345 East 61st STREET HOUSING CORP.

Financial Statements
as of January 31, 2008
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
345 East 61st Street Housing Corp.:

We have audited the accompanying balance sheet of 345 East 61st Street Housing Corp. (the "Corporation") as of January 31, 2008, and the related statements of operations, stockholders' equity 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 345 East 61st Street Housing Corp. as of January 31, 2008, 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.

As discussed in Note 6, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be part of, the basic financial statements.

Cesarano & Khan, CPAs, PC

Floral Park, New York
September 22, 2008

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345 EAST 61ST STREET HOUSING CORP.

(A Cooperative Housing Corporation)

BALANCE SHEET

January 31, 2008

ASSETS

Cash and cash equivalents	$ 12,818
Maintenance and other receivables	60
Mortgage escrow	8,251
Prepaid expenses	12,228
Property and equipment, net of accumulated depreciation of $527,462	662,907
Mortgage costs, net of accumulated amortization of $6,728	11,618
Total assets	$707,882

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	$ 36,196
Maintenance charges received in advance	951
Income taxes payable	835
Mortgage note payable	404,225
Total liabilities	442,207
Stockholders' equity:	
Common stock, par value $1.00; authorized 200 shares; issued and outstanding 164 shares	164
Additional paid-in capital	908,526
Accumulated deficit	(643,015)
Total stockholders' equity	265,675
Total liabilities and stockholders' equity	$707,882

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

345 EAST 61ST STREET HOUSING CORP.

(A Cooperative Housing Corporation)

STATEMENT OF OPERATIONS

for the year ended January 31, 2008

REVENUES:	
Maintenance charges, net	$ 112,691
Special assessments	22,735
Sublet fees	750
Laundry	720
Interest	269
Other	2,025
Total revenues	139,190
EXPENSES:	
Real estate taxes, net of abatements	51,760
Interest	24,264
Utilities	15,079
Water and sewer	3,133
Repairs, maintenance and supplies	12,142
Insurance	8,834
Professional fees	4,325
Management fees	13,155
Administrative expenses	899
State and local franchise taxes	835
Total expenses before depreciation	134,426
Deficiency of revenues over expenses before depreciation and amortization	4,764
Depreciation and amortization	(26,676)
Deficiency of revenues over expenses	$ (21,912)

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

345 EAST 61ST STREET HOUSING CORP.

(A Cooperative Housing Corporation)

STATEMENT OF STOCKHOLDERS' EQUITY

for the year ending January 31, 2008

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 31, 2007	$ 164	$ 902,370	$ (621,103)	$ 281,431
Maintenance applicable to mortgage amortization	-0-	6,156	-0-	6,156
Deficiency of revenues over expenses	-0-	-0-	(21,912)	(21,912)
Balance at January 31, 2008	$ 164	$ 908,526	$ (643,015)	$ 265,675

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

345 EAST 61ST STREET HOUSING CORP.

(A Cooperative Housing Corporation)

STATEMENT OF CASH FLOWS

for the year ended January 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Deficiency of revenues over expenses	$ (21,912)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	26,676
Changes in operating assets and liabilities:	
Maintenance and other receivables	2,686
Mortgage escrow	(4,232)
Prepaid expenses	347
Accounts payable and accrued expenses	(1,869)
Maintenance charges received in advance	(408)
Income taxes payable	10
Net cash provided by operating activities	1,298
CASH FLOWS FROM FINANCING ACTIVITIES:	
Mortgage note amortization	(6,156)
Maintenance payments applicable to mortgage note	6,156
Net cash provided by financing activities	-0-
Net increase in cash	1,298
Cash, beginning of year	11,520
Cash, end of year	$ 12,818
SUPPLEMENTARY INFORMATION:	
Interest paid	$ 24,295
Franchise taxes paid	$ 813

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

1. Organization:

345 East 61st Street Housing Corp. (the "Corporation"), was incorporated in the State of New York on February 25, 1981, as a cooperative housing corporation. The Corporation owns the building located at 345 East 61st Street, New York, New York, consisting of 15 residential apartments.

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 provide on-site property management as well as certain administrative and bookkeeping services.

2. Summary of Significant Accounting Policies:

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.

Property and Equipment:

Property and equipment acquired by the Corporation are recorded at cost. Capitalized amounts include expenditures, which materially extend the useful lives of existing assets. Expenditures for repairs and maintenance, which do not materially extend the useful lives of the related asset, are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of individual assets.

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. Maintenance charges are presented net of real estate tax abatements credited to eligible dwelling units and maintenance charges applicable to mortgage note payments.

3. Property and Equipment:

The components of property and equipment were as follows:

Land	$219,000
Building	876,000
Building improvements	95,369
	1,190,369
Less: Accumulated depreciation	(527,462)
	$662,907

Continued

4. Mortgage Note Payable:

On April 28, 2004, the Corporation entered into a mortgage note payable, secured by the land and building, to National Consumer Cooperative Bank ("NCB"). The mortgage, in the initial principal amount of $425,000, bears interest at the rate of 5.88% per annum. The mortgage is for a ten-year term, maturing on April 30, 2014. The mortgage provides for monthly payments of $2,515, which includes principal payments based upon a thirty-year amortization schedule.

No prepayment is permitted during the first one hundred two months of the loan term. Prepayment is permitted in full upon at least thirty and not more than ninety days prior notice to NCB, with the payment of a prepayment penalty of 2% of the principal amount. For the ninety day period preceding maturity, prepayment is permitted without penalty.

The aggregate amount of required principal payments was as follows:

2009	$6,464
2010	6,930
2011	7,354
2012	7,804
2013	8,219
Thereafter	367,454
	$404,225

5. 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. Additionally, the Corporation treats special assessments used for the acquisition of capital improvements and maintenance charges used for amortization of mortgage principal as contributions to capital for tax purposes only. 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 has net operating loss carryforwards for income tax purposes, and as a result was not subject to federal income tax. Such tax benefits were approximately $402,055, which expire, if not utilized, between 2009 and 2028. 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.

Continued

6. Future Major Repairs and Replacements:

The Corporation has not conducted a study to determine the remaining useful lives of the components of the property and estimates of the costs of major repairs and replacements that may be required in the future. When replacement funds are required 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.

7. Holder of Unsold Shares:

At January 31, 2008, ALH Properties Two, Inc., the holder of unsold shares, owned 25 shares of the Corporation, which is approximately 15% of the outstanding shares.

8. Special Assessments:

The Corporation implemented the following three special assessments during the fiscal year; 1) a special assessment of $64.02 per share, 2) a special assessment of $44.76 per share, and 3) a special assessment of $29.84 per share. The three assessments were to fund operating expenses.