

**166 TENANTS CORP.
FINANCIAL STATEMENTS
TO DECEMBER 31, 2011**

TANKLOW, HOLLENDER & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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To the Stockholders of 166 Tenants Corp.
c/o Mr. Patrick Burke
166 East 78th Street – Apt. 2A
New York, NY 10021

Gentlemen:

We have compiled the accompanying balance sheets of 166 Tenants Corp. as of December 31, 2011 and 2010 and the related statements of net income and retained earnings and statements of cash flows and accompanying notes to financial statements for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to the presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Certified Public Accountants

February 22, 2012
New York, N. Y.

EXHIBIT "A"166 TENANTS CORP.
COMPARATIVE BALANCE SHEETS
AS AT DECEMBER 31,

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets		
Due from agent	\$ 7,576	\$ 12,298
Prepaid taxes	14,394	11,912
Investments - Smith Barney	<u>48,446</u>	<u>48,530</u>
Total Current Assets	<u>70,416</u>	<u>72,740</u>
Property and Building		
Land	126,327	126,327
Building	<u>698,774</u>	<u>698,774</u>
	825,101	825,101
Less: Accumulated depreciation	<u>498,120</u>	<u>475,425</u>
Total Property and Building	<u>326,981</u>	<u>349,676</u>
Other Assets		
Mortgage costs	3,525	3,525
Less: Accumulated amortization	<u>3,512</u>	<u>3,341</u>
	<u>13</u>	<u>184</u>
<u>TOTAL ASSETS</u>	<u>\$ 397,410</u>	<u>\$ 422,600</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Liabilities		
Accrued interest	\$ 1,729	\$ 1,776
First mortgage payable	295,000	295,000
Second mortgage payable	<u>607</u>	<u>7,570</u>
Total Liabilities	<u>297,336</u>	<u>304,346</u>
Stockholders' Equity		
Capital stock	390,080	390,080
Paid in capital	111,776	111,776
Retained earnings (deficit)	<u>(401,782)</u>	<u>(383,602)</u>
Total Stockholders' Equity	<u>100,074</u>	<u>118,254</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 397,410</u>	<u>\$ 422,600</u>

The appended letter and accompanying notes are an integral part of this statement.

EXHIBIT "B"

166 TENANTS CORP.
STATEMENTS OF NET INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Owner/tenants		
Maintenance charges	\$ 163,500	\$ 131,118
Operating Expenses		
Schedule "B-1"	<u>181,900</u>	<u>150,986</u>
Net Operating Income (Loss)	<u>(18,400)</u>	<u>(19,868)</u>
Other Income		
Dividend income	11	78
Laundry room income	<u>409</u>	<u>1,224</u>
Net Other Income	<u>420</u>	<u>1,302</u>
Provision for Income Taxes		
New York State Franchise Tax	125	1,468
New York State Metropolitan Transportation Tax	-	250
New York City Corporation Tax	<u>75</u>	<u>75</u>
Total Provision for Income Taxes	<u>200</u>	<u>1,793</u>
Net (Loss) for Period	(18,180)	(20,359)
Retained Earnings (Deficit) – Beginning	<u>(383,602)</u>	<u>(363,243)</u>
Retained Earnings (Deficit) – Ending	<u>\$ (401,782)</u>	<u>\$ (383,602)</u>

The appended letter and accompanying notes are an integral part of this statement.

SCHEDULE "B-1"

166 TENANTS CORP.
SUPPORTING SCHEDULE
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Operating Expenses		
Management fees	\$ 9,308	\$ 8,865
Superintendent	5,850	5,400
Depreciation	22,695	21,982
Fuel	21,330	16,212
Utilities	1,552	2,143
Insurance	6,884	5,579
Mortgage interest	20,967	21,430
Legal and accounting	3,775	3,675
Licenses and permits	1,575	1,456
Repairs and supplies	29,228	2,075
Taxes – real estate	53,633	54,081
Water and sewer charges	3,723	6,947
Amortization of mortgage costs	171	176
Miscellaneous expenses	<u>1,209</u>	<u>965</u>
Total Operating Expenses	<u>\$ 181,900</u>	<u>\$ 150,986</u>

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EXHIBIT "C"

166 TENANTS CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Net income (loss)	\$ (18,180)	\$ (20,359)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,866	22,158
(Increase) Decrease in prepaid taxes	(2,482)	475
Increase (Decrease) in accrued expenses	(47)	(42)
Total Adjustments	<u>20,337</u>	<u>22,591</u>
Net cash provided (used) by operating activities	<u>2,157</u>	<u>2,232</u>
Cash Flows From Investing Activities:		
Building improvements	-	(8,890)
Net Cash Provided (used) by Investing Activities	-	(8,890)
Cash Flows From Financing Activities:		
Mortgage repayment	(6,963)	(5,902)
Net Cash Provided (used) by Financing Activities	(6,963)	(5,902)
Net Increase (Decrease) in Cash Equivalents	(4,806)	(12,560)
Cash Equivalents – Beginning of Year	<u>60,828</u>	<u>73,388</u>
Cash Equivalents – End of Year	<u>\$ 56,022</u>	<u>\$ 60,828</u>
Cash and Cash Equivalents		
Due from agent	\$ 7,576	\$ 12,298
Investments – Smith Barney Money Fund	<u>48,446</u>	<u>48,530</u>
	<u>\$ 56,022</u>	<u>\$ 60,828</u>

The appended letter and accompanying notes are an integral part of this statement.

166 TENANTS CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

The company was formed on June 5, 1980 as a New York business corporation with authorized capital of 5,000 shares of \$1.00 par value and operates as a co-operative corporation.

Pursuant to the offering plan as amended, the corporation on July 1, 1982 acquired premises 166 East 78th Street, New York, New York for the sum of \$625,080 plus a reserve fund of \$60,000 and subject to a mortgage of \$295,000 and issued 4,240 shares of common stock to the co-op investors for \$390,080.

Accounting Policies

The company reports income on the accrual basis. The building is depreciated over a 25 year life.

Taxes

The corporation is subject to U.S. and New York State and City income taxes.

The corporation has incurred accumulated Federal operating losses of \$257,841 to December 31, 2011. These losses may be used to reduce taxes on future income.

Pass Through to Tenant Owners

The Internal Revenue code permits pass through of real estate taxes and mortgage interest to the tenant owners. Payments of mortgage principal were 1.6422 per share for the year 2011.

First Mortgage Payable

On May 1, 2005 this mortgage note in the amount of \$295,000 was transferred to Robert Silver (owner-tenant of this corporation). Interest only is payable monthly (\$1,720.83) at the rate of 7% per annum on the balance of \$295,000, on June 3, 2008 the note was extended until May 1, 2011.

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Second Mortgage Payable

The mortgage is held by Key Bank, formerly The Union State Bank, and is payable on January 13, 2012. Interest was payable at the rate of 8% per annum. The interest rate has been adjusted to 8.125% commencing January 1, 2007. Monthly payments of principal and interest were increased from \$609.70 to \$610.61 commencing February 1, 2007.