218-220 OWNERS CORP.

Financial Statements
for the years ended
December 31, 2013 and 2012

Cesarano & Khan, PC
Certified Public Accountants

C & K

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of 218-220 Owners Corp., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, 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.

Other Matter

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
June 4, 2014

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218 - 220 OWNERS CORP.

(A Cooperative Housing Corporation)

BALANCE SHEETS

December 31, 2013 and 2012

ASSETS

	2013	2012
Operating:		
Cash - JP Morgan Chase Bank, N.A.- checking	$ 53,514	$ 15,836
Reserve:		
Cash - JP Morgan Chase Bank, N.A. - money market	318,287	294,570
Cash - New York Community Bank - money market	25,000	25,000
Maintenance and other receivables	9,029	4,310
Mortgage escrow	66,449	17,656
Prepaid expenses	4,374	48,481
Property and equipment, net of accumulated depreciation of $2,035,080 and $2,015,788	589,258	591,650
Mortgage costs, net of accumulated amortization of $14,452 and $9,891	31,154	35,715
Total assets	$ 1,097,065	$ 1,033,218

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2013	2012
Accounts payable and accrued expenses	$ 60,247	$ 52,164
Maintenance charges and rents received in advance	17,313	9,444
Tax abatement and exemptions payable	96,501	43,235
Income taxes payable	2,225	1,085
Mortgage note payable	1,190,051	1,210,513
Total liabilities	1,366,337	1,316,441
Stockholders' equity (deficit):		
Common stock, par value $1.00; authorized 20,000 shares; issued 5,933; outstanding 5,211 shares	5,933	5,933
Additional paid-in capital	2,492,171	2,471,709
Accumulated deficit	(2,563,599)	(2,557,088)
Treasury stock, at cost; 722 shares	(203,777)	(203,777)
Total stockholders' equity (deficit)	(269,272)	(283,223)
Total liabilities and stockholders' equity (deficit)	$ 1,097,065	$ 1,033,218

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

218 - 220 OWNERS CORP.

(A Cooperative Housing Corporation)

STATEMENTS OF OPERATIONS

for the years ended December 31, 2013 and 2012

	2013	2012
REVENUES:		
Maintenance charges - outstanding shares	$ 304,501	$ 288,918
Less: tax abatement and exemptions	(41,813)	-0-
Less: mortgage amortization	(20,462)	(19,466)
Special assessments	53,413	15,198
Commercial rent	57,735	52,077
Rent - treasury shares	56,780	53,728
Transfer fees	23,935	6,500
Interest and dividend	710	265
Other	21,948	5,785
Total revenues	456,747	403,005
EXPENSES:		
Contract cleaning	13,550	12,909
Real estate taxes	181,551	184,073
Interest	59,983	60,976
Electricity	2,949	3,976
Heating fuel	42,965	41,985
Water and sewer - current year	16,778	18,741
Water and sewer - prior year	-0-	6,255
Repairs, maintenance and supplies	16,742	9,104
Janitorial Contract	800	842
Insurance	16,662	16,280
Management fees	17,640	16,800
Legal	11,048	12,317
Audit and taxes	7,000	7,000
Brokers' commission	-0-	6,000
Income taxes	2,225	890
Other	2,139	1,955
Total expenses before depreciation and amortization	392,032	400,103
Excess of revenues over expenses before depreciation, amortization NYC retroactive tax abatement, exemptions and major improvements	64,715	2,902
Depreciation and amortization	(23,853)	(23,672)
NYC retroactive tax abatement and exemptions	(40,296)	-0-
Major imrpovements	(7,077)	-0-
Deficiency of revenues over expenses	$ (6,511)	$ (20,770)

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

218 - 220 OWNERS CORP.

(A Cooperative Housing Cooperation)

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

for the years ended December 31, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2011	$ 5,933	$ 1,938,677	$ (2,536,318)	$ (867)	$ (592,575)
Mortgage amortization	-0-	19,466	-0-	-0-	19,466
(Purchase) / reissuance of treasury stock, net	-0-	513,566	-0-	(202,910)	310,656
Deficiency of revenues over expenses	-0-	-0-	(20,770)	-0-	(20,770)
Balance as of December 31, 2012	5,933	2,471,709	(2,557,088)	(203,777)	(283,223)
Mortgage amortization	-0-	20,462	-0-	-0-	20,462
Deficiency of revenues over expenses	-0-	-0-	(6,511)	-0-	(6,511)
Balance as of December 31, 2013	$ 5,933	$ 2,492,171	$ (2,563,599)	$ (203,777)	$ (269,272)

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 years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of expenses over revenues	$ (6,511)	$ (20,770)
Adjustments for noncash and nonoperating items:		
Depreciation and amortization	23,853	23,672
Change in operating assets and liabilities:		
Maintenance and other receivables	(4,719)	1,118
Prepaid expenses	44,107	940
Accounts payable and accrued expenses	8,083	(1,765)
Maintenance charges and rents received in advance	7,869	(3,490)
Real estate tax abatement and exemptions payable	53,266	(9,068)
Income taxes payable	1,140	343
Net cash provided by (used in) operating activities	127,088	(9,020)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additional building improvements	(16,900)	-0-
Mortgage escrow	(48,793)	(17,656)
Net cash used in financing activities	(65,693)	(17,656)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reissuance of treasury shares, net	-0-	310,656
Mortgage note principal payments	(20,462)	(19,466)
Maintenance payments applicable to note amortization	20,462	19,466
Bank overdraft	-0-	(672)
Net cash provided by financing activities	-0-	309,984
Net increase in cash	61,395	283,308
Cash, beginning of year	335,406	52,098
Cash, end of year	$ 396,801	$ 335,406
SUMMARY OF CASH:		
Operating - JP Morgan Chase Bank, N.A. - checking	$ 53,514	$ 15,836
Reserve - JP Morgan Chase Bank, N.A. - money market	318,287	294,570
Reserve - New York Community Bank - money market	25,000	25,000
Total cash	$ 396,801	$ 335,406
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 60,061	$ 61,057
Income taxes paid	$ 1,013	$ 547

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

218-220 OWNERS CORPORATION

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS

December 31, 2013 and 2012

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 June 4, 2014, 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 little to no exposure to credit, market and liquidity risks, with original maturities of three months or less to be classified as cash equivalents.

Concentration of Credit Risk:

The Corporation maintains its cash and cash equivalents with major financial institutions. Balances, at times, may exceed the Federal Deposit Insurance Corporation ("FDIC") limits currently $250,000 per financial institution. The Corporation performs periodic evaluations of the relative credit standing of these financial institutions and also evaluates its balance with each institution in order to limit the amount of credit exposure.

Shareholder Receivables:

The Corporation's policy is to initiate summary non-payment proceedings against the stockholders whose assessments are 90 days in arrears. The Corporation has a 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. As a result, no allowance for uncollectible charges is deemed necessary.

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.

Continued

Long-Lived Assets:

The Corporation reviews real estate assets for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. Through December 31, 2013, management believes no indicators of impairment exist.

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. Deferred costs of $45,606 were incurred in connection with the mortgage note as discussed in Note 5.

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. Maintenance charges are recognized as revenue in the year to which it applies. Maintenance charges received in advance are reported as a liability.

Transfer Fees:

The Corporation has an apartment transfer fee policy that charges the seller of shares of stock 1% of the total selling price of an individual unit.

4. Property and Equipment:

The components of property and equipment were as follows:

	2013	2012
Land	$295,000	$295,000
Building	1,672,802	1,672,808
Building improvements	656,536	639,630
	2,624,338	2,607,438
Less: accumulated depreciation	(2,035,080)	(2,015,788)
	$589,258	$591,650

5. Mortgage Note Payable:

On October 28, 2010, the Corporation entered into a 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.

The mortgage may be prepaid with a prepayment penalty is 5.00% for years one and year two, 4.00% for years three and four, 3.00% for years five and six, 2.00% for years seven and eight, 1.00% during year nine and the first nine months of year ten, and thereafter without penalty.

Continued

Mortgage Note Payable (continued):

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:

2014	$21,509
2015	22,610
2016	23,766
2017	24,982
2018	26,260
Thereafter	1,070,924
	$1,190,051

The Corporation made $20,462 and $19,466, in principal payments during the years ended December 31, 2013 and 2012, respectively.

6. Treasury Stock:

On November 23, 2011, the Corporation acquired 145 shares of its common stock for $205,000 or approximately $1,413.79 per share allocated to Apartment 3RW (218). In addition, renovations totaling $79,306 were made to the treasury apartment during the year.

On September 10, 2012, the Corporation reissued 145 shares allocated to apartment 3RE (218) in the amount of $310,656 net of expenses.

At December 31, 2013 and 2012, the Corporation owned 722 shares of its common stock allocated to five apartments.

7. 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.

The Corporation had net operating loss carryfowards for Federal income tax purposes for the year ended December 31, 2013, and as a result was not subject to Federal income tax. Such carryforwards were approximately $1,263,095, which expire, if not utilized, between 2017 and 2033. 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.

Continued

Income Taxes (continued):

The Corporation provided a 100% valuation allowance in its deferred tax assets relating to the Corporation's net operating loss carryforwards. Management believes the valuation allowance if required based upon the Corporation's history of loses, thereby concluding that it is more likely than not that the Corporation will not realize the deferred tax asset.

Generally accepted accounting principles (GAAP) requires evaluation of the tax positions taken or expected to be taken in the course of preparing the Corporation's tax returns to determine whether the tax positions are more likely than not sustainable upon examination by the applicable taxing authorities, based on the technical merits of the tax position, and then recognizing the tax benefit that is more likely than not realizable. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax expense in the current reporting period. Management believes any such positions, other than deferred tax assets, would be immaterial to the overall financial statements.

The statute of limitations for income tax filings subject to examination by taxing authorities is generally three years after the returns are filed. As a result, tax returns prior to 2009 are generally not open to examination.

8. Special Assessments:

The Corporation implemented special assessments of $10.25 and $3.00 per outstanding share during the years ended December 31, 2013 and 2012, 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 continued 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, 2012, was $16,800.

Effective January 1, 2013, Robert Eberhart Real Estate exercised its right to increase the monthly management fee to $1,470 per month. The management fee for the year ended December 31, 2013, was $17,640.

10. Future Major Repairs and Replacements:

The Corporation has omitted 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.