
**TWENTY-SECOND AMENDMENT
TO
OFFERING PLAN OF
COOPERATIVE CONVERSION OF
PREMISES KNOWN AS**

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

Dated: December 6, 2011

File No. C850134

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

**TWENTY-SECOND AMENDMENT TO OFFERING PLAN
OF COOPERATIVE OWNERSHIP**

This amendment modifies and supplements the terms of the offering plan dated January 2, 1986 and the twenty-one 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 Twenty-Second 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, as of November 1, 2011. The approximate aggregate monthly rental income for the Unsold Apartments was \$15,776.08. The aggregate monthly maintenance charges for the Unsold Apartments is \$9,546.64 and the aggregate monthly payment for the 2011 assessment for the Unsold Shares is \$860.69. The annual maintenance charge is \$32.00 per share, and the 2011 assessment is \$2.885 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 Aguirre	Sponsor Representative

Mirtha Aguirre represents the Holder of Unsold Shares. The Holder of Unsold Shares is entitled to vote for no more than two seats. The Holder of Unsold Shares does not control the Board of Directors.

7. 2010 Financial Statement and 2011 Budget

Set forth as Exhibit D annexed hereto is a copy of the Apartment Corporation's 2010 financial statement prepared by Prisant, Mellina, Unterlack & Co., LLP Certified Public Accountants, 2 Penn Plaza, Suite 1500, New York, New York 10121-0088 and a copy of the 2011 budget.

8. Assessment

In February 2011, the Apartment Corporation implemented an assessment for 2011 in the amount of \$2.885 per share.

9. Coop Fees

The Board of Directors has adopted the following fees and charges:

Sublet

Annual Sublet Fee: \$2,500

Processing Move-In and Move-Out Deposits: \$300.00 each apartment

Purchasing

Processing and Co-op Administration Fees: \$300.00 each apartment

Credit Check: \$50.00

Move-In and Move-Out Deposits: \$500.00 each apartment

Alterations

Deposit: \$1,000

Transfer Fee: Seller pays \$8.00 per share upon the transfer of the apartment

New York City Coop Tax Abatement: returned to Shareholder

Star Program: returned to Shareholder

10. Tax Certiorari Settlement

In July 2011, the Apartment Corporation agreed to accept a settlement offered by the Tax Commission of the City of New York for the 2011/2012 tax year. The tentative actual assessment in the amount of \$1,074,400 for 121 East 88th Street will be reduced to a final actual assessment in the amount of \$700,000 representing an actual assessment reduction of \$374,400 while the tentative actual assessment for 123 East 88th Street in the amount of \$1,049,850 will be reduced to a final actual assessment in the amount of \$680,000 representing an actual assessment reduction of \$369,850. The Apartment Corporation has not yet received the tax refund check.

11. Tax Certiorari Proceedings

In February 2011, the firm of Wormser, Kiely, Galef & Jacobs LLP, with offices at 825 Third Avenue, New York, New York 10022 filed a tax petition on behalf of the Apartment Corporation challenging the real estate taxes assessed to the Property for the 2011/2012 tax year.

12. 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.

13. 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.

14. Definitions

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

15. No Material Changes

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

**Dated: New York, New York
December 6, 2011**

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

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

**EXHIBIT A
UNSOLD APARTMENTS
AS OF NOVEMBER 1, 2011**

121 East 88th Street

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

123 East 88th Street

<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 November 1, 2011

	<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:	\$9,546.64	0	\$9,546.64
Monthly Assessment Payable:	\$ 860.69		\$ 860.69
Approximate Rental Income Receivable:	\$15,776.08	0	\$15,776.08
Net Monthly Income	\$5,368.75	0	\$5,368.75

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, 2010 and 2009

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

121-123 EAST 88TH STREET APARTMENTS, INC.

Table of Contents

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



Norman Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
Jayson Prisand, CPA
David V. Agolia, CPA

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, 2010 and 2009 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, 2010 and 2009 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.

Prisand, Mellina, Unterlack + Co, LLP

September 13, 2011

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

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,241	\$ 47,693
Accounts receivable	7,754	9,895
Prepaid expenses	61,763	37,835
Mortgage escrow	25,485	23,815
Total Current Assets	<u>101,243</u>	<u>119,238</u>
 Property and Improvements: (Note 2 and 3)		
Land	277,937	277,937
Building	621,550	621,550
Building improvements	561,402	550,502
Total	<u>1,460,889</u>	<u>1,449,989</u>
Less: Accumulated depreciation	873,193	856,415
Net Property and Improvements	<u>587,696</u>	<u>593,574</u>
 Other Assets and Deferred Charges:		
Reserve fund (Note 4)	210,575	198,354
Deferred mortgage closing costs (Note 2)	21,087	25,304
Total Other Assets and Deferred Charges	<u>231,662</u>	<u>223,658</u>
Total Assets	<u>\$ 920,601</u>	<u>\$ 936,470</u>

The accompanying notes are an integral part of this statement.

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

	2010	2009
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion (Note 5)	\$ 13,727	\$ 13,007
Due to stockholders - real estate tax abatements	10,108	8,949
Insurance financing payable	6,676	-
Accounts payable and accrued expenses	6,040	4,234
Building improvements payable	5,450	3,289
Prepaid maintenance	3,687	1,413
Accrued mortgage interest (Note 5)	3,401	3,460
Total Current Liabilities	49,089	34,352
Long-Term Liability:		
Mortgage payable - net of current portion (Note 5)	728,589	742,316
Total Liabilities	777,678	776,668
STOCKHOLDERS' EQUITY		
Common stock - \$1.00 par value, 8,760 shares authorized, issued and outstanding	8,760	8,760
Additional paid-in capital	406,450	406,450
Accumulated deficit	(272,287)	(255,408)
Total Stockholders' Equity	142,923	159,802
Total Liabilities and Stockholders' Equity	\$ 920,601	\$ 936,470

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,**

	2010	2009
Accounts Receivable:		
Real estate tax refund (Note 8)	\$ 6,907	\$ -
Maintenance - Apartments	847	945
Due from management	-	8,950
	\$ 7,754	\$ 9,895
 Prepaid Expenses:		
Real estate tax	\$ 32,110	\$ 28,336
Water and sewer charges	17,781	5,250
Insurance	10,403	4,249
Corporation taxes	1,469	-
	\$ 61,763	\$ 37,835

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,

	2010	2009
REVENUE		
Maintenance - apartments	\$ 273,020	\$ 262,800
Special assessments (Note 6)	22,604	18,958
Sublet fees	10,500	5,250
Interest income	1,211	1,047
Late and other fees	130	-
	307,465	288,055
 COST OF OPERATIONS		
Taxes	139,511	123,768
Operating expenses	63,481	66,029
Repairs and maintenance	19,743	20,005
Financial expenses	40,362	41,046
Administrative expenses	40,252	22,458
	303,349	273,306
 INCOME BEFORE DEPRECIATION AND AMORTIZATION		
	4,116	14,749
Less: Depreciation and amortization	20,995	20,995
	\$ (16,879)	\$ (6,246)
	\$ (16,879)	\$ (6,246)

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>2010</u>	<u>2009</u>
Taxes:		
Real estate tax (Note 8)	\$ 137,735	\$ 121,055
Corporation taxes (Note 9)	1,776	2,713
	<u>139,511</u>	<u>123,768</u>
Total Taxes	<u>\$ 139,511</u>	<u>\$ 123,768</u>
 Operating Expenses:		
Utilities:		
Electricity and gas	\$ 27,300	\$ 31,387
Water and sewer charges	13,814	17,596
	<u>41,114</u>	<u>48,983</u>
 Payroll and related costs (Note 12)	<u>7,592</u>	<u>7,812</u>
 Other:		
Insurance	11,168	9,234
Miscellaneous operating and permits	3,607	-
	<u>14,775</u>	<u>9,234</u>
Total Operating Expenses	<u>\$ 63,481</u>	<u>\$ 66,029</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>2010</u>	<u>2009</u>
Repairs and Maintenance:		
Repairs	\$ 8,317	\$ 8,019
Materials and supplies	8,094	11,026
Painting	2,940	825
Exterminating	392	135
	<u>19,743</u>	<u>20,005</u>
Total Repairs and Maintenance	<u>\$ 19,743</u>	<u>\$ 20,005</u>
 Financial Expenses:		
Mortgage interest (Note 5)	<u>\$ 40,362</u>	<u>\$ 41,046</u>
 Administrative Expenses:		
Professional fees	\$ 29,455	\$ 15,533
Management fees (Note 12)	9,850	6,600
Other administrative expenses	947	325
	<u>40,252</u>	<u>22,458</u>
Total Administrative Expenses	<u>\$ 40,252</u>	<u>\$ 22,458</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>2010</u>	<u>2009</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,	\$ (255,408)	\$ (249,162)
Net loss for the year	(16,879)	(6,246)
Balance - December 31,	<u>\$ (272,287)</u>	<u>\$ (255,408)</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>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (16,879)	\$ (6,246)
Adjustments to reconcile net loss to cash (used) provided by operating activities:		
Depreciation and amortization	20,995	20,995
Decrease in accounts receivable	2,141	11,034
(Increase) decrease in prepaid expenses	(23,928)	8,734
(Increase) in mortgage escrow	(1,670)	(13,743)
Increase (decrease) in accounts payable and accrued expenses	1,747	(4,483)
Increase (decrease) in other current liabilities	10,109	(13,670)
Total Adjustments	<u>9,394</u>	<u>8,867</u>
Cash (Used) Provided by Operating Activities	<u>(7,485)</u>	<u>2,621</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in building improvements	(10,900)	-
Increase in building improvements payable	2,161	-
(Increase) decrease in reserve fund	(12,221)	665
Cash (Used) Provided by Investing Activities	<u>(20,960)</u>	<u>665</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(13,007)	(12,326)
Net (decrease) in cash and cash equivalents	(41,452)	(9,040)
Cash and cash equivalents at beginning of year	47,693	56,733
Cash and Cash Equivalents at End of Year	<u>\$ 6,241</u>	<u>\$ 47,693</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 40,421	\$ 41,102
Income taxes paid - net of refunds	\$ 3,245	\$ 2,203

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.

As of December 31, 2010, Aval Co. (the "Sponsor") owned 3,580 shares of stock, which represent approximately 40.9% of the Corporation's total outstanding shares. As of December 31, 2010, the Sponsor was current on its monthly maintenance obligation of \$9,547.

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

Pursuant to Section 351 of the Internal Revenue Code, the Corporation's land and building are stated at the Sponsor's adjusted cost basis at the time the Property was transferred to the Corporation. 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 five to twenty-seven and one-half 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 have been deferred and are amortized over the term of each loan on 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, 2010 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 the date of purchase to be cash equivalents.

Note 3 - PROPERTY AND IMPROVEMENTS

During 2010, the Corporation capitalized \$10,900 for an exterior access project. During 2009, no building improvements were capitalized.

Note 4 - RESERVE FUND

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

	<u>2010</u>	<u>2009</u>
Balance - January 1,	\$ 198,354	\$ 199,019
Add: Interest income	419	421
Transfers from (to) operating account	<u>11,802</u>	<u>(1,086)</u>
Balance - December 31,	<u>\$ 210,575</u>	<u>\$ 198,354</u>

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

Note 4 - RESERVE FUND (continued)

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

	<u>2010</u>	<u>2009</u>
Chase Business Select High Yield Savings	\$ 210,575	\$ -
Bank of New York Investors Choice	<u>-</u>	<u>198,354</u>
Total	<u>\$ 210,575</u>	<u>\$ 198,354</u>

Note 5 - MORTGAGES PAYABLE

The first 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 balance of approximately \$664,000 and any unpaid interest will be due and payable. The note is collateralized by the Corporation's land and building.

During the next five years, the following principal payments are required:

<u>Year</u>	<u>Amount</u>
2011	\$ 13,727
2012	14,374
2013	15,280
2014	16,125
2015	17,017

The Corporation also has a \$1,000,000 revolving line of credit with Sovereign Bank. 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, 2010, the Corporation had not drawn any funds from the line of credit.

Note 6 - SPECIAL ASSESSMENTS

During 2010 and 2009, the Corporation implemented operating assessments which are approximately equivalent to the abatements granted under the New York City Cooperative Shareholder Real Estate Tax Abatement Program. A similar assessment is anticipated for 2011.

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. During the years ended December 31, 2010 and 2009, no transfer fees were collected.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

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>
2008/09 (Revised) (1 st half)	\$ 867,954	12.139	\$ 52,680
2008/09 (Revised) (2 nd half)	867,954	13.053	56,647
2009/10 (Revised)	978,900	13.241	129,616
2010/11 (Revised)	1,092,200	13.353	145,841

The Corporation routinely protests the taxable assessed valuation of its property for real estate taxation purposes. During 2010, a settlement was reached to reduce the actual assessment for tax year 2010/2011. This resulted in a current year refund of \$6,907 and future benefits of approximately \$70,000 due to reduced transitional values. Professional fees of \$14,200 were incurred in connection with the settlement. During 2009, a settlement was reached to reduce the actual assessment for tax year 2009/2010. There are currently no "open" tax protests.

Note 9 - CORPORATION TAXES

The Corporation is qualified to file 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, 2010 is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2010, 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. 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.

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, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

Note 11 - CLAIMS OR LITIGATION

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation as of December 31, 2010 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

121-123 EAST 88TH STREET APARTMENTS, INC.

Notes to Financial Statements

Note 12 - RELATED PARTY TRANSACTIONS

For the years ended December 31, 2010 and 2009, the Corporation paid \$2,850 and \$6,600, respectively, of management fees to an Affiliate of the Sponsor for managing the building. The management contract with the Affiliate entity expired in June 2010. The building is currently managed by an unrelated party.

The Corporation paid payroll and related costs to an Affiliate of the Sponsor for services that its employees rendered to the Corporation. For the years ended December 31, 2010 and 2009, the Affiliate charged the Corporation \$3,281 and \$7,812, respectively, for these services. Effective June 2010, the Corporation no longer engaged the Affiliate entity for such services.

Note 13 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 13, 2011, the date that the financial statements were available to be issued.

Month	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
Revenues	11467	11467	11467	11467	11467	11467	11467	11467	11467	11467	11467	11467	137,604
Maintenance Income-123	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	11,893	11,893	11,893	11,893	11,893	11,893	11,893	11,893	11,893	11,893	11,893	11,893	142,716
Total Revenues	23,360	35,290	38,360	23,360	23,360	23,360	23,360	23,360	23,360	23,360	23,360	23,360	307,250
Operating Expenses	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	53,424
Real Estate Taxes	13,797	13,797	13,797	13,797	13,797	13,797	13,797	13,797	13,797	13,797	13,797	13,797	165,564
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Taxes	4,055	4,055	4,055	4,055	4,055	4,055	4,055	4,055	4,055	4,055	4,055	4,055	48,660
Insurance	2,353	1,746	947	947	600	0	0	700	0	0	0	0	3,300
Repairs and Maintenance	1400	1400	1400	1400	2,190	1400	1400	1400	947	947	1,746	947	15,611
Service Contracts	616	616	616	616	616	616	616	616	616	616	616	616	7,392
Management Fees	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12,350
Administrative	2,300	375	375	2,150	375	2,150	375	375	375	2,150	375	375	11,750
Total Operating Expenses	29,973	26,642	27,441	28,417	26,642	28,535	28,467	26,692	27,392	28,467	27,491	28,692	334,851
Net Operating Income	-6,613	8,648	10,919	-5,057	-3,282	-5,175	-5,107	-3,332	-4,032	-5,107	-4,131	-5,332	-27,601