
SEVENTH AMENDMENT

TO

OFFERING PLAN OF

COOPERATIVE CONVERSION OF

PREMISES KNOWN AS

**121-123 East 88th Street
New York, New York**

Dated: January __, 1990

File No. C850134

THIS AMENDMENT MODIFIES AND SUPPLEMENTS THE TERMS OF THE ORIGINAL OFFERING PLAN DATED JANUARY 2, 1986 AND THE SIX PRIOR AMENDMENTS THERETO, AND SHOULD BE READ IN CONJUNCTION WITH SAID PLAN AND PRIOR AMENDMENTS.

121-123 East 88th Street
New York, New York

Holder of Unsold Shares:
Aval Company

Apartment Corporation:
121-123 East 88th Street Apartments, Inc.

SEVENTH AMENDMENT TO OFFERING PLAN
OF COOPERATIVE OWNERSHIP

This Amendment modifies and supplements the terms of the Offering Plan dated January 2, 1986 and the six prior amendments thereto and should be read in conjunction with said Plan and prior amendments. The Plan and said prior amendments are hereinafter collectively called the "Plan".

The terms of this Seventh Amendment are as follows:

1. **Board of Directors**

The current members of the Board of Directors are:

Michael P. Rieger and Jeffrey R. Grayzel, both elected by the tenant-shareholders; Ed Cohen, Kamran Hakim and Josephine Aiello, all elected by the Holder of Unsold Shares.

2. **Certified Financials**

Annexed to this Amendment as Exhibit A is a copy of the certified financials for the year ended 1988 prepared by Yohalen Gillman and Company.

3. **List of Unsold Apartments**

Set forth as Exhibit B annexed hereto is a list of Unsold Apartments. The current purchase price to all unsold apartments is \$325 per share.

4. **Effective Period for Using Plan is Extended**

The Plan may be used for twelve (12) months from the date this Amendment is duly accepted for filing and thereafter said period is to be extended by a further amendment to the Plan.

5. **Incorporation of Plan**

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

6. **Definitions**

All terms used in this Seventh Amendment not otherwise defined herein shall have the same meaning ascribed to them in the Plan.

7. **No Material Changes**

Except as set forth in this Seventh Amendment, there have been no material changes in the Plan.

Dated: New York, New York
January __, 1990

Holder of Unsold Shares:
Aval Company

Apartment Corporation:
121-123 East 88th Street Apartments, Inc.

(2965G)

EXHIBIT A

121-123 EAST 88TH STREET APARTMENTS, INC.

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 1988 AND 1987

CONTENTS

	P a g e s
Report of Independent Certified Public Accountants	1
Balance Sheets	2
Statements of Loss and Accumulated Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 6
Report of Independent Certified Public Accountants on Supplemental Information	7
Supporting Schedules	8

YOHALEM GILLMAN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

477 MADISON AVENUE, NEW YORK, NY 10022

(212) 371-2100

Report of Independent Certified Public Accountants

To the Shareholders
121-123 East 88th Street Apartments, Inc.

We have audited the accompanying balance sheets of 121-123 East 88th Street Apartments, Inc. as of December 31, 1988 and 1987, and the related statements of loss and accumulated deficit and cash flows for the year ended December 31, 1988 and the period June 9, 1987 (date of inception) to December 31, 1987. These financial statements are the responsibility of 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 generally accepted auditing standards. Those standards require that we plan and perform the audits 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 121-123 East 88th Street Apartments, Inc. as of December 31, 1988 and 1987, and the results of its operations and its cash flows for the year ended December 31, 1988 and the period June 9, 1987 to December 31, 1987, in conformity with generally accepted accounting principles.

Yohalem Gillman & Company

New York, New York
June 9, 1989

121-123 EAST 88TH STREET APARTMENTS, INC.

BALANCE SHEETS

ASSETS

	<u>December 31,</u>	
	<u>1988</u>	<u>1987</u>
Property, at cost		
Land		
Building and improvements	\$277,937	\$277,937
	<u>609,866</u>	<u>550,536</u>
Less accumulated depreciation	887,803	828,473
	<u>58,690</u>	<u>21,719</u>
	<u>829,113</u>	<u>806,754</u>
Other assets		
Cash and cash equivalents	27,895	76,919
Maintenance receivable	-	861
Escrow deposits	13,360	23,916
Prepaid expenses	11,816	3,021
Security deposits and other assets	<u>3,529</u>	<u>3,450</u>
	<u>56,600</u>	<u>108,167</u>
	<u>\$885,713</u>	<u>\$914,921</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Mortgage note payable	\$550,000	\$550,000
Other liabilities		
Note payable and other obligations to sponsor	4,376	12,996
Accounts payable and accrued expenses	7,968	7,493
Deferred maintenance income	-	2,685
	<u>12,344</u>	<u>23,174</u>
Shareholders' equity		
Common stock, \$1 par value; 8,760 shares authorized, issued and outstanding	8,760	8,760
Additional paid-in capital	344,670	339,099
Accumulated deficit	<u>(30,061)</u>	<u>(6,112)</u>
Total shareholders' equity	<u>323,369</u>	<u>341,747</u>
	<u>\$885,713</u>	<u>\$914,921</u>

The accompanying notes are an integral part of these statements.

121-123 EAST 88TH STREET APARTMENTS, INC.
STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

	Year Ended December 31, 1988	For the Period June 9, to December 31, 1987
Revenue		
Maintenance income from tenant shareholders	<u>\$145,985</u>	<u>\$ 82,066</u>
Costs and expenses		
Fixed costs and other charges	91,135	49,242
Operating	29,317	12,986
General and administrative	<u>13,680</u>	<u>6,216</u>
	<u>134,132</u>	<u>68,444</u>
Income before depreciation	11,853	13,622
Depreciation	<u>36,971</u>	<u>21,719</u>
Loss from operations before interest income	(25,118)	(8,097)
Interest income	<u>1,169</u>	<u>1,985</u>
Net loss	(23,949)	(6,112)
Accumulated deficit - beginning balance	<u>(6,112)</u>	<u>-.-</u>
Accumulated deficit - ending balance	<u><u>\$(30,061)</u></u>	<u><u>\$ (6,112)</u></u>

The accompanying notes are an integral part of these statements.

121-123 EAST 88TH STREET APARTMENTS, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1988	For the Period June 9, to December 31, 1987
Cash flows from operating activities		
Net loss	\$ (23,949)	\$ (6,112)
Adjustments to reconcile net loss to net cash provided (used) by operating activities		
Depreciation	36,971	21,719
Decrease (increase) in maintenance receivable	861	(861)
Decrease (increase) in escrow deposits	10,556	(23,916)
Increase in prepaid expenses	(8,954)	(3,021)
Decrease (increase) in security deposits	80	(3,450)
Increase in accounts payable and accrued expenses	475	7,493
Increase in due to sponsor	4,376	--
(Decrease) increase in deferred maintenance income	(2,685)	2,685
Net cash provided (used) by operating activities	<u>17,731</u>	<u>(5,463)</u>
Cash flows from investing activities		
Additions to property	<u>(59,330)</u>	<u>--</u>
Cash flows from financing activities		
(Repayment) proceeds of note payable to sponsor	(12,996)	12,996
Contributions to reserve and working capital funds	<u>5,571</u>	<u>69,386</u>
Net cash (used) provided by financing activities	<u>(7,425)</u>	<u>82,382</u>
(Decrease) increase in cash and cash equivalents	(49,024)	76,919
Cash and cash equivalents - beginning balance	<u>76,919</u>	<u>--</u>
Cash and cash equivalents - ending balance	<u>\$ 27,895</u>	<u>\$ 76,919</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for		
Interest	\$ 49,500	\$ 28,150
Income taxes	1,423	418
<u>Supplemental Schedule of Noncash Investing and Financing Activities</u>		

During 1987, the Company received net capital assets of \$828,473 in exchange for 8,760 shares of its capital stock (\$8,760), assumption of a mortgage note payable (\$550,000), and a contribution of capital in excess of par (\$269,713).

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

Note 1 - Summary of Significant Accounting Policies

(a) Property and Depreciation

Property is recorded and carried at cost less an appropriate allowance for depreciation. Property transferred to the Corporation was recorded at the transferor adjusted basis in accordance with Section 351 of the Internal Revenue Code. Expenditures for betterments and renewals are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Upon retirement or disposition of depreciable property, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in income. Depreciation is computed by the straight-line method over the useful life of the property.

(b) Income Taxes

The Corporation is subject to federal income tax on income derived from non-tenant shareholder sources under IRC section 277.

The Internal Revenue Service permits net operating losses, which have not been applied, to be carried forward to future years for the purpose of reducing taxes on those years. The Corporation has net operating loss carryforwards of approximately \$23,000, which expire through the year 2003.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) Transfer fees

The Corporation receives an \$8 per share special transfer fee for each apartment resold and such amounts are treated as additional paid-in capital.

Note 2 - Escrow Deposits

Under the terms of the mortgage, the Corporation is required to deposit each month with the mortgagee an amount equal to 1/12th of the annual real estate taxes and water and sewer charges. The Corporation is currently depositing \$2,806 monthly.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

Note 3 - Mortgage Note Payable

The mortgage note of \$550,000 is payable to the sponsor and provides for monthly payments, interest only, at the rate of nine percent (9%) per annum through June 30, 1992. Commencing July 1, 1992, the annual interest rate shall increase to the greater of nine percent (9%) or two and one-half (2 1/2%) percentage points above the then Federal Home Loan Bank five year advance rate. The entire unpaid principal is due on June 9, 1997, the date of maturity.

Note 4 - Related Party Transactions

For the periods ended December 31, 1988 and 1987, the sponsor had been retained by the Corporation to manage the building, and received fees totalling \$3,000 and \$1,750, respectively. In addition, as of December 31, 1987, the Corporation was indebted to the sponsor for a promissory note in the amount of \$12,996. This note was satisfied in August 1988. General and administrative costs include \$49,632 and \$28,471 during 1988 and 1987, respectively, for interest paid to the sponsor.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole of 121-123 East 88th Street Apartments, Inc. for the year ended December 31, 1988 and for the period from June 9, 1987 (date of inception) to December 31, 1987 which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yohalem Gillman & Company

New York, New York
June 9, 1989

121-123 EAST 88TH STREET APARTMENTS, INC.

SUPPORTING SCHEDULES

	Year Ended December 31, 1988	For the Period June 9, to December 31, 1987
Fixed costs and other charges		
Interest	\$ 49,632	\$ 28,471
Real estate taxes	29,148	15,817
Water and sewer	3,514	1,745
Insurance	8,841	3,209
Total	<u>\$ 91,135</u>	<u>\$ 49,242</u>
Operating expenses		
Fuel and utilities	\$ 13,407	\$ 5,373
Payroll and fringes	2,375	1,430
Supplies	2,132	214
Repairs and maintenance	11,403	5,969
Total	<u>\$ 29,317</u>	<u>\$ 12,986</u>
General and administrative expenses		
Professional fees	\$ 8,177	\$ 2,416
Management fees	3,000	1,750
State and local taxes	1,519	1,268
Miscellaneous	984	782
Total	<u>\$ 13,680</u>	<u>\$ 6,216</u>

EXHIBIT B

AVAL COMPANY
 Unsold Units – 121/123 E. 88th Street Apts., Inc.

		<u>Number of Shares</u>	<u>Monthly Maintenance</u>
<u>121 East 88th Street</u>			
1A	L	250	\$ 347.50
1B	L	310	430.90
1C	L	230	319.70
2B	L	315	437.85
2C	L	330	458.70
3C	L	325	451.75
4B	L	305	423.95
4C	L	320	444.80
5A	V	240	333.60
<u>123 East 88th Street</u>			
1C	L	315	437.85
2A	L	300	417.00
2B	L	305	423.95
3A	L	295	410.05
3B	L	300	417.00
3C	L	315	437.85
4A	L	290	403.10
4C	L	310	430.90
5B	V	290	403.10
5C	L	305	<u>423.95</u>
			<u>\$7,853.50</u>

L – Leased
 V – Vacant

(2965G)