 2009.

The corporation is authorized to issue shares of \$1 par value capital stock, of which 17,244 are issued and outstanding at December 31, 2009 and 2008.

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, 2009, investments consisted of a Merrill Lynch Ready Asset Fund.

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

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

Shareholders are subject to various charges and assessments to fund the corporation's operations. In addition, the corporation may periodically impose special assessments to provide funds for major repairs, replacements, and improvements. These charges and assessments are recognized as income by the corporation when billed.

It is the corporation's policy to charge a transfer fee to shareholders upon the sale of shares applicable to their apartments equal to 2% of the gross selling price.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2009

Such transfer fees are recognized as income to the corporation at the time of transfer.

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

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

The corporation has evaluated events and transactions that occurred through April 13, 2010, which is the date the financial statements were issued, for possible disclosure and recognition in the financial statements.

Certain reclassifications have been made to the December 31, 2008 financial statements to conform to the December 31, 2009 financial statement presentation.

Note 3 - Property and Equipment:

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>2,704,161</u>	<u>2,689,528</u>
	16,026,866	16,012,233
Less: Accumulated Depreciation	<u>11,613,224</u>	<u>11,505,477</u>
	<u>\$ 4,413,642</u>	<u>\$ 4,506,756</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.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2009

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, 2009, the corporation had \$1,000,000 (the portion not restricted to the specific legal actions) available on this line of credit.

Note 5 - Commercial Rent:

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

The corporation has asserted a claim against the sponsor as tenant under the master lease agreement for more than \$800,000 in escalations of the annual rent for the period from and after July 1, 2003. The sponsor has disputed the corporation's claim and the corporation intends to proceed with arbitration. In light of the dispute, a provision for receivable in dispute has been recorded in the accompanying financial statements.

Note 6 - Real Estate Taxes:

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are credited against the real estate tax due on the property and the corporation is required to pass on the abatements to the eligible shareholders. For the years ended December 31, 2009 and 2008, abatements received by the corporation totaled \$112,347 and \$91,974, respectively.

In September 2009, the corporation obtained a reduction in the assessed value of its property which resulted in real estate tax refunds totaling \$16,121 for the period July 1, 2008 to September 30, 2009, and real estate tax reductions in future years. Legal fees in connection with the reduction in the assessed value totaled approximately \$22,000, of which approximately \$4,000 relates to periods through December 31, 2009, with the remaining fees deferred to future years when the benefit of the reductions will be realized.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2009

Note 7 - Corporation Taxes:

The corporation is subject to taxation as a cooperative corporation for federal, state, and local purposes. A cooperative corporation is required to classify its income and expenses as patronage or nonpatronage. Patronage activity is from business done with or for the tenant-shareholders; nonpatronage activity is from business not done with or for the tenant-shareholders, which merely enhances the overall profitability of the cooperative. Expenses attributable to producing patronage income cannot be deducted from nonpatronage income. Nonpatronage income in excess of allocable expenses may be subject to income tax. The corporation believes all its activity is patronage, and for the years ended December 31, 2009 and 2008, no provision for income tax is required.

At December 31, 2009, the corporation had a net operating loss carryover of approximately \$5,700,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2029. The corporation is unable to determine the future benefit, if any, of the loss carryover and accordingly, a valuation allowance has been provided to offset any potential future benefit.

In addition to income taxes, New York State ("NYS") and New York City ("NYC") have alternative tax bases. Corporation Taxes reflected in the Statements of Operations represent NYS and NYC tax on the capital of the corporation, adjusted to market value.

Note 8 - Retirement Plan:

The corporation has instituted a SIMPLE retirement plan for its employees, for which contributions by the corporation are discretionary. For each of the years ended December 31, 2009 and 2008, the corporation's contributions to this plan totaled approximately \$9,000.

Note 9 - Future Major Repairs and Replacements:

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

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2009

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 - 2009	\$ 0.00
2002	1.82
2001	1.55
2000	7.92

For the year ended December 31, 2009, 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

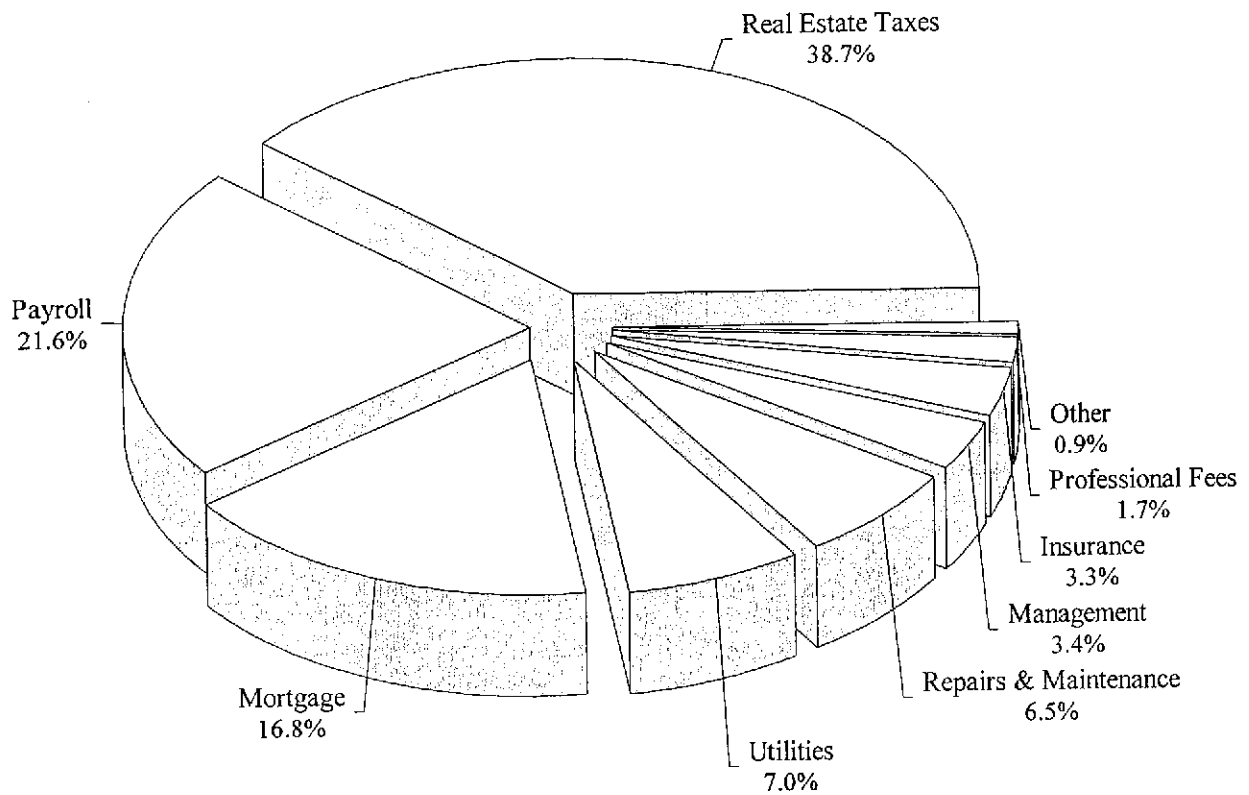
New York, New York
April 13, 2010

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2009

	Actual	Budget
Income		
Maintenance Charges	\$ 1,330,854	\$ 1,330,810
Less: Abatements	(112,347)	0
Operating Assessment	100,015	90,000
Commercial Rent	86,000	92,000
Transfer Fees	74,200	0
Sublet Fees	31,169	57,528
Investment Income	953	1,000
Laundry Income	25,705	27,000
Other Income	<u>22,773</u>	<u>28,750</u>
Total Income	<u>1,559,322</u>	<u>1,627,088</u>
Expenses		
Real Estate Taxes	704,883	686,366
Less: Abatements	(112,347)	0
Less: Refunds	(16,121)	0
Mortgage Interest	250,325	250,325
Payroll and Related Expenses	322,719	323,274
Electric and Gas	23,242	37,500
Heating	55,694	75,000
Water and Sewer	25,643	32,970
Building Supplies	25,951	30,000
Elevator Maintenance	13,835	10,763
Other Repairs and Maintenance	57,802	39,552
Insurance	49,548	52,236
Management Fees	51,000	51,000
Professional Fees	25,709	21,000
Corporation Taxes	10,301	10,000
Office and Administration	<u>2,909</u>	<u>7,102</u>
Total Expenses	<u>1,491,093</u>	<u>1,627,088</u>
Income From Operations	<u>\$ 68,229</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, 2009



See independent auditors' report on supplementary information