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

**121-123 East 88<sup>th</sup> Street  
New York, New York**

**Dated: January 14, 2009**

**File No. C850134**

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

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121-123 East 88<sup>th</sup> Street  
New York, New York

**APARTMENT CORPORATION:**  
121-123 East 88<sup>th</sup> Street Apartments, Inc.

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

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

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This amendment modifies and supplements the terms of the offering plan dated January 2, 1986 and the eighteen 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 Nineteenth 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, 2008. The approximate aggregate monthly rental income for the Unsold Apartments was \$13,468.98 as of December 1, 2008. The aggregate monthly maintenance charges for the Unsold Apartments were \$8,950.00 as of December 1, 2008. 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 November 30, 2008, 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:

Natalie Spano	President
Richard Ciotti	Vice President
Mirtha Aguirre	Secretary

Mirtha Aguirre represents the Holder of Unsold Shares. At the next board meeting scheduled for February 24, 2009, a new board is expected to be elected. The Holder of Unsold Shares is entitled to two seats. The Holder of Unsold Shares does not control the Board of Directors.

**7. 2007 Financial Statement**

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2007 financial statement prepared by Zeidman, Lackowitz, Prisant & Co., LLP Certified Public Accountants, Two Roosevelt Avenue, Syosset, New York 11791-3064. The 2009 budget is not presently available.

## **8. Tax Certiorari Settlement**

On July 3, 2008, the Apartment Corporation agreed to accept an offer from the Tax Commission of the City of New York for the 2007/2008 and 2008/2009 tax years. For the 2007/2008 tax year, the tentative actual assessment in the amount of \$589,500 for 121 East 88<sup>th</sup> Street will be reduced to a final actual assessment in the amount of \$569,900 representing an actual assessment reduction of \$19,600. The tentative actual assessment for the 2007/2008 tax year for 123 East 88<sup>th</sup> Street in the amount of \$526,500 will be reduced to a final actual assessment in the amount of \$508,900 representing an actual assessment reduction of \$17,600. For the 2008/2009 tax year, the tentative actual assessment in the amount of \$796,500 for 121 East 88<sup>th</sup> Street will be reduced to a final actual assessment in the amount of \$569,900 representing an actual assessment reduction of \$226,600. The tentative actual assessment for the 2008/2009 tax year for 123 East 88<sup>th</sup> Street in the amount of \$711,000 will be reduced to a final actual assessment in the amount of \$508,800 representing an actual assessment reduction of \$202,200. It has not been determined if the Apartment Corporation will receive a refund check for the reduction in real estate taxes or whether a credit will be issued on its real estate tax bill.

## **9. Tax Certiorari Proceedings**

The Apartment Corporation is protesting the real estate taxes assessed to the Property for the 2009/2010 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.

## **10. 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.

## **11. 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.

## **12. Definitions**

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

## **13. No Material Changes**

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

**Dated: New York, New York  
January 14, 2009**

**APARTMENT CORPORATION:  
121-123 East 88<sup>th</sup> Street Apartments, Inc.**

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

**EXHIBIT A**  
**UNSOLD APARTMENTS**  
**AS OF DECEMBER 1, 2008**

121 East 88<sup>th</sup> 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 88<sup>th</sup> 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, 2008**

	<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:	\$13,468.98	0	\$13,468.98
Net Monthly Income (Loss):	\$4,518.98	0	\$4,518.98

## 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 88<sup>th</sup> Street

Kamran Hakim

121-123 East 88<sup>th</sup> Street  
New York, New York  
New York, New York

Edward Cohen, Kamran Hakim

EXHIBIT D

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**121-123 EAST 88TH STREET APARTMENTS, INC.**

Financial Statements  
For The Years Ended  
December 31, 2007 and 2006

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

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# 121-123 EAST 88TH STREET APARTMENTS, INC.

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Ted B. Lackowitz, CPA  
Norman Prisant, CPA  
Steven Battino, CPA  
George L. Klueg, CPA  
K. Steven Wegert, CPA  
Robert A. Mellina, CPA  
Evan J. Unterlack, CPA

David S. Zeidman, CPA (1944-2006)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
121-123 EAST 88TH STREET APARTMENTS, INC.  
121-123 East 88th Street  
New York, NY 10028

We have audited the accompanying balance sheets (with supporting schedules) of 121-123 EAST 88TH STREET APARTMENTS, INC. as of December 31, 2007 and 2006 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, 2007 and 2006 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.

As discussed in Note 2, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be part of, the basic financial statements.

*Zeidman, Lackowitz, Prisant & Co., LLP*  
July 9, 2008

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

	2007	2006
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,219	\$ 28,356
Accounts receivable	1,910	210
Prepaid expenses	39,716	42,319
Mortgage escrow	6,547	-
Total Current Assets	51,392	70,885
<b>Property and Improvements: (Note 2 and 3)</b>		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	545,502	482,605
Total	1,444,989	1,382,092
Less: Accumulated depreciation	822,859	799,479
Net Property and Improvements	622,130	582,613
<b>Other Assets and Deferred Charges:</b>		
Reserve fund (Note 4)	272,897	305,300
Deferred mortgage closing costs (Note 2)	33,738	37,955
Total Other Assets and Deferred Charges	306,635	343,255
Total Assets	\$ 980,157	\$ 996,753

The accompanying notes are an integral part of this statement.

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

	<u>2007</u>	<u>2006</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Mortgage payable - current portion (Note 5)	\$ 11,567	\$ 11,074
Accounts payable and accrued expenses	13,875	8,118
Building improvements payable	6,439	-
Other current liabilities	5,632	4,366
Security deposits payable	5,000	5,000
Income taxes payable	1,563	544
Advance maintenance	1,250	625
Mortgage escrow overdraft	-	15,155
Total Current Liabilities	<u>45,326</u>	<u>44,882</u>
<b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 5)	767,649	779,216
Due to sponsor	18,646	18,646
Total Long-Term and Other Liabilities	<u>786,295</u>	<u>797,862</u>
Total Liabilities	<u>831,621</u>	<u>842,744</u>
<b>STOCKHOLDERS' EQUITY</b>		
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	(266,674)	(261,201)
Total Stockholders' Equity	<u>148,536</u>	<u>154,009</u>
Total Liabilities and Stockholders' Equity	<u>\$ 980,157</u>	<u>\$ 996,753</u>

The accompanying notes are an integral part of this statement.

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

	<u>2007</u>	<u>2006</u>
<b>Prepaid Expenses:</b>		
Real estate tax	\$ 25,528	\$ 25,264
Water and sewer charges	8,259	7,408
Insurance	5,929	9,137
Service contracts	-	510
	<u>          </u>	<u>          </u>
Total Prepaid Expenses	<u>\$ 39,716</u>	<u>\$ 42,319</u>

The accompanying notes are an integral part of this statement.

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

	<u>2007</u>	<u>2006</u>
<b>REVENUE</b>		
Maintenance - apartments	\$ 262,800	\$ 262,800
Special assessments (Note 6)	16,644	15,581
Sublet fees	6,000	6,400
Transfer fees (Note 7)	5,040	6,960
Interest income	3,324	3,725
Miscellaneous income	565	370
Late and other fees	210	770
Total Revenue	<u>294,583</u>	<u>296,606</u>
 <b>COST OF OPERATIONS</b>		
Taxes	98,215	93,222
Operating expenses	68,231	70,263
Repairs and maintenance	33,362	21,145
Financial expenses	42,304	42,886
Administrative expenses	15,891	20,625
Total Cost Of Operations	<u>258,003</u>	<u>248,141</u>
 <b>INCOME BEFORE SPECIAL ITEM AND DEPRECIATION AND AMORTIZATION</b>	 36,580	 48,465
Less: Special repair - hallway painting and cleaning	14,456	-
 <b>INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	 22,124	 48,465
Less: Depreciation and amortization	27,597	34,307
Net (Loss) Income For The Year	<u>\$ (5,473)</u>	<u>\$ 14,158</u>

The accompanying notes are an integral part of this statement.

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

	<u>2007</u>	<u>2006</u>
<b>Taxes:</b>		
Real estate taxes (Note 8)	\$ 96,707	\$ 92,320
Corporation taxes (Note 9)	1,508	902
Total Taxes	\$ 98,215	\$ 93,222
 <b>Operating Expenses:</b>		
Utilities:		
Electricity	\$ 32,385	\$ 33,781
Water and sewer charges	15,667	14,179
	48,052	47,960
Payroll and related costs (Note 12)	6,469	6,250
Other:		
Insurance	13,710	16,053
Total Operating Expenses	\$ 68,231	\$ 70,263

The accompanying notes are an integral part of this statement.

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

	2007	2006
<b>Repairs and Maintenance:</b>		
Repairs	\$ 19,715	\$ 10,175
Materials and supplies	11,759	10,226
Painting	1,400	-
Exterminating	488	744
	<b>\$ 33,362</b>	<b>\$ 21,145</b>
	<b>\$ 33,362</b>	<b>\$ 21,145</b>
 <b>Financial Expenses:</b>		
Mortgage interest (Note 5)	\$ 42,304	\$ 42,886
	<b>\$ 42,304</b>	<b>\$ 42,886</b>
	<b>\$ 42,304</b>	<b>\$ 42,886</b>
 <b>Administrative Expenses:</b>		
Professional fees	\$ 9,096	\$ 13,279
Management fees	6,600	6,600
Other administrative expenses	195	746
	<b>\$ 15,891</b>	<b>\$ 20,625</b>
	<b>\$ 15,891</b>	<b>\$ 20,625</b>

The accompanying notes are an integral part of this statement.



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

	<u>2007</u>	<u>2006</u>
<b>COMMON STOCK</b>		
Balance - January 1,	\$ 8,760	\$ 8,760
Transactions during the year	-	-
Balance - December 31,	<u>\$ 8,760</u>	<u>\$ 8,760</u>
 <b>PAID-IN CAPITAL IN EXCESS OF PAR VALUE</b>		
Balance - January 1,	\$ 406,450	\$ 406,450
Transactions during the year	-	-
Balance - December 31,	<u>\$ 406,450</u>	<u>\$ 406,450</u>
 <b>ACCUMULATED DEFICIT</b>		
Balance - January 1,	\$ (261,201)	\$ (275,359)
Net (loss) income for the year	(5,473)	14,158
Balance - December 31,	<u>\$ (266,674)</u>	<u>\$ (261,201)</u>

The accompanying notes are an integral part of this statement.

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

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the year	\$ (5,473)	\$ 14,158
<b>Adjustments to reconcile net (loss) income to cash provided by operating activities:</b>		
Depreciation and amortization	27,597	34,307
Decrease (increase) in prepaid expenses	2,603	(10,339)
(Increase) decrease in accounts receivable	(1,700)	25,552
(Increase) decrease in mortgage escrow	(6,547)	11,948
(Decrease) increase in accounts payable and accrued expenses	(9,398)	6,531
Increase (decrease) in advance maintenance	625	(8,793)
Increase in other current liabilities	2,285	5,378
Total Adjustments	15,465	64,584
Cash Provided by Operating Activities	9,992	78,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in reserve fund	32,403	90,661
(Increase) in building improvements	(62,897)	(167,475)
Increase in building improvements payable	6,439	-
Cash (Used) by Investing Activities	(24,055)	(76,814)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage principal payments	(11,074)	(9,710)
Net (decrease) in cash and cash equivalents	(25,137)	(7,782)
Cash and cash equivalents at beginning of year	28,356	36,138
Cash and Cash Equivalents at End of Year	\$ 3,219	\$ 28,356
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	\$ 42,355	\$ 39,266
Income taxes paid	\$ 546	\$ 1,358

The accompanying notes are an integral part of this statement.

# 121-123 EAST 88TH STREET APARTMENTS, INC.

## Notes to Financial Statements

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### 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, 2007, 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, 2007 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 has been fully depreciated. 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 StatementsNote 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 accounts receivable 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-stockholders whose maintenance charges are unreasonably delinquent. The Corporation considers all stockholder accounts receivable at December 31, 2007, 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 - **PROPERTY AND IMPROVEMENTS**

During 2007, the Corporation capitalized \$62,897 on a boiler replacement project. It is anticipated that the Corporation will spend \$5,000 to complete the boiler project during 2008. The project is subject to change orders and professional fees as the work progresses.

Note 4 - **RESERVE FUND**

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

	<u>2007</u>	<u>2006</u>
Reserve Fund at January 1,	\$ 305,300	\$ 395,961
Add: Transfer fee income	5,040	6,960
Interest income	2,557	3,225
Escrow refund	-	16,000
Transfer from Sponsor	-	8,154
Less: Transfers to operating account	( 40,000)	( 125,000)
Balance - December 31,	<u>\$ 272,897</u>	<u>\$ 305,300</u>

The reserve fund is stated at fair value and is invested in a Bank of New York Investors Choice account.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

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Note 5 - **MORTGAGES PAYABLE**

The mortgage payable in an original principal amount of \$800,000 is held by Sovereign Bank. 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 on a ten year amortization schedule. The mortgage is scheduled to mature on January 1, 2016, at which time the unpaid principal of approximately \$664,000 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>
2008	\$ 11,567
2009	12,326
2010	13,007
2011	13,727
2012	14,374

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 will be required following the month in which the first advance is drawn. The interest rate will be 225 basis points above the London Interbank Offered Rate (LIBOR). As of December 31, 2007, the Corporation has not drawn funds from the credit line.

Note 6 - **ASSESSMENTS**

During 2007 and 2006, 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 2008.

Note 7 - **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, 2007 and 2006, the Corporation received apartment transfer fees of \$5,040 and \$6,960 for the transfer of two and three apartments, respectively.

Note 8 - **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>
2004/05	\$ 656,550	12.2160	\$ 80,204
2005/06	722,000	12.3960	89,499
2006/07	747,000	12.7370	95,145
2007/08	822,510	11.9280	98,109

The Corporation routinely protests the taxable assessed valuation of its property for real estate taxation purposes. A protest for tax year 2007/2008 is currently "open".

**Notes to Financial Statements**

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**Note 9 - 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, 2007, is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2007, the Corporation sustained an operating loss and is not 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 10 - 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 11 - CLAIMS AND LITIGATION**

As of December 31, 2007 and through the date of this report, there are 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, 2006.

**Note 12 - RELATED PARTY TRANSACTIONS**

A portion of the insurance coverage for the Corporation was 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, 2007 and 2006, the premiums paid by the Corporation to the Affiliate under this arrangement were \$6,696 and \$10,973, 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, 2007 and 2006 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, 2007 and 2006, the Affiliate charged the Corporation \$6,469 and \$6,250 respectively, for these services.



STATE OF NEW YORK  
OFFICE OF THE ATTORNEY GENERAL

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(212) 416-6384

Aval Company L L C  
c/o Snow Becker Krauss P.C.  
Attention: Daniela Townsend  
605 Third Avenue  
New York, NY 10158

RE: 121-123 East 88th Street Apartments, Inc  
File Number: C 850134  
Date Amendment Filed: 01/14/2009  
Receipt Number: 97121  
Amendment No: 19  
Filing Fee: \$225.00

Dear Sponsor:

The referenced amendment to the offering plan for the subject premises is hereby accepted and filed. Since this amendment is submitted after the post closing amendment has been filed, this filing is effective for twelve months from the date of filing of this amendment. However, any material change of fact or circumstance affecting the property or offering requires an immediate amendment.

Any misstatement or concealment of material fact in the material submitted as part of this amendment renders this filing void ab initio. This office has relied on the truth of the certifications of sponsor, sponsor's principals, and sponsor's experts, as well as the transmittal letter of sponsor's attorney.

Filing this amendment shall not be construed as approval of the contents or terms thereof by the Attorney General of the State of New York, or any waiver of or limitation on the Attorney General's authority to take enforcement action for violation of Article 23-A of the General Business Law or other applicable law. The issuance of this letter is conditioned upon the collection of all fees imposed by law. This letter is your receipt for the filing fee.

Very truly yours,

Lisa Wallace *LT*  
Assistant Attorney General