
**SEVENTEENTH AMENDMENT
TO
OFFERING PLAN OF
COOPERATIVE CONVERSION OF
PREMISES KNOWN AS**

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

Dated: February 23, 2007

File No. C850134

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

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

This amendment modifies and supplements the terms of the offering plan dated January 2, 1986 and the sixteen 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 Seventeenth 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 4, 2007. The approximate aggregate monthly rental income for the Unsold Apartments was \$11,435.26 as of January 4, 2007. The aggregate monthly maintenance charges for the Unsold Apartments were \$8,950.00 as of January 4, 2007. The annual 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 31, 2006, 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. 2005 Financial Statement and 2007 Budget

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2005 financial statement prepared by Zeidman, Lackowitz, Prisdand & Co., LLP Certified Public Accountants, Two Roosevelt Avenue, Syosset, New York 11791-3064 and a copy of the 2007 budget. The 2006 financial statement is not yet available.

8. Structural Repairs

The Board of Directors hired Xinos Construction Corp. with offices at 110-32A 15th Avenue, College Point, New York 11356 to replace the roof and parapet walls at both the 121 and 123 buildings. The work was done in July 2006 at a cost of \$162,515.00 and was paid for from the reserve fund.

9. Tax Certiorari Settlement

On April 21, 2006, the Apartment Corporation agreed to accept a settlement offered by the Tax Commission of the City of New York for the 2006/2007 tax year in the tax certiorari proceedings. The tentative actual assessment in the amount of \$675,000 for 121 East 88th Street will be reduced to a final actual assessment in the amount of \$395,500 representing an actual assessment reduction of \$280,000, while the tentative actual assessment for 123 East 88th Street in the amount of \$463,500 will be reduced to a final actual assessment in the amount of \$387,000 representing an actual assessment reduction of \$76,500. To date the Apartment Corporation has not yet received the refund check.

10. Tax Certiorari Proceedings

The Apartment Corporation is protesting the real estate taxes assessed to the Property for the 2007/2008 tax year. The tax certiorari proceedings are still pending.

11. 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.

12. 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.

13. Definitions

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

14. No Material Changes

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

**Dated: New York, New York
February 23, 2007**

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

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

EXHIBIT A
UNSOLD APARTMENTS
AS OF JANUARY 4, 2007

121 East 88th Street

<u>Apt.</u>	<u>No. of Shares</u>	<u>Monthly Maintenance</u>
1A	250	\$ 625.00
1C	230	575.00
2B	315	787.50
2C	330	825.00
3C	325	812.50
4C	320	800.00

123 East 88th Street

<u>Apt.</u>	<u>No. of Shares</u>	<u>Monthly Maintenance</u>
2A	300	750.00
2B	305	762.50
3B	300	750.00
4A	290	725.00
4C	310	775.00
5C	305	<u>762.50</u>
		<u>\$8,950.00</u>

Total: 12 Apartments 3,580 shares

EXHIBIT B
Unsold Apartments
Financial Obligation Chart
as of January 4, 2007

	<u>Occupied</u>	<u>Vacant</u>	<u>Total</u>
Unsold Apartments:	12	0	12
Unsold Shares:	3,580	0	3,580
Monthly Maintenance Charges Payable:	\$8,950.00	0	\$8,950.00
Approximate Rental Income Receivable:	\$11,435.26	\$0	\$11,435.26
Net Monthly Income (Loss):	\$2,485.26	0	\$2,485.26

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.

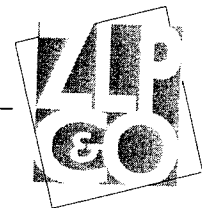
Financial Statements for the Years Ended
December 31, 2005 and 2004

Zeidman, Lackowitz, Prisant & Co., LLP
Certified Public Accountants

121-123 EAST 88TH STREET APARTMENTS, INC.

Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	
Supporting Schedules - Balance Sheets	2
Statements of Operations	4
Supporting Schedules - Statements of Operations	5
Statements of Changes in Stockholders' Equity	6
Statements of Cash Flows	8
Notes to Financial Statements	9
	10



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
121-123 East 88th Street Apartments, Inc.
3 West 57TH Street – 7th Floor
New York, NY 10019

We have audited the accompanying balance sheets (with supporting schedules) of 121-123 EAST 88TH STREET APARTMENTS, INC. as of December 31, 2005 and 2004 and the related statements of operations (with supporting schedules), changes in stockholders' equity and cash flows for the years 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.

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 121-123 EAST 88TH STREET APARTMENTS, INC. as of December 31, 2005 and 2004 and the results of its operations and its cash flows for the years 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, Prisant & Co., LLP

March 20, 2006

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 36,138	\$ 19,283
Prepaid expenses	31,980	35,458
Escrow receivables	24,850	6,000
Mortgage escrow	11,948	7,662
Accounts receivable	912	-
Insurance refund receivable	-	1,056
Total Current Assets	<u>105,828</u>	<u>69,459</u>
Property and Improvements:		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	315,130	315,130
Total	<u>1,214,617</u>	<u>1,214,617</u>
Less: Accumulated depreciation	769,389	740,797
Net Property and Improvements	<u>445,228</u>	<u>473,820</u>
Other Assets and Deferred Charges:		
Reserve fund	395,961	20,656
Deferred mortgage closing costs, net	42,172	7,690
Total Other Assets and Deferred Charges	<u>438,133</u>	<u>28,346</u>
Total Assets	<u>\$ 989,189</u>	<u>\$ 571,625</u>

The accompanying notes are an integral part of these balance sheets.

181 H STREET APARTMENTS, INC.
BALANCE SHEETS
AS OF DECEMBER 31,

LIABILITIES	<u>2005</u>	<u>2004</u>
Current Liabilities:		
Accounts payable	\$ 16,796	\$ 9,367
Mortgage payable - current portion	10,187	33,233
Advance maintenance	9,418	656
Other current liabilities	3,988	5,614
Income taxes payable	490	1,140
Total Current Liabilities	40,879	50,010
Long-term and Other Liabilities:		
Mortgage payable - net of current portion	789,813	355,059
Due to Sponsor	18,646	18,646
Total Long-term and Other Liabilities	808,459	373,705
Total Liabilities	849,338	423,715
STOCKHOLDERS' EQUITY		
Common stock - \$1 par value, 8,760 shares authorized, issued and outstanding	8,760	8,760
Additional paid-in capital	406,450	406,450
Accumulated deficit	(275,359)	(267,300)
Total Stockholders' Equity	139,851	147,910
Total Liabilities and Stockholders' Equity	\$ 989,189	\$ 571,625

The accompanying notes are an integral part of these balance sheets.

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

	<u>2005</u>	<u>2004</u>
Prepaid Expenses:		
Prepaid real estate tax	\$ 24,302	\$ 20,712
Prepaid water and sewer charges	6,771	6,554
Prepaid insurance	907	8,192
	<u> </u>	<u> </u>
Total Prepaid Expenses	<u>\$ 31,980</u>	<u>\$ 35,458</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>2005</u>	<u>2004</u>
REVENUE		
Maintenance - apartments	\$ 255,500	\$ 219,000
Transfer fees	14,000	9,120
Special assessments	13,785	14,981
Sublet fees	5,500	5,000
Late and other fees	540	270
Interest income	474	158
Miscellaneous income	475	-
Total Revenue	<u>290,274</u>	<u>248,529</u>
 COST OF OPERATIONS		
Taxes	92,514	81,479
Operating expenses	67,188	64,000
Repairs and maintenance	22,281	42,182
Financial expenses	49,905	26,178
Administrative expenses	30,163	16,409
Total Cost Of Operations	<u>262,051</u>	<u>230,248</u>
Operating income before depreciation and amortization	28,223	18,281
Less: Depreciation and amortization	36,282	30,411
Net loss for the year	<u>\$ (8,059)</u>	<u>\$ (12,130)</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>2005</u>	<u>2004</u>
Taxes:		
Real estate taxes	\$ 84,862	\$ 80,531
New York State Franchise Tax	7,155	424
NYC General Corporation Tax	497	524
Total taxes	\$ 92,514	\$ 81,479
 Operating Expenses:		
Utilities:		
Electricity	\$ 32,074	\$ 24,435
Water and sewer charges	13,325	13,043
	45,399	37,478
 Payroll and related costs	5,469	6,781
 Other:		
Insurance	16,320	19,741
Total Operating Expenses	\$ 67,188	\$ 64,000

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,**

	<u>2005</u>	<u>2004</u>
Repairs and Maintenance:		
Repairs	\$ 14,330	\$ 34,139
Materials and supplies	7,723	7,740
Exterminating	228	303
	<hr/>	<hr/>
Total Repairs and Maintenance	\$ 22,281	\$ 42,182
	<hr/> <hr/>	<hr/> <hr/>
Financial Expenses:		
Mortgage interest	\$ 25,436	\$ 26,178
Prepayment penalty	24,469	-
	<hr/>	<hr/>
Total Financial Expenses	\$ 49,905	\$ 26,178
	<hr/> <hr/>	<hr/> <hr/>
Administrative Expenses:		
Professional fees	\$ 22,872	\$ 9,071
Management fees	6,600	6,600
Other administrative expenses	691	738
	<hr/>	<hr/>
Total Administrative Expenses	\$ 30,163	\$ 16,409
	<hr/> <hr/>	<hr/> <hr/>

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,**

	2005	2004
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,	\$ 406,450	\$ 406,450
Transactions during the year	-	-
Balance - December 31,	\$ 406,450	\$ 406,450
 ACCUMULATED DEFICIT		
Balance - January 1,	\$ (267,300)	\$ (255,170)
Net loss for the year	(8,059)	(12,130)
Balance - December 31,	\$ (275,359)	\$ (267,300)

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>2005</u>	<u>2004</u>
Cash flows provided (used) by operating activities:		
Net loss for the year	\$ (8,059)	\$ (12,130)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	36,282	30,411
(Increase) decrease in accounts receivable	(19,762)	460
Increase in mortgage escrow	(4,286)	(1,749)
(Increase) decrease in insurance refund receivable	1,056	(1,056)
(Increase) decrease in prepaid expenses	3,478	(5,768)
Increase (decrease) in accounts payable	7,429	(4,922)
Increase in advance maintenance	8,762	186
Increase (decrease) in income taxes payable	(650)	(164)
Increase (decrease) in other current liabilities	(1,626)	(710)
Total Adjustments	<u>30,683</u>	<u>16,688</u>
Net cash provided by operating activities	<u>22,624</u>	<u>4,558</u>
Cash flows provided (used) by investing activities:		
Increase in reserve fund	(375,305)	(3,935)
Net cash used by investing activities	<u>(375,305)</u>	<u>(3,935)</u>
Cash flows provided (used) by financing activities:		
Payment of mortgage payable	(30,308)	(31,147)
Retirement of long term debt	(357,984)	-
Proceeds from mortgage refinancing	800,000	-
Payment of mortgage refinancing costs	(42,172)	-
Capital assessments	-	56,940
Net cash provided by financing activities	<u>369,536</u>	<u>25,793</u>
Net increase in cash and cash equivalents	16,855	26,416
Cash and cash equivalents at beginning of year	19,283	(7,133)
Cash and cash equivalents at end of year	<u>\$ 36,138</u>	<u>\$ 19,283</u>
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 25,436	\$ 26,346
Income taxes paid	\$ 1,302	\$ 1,104

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. The Corporation is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code. The building contains 30 residential apartment units. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

At December 31, 2005, the Sponsor owned 3,580 shares of stock which represent approximately 41% of the total outstanding shares. The Sponsor's monthly maintenance as of December 31, 2005 was \$8,950. The Sponsor is current in its obligations 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

Land and building are stated at the Sponsor's adjusted cost basis at the time the Property was transferred to the Corporation, pursuant to Section 351 of the Internal Revenue Code. Additional improvements are stated at cost. The building is depreciated using the straight-line method over an estimated life of twenty years. Building improvements are depreciated on the straight-line method over estimated lives which range from ten to forty-five 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. Shareholders 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.

Transfer Fees

It is the Corporation's policy to charge a transfer fee to stockholders upon the resale of shares applicable to their units (other than Sponsor's unsold shares). This fee is equal to \$8 per share. The Corporation recognizes transfer fees as revenue for both financial reporting and income tax purposes.

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.

Notes to Financial StatementsNote 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**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.

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.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges used for mortgage amortization, which are accounted for as revenue for financial reporting purposes and as contributions to additional paid in capital for income tax purposes.

Note 3 - **RESERVE FUND**

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

	<u>2005</u>	<u>2004</u>
Reserve Fund at January 1,	\$ 20,656	\$ 16,721
Add: Proceeds from mortgage refinancing	338,142	-
Transfer from Sponsor	17,112	8,657
Flip-tax income	14,000	9,120
Escrow proceeds	5,600	-
Interest income	451	158
Less: Transfers to operating account	<u>-</u>	<u>(14,000)</u>
Balance - December 31,	<u>\$ 395,961</u>	<u>\$ 20,656</u>

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

Bank of New York Investors Choice account	<u>\$ 395,961</u>	<u>\$ 20,656</u>
---	-------------------	------------------

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

Note 4 - MORTGAGES PAYABLE

On December 8, 2005 the Corporation refinanced its existing first mortgage indebtedness with Independence Community Bank. The new mortgage payable is in the amount of \$800,000. The mortgage requires equal monthly installments of \$4,452, applied first to interest at a rate of 5.32% per annum with the balance as a reduction of principal. The mortgage is scheduled to mature on January 1, 2016, at which time the entire unpaid principal and interest will be due. The note is collateralized by the land and building owned by the Corporation.

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

<u>Year</u>	<u>Amount</u>
2006	\$ 10,187
2007	11,693
2008	12,330
2009	13,003
2010	13,711

Upon the closing of the first mortgage loan, the Corporation also established a new revolving credit line second mortgage in the amount of \$1,000,000. Monthly payments of interest only shall be required following the month in which the first advance is drawn. The interest rate will be 225 basis points above the London Interbank Offer Rate. As of December 31, 2005 the Corporation has not drawn funds from the credit line.

Note 5 - ASSESSMENTS

During 2005 and 2004 the Corporation implemented operating assessments which are equivalent to the New York City Cooperative Shareholder Real Estate Tax Abatements. A similar assessment is anticipated for 2006.

Note 6 - 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
2004/05	656,550	12.2160	80,204	-	80,204
2005/06	722,000	12.3960	89,499	-	89,499

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 2004/2005 are presently "open".

Notes to Financial Statements

Note 7 - 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 8 - 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 9 - CLAIMS AND LITIGATION

As of December 31, 2005 and through the date of the report, there no claims or litigation to which the Corporation is a party. In addition, there were no claims or litigation to which the Corporation was a party during the year ended December 31, 2004.

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, 2005 and 2004, the amount of premiums paid by the Corporation to the Affiliate under this arrangement were \$12,894 and \$19,741, respectively.

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, 2005 and 2004 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, 2005 and 2004, the Affiliate charged the Corporation for these services was \$5,469 and \$6,781, respectively.

121-123 EAST 88TH STREET APARTMENTS, INC.
PROPOSED BUDGET 2007

MAINTENANCE INCOME:

8760 SHARES @ \$30.00 per share	\$262,800.00
SUB-LET FEES (7X750)	\$ 5,250.00

EXPENSES:

REAL ESTATE TAXES	\$85,000.00	
INSURANCE	\$13,500.00	
WATER & SEWER	\$15,000.00	
GAS & ELECTRIC	\$35,000.00	
MANAGEMENT	\$ 6,600.00	
*MORTGAGE PAYMENTS (INTEREST & AMORTIZATION)	\$53,500.00	
REPAIRS & MAINTENANCE	\$10,000.00	
LEGAL & AUDIT	\$ 8,500.00	
FRANCHISE TAXES	\$ 1,500.00	
**PAYROLL & RELATED COSTS	<u>\$14,500.00</u>	
TOTAL INCOM & EXPENSE	\$243,100.00	\$268,050.00

24,950.00

*\$787.00 AMORTIZATION
\$3,664.00 INTEREST

**SUPER'S SALARY \$450.00 + 25% PAYROLL TAX