
TWELFTH AMENDMENT

TO

OFFERING PLAN OF

COOPERATIVE CONVERSION OF

PREMISES KNOWN AS

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

Dated: October , 1994

File No. C850134

THIS AMENDMENT MODIFIES AND SUPPLEMENTS THE TERMS OF THE ORIGINAL OFFERING PLAN DATED JANUARY 2, 1986 AND THE ELEVEN 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.

**TWELFTH AMENDMENT TO OFFERING PLAN
OF COOPERATIVE OWNERSHIP**

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

The terms of this Twelfth Amendment are as follows:

1. List of Unsold Apartments

A list of Unsold Apartments together with the share allocation of each is set forth as Exhibit A hereto. The current price for all Unsold Apartments is negotiable and subject to change in accordance with the terms of the Plan. The Unsold Apartments are owned by the Holder of Unsold Shares free and clear and are not pledged as collateral to secure any debt.

2. Monthly Maintenance Charges and Monthly Rental Receipts for Unsold Apartments

Set forth as Exhibit B hereto is a chart which lists the aggregate number of occupied Unsold Apartments, vacant Unsold Apartments and total Unsold Apartments, including, for each category, the number of Unsold Shares, the approximate monthly maintenance charges payable and approximate monthly rents receivable, all as of October 1, 1994. The approximate aggregate monthly maintenance charges for the Unsold Apartments, as of October 1, 1994, was \$8,142.09. The approximate aggregate monthly rental income for the Unsold Apartments, as of October 1, 1994, was \$8,932.51

3. Other Financial Obligations of the Holder of Unsold Shares Under the Plan

Except for the payment of maintenance charges on the Unsold Apartments, the Holder of Unsold Shares has no remaining financial obligations to the Apartment Corporation under the Plan.

4. Sources of Payment for Financial Obligations by Holder of Unsold Shares

The Holder of Unsold Shares is paying its financial obligations to the Apartment Corporation from a combination of rental receipts, reserves from the sale of Unsold Apartments and its other capital reserves. As of October 1, 1994, the Holder of Unsold Shares was current on all its financial obligations to the Apartment Corporation and has been current for the 12 months preceding the filing of this Amendment.

5. Status of Financial Obligations Under Offering Plans In Which the Holder of Unsold Shares' Principals Own More Than Ten Percent of the Shares or Units

Set forth as Exhibit C hereto is a list of other buildings subject to offering plans in which the Holder of Unsold Shares' respective principals are also principals in a sponsoring entity which owns more than 10% of the shares or units. Copies of the offering plans for these buildings are on file with the Department of Law and are available for public inspection. The respective sponsors of each of the other offerings listed on Exhibit C are current in their financial obligations to the cooperative, condominium or homeowners association, as the case may be.

6. 1992 & 1993 Financial Statements & 1994 Budget

Set forth as Exhibit D hereto is a copy of the 1992 and 1993 financial statements for the Apartment Corporation prepared by Yohalem Gillman & Company and 1994 budget.

7. Assessment

In March, 1994, the Board of Directors imposed an assessment on all shareholders of \$1.20 per share. The assessment was for the month of March, 1994 only.

8. Board of Directors

The last annual meeting of the shareholders was held on February 2, 1994. The Board of Directors elected were as follows:

President:	-	Jeffrey Grayzel
Vice President:	-	Diane Kelder
Secretary:	-	Mirtha Aguirre
Treasurer:	-	Jane Fenton

9. Effective Period for Using Plan is Extended

The Plan may be used for six 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.

10. 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.

11. Definitions

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

12. No Material Changes

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

**Dated: New York, New York
October , 1994**

**Holder of Unsold Shares:
Aval Company**

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

(3238C)

EXHIBIT A

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	250	\$ 376.25
1B	310	466.55
1C	230	346.15
2B	315	474.08
2C	330	496.65
3C	325	489.13
4B	305	459.03
4C	320	481.60
 <u>123 East 88th Street</u>		
1C	315	474.08
2A	300	451.50
2B	305	459.03
3A	295	443.98
3B	300	451.50
3C	315	474.08
4A	290	436.45
4C	310	466.55
5B	290	436.45
5C	305	<u>459.03</u>
		<u>\$8,142.09</u>

(3238C)

EXHIBIT B

**Unsold Apartments
Financial Obligation Chart
as of October 1, 1994**

	<u>Occupied</u>	<u>Vacant</u>	<u>Total</u>
Unsold Apartments:	18	0	18
Unsold Shares:	5,410	0	5,410
Monthly Maintenance Charges Payable:	\$8,142.09	\$0	\$8,142.09
Approximated Rental Income Receivable:	\$8,932.51	\$0	\$8,932.51
Net Monthly Income:	\$790.42	\$0	\$790.42

(3238C)

EXHIBIT C

**Other Offering Plans in Which the Holder of Unsold Shares'
Principals are Also Principals in a Sponsoring Entity
which Owns More Than 10% of the Units or Shares**

Offering Plan of Cooperative or
Condominium Ownership of Premises

Holder of Unsold Shares' Principals

6485/6495 Broadway
Bronx, New York

Joan Cohen (spouse of Edward Cohen)

531 East 88th Street
New York, New York

Kamran Hakim

(3238C)

EXHIBIT D

121-123 EAST 88TH STREET
APARTMENTS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991

YOHALEM GILLMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

477 MADISON AVENUE, NEW YORK, NY 10022
(212) 371-2100

Independent Auditor's Report

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, 1992 and 1991 and the related statements of loss and accumulated deficit 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 generally accepted auditing standards. 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 121-123 East 88th Street Apartments, Inc. as of December 31, 1992 and 1991 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 6, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that will be required in the future that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Yohalem Gillman & Company

New York, New York
February 17, 1993

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121-123 EAST 88TH STREET APARTMENTS, INC.

BALANCE SHEETS
DECEMBER 31, 1992 AND 1991

ASSETS

	<u>1992</u>	<u>1991</u>
Property, at cost		
Land		
Building and improvements	\$ 277,937	\$ 277,937
	<u>627,406</u>	<u>627,406</u>
Less accumulated depreciation	905,343	905,343
	<u>209,882</u>	<u>172,073</u>
	<u>695,461</u>	<u>733,270</u>
Other assets		
Cash and cash equivalents	34,024	19,262
Maintenance receivable	730	16,058
Escrow deposits	3,532	3,630
Prepaid expenses	19,137	15,953
Due from sponsor	271	496
	<u>57,694</u>	<u>55,399</u>
	<u>\$ 753,155</u>	<u>\$ 788,669</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Mortgage note payable	\$ <u>550,000</u>	\$ <u>550,000</u>
Accounts payable and accrued expenses	<u>4,008</u>	<u>3,958</u>
Shareholders' equity		
Common stock, \$1 par value; 8,760 shares authorized, issued and outstanding	8,760	8,760
Additional paid-in capital	349,510	349,510
Accumulated deficit	<u>(159,123)</u>	<u>(123,559)</u>
Total shareholders' equity	<u>199,147</u>	<u>234,711</u>
	<u>\$ 753,155</u>	<u>\$ 788,669</u>

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
 STATEMENTS OF LOSS AND ACCUMULATED DEFICIT
 YEARS ENDED DECEMBER 31, 1992 AND 1991

	<u>1992</u>	<u>1991</u>
Revenue		
Maintenance income from tenant/shareholders	\$ 158,207	\$ 154,789
Special assessment	<u> </u>	<u>4,380</u>
	<u>158,207</u>	<u>159,169</u>
Costs and expenses		
Fixed costs and other charges	110,956	105,118
Operating	29,212	34,838
General and administrative	<u>17,794</u>	<u>17,123</u>
	<u>157,962</u>	<u>157,079</u>
Income before depreciation	245	2,090
Depreciation	<u>37,809</u>	<u>37,902</u>
Loss from operations before other income	(37,564)	(35,812)
Other income	<u>2,000</u>	<u>2,635</u>
Net loss	(35,564)	(33,177)
Accumulated deficit - beginning of year	<u>(123,559)</u>	<u>(90,382)</u>
Accumulated deficit - end of year	<u>\$ (159,123)</u>	<u>\$ (123,559)</u>

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 1992 AND 1991

	<u>1992</u>	<u>1991</u>
Cash flows from operating activities		
Net loss	\$ (35,564)	\$ (33,177)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	37,809	37,902
Decrease (increase) in maintenance receivable	15,328	(6,500)
Decrease in escrow deposits	98	3,091
Increase in prepaid expenses	(3,184)	(1,914)
Decrease in due from sponsor	225	--
Decrease in security deposits and other assets	--	3,370
Increase in accounts payable and accrued expenses	<u>50</u>	<u>1,564</u>
	<u>50,326</u>	<u>37,513</u>
Net cash provided by operating activities	<u>14,762</u>	<u>4,336</u>
Increase in cash and cash equivalents	14,762	4,336
Cash and cash equivalents - beginning of year	<u>19,262</u>	<u>14,926</u>
Cash and cash equivalents - end of year	<u>\$ 34,024</u>	<u>\$ 19,262</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 49,500	\$ 49,500
Income taxes	1,839	1,060

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

Note 1 - Organization

121-123 East 88th Street Apartments, Inc. commenced operations as a cooperative housing corporation in March 1986. The Corporation owns and operates the building located at 121-123 East 88th Street, New York, New York. The building consists of 29 residential apartments of which 18 are currently owned by the sponsor.

Note 2 - Summary of Significant Accounting Policies

Property and Depreciation

Property is recorded and carried at cost less an appropriate allowance for depreciation. Property transferred to the Corporation in exchange for its common stock was recorded at the transferor's adjusted basis. 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.

Income Taxes

The Corporation is subject to federal income tax on income derived from non-tenant/shareholder sources under provisions of the Internal Revenue Code.

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 \$159,000, which expire through the year 2007.

Cash and Cash Equivalents

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

Transfer Fees

The Corporation receives an \$8 per share special transfer fee for each apartment resold and such amounts are treated as capital contributions to the reserve fund.

121-123 EAST 88TH STREET APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

Note 3 - 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 \$5,262 monthly.

Note 4 - 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 9 percent per annum through June 30, 1992. Commencing July 1, 1992, the annual interest rate increased to the greater of 9 percent or 2-1/2 percentage points above the then Federal Home Loan Bank five-year advance rate. The entire unpaid principal balance is due on June 9, 1997.

Note 5 - Related Party Transactions

For the years ended December 31, 1992 and 1991, an affiliate of the sponsor received the following:

- a) Management fees of \$6,600 and \$5,400, respectively, for managing the building.
- b) Interest of \$49,500 for both 1992 and 1991 on the mortgage note payable.
- c) Insurance reimbursements of approximately \$8,400 and \$7,100, respectively, for the Corporation's share of insurance.
- d) Payroll costs and fringe benefits of approximately \$5,600 in both 1992 and 1991 for services its employees provided to the Corporation.

At December 31, 1992 and 1991, maintenance receivable attributable to the sponsor was \$730 and \$16,014, respectively. For the years ended December 31, 1992 and 1991, maintenance income attributable to the sponsor was \$97,705 and \$96,081, respectively.

Note 6 - Future Major Repairs and Replacements

The Co-op board (the Board) has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of major repairs and replacements that may be required in the future.

During November 1990, a special assessment billing of \$1 per share was levied by the Board. This assessment, which will be used for improvements and repairs to the building, was billed in two equal installments, one in December 1990 and one in January 1991. The sponsor's portion of this special assessment was \$2,719 for both years.

121-123 EAST 88TH STREET APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

Note 6 - Future Major Repairs and Replacements (continued)

When replacement funds are needed to meet future needs for major repairs and replacements, the Board has the right to increase regular assessments, pass additional special assessments, or delay major repairs and replacements until needed funds are available. The effect on future assessments has not been determined at this time.

Note 7 - Settlement of Contractor Judgement Award

In 1990, the Corporation was awarded a judgement of approximately \$22,000 against a contractor for nonperformance, which it has thus far been unable to collect. Legal fees of \$6,158 have been incurred in an attempt to collect this judgement; these fees are contingent on the ultimate collection. The financial statements do not reflect this award or legal costs pending the collection of this amount.

Independent Auditor's Report on Supplemental Information

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

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 years ended December 31, 1992 and 1991 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
February 17, 1993

121-123 EAST 88TH STREET APARTMENTS, INC.
 SUPPORTING SCHEDULES
 YEARS ENDED DECEMBER 31, 1992 AND 1991

	<u>1992</u>	<u>1991</u>
Fixed costs and charges		
Interest		
Real estate taxes	\$ 49,500	\$ 49,500
Water and sewer	46,878	42,537
Insurance	7,909	6,954
	<u>6,669</u>	<u>6,127</u>
Total	<u>\$ 110,956</u>	<u>\$ 105,118</u>
Operating expenses		
Fuel and utilities		
Payroll taxes and fringes	\$ 14,433	\$ 14,248
Supplies	5,625	5,594
Repairs and maintenance	1,569	3,114
	<u>7,585</u>	<u>11,882</u>
Total	<u>\$ 29,212</u>	<u>\$ 34,838</u>
General and administrative		
Professional fees		
Management fees	\$ 7,032	\$ 9,297
State and local taxes	6,600	5,400
Miscellaneous	1,926	1,596
	<u>2,236</u>	<u>830</u>
Total	<u>\$ 17,794</u>	<u>\$ 17,123</u>

EXHIBIT D

121-123 EAST 88TH STREET
APARTMENTS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

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YOHALEM GILLMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

477 MADISON AVENUE, NEW YORK, NY 10022
(212) 371-2100

Independent Auditor's Report

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, 1993 and 1992 and the related statements of loss and accumulated deficit 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 generally accepted auditing standards. 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 121-123 East 88th Street Apartments, Inc. as of December 31, 1993 and 1992 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 5, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that will be required in the future that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Yohalem Gillman + Company

New York, New York
February 24, 1994

121-123 EAST 88TH STREET APARTMENTS, INC.
BALANCE SHEETS
DECEMBER 31, 1993 AND 1992

ASSETS

	<u>1993</u>	<u>1992</u>
Property, at cost		
Land		
Building and improvements	\$ 277,937	\$ 277,937
	<u>632,130</u>	<u>627,406</u>
Less accumulated depreciation	910,067	905,343
	<u>247,565</u>	<u>209,882</u>
	<u>662,502</u>	<u>695,461</u>
Other assets		
Cash and cash equivalents	30,271	34,024
Maintenance receivable	--	730
Escrow deposits	6,532	3,532
Prepaid expenses	20,329	19,137
Due from sponsor	667	271
	<u>57,799</u>	<u>57,694</u>
	<u>\$ 720,301</u>	<u>\$ 753,155</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Mortgage note payable	\$ <u>550,000</u>	\$ <u>550,000</u>
Accounts payable and accrued expenses	<u>7,457</u>	<u>4,008</u>
Shareholders' equity		
Common stock, \$1 par value; 8,760 shares authorized, issued and outstanding	8,760	8,760
Additional paid-in capital	349,510	349,510
Accumulated deficit	<u>(195,426)</u>	<u>(159,123)</u>
Total shareholders' equity	<u>162,844</u>	<u>199,147</u>
	<u>\$ 720,301</u>	<u>\$ 753,155</u>

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
STATEMENTS OF LOSS AND ACCUMULATED DEFICIT
YEARS ENDED DECEMBER 31, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Revenue		
Maintenance income from tenant/shareholders	\$ <u>158,207</u>	\$ <u>158,207</u>
Costs and expenses		
Fixed costs and other charges	116,564	110,956
Operating	27,558	29,212
General and administrative	<u>13,696</u>	<u>15,868</u>
	<u>157,818</u>	<u>156,036</u>
Income before depreciation	389	2,171
Depreciation	<u>37,683</u>	<u>37,809</u>
Loss from operations before other income	(37,294)	(35,638)
Other income	<u>2,916</u>	<u>2,000</u>
Loss before provision for income taxes and cumulative effect of change in income tax method on prior periods	<u>(34,378)</u>	<u>(33,638)</u>
Provision for income taxes		
Current	1,925	1,926
Deferred benefit	14,000	14,000
Allowance	<u>(14,000)</u>	<u>(14,000)</u>
	<u>1,925</u>	<u>1,926</u>
Net loss	(36,303)	(35,564)
Accumulated deficit - beginning of year	<u>(159,123)</u>	<u>(123,559)</u>
Accumulated deficit - end of year	<u>\$ (195,426)</u>	<u>\$ (159,123)</u>

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Cash flows from operating activities		
Net loss	\$ (36,303)	\$ (35,564)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	37,683	37,809
Decrease in maintenance receivable	730	15,328
(Increase) decrease in escrow deposits	(3,000)	98
Increase in prepaid expenses	(1,192)	(3,184)
(Increase) decrease in due from sponsor	(396)	225
Increase in accounts payable and accrued expenses	<u>3,449</u>	<u>50</u>
	<u>37,274</u>	<u>50,326</u>
Net cash provided by operating activities	<u>971</u>	<u>14,762</u>
Cash flow from investing activities		
Investment in property	<u>(4,724)</u>	<u>--</u>
(Decrease) increase in cash and cash equivalents	(3,753)	14,762
Cash and cash equivalents - beginning of year	<u>34,024</u>	<u>19,262</u>
Cash and cash equivalents - end of year	<u>\$ 30,271</u>	<u>\$ 34,024</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 49,500	\$ 49,500
Income taxes	2,938	1,839

See accompanying notes.

121-123 EAST 88TH STREET APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992

Note 1 - Organization

121-123 East 88th Street Apartments, Inc. commenced operations as a cooperative housing corporation in March 1986. The Corporation owns and operates the building located at 121-123 East 88th Street, New York, New York. The building consists of 29 residential apartments (8,760 shares) of which 18 (5,410 shares) are owned by the sponsor.

Note 2 - Summary of Significant Accounting Policies

Property and Depreciation

Property is recorded and carried at cost less an appropriate allowance for depreciation. Property transferred to the Corporation in exchange for its common stock was recorded at the transferor's adjusted basis. 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.

Income Taxes

The Corporation is subject to federal income tax on income derived from non-tenant/shareholder sources under provisions of the Internal Revenue Code.

The Corporation has adopted a recent pronouncement regarding accounting for income taxes. Under this new method, deferred tax assets and liabilities are established at income tax rates expected to apply to taxable income in periods in which the deferred tax liability or asset is expected to be settled or realized. Management has determined that the impact of this change is not significant since any deferred tax asset resulting from the net operating loss carryforwards of approximately \$195,000 would be offset by an allowance based on the uncertainty of the realization of any future benefit.

The Corporation has net operating loss carryforwards which expire through the year 2007.

Cash and Cash Equivalents

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

Transfer Fees

The Corporation receives an \$8 per share special transfer fee for each apartment resold and such amounts are treated as capital contributions to the reserve fund.

121-123 EAST 88TH STREET APARTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

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 9 percent per annum. The entire unpaid principal balance is due on October 1, 1997.

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 \$6,353 monthly. At December 31, 1993 and 1992, the balance in the escrow account was \$6,532 and \$3,532, respectively.

Interest expense for the years ended December 31, 1993 and 1992 amounted to \$49,500.

Note 4 - Related Party Transactions

For the years ended December 31, 1993 and 1992, the Corporation's transactions with an affiliate of the sponsor consisted of the following:

- a) Management fees of \$6,600 for both 1993 and 1992, for managing the building.
- b) Interest of \$49,500 for both 1993 and 1992 on the mortgage note payable.
- c) Insurance reimbursements of approximately \$5,100 in 1993 and \$8,400 in 1992, for the Corporation's share of insurance.
- d) Payroll costs and fringe benefits of approximately \$5,000 in 1993 and \$5,600 in 1992, for services its employees provided to the Corporation.

At December 31, 1992, maintenance receivable attributable to the sponsor was \$730. There was no maintenance receivable attributable to the sponsor at December 31, 1993. Maintenance income attributable to the sponsor for both 1993 and 1992 was \$97,705.

Note 5 - Future Major Repairs and Replacements

The Co-op board (the "Board") has not conducted a study to determine the remaining useful lives of the components of common property and current estimates 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 Board has the right to increase regular assessments, pass additional special assessments, or delay major repairs and replacements until needed funds are available. The effect on future assessments has not been determined at this time.

121-123 EAST 88TH STREET APARTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

Note 6 - Settlements

In 1990, the Corporation was awarded a judgement of approximately \$22,000 against a contractor for nonperformance, which it has thus far been unable to collect. Legal fees of \$6,158 have been incurred in an attempt to collect this judgement; these fees are contingent on the ultimate collection. The financial statements do not reflect this award or legal costs pending the collection of this amount.

In 1989, the Corporation, managing agent, sponsor and the Board of Directors were named defendants in a lawsuit filed by a tenant, who was assaulted on the property. The case was settled during 1992. The claim and related legal costs were covered by insurance except for the amount deductible under the policy.

121-123 EAST 88TH STREET APARTMENTS, INC.
 SUPPORTING SCHEDULES
 YEARS ENDED DECEMBER 31, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Fixed costs and charges		
Interest		
Real estate taxes	\$ 49,500	\$ 49,500
Water and sewer	52,147	46,878
Insurance	8,277	7,909
	<u>6,640</u>	<u>6,669</u>
Total	<u>\$ 116,564</u>	<u>\$ 110,956</u>
 Operating expenses		
Fuel and utilities		
Payroll taxes and fringes	\$ 15,447	\$ 14,433
Supplies	4,969	5,625
Repairs and maintenance	1,672	1,569
	<u>5,470</u>	<u>7,585</u>
Total	<u>\$ 27,558</u>	<u>\$ 29,212</u>
 General and administrative		
Professional fees		
Management fees	\$ 6,546	\$ 7,032
Miscellaneous	6,600	6,600
	<u>550</u>	<u>2,236</u>
Total	<u>\$ 13,696</u>	<u>\$ 15,868</u>

EXHIBIT D

121-123 EAST 88TH STREET APARTMENTS, INC.

BUDGET 1994

MAINTENANCE INCOME:

8760 SHARES @ 18.06 PER SHARE	158,206
SUB-LET FEES (7 X \$500)	3,500

EXPENSES:

REAL ESTATE TAXES	53,000
INSURANCE	6,500
WATER & SEWER	13,000
GAS & ELECTRIC	14,600
MANAGEMENT	6,600
MORTGAGE PAYMENTS (INTEREST)	49,500
REPAIRS, SUPPLIES & CONTRACTS	7,000
LEGAL & AUDIT	5,000
FRANCHISE TAXES	1,800
PAYROLL & RELATED COSTS	4,500

TOTAL INCOME & EXPENSES

161,500

161,706

Independent Auditor's Report on Supplemental Information

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

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 years ended December 31, 1993 and 1992 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
February 24, 1994