

**THIRD AMENDMENT
TO OFFERING PLAN RELATING TO PREMISES
32 GRAMERCY PARK SOUTH
NEW YORK, NEW YORK**

The Offering Plan dated August 8, 1983 to convert to cooperative ownership premises at 32 Gramercy Park South, New York, New York (the "Plan") is amended by this Third Amendment, as follows:

I. The transfer of the aforesaid premises took place on April 5, 1984 at the offices of Goldschmidt, Fredericks & Oshatz, 655 Madison Avenue, New York, New York.

II. The Sponsor has provided a check payable to the order of 32 Gramercy Park Owners Corp. in the sum of \$443,960.35 representing a contribution to the Reserve Fund. Interest in the amount of \$12,329.50 has been earned on the initial reserve fund to date. The amount reserve fund currently totals \$456,289.85 and is deposited as follows: approximately \$156,289.85 at Chemical Bank, 41st Street and Third Avenue, New York, New York, \$100,000 at Dollar Dry Dock, 48th Street and Third Avenue, New York, New York, \$100,000 at National Bank of New York City, 45th Street and Fifth Avenue, New York, New York and \$100,000 at Seamen's Bank for Savings at 47th Street and Fifth Avenue, New York, New York.

III. The net closing adjustments were in Sponsor's favor in the sum of \$135,935.78, \$10,000.00 of which was used to reduce the Working Capital Fund and \$125,935.78 of which the Apartment Corporation shall pay to the Sponsor on April 5, 1985 with interest at the rate of ten (10%) percent per annum.

IV. The working capital fund was reduced from \$25,000.00 to \$15,000.00 due to closing adjustments in favor of the Sponsor as noted in Paragraph III hereinabove. The net sum was provided by the sponsor and was deposited by Steppingstone Management Corp. into Chemical Bank, 41st Street and Third Avenue, New York, New York.

V. The following two mortgages now encumber the property: (i) a first mortgage in the principal sum of \$7,360,980.00 held by 32 Gramercy Park South Associates and (ii) a wrap-around mortgage held by Anby Associates in the principal sum of \$11,041,470.00 which includes the principal balance of the first mortgage.

VI. Attached hereto as Exhibit A is the financial statement for 32 Gramercy Park Owners Corp. for the period April 5, 1984 to December 31, 1984.

VII. The purchase price to tenants which was \$145 per share is hereby amended and increased to \$200 per share.

VIII. The following schedule lists the apartments and shares which are being held by Robert J. Etinger and Lawrence E. Goldschmidt as unsold:

UNSOLD SHARES

<u>Apt.</u>	<u>Share Allocation</u>	<u>Apt.</u>	<u>Share Allocation</u>	<u>Apt.</u>	<u>Share Allocation</u>
6A	751	4B	539	2C	300
7A	760	5B	546	4C	308
8A	769	6B	553	6C	316
10A	787	7B	560	7C	320
11A	796	8B	567	9C	328
12A	805	9B	574	12C	340
13A	814	10B	581	13C	344
14A	915	11B	588	14C	696
15A	832	12B	595	15C	616
16A	841	13B	602	16C	623
		14B	435		
2D	525	17B	360	4F	462
3D	532			8F	486
4D	539	2E	300	9F	492
5D	546	3E	304	13F	516
6D	553	6E	316	15F	352
7D	560	9E	328	16F	356
8D	567	11E	336	17F	720
9D	574	14E	696	18F	637
11D	588	15E	616		
13D	602	16E	623	2J	525
16D	623	18E	637	7J	560
17D	720			9J	574
18D	637	4H	462	10J	581
		5H	468	12J	595
2G	525	8H	486	13J	602
5G	546	11H	504	15J	616
7G	560	12H	510	16J	623
8G	567	14H	609		
9G	574	15H	528	5M	624
10G	581	16H	534	7M	640
12G	595			9M	656
16G	623	2L	600	10M	664
17G	720	3L	608	11M	672
18G	637	4L	616	12M	680
		6L	632	13M	688
2K	300	7L	640		
3K	304	8L	648		
4K	308	10L	664		
5K	312	12L	680		
7K	320	13L	688		
8K	324				
10K	332				

IX. As a result of the Annual Shareholders meeting held in June, 1985 the following directors and officers of the apartment corporation were elected:

Robert J. Ettinger
James Stark
Alan Scholder
Bernard Iser
Donald H. Levy
Albert Cohen
Edward Bertram
Lynn Fagan

Director-President
Director-Vice President
Director-Treasurer
Director-Secretary
Assistant Secretary
Director
Director
Director

Two of the above officers are tenant shareholders, the other six are Sponsor's designee as holders of unsold shares.

X. There are no other changes to the Offering Plan.

XI. The Financial Statement for the Corporation for 1985 is not yet available and will be furnished as soon as it is prepared by the Corporation's accountants.

Dated: New York, New York
May 8, 1986

ANBY ASSOCIATES
Sponsor

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

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NEW YORK, N. Y. 10017
(212) 682-2180

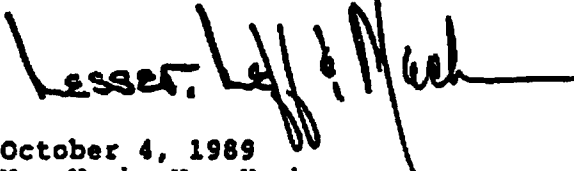
LONG ISLAND OFFICES
RIVERHEAD, N. Y. - JERICHO, N. Y.
WESTCHESTER OFFICE
TARRYTOWN, N. Y.

To The Stockholders and
Board of Directors
32 Gramercy Park Owners Corp.

We have audited the accompanying balance sheet of 32 Gramercy Park Owners Corp. as of December 31, 1988 and 1987, and the related statements of operations, retained earnings (deficit), 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 generally accepted auditing standards. 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 32 Gramercy Park Owners Corp. as of December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.


October 4, 1989
New York, New York

32 GRAMERCY PARK OWNERS CORP.

BALANCE SHEET

DECEMBER 31, 1988 AND 1987

EXHIBIT "A"

	<u>1988</u>	<u>1987</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Note 1	\$ 348,234	\$ 65
Due From Managing Agent	37,986	3,626
Receivable - Non Tenants - Note 2	2,417	2,417
Prepaid Taxes	4,386	1,938
Maintenance Receivables - Note 3	27,820	28,325
Deposits Receivable - Note 6	85,000	--
Prepaid Expenses - Note 7	17,494	16,254
<u>Total Current Assets</u>	<u>523,337</u>	<u>52,625</u>
<u>LAND, PROPERTY AND IMPROVEMENTS</u>		
Net of Accumulated Depreciation - Note 4	18,050,768	18,524,780
<u>OTHER ASSETS</u>		
Security Deposits	38,702	38,702
<u>TOTAL ASSETS</u>	<u>\$ 18,612,807</u>	<u>\$ 18,616,107</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 119,303	\$ 115,864
Taxes Payable - Note 8	511,448	13,196
Due to Sponsor - Note 5	69,000	27,608
<u>Total Current Liabilities</u>	<u>699,751</u>	<u>156,668</u>
<u>OTHER LIABILITIES</u>		
Mortgage Payable	11,040,000	11,040,000
<u>Total Liabilities</u>	<u>11,739,751</u>	<u>11,196,668</u>
<u>STOCKHOLDERS' EQUITY</u>		
Common Stock - 113,000 Shares \$1 Par Value Authorized 99,761 Shares Issued and Outstanding	99,761	99,761
Additional Paid-In Capital	9,418,929	9,418,929
Retained Earnings (Deficit)	(2,645,634)	(2,099,251)
<u>Total Stockholders' Equity</u>	<u>6,873,056</u>	<u>7,419,439</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 18,612,807</u>	<u>\$ 18,616,107</u>

The accompanying notes are an integral part of this financial statement.

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

EXHIBIT "B"

	<u>1988</u>	<u>1987</u>
<u>INCOME</u>		
Tenant Maintenance Charges	\$ 1,913,347	\$ 1,875,294
Commercial Lease	60,000	--
Laundry Income	8,800	9,600
Interest	7,070	11,638
Miscellaneous Income	3,211	3,802
Special Assessment	<u>120,087</u>	<u>--</u>
Total Income Available For Operations	<u>2,112,515</u>	<u>1,900,334</u>
<u>EXPENSES</u>		
Wages and employee Benefits	242,199	229,440
Operating Expenses	145,761	144,060
Repairs and Maintenance	61,193	185,425
General and Administrative	120,713	139,222
Mortgage Interest	1,048,800	1,048,800
Real Estate Tax	496,821	501,242
Franchise Taxes	<u>7,462</u>	<u>21,857</u>
Total Expenses	<u>2,122,949</u>	<u>2,270,046</u>
Deficiency of Income Over Expenses Before Depreciation and Extraordinary Income	<u>(10,434)</u>	<u>(369,710)</u>
Depreciation Expense	(535,949)	(532,264)
Extraordinary Income Resulting From Net Write Off of Amounts Due to Sponsor and from Prior Managing Agents	<u>--</u>	<u>253,246</u>
Total	<u>(535,949)</u>	<u>(279,018)</u>
NET DEFICIENCY IN INCOME OVER EXPENSES	<u>\$ (546,383)</u>	<u>\$ (648,728)</u>

The accompanying notes are an integral part of this financial statement.

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

STATEMENT OF RETAINED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

EXHIBIT "C"

	<u>1988</u>	<u>1987</u>
Retained Deficit - January 1,	\$(2,099,251)	\$(1,451,023)
Deficiency of Income to Cover Expenses Before Capital Expenditures	(546,383)	(648,728)
Adjustment of Prior Year's Income Tax	<u> --</u>	<u> 500</u>
RETAINED DEFICIT - DECEMBER 31,	<u>\$(2,645,634)</u>	<u>\$(2,099,251)</u>

The accompanying notes are an integral part of this financial statement.

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

EXHIBIT "D"

	<u>1988</u>	<u>1987</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Loss	\$(546,383)	\$(648,728)
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Depreciation	535,949	532,264
Prior Period Adjustment	--	500
Additional Paid-In Capital	--	470,700
Changes in Assets and Liabilities:		
Due from Managing Agent	(34,360)	(3,626)
Receivable - Non Tenants	--	--
Prepaid Taxes	(2,448)	(500)
Maintenance Receivables	505	3,656
Prepaid Expenses	(1,240)	(1,746)
Deposits Receivable	(85,000)	--
Security Deposits	--	18
Accounts Payable	3,439	(57,925)
Taxes payable	498,252	9,277
Due to Sponsor	41,392	(242,653)
Notes Payable - Eco Premium	--	(3,186)
Due to Managing Agent	--	(1,299)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments for Purchase of Equipment	(61,937)	(123,993)
Net Increase (Decrease) in Cash and Cash Equivalents	348,169	(67,241)
Cash and Cash Equivalents - Beginning	65	67,306
<u>CASH AND CASH EQUIVALENTS - END</u>	<u>\$ 348,234</u>	<u>\$ 65</u>

The accompanying notes are an integral part of this financial statement

LESSER, LEFF & MAC
CERTIFIED PUBLIC ACCOUNTANT

32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

GENERAL - APARTMENT CORPORATION

The Apartment Corporation was formed under the Business Corporation Law of the State of New York on September 9, 1982. It has only one class of stock consisting of an authorized capital of 113,000 shares of the par value of \$1.00 each, of which 99,761 shares are issued and outstanding. The by-laws require not less than three (3), nor more than seven (7) directors. The Apartment Corporation is managed by a Board of Directors. All officers and directors serve without compensation. Each shareholder is entitled to one (1) vote for each share held. In all elections of directors of the Corporation, each shareholder shall be entitled to as many votes as shall equal the number of votes which he would be entitled to cast for the election of directors with respect to his shares, multiplied by the number of directors to be elected, and he may cast all such votes for a single director or may distribute them among the number to be voted for, as he may see fit. To the extent allowed by law, the Apartment Corporation shall indemnify officers and directors except to the extent they breach their duty.

The Apartment Corporation has a lien on each shareholder's shares to secure payment of maintenance charges. The Apartment Corporation may refuse to consent to the transfer of the shares of a shareholder until any indebtedness to the Apartment Corporation is paid.

The Apartment Corporation's by-laws may be amended by a vote of shareholders owning two-thirds (2/3) of the amount of the outstanding shares or at any meeting of the Board of Directors by a majority vote.

NOTE 1 - CASH AND CASH EQUIVALENTS

Chemical Bank Money Market	\$ 347,336
Less: Payroll Exchange	<u>898</u>
Net Cash and Cash Equivalents	<u>\$ 348,234</u>

NOTE 2 - RECEIVABLE - NON TENANT

This amount represents monies due from Kay Construction Corp. for sales tax erroneously charged on a construction bill. The invoice date was September 12, 1986. As of the statement date this refund has not been received.

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32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

NOTE 3 - MAINTENANCE RECEIVABLE

Tenant Shareholders \$ 27,820

Based on information received from the current managing agent, M. J. Raynes & Co., Inc., this balance reflects outstanding maintenance due from tenant shareholders at December 31, 1988.

NOTE 4 - LAND, PROPERTY AND IMPROVEMENTS

Land, property and improvements are stated at cost less accumulated depreciation. Building and improvements are being depreciated on the straight line basis over their estimated useful lives.

NOTE 5 - DUE TO SPONSOR

The amount due to the sponsor at December 31, 1988 and 1987 represents advances made by them in the amount of \$13,800 per month, two having been made in 1987 and three more in 1988. This amount is the result of the refinancing of the mortgage in 1986 wherein the interest exceeds the interest on the original wraparound mortgage. These advances are to be repaid after April 1989 based upon a schedule of payments to be agreed upon at that date.

As of this statement date, all of the prior balances due to and from the sponsor have been written off based upon an agreement between the co-op and the sponsor.

NOTE 6 - DEPOSITS RECEIVABLE

Deposits receivable consists of:

- a) \$10,000 good faith deposit in order to obtain a commitment for a loan with Chemical bank. This money was returned to the co-op in February 1989.
- b) \$75,000 deposit being held by Chemical Bank.

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32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

NOTE 7 - PREPAID EXPENSES

This amount consists of the following amounts not expensed as of December 31, 1988.

Insurance	\$ 4,561
Water	<u>12,933</u>
Total Prepaid	\$ <u>17,494</u>

NOTE 8 - TAXES PAYABLE

Included in the amount of \$511,448 of taxes payable is \$509,686 due to the City of New York for unpaid real estate taxes. All but \$61,336 of these taxes were paid by July 1989.

NOTE 9 - SPECIAL ASSESSMENT

Subsequent to the statement date a special assessment was voted upon by the shareholders. This assessment was for a total of \$5.00 per share. Of this assessment \$2.00 would be used to cover any shortage in the operations of the building.

The balance of \$3.00 per share assessment would be used to reduce the real estate tax arrears owed by the building. It is expected that this will be a one time charge.

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32 GRAMERCY PARK OWNERS CORP.

SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

	<u>1988</u>	<u>1987</u>
<u>WAGES AND EMPLOYEE BENEFITS</u>		
Employee Wages and Employment Tax	\$ 220,282	\$ 207,179
Pension and Welfare	<u>21,917</u>	<u>22,261</u>
<u>Total Wages and Employee Benefits</u>	<u>\$ 242,199</u>	<u>\$ 229,440</u>
<u>OPERATING EXPENSES</u>		
Light and Power	26,348	27,266
Heating Fuel	93,036	96,112
Water and Sewer	25,844	20,249
Telephone	<u>533</u>	<u>433</u>
<u>Total Operating Expenses</u>	<u>\$ 145,761</u>	<u>\$ 144,060</u>
<u>REPAIRS AND MAINTENANCE</u>		
Plumber	\$ 9,411	\$ 6,287
Elevator Maintenance	23,095	11,214
Painting	671	45,467
Air Conditioning	--	107
Building Supplies	9,778	6,048
Miscellaneous	8,526	6,903
Intercom	2,911	1,825
Roof, Waterproof, Etc.	2,599	102,813
Exterminating	2,304	1,399
Electrical	<u>1,898</u>	<u>3,362</u>
<u>Total Repairs and Maintenance</u>	<u>\$ 61,193</u>	<u>\$ 185,425</u>
<u>GENERAL AND ADMINISTRATIVE</u>		
Management Fees	\$ 37,917	\$ 35,000
Legal and Professional	30,757	21,433
Miscellaneous Administrative Expense	5,252	12,650
Uniforms	1,353	6,216
Licenses and Permits	563	631
Other Interest Expense	180	7,089
Insurance	<u>44,691</u>	<u>56,203</u>
<u>Total General and Administrative</u>	<u>\$ 120,713</u>	<u>\$ 139,222</u>

LESSER, LEFF & MACI
CERTIFIED PUBLIC ACCOUNTANTS

DELLACK SAGE AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

DELLACK SAGE AND COMPANY
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CABLE ADDRESS
DASACK EN 3867422-44

TO THE BOARD OF DIRECTORS AND TENANT STOCKHOLDERS OF
32 GRAMERCY PARK OWNERS CORP.

We have examined the balance sheet of 32 Gramercy Park Owners Corp. as at December 31, 1984, and the related statement of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such test of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of 32 Gramercy Park Owners Corp. as at December 31, 1984, and the results of its operations and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Dellack Sage and Company

Great Neck, New York
June 3, 1985

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1984

Note 14 - Reserve Fund

Pursuant to Local Law 70 (Title YYYY51 of the Administrative Code of The City of New York) passed by the City Council, and approved by the Mayor on October 29, 1982, the Sponsor of a conversion to cooperative ownership in New York City must establish a reserve fund ("Local Law 70 Reserve Fund") to be used exclusively for making capital repairs, replacements and improvements necessary for the health and safety of the residents of the buildings involved. Local Law 70 provides that the Local Law 70 Reserve Fund be in an amount equal to either (a) 3% of the price of all shares based on the last price to tenants in occupancy prior to the effective date (the "total price"), or (b) 3% of actual sales prices of shares sold at the time the Plan is declared effective (but not less than 1% of the total price) plus supplemental contributions to the Local Law 70 Reserve Fund during the five years after Closing equal to 3% of actual sales prices, and if less than 3% of the total price has been contributed by five years and thirty days after Closing, then the balance up to 3% of the total price shall be contributed at that time.

At the June 27, 1984 Board of Directors meeting the following items on the agenda were adopted:

Transfer Fees - \$5.00 per share on transfer of shares taking place on or after June 27, 1984.

Rental by Owners of Apartments

- a) Rental term would be for a minimum and maximum for one year with an option to renew for an additional year, subject to prior Board approval. The same was to occur only once in a five-calendar year period after the first term ends.
- b) A fee of 10% the annual rental charged, the rental tenant would be paid to the reserve fund before approval was granted.
- c) A rental tenant to be approved by the Board should have a copy of the proposed lease, financial reports, verification of current employment status and an interview with Board member.

32 GRAMERCY PARK OWNERS CORP.
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1984

Note 10 - Wraparound Purchase Money Mortgage (Continued)

The wraparound mortgage provides for constant monthly payments of \$73,609.80 applied to interest at the rate of 8% per annum until April 3, 1989, thereafter, monthly payments of \$110,414.7 applied first to interest at 12% per annum until June 1, 1990, when the entire unpaid principal balance together with all accrued interest thereon becomes due and payable.

Note 11 - Capital Contributed

Contributions in excess of par value	\$2,948,229
Working Capital Fund	25,000
Reserve Fund	443,960
	<u>\$9,417,189</u>

Note 12 - Assessments - Carrying Charges of Apartments

The Board of Directors had fixed the annual maintenance rate at 16.89 per share.

Note 13 - Lease Commitment

At Closing, the Apartment corporation, as landlord, entered into a lease (the "Commercial Lease") with the Sponsor or an entity designated by the Sponsor, as tenant, for portions of the first floor and basement of the Building. The premises subject to the Commercial Lease encompass the store premises and associated basement space, if any.

The term of the Commercial Lease shall be for a period of thirty-nine and one-half years after the Closing Date.

The tenant under the Commercial Lease will pay to the Apartment Corporation a fixed rent in the amount of \$72,000. Said rent is presently sufficient to cover the expenses fairly attributable to the Commercial Space, and it is anticipated that future rent will also be sufficient to cover such expense. In addition, Tenant shall pay as additional rent 11.25% of the increase in the operating costs, which includes fuel and water only, for any calendar year over the operating costs incurred in the calendar year 1983 and 11.25% of the increase in the real property taxes in excess of the real property taxes for the tax year 1983/84. This percentage represents the approximate amount of space in the building occupied by the six operating stores, one vacant store and parking garage.

**32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1984**

Note 6 - Deposits - Payroll and Utility

Amounts advanced for payroll reserves for management account	\$ 6,000
Utility Deposit - Con Edison	<u>38,500</u>
	<u>\$ 44,500</u>

Note 7 - Due to Management Agent

The operating account is maintained at Chemical Bank and supervised by the management agent. The account has an overdraft which has been determined is the obligation of the sponsor (due to arrears - Note 2). The interest incurred as a result of the overdraft is not charged by the banks, visa vis the sponsor, to the corporation account.

Note 8 - Accounts Payable

Accounts Payable contains \$7,990 due to the Sponsor for the collection of real estate escalation charges from commercial renters.

Note 9 - Notes Payable

The acquisition of property took place pursuant to the Offering Plan to convert the premises at 32 Gramercy Park South to cooperative ownership. The plan provided for a working capital fund of \$25,000. The Plan provided for a reserve fund of \$443,960.35 to be funded at the time of closing. \$10,000 of the working capital fund was applied towards closing adjustments which were in the Seller's favor. Purchaser executed a note in the amount of \$125,915.78 plus interest at 10% maturing one year from the date of closing.

Note 10 - Wraparound Purchase Money Mortgage

The mortgage in the original principal amount of \$11,041,470 includes the unpaid principal balance of a first mortgage held by 32 Gramercy Park South Associates in the amount of \$7,360,980. The first mortgage provides for equal monthly installments of interest only of \$46,006.13 @ 7.5% per annum until June 2, 1984, thereafter \$58,274.03 per month at 9.5% per annum until June 2, 1988, and thereafter \$79,743.95 per month at 13% per annum until June 2, 1990, when the entire principal balance becomes due and payable.

**32 GRAMERCY PARK OWNERS CORP.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 1984**

Note 2 - Co-op Maintenance Receivable

Tenant Shareholders	\$ 10,505
Sponsor Owned Apartments and Commercial Lease	532,061
	<u>\$542,566</u>

Examination of subsequent months reflect that the arrears pertaining to the above categorized receivables have been collected during the month of January 1985. As of April 30, 1985, the sponsor account is prepaid in the amount of \$689.

Note 3 - Escrow Deposits

The first mortgage provides for monthly payments of 1/12 the annual taxes.

Balance acquired at closing 4/5/84		\$ 49,793
Payments for escrow through 1984		263,806
Available		<u>\$313,599</u>
Taxes paid from escrow		
Property 7/ 1/84 - 12/31/84	\$203,596	
Water and Sewer	<u>17,381</u>	220,977
Balance 12/31/84		<u>\$ 92,622</u>

Note 4 - Prepaid Expenses and Deferred Charges

Prepaid Expenses and Deferred Charges consist of the following:

Prepaid Insurance		\$4,282
Deferred Interest Charges		245
		<u>\$4,527</u>

Note 5 - Land Building and Improvements

Land, Building and Improvements are stated at cost less accumulated depreciation. Building and building improvements are being depreciated on the straight-line method over their estimated useful lives of 35 years and 18 years respectively.

**32 GRAMERCY PARK OWNERS CORP.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1984**

General:

The Apartment Corporation has been formed under the Business Corporation Law of the State of New York on September 9, 1981. It has only one class of stock consisting of an authorized capital of 113,000 shares of the par value of \$1.00 each, of which 99,761 shares are to be issued under this Offering Plan. The By-Laws set forth in Part II of the Plan require not less than three (3), nor more than seven (7) Directors. The Apartment Corporation shall be managed by its Board of Directors. All officers and directors serve without compensation. Each shareholder will be entitled to one (1) vote for each share held. In all elections of directors of the Corporation, each shareholder shall be entitled to as many votes as shall equal the number of votes which he would be entitled to cast for the election of directors with respect to his shares, multiplied number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be votes for, as he may see fit. To the extent allowed by law, the Apartment Corporation shall indemnify officers and directors except to the extent they breach their duty.

The Apartment Corporation will have a lien on each shareholder's shares to secure payment of maintenance charges. The Apartment Corporation may refuse to consent to the transfer of the shares of a shareholder until any indebtedness to the Apartment Corporation is paid.

The Apartment Corporation's by-laws may be amended by a vote of shareholders owning two-thirds (2/3) of the amount of the outstanding shares or at any meeting of the Board of Directors by a majority vote.

Note 1 - Cash and Cash Equivalents (Reserve Fund)

Chemical Bank Money Market	\$174,020
Dollar Dry Dock 6 Months CD @ 11.75% due April 22, 1985	100,000
National Bank of New York City 6 Months CD @ 9.85% due April 22, 1985	100,000
Seamen's Bank for Savings 6 Months CD @ 11.34% due April 22, 1985	100,000
Accrued Interest Receivable	6,317
	<u>\$480,347</u>

**32 GRANERCY PARK OWNERS CORP.
STATEMENT OF CHANGE IN FINANCIAL POSITION
INCEPTION APRIL 5, 1954 TO DECEMBER 31, 1984**

SOURCE OF FUNDS

From Operations:

Net Loss for Period Ended December 31, 1984	\$ (331,113)
Adj Expense not Requiring Cash Expenditures	
Depreciation	<u>354,949</u>
Funds Provided from Operations	23,836

Other Sources:

Issuance of Corporate Shares	9,516,950
Wraparound Mortgage Payable	11,041,740
Incurrence of Current Liabilities	<u>689,133</u>

Total Funds Provided 21,271,659

FUNDS APPLIED

Acquisition of Property	20,107,103
Deposit Requirements	
Payroll	\$ 6,000
Utility	38,500
Mortgage Escrow	<u>92,622</u>
Uncollected Co-op Maintenance	137,122
Prepaid Expenses and Deferred Charges	542,560
	<u>4,507</u>

INCREASE IN CASH BALANCE \$ 480,301

Cash at April 5, 1984	\$ -
Cash at December 31, 1984	<u>480,301</u>

INCREASE IN CASH BALANCE \$ 480,301

32 GRAMERCY PARK OWNERS CORP.
 SCHEDULES
 INCEPTION APRIL 5, 1984 TO DECEMBER 31, 1984

Schedule 1 - Administrative Expense

Management Fee	\$ 29,433
Miscellaneous and Office	4,389
Telephone	438
Professional Services	<u>3,263</u>
Total Administrative Expense	\$ <u>37,623</u>

Schedule 2 - Operating Expenses

Payroll	\$112,567
Payroll Taxes	11,107
Union Welfare and Pension	15,377
Fuel	55,705
Electric and Gas	23,245
Insurance	12,565
Water and Sewer Rent	<u>20,824</u>
	\$ <u>251,391</u>

Schedule 3 - Maintenance Expense

Elevator Maintenance and Repairs	\$ 7,300
Building Supplies	6,800
General Repair and Maintenance	1,100
Plumbing	1,100
Carpentry	1,100
Electrical	<u>600</u>
	\$ <u>18,000</u>

**32 GRAMERCY PARK OWNERS CORP.
STATEMENT OF OPERATIONS AND DEFICIT
INCEPTION APRIL 5, 1984 TO DECEMBER 31, 1984**

INCOME

Assessments - Carrying Charges of Apartments - Note 12	\$1,250,609	
Leasing Income Commercial and Professional - Note 13	53,220	
Laundry	7,096	
Other Income - Interest	21,890	
Reserves for Capital Improvements Provided from percentage of Sponsor Owned Apartments Sold - Note 14	<u>16,825</u>	
Total Income		\$1,349,640

Cost of Operations

Administrative Expense - Schedule 1	37,623	
Operating Expense - Schedule 2	251,490	
Maintenance Expense - Schedule 3	19,955	
Interest	662,890	
Property Taxes	289,395	
Mortgage Tax	<u>55,815</u>	
Total Expenses		<u>1,317,168</u>

Operating Income Before Depreciation and Provision for Franchise Taxes	<u>32,472</u>
Less: Depreciation	<u>312,623</u>

Loss from Operations before Provision for Franchise Taxes (280,151)

Provision for Federal Income and Franchise Taxes 9,643

Net Loss (331,113)

Retained Earnings at April 5, 1984

Deficit @ December 31, 1984 (731,113)