
**FIFTEENTH AMENDMENT
TO
OFFERING PLAN OF
COOPERATIVE CONVERSION OF**

PREMISES KNOWN AS

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

Dated: March 23, 2005

File No. C850134

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

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

APARTMENT CORPORATION:
121-123 East 88th Street Apartments, Inc.

HOLDER OF UNSOLD SHARES:
Aval Company, LLC

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

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

The terms of this Fifteenth 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 maximum price for all Unsold Apartments is \$1,500.00 per share, which price 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. The sole members of Aval Company, LLC are Edward Cohen and Kamran Hakim.

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 the approximate monthly rents receivable, all as of January 1, 2005. The approximate aggregate monthly rental income for the Unsold Apartments was \$10,526.20 as of January 1, 2005. The aggregate monthly maintenance charges for the Unsold Apartments were \$9,968.75 as of January 1, 2005. The monthly maintenance charge is \$30.00 per share.

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. No Unsold Shares are subject to mortgages or financing commitments.

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

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 December 13, 2004, the Holder of Unsold Shares was current on all its financial obligations to the Apartment Corporation and has been current during the twelve 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. Board of Directors*

The current members of the Board of Directors are as follows:

Lillian Rivera-Santos	President
Jain Fenton	Vice President
Richard Ciotti	Treasurer
Mirtha Aguirre	Secretary

Mirtha Aguirre represents the Holder of Unsold Shares. The Holder of Unsold Shares is entitled to two seats. The Holder of Unsold Shares does not control the Board of Directors.

7. 2003 Financial Statement and 2005 Budget

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2003 financial statement prepared by Zeidman, Lackowitz, Prisant & Co., LLP Certified Public Accountants, Two Roosevelt Avenue, Syosset, New York 11791-3064 and a copy of the 2005 budget.

8. Maintenance

Effective March 1, 2005, the Apartment Corporation has imposed an increase in the monthly maintenance from \$25.00 to \$30.00 per share per month for each shareholder.

9. Assessment

Effective August 1, 2004, the Apartment Corporation imposed an assessment in the amount of \$4.00 on each shareholder for the months of August, September and October 2004. This assessment, to be billed on August 1, 2004 and paid by October 1, 2004, was enacted to pay for future capital repairs to the premises and to increase the reserve account. The assessment ended on October 31, 2004.

10. Structural Repairs

The Board of Directors voted to hire Xinos Construction Corp. to remove and replace the west parapet wall. The work which began in May 2004 was completed in June 2004 at a total cost of \$26,750.00 and was paid for by the assessment.

11. Tax Certiorari Proceedings

The Apartment Corporation is protesting the real estate taxes assessed to the Property for the 2004/2005 tax year. The certiorari proceeding is being handled by the firm of Wormser Kiely Galef & Jacobs LLP, 825 Third Avenue, New York, New York 10022. The tax certiorari proceedings are still pending.

12. Co-op Fees

At the annual Shareholders meeting held on June 29, 2004, the Board of Directors voted to impose a penalty in the amount of \$1,000 on any shareholder who rents his apartment without Board approval. The Board also voted to impose a penalty of \$500.00 on any shareholder who fails to inform management when a tenant vacates the apartment. Should either of the above occur on more than two occasions, the co-op will seek to take possession of the apartment.

13. Sublet Fee

At the annual Shareholders meeting held on January 13, 2005, the Board of Directors voted to increase the sub-lease fee from the current \$500.00 per year to \$750.00 effective January 1, 2006.

14. Change of Address of Holder of Unsold Shares

Effective November 15, 2004, the new address of the holder of unsold shares is 3 West 57th Street, 7th Floor, New York, New York 10019.

15. 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.

16. 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.

17. Definitions

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

18. No Material Changes

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

**Dated: New York, New York
March 23, 2005**

**APARTMENT CORPORATION:
121-123 East 88th Street Apartments, Inc.**

**HOLDER OF UNSOLD SHARES:
Aval Company, LLC**

EXHIBIT A
UNSOLD APARTMENTS
AS OF JANUARY 1, 2005

121 East 88th Street

<u>Apt.</u>	<u>No. of Shares</u>	<u>Monthly Maintenance</u>
1A	250	\$ 520.83
1C	230	479.16
2B	315	656.25
2C	330	687.50
3C	325	677.08
4B - V	305	635.42
4C	320	666.67

123 East 88th Street

<u>Apt.</u>	<u>No. of Shares</u>	<u>Monthly Maintenance</u>
1C	315	\$ 656.25
2A	300	625.00
2B	305	635.42
3A - V	295	614.58
3B	300	625.00
4A	290	604.17
4C	310	645.83
5B - V	290	604.17
5C	305	<u>635.42</u>
		<u>\$9,968.75</u>

Total: 16 Apartments 4,785 shares

V = vacant as of January 1, 2005

EXHIBIT B**Unsold Apartments
Financial Obligation Chart
as of January 1, 2005**

	<u>Occupied</u>	<u>Vacant</u>	<u>Total</u>
Unsold Apartments:	13	3	16
Unsold Shares:	3,895	890	4,785
Monthly Maintenance Charges Payable:	\$8,114.58	\$1,854.17	\$9,968.75
Approximate Rental Income Receivable:	\$10,526.20	\$0	\$10,526.20
Net Monthly Income (Loss):	\$2,411.62	(\$1,854.17)	\$ 557.45

EXHIBIT C

Other Offering Plans in Which the Holder of Unsold Share's 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

531 East 88th Street

Kamran Hakim

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

Edward Cohen, Kamran Hakim

EXHIBIT D

121-123 EAST 88TH STREET APARTMENTS, INC.

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2003 AND 2002

121-123 EAST 88TH STREET APARTMENTS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
121-123 East 88th Street Apartments, Inc.
444 Central Park West
New York, NY 10025

We have audited the accompanying balance sheets (with supporting schedules) of 121-123 EAST 88TH STREET APARTMENTS, INC. as of December 31, 2003 and the related statements of operations (with supporting schedules), changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of 121-123 EAST 88TH STREET APARTMENTS, INC. as of December 31, 2002, were audited by other auditors whose report dated March 20, 2003 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit 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, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

121-123 EAST 88TH STREET APARTMENTS, INC. has not presented the supplementary information on future major repairs and replacements 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.

Zeidman, Lackowitz, Prisand & Co., LLP
May 13, 2004

121-123 EAST 88TH STREET APARTMENTS, INC.
BALANCE SHEETS
AS OF DECEMBER 31,

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 6,253
Accounts receivable	460	6,979
Mortgage escrow	5,913	2,548
Violation escrow	6,000	6,000
Prepaid expenses	29,690	22,255
	<hr/>	<hr/>
Total Current Assets	42,063	44,035
	<hr/>	<hr/>
Property and Improvements:		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	315,130	315,130
	<hr/>	<hr/>
Total	1,214,617	1,214,617
Less: Accumulated depreciation	711,257	680,997
	<hr/>	<hr/>
Net Property and Improvements	503,360	533,620
	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Reserve fund	16,721	13,633
Deferred mortgage closing costs, net	8,561	9,432
	<hr/>	<hr/>
Total Other Assets and Deferred Charges	25,282	23,065
	<hr/>	<hr/>
Total Assets	<u>\$ 570,705</u>	<u>\$ 600,720</u>

The accompanying notes are an integral part of these statements.

**121-123 EAST 88TH STREET APARTMENTS, INC.
BALANCE SHEETS
AS OF DECEMBER 31,**

	<u>2003</u>	<u>2002</u>
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion	\$ 31,147	\$ 29,192
Cash overdraft	7,133	-
Accounts payable	14,289	6,877
Income taxes payable	1,304	-
Advance maintenance	470	-
Other current liabilities	6,324	-
Total Current Liabilities	<u>60,667</u>	<u>36,069</u>
Long-term and Other Liabilities:		
Mortgage payable - net of current portion	388,292	419,437
Due to Sponsor	18,646	18,646
Total Long-term and Other Liabilities	<u>406,938</u>	<u>438,083</u>
Total Liabilities	<u>467,605</u>	<u>474,152</u>
STOCKHOLDERS' 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
Retained earnings (deficit)	(255,170)	(231,702)
Total Stockholders' Equity	<u>103,100</u>	<u>126,568</u>
Total Liabilities and Stockholders' Equity	<u>\$ 570,705</u>	<u>\$ 600,720</u>

The accompanying notes are an integral part of these statements.

121-123 EAST 88TH STREET APARTMENTS, INC.
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF DECEMBER 31,

	<u>2003</u>	<u>2002</u>
Prepaid Expenses:		
Prepaid real estate tax	\$ 20,049	\$ 16,349
Prepaid water and sewer charges	6,231	5,906
Prepaid insurance	3,410	-
	<u>29,690</u>	<u>22,255</u>
Total Prepaid Expenses	<u>\$ 29,690</u>	<u>\$ 22,255</u>

The accompanying notes are an integral part of these schedules.

121-123 EAST 88TH STREET APARTMENTS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
REVENUE:		
Maintenance - apartments	\$ 201,480	\$ 176,077
Sublet fees	5,000	5,500
Late and other fees	972	106
Interest income	108	213
Special assessments	-	11,311
	<u>207,560</u>	<u>193,207</u>
COST OF OPERATIONS:		
Taxes	75,851	58,808
Operating expenses	64,636	54,712
Financial expenses	28,143	29,985
Repairs and maintenance	16,410	12,221
Administrative expenses	14,857	15,853
	<u>199,897</u>	<u>171,579</u>
Operating income before depreciation and amortization	7,663	21,628
Less: Depreciation and amortization	31,131	31,626
	<u>Net loss for the year</u>	<u>Net loss for the year</u>
	<u>\$ (23,468)</u>	<u>\$ (9,998)</u>

The accompanying notes are an integral part of these statements.

**121-123 EAST 88TH STREET APARTMENTS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2003</u>	<u>2002</u>
Taxes:		
Real estate taxes	\$ 74,392	\$ 58,808
New York State Franchise Tax	903	-
NYC General Corporation Tax	556	-
	<hr/>	<hr/>
Total Taxes	<u>\$ 75,851</u>	<u>\$ 58,808</u>
 Operating Expenses:		
Utilities:		
Electricity	\$ 24,604	\$ 22,384
Water and sewer charges	12,394	11,514
	<hr/>	<hr/>
	36,998	33,898
	<hr/>	<hr/>
Payroll and related costs	10,938	9,750
	<hr/>	<hr/>
Other:		
Insurance	16,700	11,064
	<hr/>	<hr/>
Total Operating Expenses	<u>\$ 64,636</u>	<u>\$ 54,712</u>
 Financial Expenses:		
Mortgage interest	<u>\$ 28,143</u>	<u>\$ 29,985</u>

The accompanying notes are an integral part of these schedules.

**121-123 EAST 88TH STREET APARTMENTS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,**

	2003	2002
Repairs and Maintenance:		
Repairs	\$ 12,317	\$ 9,371
Materials and supplies	3,768	2,850
Exterminating	325	-
	\$ 16,410	\$ 12,221
Total Repairs and Maintenance	\$ 16,410	\$ 12,221
 Administrative Expenses:		
Professional fees	\$ 6,698	\$ 8,602
Management fees	6,600	6,600
Other administrative expenses	1,559	651
	\$ 14,857	\$ 15,853
Total Administrative Expenses	\$ 14,857	\$ 15,853

The accompanying notes are an integral part of these schedules.

**121-123 EAST 88TH STREET APARTMENTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,**

	2003	2002
COMMON STOCK		
Balance - January 1,	\$ 8,760	\$ 8,760
Transactions during the year	-	-
Balance - December 31,	\$ 8,760	\$ 8,760
 PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 349,510	\$ 349,510
Transactions during the year	-	-
Balance - December 31,	\$ 349,510	\$ 349,510
 ACCUMULATED DEFICIT		
Balance - January 1,	\$ (231,702)	\$ (221,704)
Net loss for the year	(23,468)	(9,998)
Balance - December 31,	\$ (255,170)	\$ (231,702)

The accompanying notes are an integral part of these statements.

121-123 EAST 88TH STREET APARTMENTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net loss for the year	\$ (23,468)	\$ (9,998)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	31,131	31,626
Changes in assets and liabilities:		
Decrease in accounts receivable	6,519	-
Increase in prepaid expense	(7,435)	(3,469)
Increase in mortgage escrow	(3,365)	(9,772)
Increase (decrease) in accounts payable	7,414	(8,571)
Increase in advance maintenance	470	-
Increase in income taxes payable	1,304	-
Increase in other current liabilities	6,324	-
Increase in due to sponsor	-	5,951
Total Adjustments	<u>42,362</u>	<u>15,765</u>
Net cash provided by operating activities	<u>18,894</u>	<u>5,767</u>
Cash flows from investing activities:		
(Increase) decrease in reserve fund	(3,088)	37,287
Net cash used by investing activities	<u>(3,088)</u>	<u>37,287</u>
Cash flows from financing activities:		
Payment of mortgage payable	(29,192)	(27,360)
Net cash used by financing activities	<u>(29,192)</u>	<u>(27,360)</u>
Net increase (decrease) in cash and cash equivalents	(13,386)	15,694
Cash and cash equivalents at beginning of year	6,253	(9,441)
Cash and cash equivalents at end of year	<u>\$ (7,133)</u>	<u>\$ 6,253</u>
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 28,301	\$ 29,986
Income taxes paid	\$ 455	\$ 355

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 - **ORGANIZATION**

121-123 EAST 88TH STREET APARTMENTS, INC. (the "Corporation") was formed on February 13, 1985 in order to acquire the property at 121-123 East 88th Street, New York, New York. Conversion to cooperative status occurred on June 9, 1987. It is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code and contains 30 apartment units. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

At the balance sheet date, the Holder of Unsold Shares owned 5,410 shares of stock which represent approximately 62% of the total outstanding shares and contributed approximately 62% of gross revenue to the Corporation.

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Improvements

Property and improvements are stated at cost. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from ten to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Revenue Recognition

Shareholder maintenance is based on an annual budget determined by the Board of Directors. Stockholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Statement of Cash Flows

Cash and cash equivalents are stated at fair value. The Corporation considers all highly liquid investments (not allocated to the reserve fund) with a maturity of three months or less at date of purchase to be cash equivalents.

Future Major Repairs and Replacements

The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance, impose assessments, or delay repairs and replacements until funds are available.

Notes to Financial Statements

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Mortgage Closing Costs

Mortgage closing costs associated with a refinancing transaction is deferred and then amortized over the life of the loan on the straight-line basis.

Note 3 - **RESERVE FUND**

The following cash transactions have taken place in the reserve fund:

	<u>2003</u>	<u>2002</u>
Reserve Fund at January 1,	\$ 13,633	\$ 50,920
Add: Interest income	109	213
Transfer from operating account	6,979	-
Less: Transfers to operating account	<u>(4,000)</u>	<u>(37,500)</u>
Balance - December 31,	<u>\$ 16,721</u>	<u>\$ 13,633</u>

The reserve fund is stated at fair value and is invested as follows:

Bank of New York Investors Choice account	<u>\$ 16,721</u>	<u>\$ 13,633</u>
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Note 4 - **MORTGAGE PAYABLE**

The mortgage payable, in an original principal amount of \$550,000, is held by HSBC Bank USA, (the "Lender"). It requires equal monthly installments of \$4,791, applied first to interest at a rate of 6.5% per annum with the balance as a reduction of principal. The mortgage is scheduled to mature on November 1, 2013, at which time it will be fully amortized.

During the next five years the following principal payments are required.

<u>Year</u>	<u>Amount</u>
2004	\$ 31,147
2005	33,233
2006	35,458
2007	37,833
2008	40,367

Notes to Financial Statements

Note 5 - REAL ESTATE TAX

New York City real estate taxes have been assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>	<u>J-51 Abatement</u>	<u>Net Tax</u>
2002/03 (1 st half)	566,370	10.5640	29,916	-	29,916
2002/03 (2 nd half)	566,370	12.5170	35,446	-	35,446
2003/04	640,710	12.6200	80,858	-	80,858

The Corporation routinely protests the taxable assessed valuation of its property for real estate taxation purposes. Protests for tax years 1999/2000 through and including 2003/2004 are presently "open".

Note 6 - CORPORATION INCOME TAXES

The Corporation has incurred cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. Federal Income Tax is computed pursuant to Subchapter T of the Internal Revenue Code. New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations, based on the Corporation's capital base.

Note 7 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts or money market funds at high credit quality institutions which exceed federally insured limits from time to time. The Corporation has not experienced any losses in such accounts.

Note 8 - CLAIMS AND LITIGATION

Claims and litigation to which the Corporation is a party arise from time to time in the ordinary conduct of the Corporation's business. In the opinion of management, claims and litigation outstanding against the Corporation as of December 31, 2003 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 9 - CHANGES IN FINANCIAL PRESENTATION

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 presentation.

Note 10 - RELATED PARTY TRANSACTIONS

The insurance coverage for the Corporation is provided under a master policy maintained by an Affiliate of the Sponsor. The policy covers the property of the Corporation as well as other properties of entities related to the Affiliate. The Affiliate allocates a portion of the premiums under the master policy to the Corporation. For the years ended December 31, 2003 and 2002, the amount of premiums paid by the Corporation to the Affiliate under this arrangement were \$16,700 and \$11,064, respectively.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

Note 10 **RELATED PARTY TRANSACTIONS** (continued)

The Corporation pays management fees to an affiliate of the Sponsor for managing the building. The management fees paid to the Affiliate during the years ended December 31, 2003 and 2002 were \$6,600 in each year.

The payroll and related costs are paid to an Affiliate of the Sponsor for the services its employees render to the Corporation. For the years ended December 31, 2003 and 2002, the Affiliate charged the Corporation for these services was \$10,938 and \$9,750, respectively. At December 31, 2003, there was an unpaid balance of payroll and related costs due to the Affiliate of approximately \$1,300 that is included in Accounts Payable.

121-123 EAST 88TH STREET APARTMENTS, INC.
PROPOSED BUDGET 2005

MAINTENANCE INCOME		
8760 SHARES @ \$25.00 PER SHARE		\$219,000.00
SUB-LET FEES (9x500)		\$ 4,500.00

EXPENSES:

REAL ESTATE TAXES	\$77,000.00	
INSURANCE	\$13,000.00	
WATER & SEWER	\$15,000.00	
GAS & ELECTRIC	\$25,000.00	
MANAGEMENT	\$ 6,600.00	
*MORTGAGE PAYMENTS (INTREST AND AMORTIZATION)	\$57,600.00	
REPAIRS & MAINTENANCE	\$10,000.00	
LEGAL & AUDIT	\$ 7,000.00	
FRANCHISE TAXES	\$ 1,200.00	
**PAYROLL & RELATED COSTS	<u>\$12,000.00</u>	
TOTAL INCOME & EXPENSES	\$224,400.00	\$223,500.00
		(\$900.00)
*\$2000 AMORTIZATION		
\$2800 INTEREST		
**SUPER'S SALARY \$350.00 +25% PAYROLL TAX		