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

PREMISES KNOWN AS

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

Dated: January 4, 2010

File No. C850134

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

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

This amendment modifies and supplements the terms of the offering plan dated January 2, 1986 and the nineteen 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 Twentieth 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, 2009. The approximate aggregate monthly rental income for the Unsold Apartments was \$12,753.62 as of December 1, 2009. The aggregate monthly maintenance charges for the Unsold Apartments were \$8,949.50 as of December 1, 2009. 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. The Holder of Unsold Shares is 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
Susan Feely	Vice President
Richard Ciotti	Treasurer
Mirtha Aquirre	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. 2008 Financial Statement

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2008 financial statement prepared by Zeidman, Lackowitz, Prisdand & Co., LLP Certified Public Accountants, 2 Penn Plaza, Suite 1500, New York, New York 10121-0088. The 2010 budget is not presently available.

8. Tax Certiorari Settlement

On June 10, 2009, the Apartment Corporation agreed to accept an offer from the Tax Commission of the City of New York for the 2009/2010 tax year. The tentative actual assessment in the amount of \$819,000 for 121 East 88th Street will be reduced to a final actual assessment in the amount of \$612,000 representing an actual assessment reduction of \$207,000. The tentative actual assessment for the 2009/2010 tax year for 123 East 88th Street in the amount of \$706,500 will be reduced to a final actual assessment in the amount of \$599,500 representing an actual assessment reduction of \$107,000. The Apartment Corporation has received a refund check for the reduction in real estate taxes.

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 Twentieth 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 Twentieth Amendment, there have been no material changes to the Plan.

**Dated: New York, New York
January 4, 2010**

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

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

EXHIBIT A
UNSOLD APARTMENTS
AS OF DECEMBER 1, 2009

121 East 88th Street

123 East 88th Street

<u>Apt.</u>	<u>No. of Shares</u>
1A	250
1C	230
2B	315
2C	330
3C	325
4C	320

<u>Apt.</u>	<u>No. of Shares</u>
2A	300
2B	305
3B	300
4A	290
4C	310
5C	305

Total: 12 Apartments 3,580 shares

EXHIBIT B
Unsold Apartments
Financial Obligation Chart
as of December 1, 2009

	<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:	\$8,949.50	0	\$8,949.50
Approximate Rental Income Receivable:	\$12,753.62	0	\$12,753.62
Net Monthly Income (Loss):	\$3,804.12	0	\$3,804.12

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, 2008 and 2007

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

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, 2008 and 2007 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, 2008 and 2007 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 on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Zeidman, Lackowitz, Prisant & Co., LLP

April 14, 2009

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

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 56,733	\$ 3,219
Accounts receivable	20,929	1,910
Prepaid expenses	46,569	39,716
Mortgage escrow	10,072	6,547
Total Current Assets	134,303	51,392
Property and Improvements: (Note 2 and 3)		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	550,502	545,502
Total	1,449,989	1,444,989
Less: Accumulated depreciation	839,637	822,859
Net Property and Improvements	610,352	622,130
Other Assets and Deferred Charges:		
Reserve fund (Note 4)	199,019	272,897
Deferred mortgage closing costs (Note 2)	29,521	33,738
Total Other Assets and Deferred Charges	228,540	306,635
Total Assets	\$ 973,195	\$ 980,157

The accompanying notes are an integral part of this statement.

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

	2008	2007
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion (Note 5)	\$ 12,326	\$ 11,567
Accounts payable and accrued expenses	12,177	13,875
Due to Bedford - deposit error	16,354	-
Other current liabilities	7,053	5,632
Building improvements payable	3,289	6,439
Prepaid maintenance	625	1,250
Security deposits payable	-	5,000
Income taxes payable	-	1,563
Total Current Liabilities	51,824	45,326
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	755,323	767,649
Due to sponsor	-	18,646
Total Long-Term and Other Liabilities	755,323	786,295
Total Liabilities	807,147	831,621
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	(249,162)	(266,674)
Total Stockholders' Equity	166,048	148,536
Total Liabilities and Stockholders' Equity	\$ 973,195	\$ 980,157

The accompanying notes are an integral part of this statement.

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

	2008	2007
Accounts Receivable:		
Due from vendor (subsequently collected)	\$ 18,914	\$ -
Maintenance - Apartments	1,505	1,400
Income tax	510	510
	\$ 20,929	\$ 1,910
	\$ 20,929	\$ 1,910
 Prepaid Expenses:		
Real estate tax	\$ 31,571	\$ 25,528
Water and sewer charges	9,457	8,259
Insurance	5,541	5,929
	\$ 46,569	\$ 39,716
	\$ 46,569	\$ 39,716

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>2008</u>	<u>2007</u>
REVENUE		
Maintenance - apartments	\$ 263,368	\$ 262,800
Special assessments (Note 6)	17,170	16,644
Sublet fees	5,250	6,000
Transfer fees (Note 7)	4,440	5,040
Interest income	2,538	3,324
Late and other fees	50	210
Miscellaneous income	-	565
	<u>292,816</u>	<u>294,583</u>
COST OF OPERATIONS		
Taxes	103,468	98,215
Operating expenses	63,898	68,231
Repairs and maintenance	27,595	33,362
Financial expenses	41,809	42,304
Administrative expenses	25,220	15,891
	<u>261,990</u>	<u>258,003</u>
INCOME BEFORE SPECIAL ITEMS AND DEPRECIATION AND AMORTIZATION	30,826	36,580
Prior years' abatement assessments - Sponsor	18,646	-
Special repair - lintel replacement	(10,965)	-
Special repair - hallway painting and cleaning	-	(14,456)
	<u>38,507</u>	<u>22,124</u>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	38,507	22,124
Less: Depreciation and amortization	20,995	27,597
	<u>17,512</u>	<u>27,597</u>
Net Income (Loss) For The Year	<u>\$ 17,512</u>	<u>\$ (5,473)</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>2008</u>	<u>2007</u>
Taxes:		
Real estate tax (Note 8)	\$ 101,385	\$ 96,707
Corporation taxes (Note 9)	2,083	1,508
	<u>103,468</u>	<u>98,215</u>
Total Taxes	<u>\$ 103,468</u>	<u>\$ 98,215</u>
 Operating Expenses:		
Utilities:		
Electricity	\$ 31,399	\$ 32,385
Water and sewer charges	17,716	15,667
	<u>49,115</u>	<u>48,052</u>
 Payroll and related costs (Note 12)	<u>6,750</u>	<u>6,469</u>
 Other:		
Insurance	8,033	13,710
	<u>63,898</u>	<u>68,231</u>
Total Operating Expenses	<u>\$ 63,898</u>	<u>\$ 68,231</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>2008</u>	<u>2007</u>
Repairs and Maintenance:		
Repairs	\$ 10,702	\$ 19,715
Materials and supplies	10,378	11,759
Painting	6,515	1,400
Exterminating	-	488
	<u> </u>	<u> </u>
Total Repairs and Maintenance	<u>\$ 27,595</u>	<u>\$ 33,362</u>
 Financial Expenses:		
Mortgage interest (Note 5)	<u>\$ 41,809</u>	<u>\$ 42,304</u>
 Administrative Expenses:		
Professional fees	\$ 17,955	\$ 9,096
Management fees	6,600	6,600
Other administrative expenses	665	195
	<u> </u>	<u> </u>
Total Administrative Expenses	<u>\$ 25,220</u>	<u>\$ 15,891</u>

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>2008</u>	<u>2007</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>
 ADDITIONAL PAID-IN CAPITAL		
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,	\$ (266,674)	\$ (261,201)
Net income (loss) for the year	17,512	(5,473)
Balance - December 31,	<u>\$ (249,162)</u>	<u>\$ (266,674)</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,**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 17,512	\$ (5,473)
Adjustments to reconcile net income (loss) to cash (used) provided by operating activities:		
Depreciation and amortization	20,995	27,597
(Increase) in accounts receivable	(19,019)	(1,700)
(Increase) decrease in prepaid expenses	(6,853)	2,603
(Increase) in mortgage escrow	(3,525)	(6,547)
(Decrease) in accounts payable and accrued expenses	(1,698)	(9,398)
Increase in other current liabilities	10,587	2,910
(Decrease) in due to sponsor	(18,646)	-
Total Adjustments	<u>(18,159)</u>	<u>15,465</u>
Cash (Used) Provided by Operating Activities	<u>(647)</u>	<u>9,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in reserve fund	73,878	32,403
(Increase) in building improvements	(5,000)	(62,897)
(Decrease) increase in building improvements payable	(3,150)	6,439
Cash Provided (Used) by Investing Activities	<u>65,728</u>	<u>(24,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(11,567)	(11,074)
Net increase (decrease) in cash and cash equivalents	53,514	(25,137)
Cash and cash equivalents at beginning of year	3,219	28,356
Cash and Cash Equivalents at End of Year	<u>\$ 56,733</u>	<u>\$ 3,219</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 41,862	\$ 42,355
Income taxes paid	\$ 2,920	\$ 546

The accompanying notes are an integral part of this statement.

121-123 EAST 88TH STREET APARTMENTS, INC.

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, 2008, 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, 2008 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.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

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

Revenue Recognition/Accounts Receivable

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, 2008, 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 2008 and 2007, the Corporation capitalized \$5,000 and \$62,897 on a boiler replacement project.

Note 4 - **RESERVE FUND**

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

	<u>2008</u>	<u>2007</u>
Reserve Fund at January 1,	\$ 272,897	\$ 305,300
Add: Transfer fee income	4,440	5,040
Interest income	1,682	2,557
Less: Transfers to operating account	(80,000)	(40,000)
Balance - December 31,	<u>\$ 199,019</u>	<u>\$ 272,897</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

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>
2009	
2010	\$ 12,326
2011	13,007
2012	13,727
2013	14,374
	15,280

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, 2008, the Corporation has not drawn funds from the credit line.

Note 6 - **ASSESSMENTS**

During 2008 and 2007, 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 2009.

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, 2008 and 2007, the Corporation received apartment transfer fees of \$4,440 and \$5,040 for the transfer of two apartments each year.

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>
2006/07			
2007/08 (Revised)	\$ 747,000	12.737	\$ 95,145
	815,070	11.928	97,222
2008/09 (Revised) (1 st half)	867,954	12.139	52,680
2008/09 (Revised) (2 nd half)	867,954	13.053	56,647

The Corporation routinely protests the taxable assessed valuation of its property for real estate taxation purposes. During 2008, a settlement was reached to reduce the actual assessments for the tax years 2007/2008 and 2008/2009. There are currently no "open" tax protests.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

Note 9 - CORPORATION 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, 2008, is patronage income within the meaning of Subchapter T.

The Corporation is subject to Federal income tax based on net income, and for the year ended December 31, 2008, the Corporation had taxable income. However, due to net operating losses from prior years, the Corporation is not currently liable for Federal income tax. The Corporation has also 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.

Note 10 - CONCENTRATION OF CREDIT RISK

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

Note 11 - CLAIMS OR LITIGATION

As of December 31, 2008 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, 2007.

Note 12 - RELATED PARTY TRANSACTIONS

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, 2008 and 2007 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, 2008 and 2007, the Affiliate charged the Corporation \$6,750 and \$6,469 respectively, for these services.



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL
ANDREW M. CUOMO

(212) 416-6384

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

RE: 121-123 East 88th Street Apartments, Inc
File Number: C 850134 Amendment No: 20
Date Amendment Filed: 01/04/2010 Filing Fee: \$225.00
Receipt Number: 102494

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

Lisa Wallace
Assistant Attorney General *MS*