218-220 OWNERS CORP.

Financial Statements
as of December 31, 2010
and for the year then ended

Cesarano & Khan, PC
Certified Public Accountants

C&K

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
218-220 Owners Corp.:

We have audited the accompanying balance sheet of 218-220 Owners Corp. (the "Corporation") as of December 31, 2010, and the related statements of operations, stockholders' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 218-220 Owners Corp. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Cesarano & Khan, CPAs, PC

Floral Park, New York
September 6, 2011

249-02 Jericho Turnpike, Suite 207, Floral Park, NY 11001 • Telephone: (516) 437-8200 • Facsimile: (516) 437-8325

218 - 220 OWNERS CORP.

(A Cooperative Housing Corporation)

BALANCE SHEET

December 31, 2010

ASSETS

Operating:	
Cash - Chase - checking	$ 31,772
Reserve:	
Cash - Chase - money market	304,153
Cash - New York Community Bank - capital reserve	25,000
Maintenance and other receivables	6,082
Prepaid expenses	57,360
Property and equipment, net of accumulated depreciation of $1,977,062	630,376
Mortgage costs, net of accumulated amortization of $800	44,806
Total assets	$1,099,549

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Accounts payable and accrued expenses	$ 53,602
Bank overdraft	729
Maintenance charges received in advance	2,148
Real estate tax abatement and exemptions payable	51,520
Income taxes payable	959
Mortgage note payable	1,248,498
Total liabilities	1,357,456
Stockholders' equity (deficit):	
Common stock, par value $1.00; authorized 20,000 shares; issued 5,933; outstanding 5,211 shares	5,933
Additional paid-in capital	2,204,319
Accumulated deficit	(2,467,437)
Treasury stock, at cost; 722 shares	(722)
Total stockholders' equity (deficit)	(257,907)
Total liabilities and stockholders' equity (deficit)	$1,099,549

The accompanying notes are an integral part of these financial statements.

218 - 220 OWNERS CORP.

(A Cooperative Housing Corporation)

STATEMENT OF OPERATIONS

for the year ended December 31, 2010

REVENUES:	
Maintenance charges - outstanding shares	$ 273,890
Less: tax abatement and exemptions	(35,202)
Less: mortgage amortization	(26,415)
Special assessment	14,044
Commercial rent	18,300
Rent - treasury shares	15,492
Laundry	25,126
Transfer fees	6,520
Interest	1,317
Other	1,728
Total revenues	294,800
EXPENSES:	
Wages	5,502
Payroll taxes	535
Payroll processing fees	475
Real estate taxes	170,123
Interest	63,893
Prepayment penalty	20,960
Electricity	3,853
Heating fuel	37,315
Water and sewer	15,477
Repairs, maintenance and supplies	24,696
Management fees	16,800
Insurance	12,722
Legal	24,274
Auditing and taxes	6,500
State and local franchise taxes	1,736
Other	1,549
Total expenses before depreciation and amortization	406,410
Deficiency of revenues over expenses before depreciation and amortization	(111,610)
Depreciation and amortization	(36,331)
Deficiency of revenues over expenses	$ (147,941)

The accompanying notes are an integral part of these financial statements.

218 - 220 OWNERS CORP.

(A Cooperative Housing Cooperation)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

for the year ended December 31, 2010

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2009	$ 5,933	$ 2,177,904	$ (2,319,496)	$ (722)	$ (136,381)
Mortgage amortization	-0-	26,415	-0-	-0-	26,415
Deficiency of revenues over expenses	-0-	-0-	(147,941)	-0-	(147,941)
Balance as of December 31, 2010	$ 5,933	$ 2,204,319	$ (2,467,437)	$ (722)	$ (257,907)

The accompanying notes are an integral part of these financial statements.

218 - 220 OWNERS CORP.

(A Cooperative Housing Corporation)

STATEMENTS OF CASH FLOWS

for the year ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Deficiency of expenses over revenues	$ (147,941)
Adjustments to reconcile deficiency of revenues over expenses to net cash used in operating activities:	
Depreciation and amortization	36,331
Change in operating assets and liabilities:	
Maintenance and other receivables	(258)
Mortgage escrow	29,913
Prepaid expenses	13,777
Accounts payable and accrued expenses	6,292
Bank overdraft	729
Maintenance charges received in advance	807
Real estate tax abatement and exemptions payable	17,792
Income taxes payable	347
Net cash used in operating activities	(42,211)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemtion of held-to-maturity investments	142,420
Net cash provided by investting activities	142,420
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from mortgage refinancing	1,250,000
Mortgage note principal payments	(1,074,427)
Maintenance payments applicable to note amortization	26,415
Mortgage refinancing costs	(45,606)
Net cash provided by financing activities	156,382
Net increase in cash	256,591
Cash, beginning of year	104,334
Cash, end of year	$ 360,925
SUMMARY OF CASH:	
Operating - Chase - checking	$ 31,772
Reserve - Chase - money market	304,153
Reserve - New York Community Bank - capital reserve	25,000
	$ 360,925
SUPPLEMENTARY INFORMATION:	
Interest paid	$ 85,458
Income taxes paid	$ 612

The accompanying notes are an integral part of these financial statements.

1. Organization:

218-220 Owners Corporation (the "Corporation"), was incorporated in the State of New York on June 13, 1986, as a cooperative housing corporation. The Corporation acquired the premises located at 218 and 220 East 82nd Street, New York, New York, consisting of 40 residential apartments and 2 commercial units.

A Board of Directors, elected by the shareholders, governs the affairs of the Corporation. Directors, as such, receive no compensation for their services. The Board of Directors retains a management agent to operate the day-to-day activities of the property including certain administrative and bookkeeping services.

2. Date of Management Review:

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 6, 2011, the date the financial statements were available to be issued.

3. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Checks issued but not presented to the bank may result in overdraft balances for accounting purposes. The Corporation classifies cash overdrafts, if any, as a liability on the balance sheet.

Shareholder Receivables:

The Corporation's policy is to retain legal counsel and place liens on the shares of the individual or entity whose assessments are 90 days in arrears. The Corporation has first lien upon the shares owned by shareholders' for indebtedness arising under the provisions of the proprietary lease. The corporation believes that the fair market value of delinquent shares is sufficient to cover most charges in arrears.

Property and Equipment:

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful life of the asset. Capitalized amounts include expenditures, which materially extend the useful life of existing assets. Expenditures for repairs and maintenance, which do not materially extend the useful life of the related asset, are charged to expense as incurred.

Mortgage Costs:

Mortgage costs are amortized on the straight-line method over the term of the loan. Amortization on the interest method would not be materially different.

Maintenance Charges:

Maintenance charges are based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

Continued

4. Property and Equipment:

The components of property and equipment were as follows:

Land	$295,000
Building	1,672,808
Building improvements	639,630
	2,607,438
Less: accumulated depreciation	(1,977,062)
	$630,376

5. Mortgage Note Payable:

The Corporation had a ten-year mortgage note payable, secured by the land and buildings, with Apple Bank for Savings. The mortgage, in the initial principal amount of $1,300,000, provided for constant monthly payments of $7,835 consisting of interest at the rate of 5.96% per annum until its maturity on March 1, 2013. Monthly payments included principal based upon a thirty-year amortization schedule.

On October 28, 2010, the Corporation refinanced its mortgage note payable, secured by the land and building, with New York Community Bank ("NYCB"). The mortgage, in the initial principal amount of $1,250,000, is for a ten year period maturing on November 1, 2020. The mortgage provides for constant monthly payments of $6,710 consisting of interest at the rate of 5.00% per annum until maturity on November 1, 2020 and principal payments based upon a thirty-year amortization schedule.

In addition the Corporation shall pay each month into an escrow account 1/12th of the annual real estate taxes and other charges as estimated by NYCB.

Principal maturities of the mortgage are as follows:

2011	$18,519
2012	19,466
2013	20,462
2014	21,509
2015	22,610
Thereafter	1,145,932
	$1,248,498

6. Income Taxes:

Pursuant to a 1996 United States Tax Court decision, the Corporation prepares its tax returns under the provisions of Subchapter T of the Internal Revenue Code. Subchapter T requires the allocation of patronage and non-patronage source income. In addition, 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 is patronage income within the meaning of Subchapter T. The Corporation also qualified under Section 216 of the Internal Revenue Code. This section permits tenant-shareholders to deduct, on their own tax returns, their proportionate share of real estate taxes and mortgage interest that is deductible by the Corporation.

Continued

The Corporation had a net operating loss for federal income tax purposes, for the year ended, December 31, 2010, and as a result was not subject to federal income tax. Such tax benefits were approximately $1,344,190, which expire, if not utilized, between 2011 and 2030. The Corporation believes it will not derive a future tax benefit in connection with the loss carryforwards, and as a result did not recognize a deferred tax asset. The Corporation was however subject to certain state and local minimum franchise taxes based upon the Corporation's capital base. The rate of tax is .04% for each taxing authority.

7. Future Major Repairs and Replacements:

The Corporation had not conducted a study to determine the remaining useful lives of the components of the property and current estimates of the costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular maintenance, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

8. Special Assessment:

The Corporation implemented a special assessment of approximately $2.70 per outstanding share in March 2010, to fund operating expenses.

9. Management Fee:

On March 12, 2008, the Corporation retained Robert Eberhart Real Estate to act as managing agent of the property, at a rate of $1,400 per month. The agreement expired on March 31, 2009, and continues on a year-to-year basis, and may be terminated on a thirty-day prior written notice by either party. The management fee for the year ended December 31, 2010, was $16,800.