
EIGHTEENTH AMENDMENT
TO
OFFERING PLAN OF
COOPERATIVE CONVERSION OF

PREMISES KNOWN AS

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

Dated: January 24, 2008

File No. C850134

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

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

This amendment modifies and supplements the terms of the offering plan dated January 2, 1986 and the seventeen 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 Eighteenth 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 December 1, 2007. The approximate aggregate monthly rental income for the Unsold Apartments was \$12,179.39 as of December 1, 2007. The aggregate monthly maintenance charges for the Unsold Apartments were \$8,950.00 as of December 1, 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, 2007, 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. 2006 Financial Statement and 2008 Budget

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2006 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 2008 budget. The 2007 financial statement is not presently available.

8. Capital Improvement

The Board of Directors hired Apex Mechanical Corp. Corp. with offices at 2800 Webster Avenue, Bronx, New York 10458 to install a new boiler/burner to service the 121 and 123 buildings. The boiler/burner was installed in September 2007 at a cost of \$41,052.00 and was paid for from the reserve fund.

9. 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.

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 Eighteenth Amendment not otherwise defined herein shall have the same meanings ascribed to them in the Plan.

12. No Material Changes

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

**Dated: New York, New York
January 24, 2008**

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

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

**EXHIBIT A
UNSOLD APARTMENTS
AS OF DECEMBER 1, 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 December 1, 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:	\$12,179.39	\$0	\$12,179.39
Net Monthly Income (Loss):	\$3,229.39	0	\$3,229.39

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, 2006 and 2005

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

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.
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, 2006 and 2005 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, 2006 and 2005 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, Prisand & Co., LLP

March 22, 2007

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

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,356	\$ 36,138
Prepaid expenses	42,319	31,980
Accounts receivable	210	912
Escrow receivables	-	24,850
Mortgage escrow	-	11,948
Total Current Assets	70,885	105,828
Property and Improvements: (Note 2)		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	482,605	315,130
Total	1,382,092	1,214,617
Less: Accumulated depreciation	799,479	769,389
Net Property and Improvements	582,613	445,228
Other Assets and Deferred Charges:		
Reserve fund (Note 3)	305,300	395,961
Deferred mortgage closing costs (Note 2)	37,955	42,172
Total Other Assets and Deferred Charges	343,255	438,133
Total Assets	\$ 996,753	\$ 989,189

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

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

	2006	2005
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion (Note 4)	\$ 11,074	\$ 10,187
Mortgage escrow overdraft	15,155	-
Accounts payable and accrued expenses	8,118	16,796
Security deposits payable	5,000	-
Other current liabilities	4,366	3,988
Advance maintenance	625	9,418
Income taxes payable	544	490
Total Current Liabilities	44,882	40,879
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 4)	779,216	789,813
Due to Sponsor	18,646	18,646
Total Long-Term and Other Liabilities	797,862	808,459
Total Liabilities	842,744	849,338
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	(261,201)	(275,359)
Total Stockholders' Equity	154,009	139,851
Total Liabilities and Stockholders' Equity	\$ 996,753	\$ 989,189

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>2006</u>	<u>2005</u>
Prepaid Expenses:		
Real estate tax	\$ 25,264	\$ 24,302
Insurance	9,137	907
Water and sewer charges	7,408	6,771
Service contracts	510	-
	<u> </u>	<u> </u>
Total Prepaid Expenses	<u>\$ 42,319</u>	<u>\$ 31,980</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>2006</u>	<u>2005</u>
REVENUE		
Maintenance - apartments	\$ 262,800	\$ 255,500
Special assessments (Note 5)	15,581	13,785
Transfer fees (Note 6)	6,960	14,000
Sublet fees	6,400	5,500
Interest income	3,725	474
Late and other fees	770	540
Miscellaneous income	370	475
Total Revenue	<u>296,606</u>	<u>290,274</u>
COST OF OPERATIONS		
Taxes	93,222	85,514
Operating expenses	70,263	67,188
Repairs and maintenance	21,145	22,281
Financial expenses	42,886	49,905
Administrative expenses	20,625	37,163
Total Cost Of Operations	<u>248,141</u>	<u>262,051</u>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	48,465	28,223
Less: Depreciation and amortization	<u>34,307</u>	<u>36,282</u>
Net Income (Loss) For The Year	<u><u>\$ 14,158</u></u>	<u><u>\$ (8,059)</u></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>2006</u>	<u>2005</u>
Taxes:		
Real estate taxes (Note 7)	\$ 92,320	\$ 84,862
Corporation taxes (Note 8)	902	652
	<u>93,222</u>	<u>85,514</u>
Total taxes	<u>\$ 93,222</u>	<u>\$ 85,514</u>
 Operating Expenses:		
Utilities:		
Electricity	\$ 33,781	\$ 32,074
Water and sewer charges	14,179	13,325
	<u>47,960</u>	<u>45,399</u>
Payroll and related costs	<u>6,250</u>	<u>5,469</u>
Other:		
Insurance	<u>16,053</u>	<u>16,320</u>
Total Operating Expenses	<u>\$ 70,263</u>	<u>\$ 67,188</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,**

	2006	2005
Repairs and Maintenance:		
Repairs	\$ 10,175	\$ 14,330
Materials and supplies	10,226	7,723
Exterminating	744	228
	\$ 21,145	\$ 22,281
 Financial Expenses:		
Mortgage interest	\$ 42,886	\$ 25,436
Prepayment penalty	-	24,469
	\$ 42,886	\$ 49,905
 Administrative Expenses:		
Professional fees	\$ 13,279	\$ 29,872
Management fees	6,600	6,600
Other administrative expenses	746	691
	\$ 20,625	\$ 37,163

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,**

	<u>2006</u>	<u>2005</u>
COMMON STOCK		
Balance - January 1,	\$ 8,760	\$ 8,760
Transactions during the year	-	-
Balance - December 31,	<u>\$ 8,760</u>	<u>\$ 8,760</u>
 PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 406,450	\$ 406,450
Transactions during the year	-	-
Balance - December 31,	<u>\$ 406,450</u>	<u>\$ 406,450</u>
 ACCUMULATED DEFICIT		
Balance - January 1,	\$ (275,359)	\$ (267,300)
Net income (loss) for the year	14,158	(8,059)
Balance - December 31,	<u>\$ (261,201)</u>	<u>\$ (275,359)</u>

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>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 14,158	\$ (8,059)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	34,307	36,282
(Increase) decrease in prepaid expenses	(10,339)	3,478
Decrease (increase) in accounts receivable	25,552	(19,762)
Decrease (increase) in mortgage escrow	11,948	(4,286)
Decrease in insurance refund receivable	-	1,056
Increase in accounts payable and accrued expenses	6,531	6,779
(Decrease) increase in advance maintenance	(8,793)	8,762
Increase (decrease) in other current liabilities	5,378	(1,626)
Total Adjustments	64,584	30,683
Cash Provided by Operating Activities	78,742	22,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in reserve fund	90,661	(375,305)
(Increase) in building improvements	(167,475)	-
Cash (Used) by Investing Activities	(76,814)	(375,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(9,710)	(30,308)
Retirement of long term debt	-	(357,984)
Proceeds from mortgage refinancing	-	800,000
Payment of mortgage refinancing costs	-	(42,172)
Cash (Used) Provided By Financing Activities	(9,710)	369,536
Net (decrease) increase in cash and cash equivalents	(7,782)	16,855
Cash and cash equivalents at beginning of year	36,138	19,283
Cash and Cash Equivalents at End of Year	\$ 28,356	\$ 36,138
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 39,266	\$ 25,436
Income taxes paid	\$ 1,358	\$ 1,302

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, 2006, 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, 2006 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.

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated 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. The effect on future assessments has not been determined.

Deferred Mortgage Closing Costs

Mortgage closing costs associated with a refinancing transaction have been deferred and are being amortized over the term of the loan using the straight-line method.

Notes to Financial Statements

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

Revenue Recognition

Stockholder 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. Any excess maintenance charges at year-end are retained by the Corporation for use in future years. Stockholder receivables at the balance sheet date represent maintenance and assessment fees due from unit-owners. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholder whose maintenance charges are unreasonably delinquent. The Corporation considers all stockholder receivables at December 31, 2006, to be collectible. Accordingly, no allowance for doubtful accounts is required.

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 and special assessments used for capital improvements which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes.

Cash and Cash Equivalents

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.

Note 3 - **RESERVE FUND**

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

	<u>2006</u>	<u>2005</u>
Reserve Fund at January 1,	\$ 395,961	\$ 20,656
Add: Escrow refund	16,000	5,600
Transfer from Sponsor	8,154	17,112
Transfer fee income	6,960	14,000
Interest income	3,225	451
Proceeds from mortgage refinancing	-	338,142
Less: Transfers to operating account	(125,000)	-
Balance - December 31,	<u>\$ 305,300</u>	<u>\$ 395,961</u>

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

Bank of New York Investors Choice account	<u>\$ 305,300</u>	<u>\$ 395,961</u>
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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 Sovereign Bank (formerly 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 amount of the 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>
2007	\$ 11,074
2008	11,567
2009	12,326
2010	13,007
2011	13,727

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, 2006, the Corporation has not drawn funds from the credit line.

Note 5 - ASSESSMENTS

During 2006 and 2005, the Corporation implemented operating assessments which are approximately equivalent to the New York City Cooperative Shareholder Real Estate Tax Abatements. A similar assessment is anticipated for 2007.

Note 6 - TRANSFER FEES

The Corporation collects a transfer fee equal to \$8 per share of stock in connection with the transfer of each share. For the years ended December 31, 2006 and 2005, the Corporation received apartment transfer fees of \$6,960 and \$14,000 for the transfer of three and six apartments, respectively.

Note 7 - 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>Net Tax</u>
2003/04	640,710	12.6200	80,858
2004/05	656,550	12.2160	80,204
2005/06	722,000	12.3960	89,499
2006/07	747,000	12.7370	95,145

Notes to Financial Statements

Note 8 - CORPORATION INCOME TAXES

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the year ended December 31, 2006, will be patronage income within the meaning of Subchapter T.

For the year ending December 31, 2006, the Corporation had net income, however due to permanent timing differences it will not be liable for Federal income tax. The Corporation has incurred cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. 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.

It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore no deferred tax assets have been recognized.

Note 9 - 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 10 - CLAIMS AND LITIGATION

As of December 31, 2006 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, 2005.

Note 11 - 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, 2006 and 2005, the amount of premiums paid by the Corporation to the Affiliate under this arrangement were \$10,973 and \$12,894, 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, 2006 and 2005 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, 2006 and 2005, the Affiliate charged the Corporation for these services was \$6,250 and \$5,469, respectively.

121-123 EAST 88TH STREET APARTMENTS, INC.
PROPOSED BUDGET 2008

MAINTENANCE INCOME:

8760 SHARES @ \$30.00 per share	\$262,800.00
SUB-LET FEES (5X750)	\$ 3,750.00

EXPENSES:

REAL ESTATE TAXES	\$87,000.00	
INSURANCE	\$10,500.00	
WATER & SEWER	\$17,000.00	
GAS & ELECTRIC	\$32,000.00	
MANAGEMENT	\$ 6,600.00	
*MORTGAGE PAYMENTS (INTEREST & AMORTIZATION)	\$53,500.00	
REPAIRS & MAINTENANCE	\$12,000.00	
LEGAL & AUDIT	\$ 7,500.00	
FRANCHISE TAXES	\$ 1,000.00	
**PAYROLL & RELATED COSTS	<u>\$16,000.00</u>	<u> </u>
 TOTAL INCOME & EXPENSE	 \$243,100.00	 \$266,550.00

23,450.00

*\$787.00 AMORTIZATION
\$3,664.00 INTEREST

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