

FOURTH 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 Fourth Amendment as follows:

I. Pursuant to the provisions of 13 NYCRR 18.7(aa) regulation promulgated by the Department of Law on August 8, 1986, Sponsor is required to inform all owners and prospective owners of the following: an asbestos report must be made by a qualified expert and filed with the Building Department of the City of New York by May 8, 1987. It is the Sponsor's responsibility to hire a qualified expert to perform such test as are necessary to determine whether Asbestos Containing Material "ACM" is present in insulating or fireproofing material any where in the building. Such asbestos report shall contain at the following:

i) The qualifications of the person preparing the report.

ii) A detailed inventory of the asbestos in each apartment and in all other areas of the property, including the location, amount of ACM, type and concentration of asbestos is the ACM, and condition; whether the presence of any of the ACM poses an immediate health or safety hazard; which apartment, if any, were not examined and a description of efforts made to gain access to any such apartments.

iii) Recommendations for handling each and every item of the asbestos inventory, i.e., removal, enclosure, encapsulation, or leaving undisturbed.

iv) How the recommendations should be implemented, whether apartments must be vacated or whether use of certain rooms will be limited and the projected duration thereof and whether the work must be performed in compliance with New York City Local Law 76 of 1985 or any of the applicable laws.

v) A recommended protocol for the future handling and maintenance of asbestos which will remain in the building, whether encapsulated, enclosed or left undisturbed.

Subscribers have the right to delay closing on their individual units until 30 days after the amendment containing the asbestos report is served.

Sponsor is responsible for expeditiously carrying out the expert's recommendations contained in the report prior to the transfer of title to the apartment corporation.

A lawsuit was brought to invalidate the emergency asbestos regulations Application of Council for Owner Occupied Housing, Inc., vs. Robert Abrams Supreme Court, Albany County, Index No. 9505-86.

On October 6, 1986, Justice John G. O'Connor issued an opinion invalidating that part of the regulations set forth above and Department of Law appealed the adverse decision and lost.

Sponsor is required to pay for and file asbestos survey reports, a copy which is included herewith in compliance with the Department of Law.

II. Annexed hereto as Exhibit A is a copy of the Asbestos Survey Report prepared by Barnes Jarnis/Hygeia, Inc.

III. In accordance with the New York City Transfer Tax imposed by Section 46.10 of Title II of Chapter 46 of the Administrative Code, which went into effect July 8, 1986, the seller of shares of stock in a cooperative housing corporation must pay a tax on the transfer of certain co-op shares. However, the seller may transfer this obligation to the purchaser as a condition to the Contract of Sale. In the event that the seller does not pay all or any part of this tax, the buyer shall be fully liable for any and all such tax due and owing.

IV. Annexed hereto as Exhibit B is a copy of the revised Attorney's Income Tax Opinion Letter which was amended to reflect the change in the tax law effective January 1, 1987.

V. There are no other changes to this Offering Plan.

Dated: May 8, 1987
New York, New York

ANBY ASSOCIATES
Sponsor

EXHIBIT A

HYGEIA INC.
58 Guinan Street
Waltham, MA 02154
(617) 647-9475

BARNES AND JARNIS, INC.
216 Tremont Street
Boston, MA 02116
(617) 542-6521

May 1, 1987

Mr. Lawrence E. Goldschmidt, Esq
Goldschmidt, Oshatz and Saft
M.J. Raynes Incorporated
655 Madison Avenue
New York, New York 10021

Subject: Asbestos Survey Conducted at 32 Gramercy Park South,
New York, New York 10010

Dear Mr. Goldschmidt:

On January 19, 1987, an asbestos survey was conducted at 32 Gramercy Park South. Outlined within this report are those locations where asbestos-containing material was found, the results of the bulk samples taken and recommendations for an asbestos abatement program. In addition, an estimated cost is given for the recommended asbestos abatement.

This survey was conducted by personnel from HYGEIA INC. and Barnes and Jarnis, Inc., under the direct supervision of Marianna J. Thorpe and Richard J. Miller. Ms. Thorpe is a Principal Consultant for Hygeia Inc. and is a Certified Industrial Hygienist. She, along with her two partners, formed this industrial hygiene consulting firm in April, 1983, which specializes in asbestos assessment services. Ms. Thorpe has conducted and supervised crews in asbestos assessment and abatement monitoring projects around the country in schools, office buildings, hospitals, and residential properties.

Mr. Miller is a principal of Barnes and Jarnis, Inc. and is a Registered Professional Engineer and a Certified Asbestos Consultant. He is the Executive Director of the Asbestos Abatement Management Division of Barnes and Jarnis, Inc. Over the past three years he has conducted and supervised the survey, assessment and preparation of specifications as well as the construction supervision for numerous major asbestos abatement projects in the Northeast.

Mr. L. Goldschmidt
May 1, 1987
Page 2

32 GRAMERCY PARK SOUTH

QUANTITIES AND CONDITIONS

The condition of the asbestos-containing material was assessed by the surveyors to be either "Good", "Fair", or "Poor". These categories are described below.

- Good:** Asbestos-containing material in good condition is whole and complete and typical of new insulation. As such, it should not be expected to release airborne asbestos unless severely damaged. In this case, there is no immediate hazard of airborne asbestos and no corrective action is necessary.
- Fair:** Asbestos-containing material in fair condition is generally complete but shows some limited signs of damage or deterioration. As such, it would be expected to release airborne asbestos when disturbed. In this case, there is the potential hazard of airborne asbestos and the damaged material should be repaired and made complete.
- Poor:** Asbestos-containing material in poor condition is generally severely damaged or deteriorated, with possible pieces missing. As such, it would be expected to be releasing airborne asbestos due to simple building motion or air currents. In this case, there is an immediate hazard of airborne asbestos and the material should be removed, since it will generally be beyond repair.

Quantities and Conditions (continued)

The condition and areas where asbestos-containing insulation were found are as follows:

Basement

Steam Room

Pipe insulation; <6-in. dia. - 205 linear ft., fair to poor

Pipe insulation; 6 to 12-in. dia. - 95 linear ft., fair

Pipe insulation; >12-in. dia. - 60 linear ft., poor

Pipe joint insulation; <6-in. dia. - 5 joints, fair

Pipe joint insulation; 6 to 12-in. dia. - 4 joints, fair

Tank insulation - (2 tanks) 530 sq. ft. (total), fair

Storage/Trunk Room

Pipe insulation; <6-in. dia. - 40 linear ft., fair to poor

Superintendent's Office

Pipe insulation; <6-in. dia. - 20 linear ft., fair

Store Room (Behind Superintendent's Office)

Pipe insulation; <6-in. dia. - 10 linear ft., fair

Pipe insulation; 6 to 12-in. dia. - 20 linear ft., good to fair

Shop

Pipe insulation; <6-in. dia. - 45 linear ft., fair

Employee Lounge/Bathroom

Pipe insulation; <6-in. dia. - 95 linear ft., fair

Basement (continued)

Laundry Room

Pipe insulation; <6-in. dia. - 45 linear ft., fair to poor

Electric Meter Room

Pipe insulation; <6-in. dia. - 120 linear ft., fair to poor

Corridor

Pipe insulation; <6-in. dia. - 35 linear ft., fair

Roof

Cooling Tower

Corrugated panels; 1600 sq. ft., good to fair

During the survey an attempt was made to inspect all apartments. However, we were only able to gain access to the following units.

2A	4D	6D	8L	10M	13B	16A
2B	4E	6F	8M	11A	13C	16C
2C	4F	6G	9A	11B	13D	16D
2D	4G	6K	9B	11D	13F	16E
2F	4H	6L	9C	11E	13G	16J
2H	4J	7A	9D	11F	13L	17A
2J	4K	7C	9F	11G	14A	17B
2L	4M	7D	9G	11H	14B	17D
2M	5A	7F	9H	11J	14C	17E
3A	5B	7G	9J	11K	14D	17F
3C	5C	7J	9L	11M	14E	18A
3E	5D	7K	10A	12A	14F	18C
3F	5F	7L	10B	12B	14G	18D
3G	5J	7M	10C	12D	14H	18E
3J	5K	8A	10D	12F	14J	18F
3K	5L	8B	10E	12H	15A	18G
3L	5M	8C	10F	12K	15C	
4A	6A	8D	10H	12L	15E	
4B	6B	8G	10K	12M	15F	
4C	6C	8J	10L	13A	15G	

Mr. L. Goldschmidt
May 1, 1987
Page 5

32 GRAMERCY PARK SOUTH

No exposed asbestos-containing materials were found in these apartments. It is our opinion that these apartments are representative of the building, and that no exposed asbestos material is present in the other apartments.

The following areas were inspected and no exposed asbestos-containing materials were found.

Basement

Compactor Room

1st Floor

Lobby
Mail Room

All: Compactor Rooms
Hallways
Stairwells

It can be assumed that pipes are present in enclosed and sealed pipe chases, and these pipes may or may not be insulated.

SAMPLE RESULTS

Bulk samples were collected from various locations and analyzed for their asbestos content. The analytical results are as follows.

HB-01 14th Floor, Apartment 14G, Air Conditioning Insulation
No Asbestos Detected. Cellulose Fiber 100%

HB-2A Roof, Cooling Tower, "Transite" Panels
Asbestos (Chrysotile 40%, "Amosite" traces) 40%, Gypsum 20%, Clay and Opaque 40%

HB-3 Roof, Elevator Room, Pipe Insulation
No Asbestos Detected. Cellulose Fiber 95%, Calcite and Clay 5%

HB-4 Roof, Store Room, Pipe Insulation
No Asbestos Detected. Cellulose Fiber 90%, Clay and Opaque 10%

HB-5A Roof, East Stairwell, Pipe Insulation
No Asbestos Detected. Cellulose Fiber 80%, Glass fragments 5%, Clay and Opaque 15%

Mr. L. Goldschmidt
May 1, 1987
Page 6

32 GRAMERCY PARK SOUTH

HB-6A Basement, Store Room Behind Superintendent's Office, Duct Insulation

No Asbestos Detected. Calcite 15%, Gypsum 75%, Clay 10%

HB-6B Basement, Corridor, Duct Insulation

No Asbestos Detected. Calcite 10%, Gypsum 5%, Vermiculite 60%, Quartz 5%, Clay and Opaque 20%

HB-7A Basement, Employee Lounge/Bathroom, Pipe Insulation

Asbestos (Chrysotile) 25%, Cellulose Fiber 40%, Gypsum/Anhydrite 5%, Binder 20%, Clay 10%

HB-8A Basement, Steam Room, Pipe Insulation

Asbestos (Chrysotile) 40%, Cellulose Fiber 35%, Calcite and Quartz 10%, Gypsum/Anhydrite 10%, Clay 5%

HB-9A Basement, Electric Meter Room, Pipe Insulation

No Asbestos Detected. Cellulose Fiber 80%, Gypsum and Calcite 5%, Glass Framents 10%, Clay 5%

HB-10 Basement, Steam Room, Pipe Insulation

Asbestos (Chrysotile 55%, "Amosite" traces) 55%, Cellulose Fiber 25%, Calcite and Quartz 5%, Clay and Opaque 15%

HB-11A Basement, Steam Room, Tank Insulation

Asbestos (Chrysotile 35%, "Amosite" 20%) 55%, Calcite and Quartz 10%, Gypsum/Anhydrite 5%, Vermiculite 20%, Binder 10%

HB-12 Basement, Steam Room, Pipe Insulation

Asbestos (Chrysotile) 35%, Calcite, Quartz and Gypsum 30%, Vermiculite 15%, Clay and Opaque 20%

HB-13A Basement, Steam Room, Joint Insulation

Asbestos (Chrysotile) 40%, Cellulose Fiber 10%, Calcite and Gypsum 20%, Quartz 10%, Clay 20%

HB-13C Basement, Compactor Room, Joint Insulation

Asbestos (Chrysotile) 15%, Glass Fiber 5%, Cellulose Fiber 30%, Mineral Wool 30%, Gypsum 15%

HB-14 Basement, Steam Room, Valve Insulation

No Asbestos Detected. Cellulose Fiber 60%, Gypsum 30%, Clay 10%

The bulk samples were analyzed at the HYGEIA Inc. laboratory by using the polarized light microscopic method at magnifications ranging from 20x to 400x. The estimated phase abundances are given in weight percent and are accurate to within 10 to 15 percent. This method, recommended by the U.S. Environmental Protection Agency (EPA), is sensitive to the presence of asbestos to less than one percent by weight.

Mr. L. Goldschmidt
May 1, 1987
Page 7

32 GRAMERCY PARK SOUTH

The HYGEIA Inc. laboratory is accredited by the American Industrial Hygiene Association for asbestos analysis, and participates in the EPA Quality Assurance Program for bulk asbestos samples administered by the Research Triangle Institute, Research Triangle Park, North Carolina.

DISCUSSIONS AND RECOMMENDATIONS

Basement

The majority of pipe and tank insulation found in the Basement contains asbestos. The pipe insulation in the Storage Room, Laundry Room, Electric Meter Room, and Steam Room is in fair to poor condition and should be removed and reinsulated. Although some of the pipe and valve insulation in these rooms did not contain asbestos, we recommend their removal due to their generally fair to poor condition and immediate proximity to asbestos-containing pipe insulation. The tank insulation is in fair condition and a small amount of pipe insulation in the store room is in good to fair condition. It is recommended that this material be removed at the same time the other abatement work is done. This would eliminate all exposed friable asbestos insulation from the basement.

Roof

Asbestos-containing, hard transite panels surrounding the water tank are in good to fair condition and do not present a hazard as long as they remain intact. However, workers should avoid cutting or sawing these panels without proper precautions and protection. The pipe insulation found on the roof and in the east stairwell did not consist of asbestos-containing insulation.

All asbestos abatement work will be done according to all applicable Federal, State, and local laws, with particular attention to New York Local Law No. 76.

RECOMMENDED PROTOCOL

The following protocol is recommended for the future handling and maintenance of asbestos which will remain in the building, whether encapsulated, enclosed, or left undisturbed.

The owner shall designate an Asbestos Coordinator who will be responsible for coordinating all activities in the building which might cause a disturbance of asbestos-containing materials.

The Asbestos Coordinator shall notify the building manager, all building employees, and all contractors whose work may disturb asbestos-containing materials of their duties and responsibilities with respect to these materials through memoranda substantially in the form as shown in the appendix.

Upon notification from building management and/or maintenance personnel that a potential asbestos-containing material has been identified, the Asbestos Coordinator should initiate the following procedures:

- a. A qualified Industrial Hygiene Consultant will be contacted to sample the material to determine whether or not it contains asbestos.
- b. If the material does not contain asbestos, the Asbestos Coordinator will be notified, and maintenance personnel will be able to perform their work in the building.
- c. If the material does contain asbestos, the Asbestos Coordinator will be notified, and a qualified abatement contractor will be contacted. The Abatement Contractor will be required to clean up any debris found, as well as remove the asbestos-containing materials to a point where maintenance personnel and/or an outside contractor can safely perform their work. All of the work done by the Abatement Contractor will be accomplished under the supervision of the Industrial Hygiene Consultant. The Industrial Hygiene Consultant will also certify that the work has been accomplished in accordance with all applicable regulations and that the area in question meets the clean air criteria and can be reoccupied.

Mr. L. Goldschmidt
May 1, 1987
Page 9

32 GRAMERCY PARK SOUTH

SUMMARY

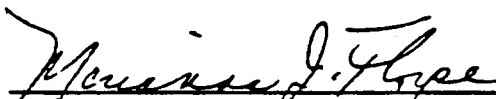
Until such time as all asbestos-containing materials are eliminated, building maintenance personnel, occupants, and outside contractors should be alerted to the presence of these materials in the building.

In closing, regardless of which abatement alternative is chosen, it is recommended that the work be implemented by a qualified abatement contractor under the direction of a qualified asbestos abatement consultant.

If we can be of any further assistance to you, or if you have any question at all concerning this report, please do not hesitate to contact us.

Sincerely yours,
HYGEIA INC. AND BARNES AND JARNIS, INC.

Approved by:


Marianna J. Thorpe, C.I.H.
Principal Consultant

Approved by:


Richard J. Miller, P.E., C.A.C.
Principal Consultant

A P P E N D I X

TO: All Building Managers

DATE:

SUBJECT: Asbestos-Containing Materials

This is to advise you that asbestos-containing materials may be present in the properties that we own or manage. These materials are found primarily as insulation on pipes, tanks, boilers and other mechanical equipment. In addition, asbestos may be found in ceiling materials such as plaster or sprayed on fireproofing. There is also the possibility of pipes in chases and enclosures being covered with asbestos-containing insulation.

Management has decided in light of the potential health hazards of asbestos that no employee should come in contact with these materials. Therefore, the following procedures should be instituted immediately.

1. Management personnel shall not handle, work on, or disturb any equipment, piping, or ceilings which are insulated with asbestos-containing materials.
2. Require all building and maintenance personnel to immediately notify Building Manager if any damaged asbestos-containing materials are observed.
3. If notified of above, or similar conditions are observed during routine building inspections, the Asbestos Coordinator* should be notified immediately.
4. Until such time as repair or removal of damaged asbestos-containing materials occur, access to contaminated area must be prohibited.
5. Require all Contractors working in the building to notify Building Manager prior to commencing any activities.
6. Require all Contractors whose work may disturb asbestos-containing materials to provide evidence that they are qualified to work with said materials. If not, Contractor must be ready to supply a qualified abatement contractor to deal with the asbestos-containing materials.

In addition to this memo, Management is preparing similar memos outlining procedures for all building and maintenance personnel, and outside contractors to follow when dealing with asbestos-containing materials.

Management is prepared to conduct an asbestos training course for all management personnel to provide procedures for operating in an asbestos containing environment.

Asbestos Coordinator*

Name _____
Title _____
Address _____
Phone Number _____

TO: All Contractors

DATE:

SUBJECT: Asbestos-Containing Materials

As a result of the presence of asbestos-containing materials at this property and the potential health hazards caused by disturbing these materials, the following policies are being instituted immediately.

1. Prior to performing any work at the property, the Building Manager must be notified.
2. If proposed work involves equipment covered with or materials containing asbestos, or the proposed work may disturb asbestos-containing materials, the Contractor must provide evidence that they are qualified to work with these materials.
3. If the Contractor is not qualified, they must supply a qualified abatement contractor to deal with the asbestos-containing materials.
4. Qualifications for working with asbestos must be approved by the Asbestos Coordinator* prior to any work being accomplished.

Asbestos Coordinator* - Name _____
Title _____
Address _____
Phone Number _____

TO: All Employees

DATE:

SUBJECT: Asbestos-Containing Materials

This is to advise you that you may find asbestos-containing insulation materials in the building (s) where you work. This insulation is present primarily on pipes, tanks, boilers and may be present in some ceiling material. There is also the possibility of pipes covered with asbestos being present behind walls or above ceilings.

If your work requires you to disturb or come in contact with material which you suspect may contain asbestos, contact your building manager. Do not touch this material. The building manager will contact the appropriate people to determine whether or not this material contains asbestos, and will take the necessary steps to properly remove this material so that you can do your work.

Asbestos can cause serious bodily harm if you disturb it and inhale the fibers. There are two things which you must remember:

1. Contact your building manager if you think you might have to disturb materials which may contain asbestos.
2. Contact your building manager if you observe anyone else disturbing materials which may contain asbestos.

GOLDSCHMIDT, OSHATZ & SAFT

ATTORNEYS AT LAW

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TELECOPIER
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TELEX
488308

May 8, 1987

EXHIBIT B

32 Gramercy Park Owners Corp.
c/o 32 Gramercy Park South
New York, New York

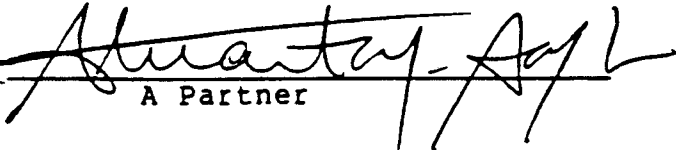
Re: 32 Gramercy Park South
New York, New York

Gentlemen:

Reference is made to the July 20, 1983 Counsel's Tax Opinion to 32 Gramercy Park Owners Corp. contained within the Offering Plan to convert the above referenced premises to cooperative ownership. The Opinion, by Sonnenschein, Sherman & Deutsch, stated that it was based on the assumption that "at the time of closing title under the Plan, [shares] would be held by an individual or individuals, provided by the seller, [or] the seller itself or its nominee." At the time the Opinion was written, Section 216(b)(2) of the Internal Revenue Code of 1954, as amended, provided that unsold shares had to be held by an "individual." As a result of the amendment to Section 216(b)(2) by Section 644(a)1A, et. seq. of the Tax Reform Act of 1986, stock in a cooperative corporation can now be held by a "person." The definition of person found elsewhere in the Internal Revenue Code has been incorporated into Section 216 and therefore includes corporations, partnerships and other entities.

Very truly yours,

GOLDSCHMIDT, OSHATZ & SAFT

BY: 
A Partner

FIFTH 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 Fifth Amendment as follows:

I. The current maintenance per share per year is \$19.4467 or \$1.621 per share per month.

II. The 1987 Board of Directors consists of the following officers and directors:

Robert J. Ettinger	President
Bernard Iser	Vice President
Christopher Graham	Treasurer
Wendy Noll	Secretary
Donald Levy	Assistant Secretary
Lynn Fagan	Director
John Mulcahy	Director

Messrs. Graham and Mulcahy and Ms. Noll are tenant-shareholders.

III. Annexed hereto as Exhibit A is a copy of the 1987 Budget for the Cooperative Corporation.

IV. Annexed hereto as Exhibit B is a copy of the 1985 and 1986 Financial Statements for the Cooperative Corporation.

V. Annexed hereto as Exhibit C is a list of the unsold shares held by the Sponsor and the apartments to which those share are allocated to.

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

Dated: August 10, 1987
New York, New York

ANBY ASSOCIATES
Sponsor

EXHIBIT A

32 GRAMERCY PARK OWNERS
PROJECTED OPERATING BUDGET
1/1 - 12/31/87

	7 MONTHS ESTIMATED ACTUAL 1986	PROJECTED BUDGET 1987
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INCOME		
<hr/>		
MAINTENANCE	\$1,046,796	\$1,818,538
RENT/GARAGE		72,000
COMMERCIAL & PROFESSIONAL		10,200
OTHER (A)	5,040	
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TOTAL INCOME	\$1,051,836	\$1,900,738
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EXPENSES		
<hr/>		
PAYROLL & REL. CHARGES (B)	\$131,462	\$226,402
GENERAL OPERATING (C)	325,668	683,846
UTILITIES (D)	35,697	132,067
SERVICE CONTRACTS (E)	25,658	15,664
REPAIRS & MAINTENANCE (F)	157,735	68,000
DEBT SERVICE (G)	380,074	1,048,800
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TOTAL EXPENSES (1)	\$1,056,294	\$2,174,779
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NET CASH FLOW (DEFICIENCY)	(\$4,458)	(\$274,041)
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32 GRAMERCY PARK OWNERS
 PROJECTED OPERATING BUDGET
 1/1 - 12/31/87
 SUPPORTING SCHEDULES

	7 MONTHS ESTIMATED ACTUAL 1986	PROJECTED BUDGET 1987
A) OTHER INCOME		
LAUNDRY	\$4,800	\$9,600
STORAGE		
MISCELLANEOUS	240	600
TOTAL OTHER INCOME	\$5,040	\$10,200
B) PAYROLL & REL. CHARGES		
GROSS PAYROLL	\$99,961	\$190,175
PAYROLL TAXES	10,680	16,118
PENSION & WELFARE	20,821	20,109
TOTAL PAYROLL & REL. CHARGES	\$131,462	\$226,402
C) GENERAL OPERATING		
INSURANCE	\$22,377	\$56,000
REAL ESTATE TAXES	248,930	547,646
PERMIT, FEES & DUES	243	500
TELEPHONE	534	1,000
ACCOUNTING & AUDITING FEES		3,000
LEGAL FEES	5,000	3,000
ENGINEERS & ARCHITECTS		3,000
PROFESSIONAL & CONSULTANTS	6,061	5,000
MANAGEMENT FEES	20,417	35,000
UNIFORMS	782	8,000
MISCELLANEOUS OPERATING	6,971	6,500
VAULT TAX		
CORPORATE TAXES	14,353	15,200
TOTAL GENERAL OPERATING	\$325,668	\$683,846
D) UTILITIES		
STEAM HEAT	\$19,457	\$81,770
ELECTRICITY	10,029	34,000
SUPER'S APARTMENT	604	1,000
FUEL - GAS/OIL		
GAS - COOKING	3,205	7,051
GAS - HEAT		
WATER & SEWER	2,402	8,246
TOTAL UTILITIES	\$35,697	\$132,067

32 GRAMERCY PARK OWNERS
 PROJECTED OPERATING BUDGET
 1/1 - 12/31/87

SUPPORTING SCHEDULES

	7 MONTHS ESTIMATED ACTUAL 1986	PROJECTED BUDGET 1987
	-----	-----
E) SERVICE CONTRACTS		

AIR CONDITIONING		
ELEVATOR	18,050	13,384
EXTERMINATING	740	1,680
TRASH REMOVAL		
OTHER CONTRACTS		
WATER TREATMENT		
WATCH/SECURITY SERVICE	6,868	600
	-----	-----
TOTAL SERVICE CONTRACTS	\$25,658	\$15,664
	=====	=====
F) REPAIRS & MAINTENANCE		

GENERAL BUILDING	\$73,463	\$23,000
AIR CONDITIONING	2,483	2,500
ELEVATORS	4,105	6,500
ELECTRICAL	18,387	8,000
HEATING/ PLUMBING/ BOILER	29,182	5,000
INTERCOM/SECURITY	13,418	
ROOF & BUILDING		
TENANTS	2,852	3,000
BUILDING SUPPLIES	13,845	20,000
	-----	-----
TOTAL REPAIRS & MAINT.	\$157,735	\$68,000
	=====	=====
G) DEBT SERVICE		

FIRST MORTGAGE	\$380,074	\$1,048,800
SECOND MORTGAGE		
NOTE PAYABLE		
NOTE PAYABLE SPONSOR		
NOTE PAYABLE OTHER		
	-----	-----
TOTAL DEBT SERVICE	\$380,074	\$1,048,800
	=====	=====

EXHIBIT B

32 GRAMERCY PARK OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 1985

POLLACK, SAGE AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

We have examined the balance sheet of 235 Gramercy Park Owners Corp. as at December 31, 1985 and the related statements of operations and retained earnings 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 tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as set forth in the following paragraph.

Because of major inadequacies in the company's accounting records for the year ended December 31, 1985, we were unable to apply all of the auditing procedures necessary to enable us to express an opinion on the results of operations and changes in financial position for the year ended December 31, 1985 or on the consistency of application of accounting principles with the preceding year. Omitted procedures included verification of creditors' invoices, payroll, payroll tax deposits, review of corporate minutes and obtaining of attorney's confirmation and a representation letter from the managing agent. Therefore, we are unable to express an opinion on the company's statements of income, retained earnings and changes in financial position for the year ended December 31, 1985.

Because we could not apply auditing procedures, as noted in the preceding paragraph, the scope of our examination was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to above.

Pollack Day & Co

32 GRAMERCY PARK OWNERS CORP.
BALANCE SHEET
AS AT DECEMBER 31, 1985

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$ 295,580	
Due From Managing Agent (Note 7)	253,066	
Interest Receivable	10,147	
Co-op Maintenance Receivable (Note 2)	106,887	
Prepaid Expenses and Deferred Charges (Note 4)	<u>125,328</u>	
Total Current Assets		\$ 791,008

Land, Building and Improvements (Note 5)

Land	3,005,046	
Building and Improvements	<u>17,165,979</u>	
Total Cost	20,171,025	
Less: Accumulated Depreciation	<u>(891,343)</u>	
Net Land, Building and Improvements		19,279,682

Other Assets

Deposits - Payroll and Utility (Note 6)		<u>49,510</u>
---	--	---------------

TOTAL ASSETS \$20,120,200

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts Payable (Note 8)	\$ 16,642	
Accrued Expenses and Payroll Taxes Payable	162,812	
Escrow Payable (Note 4)	72,190	
Notes Payable (Note 9)	127,794	
Income Taxes Payable	<u>9,476</u>	
Total Current Liabilities		388,914

Wraparound Purchase Money Mortgage (Note 10)		<u>11,041,740</u>
--	--	-------------------

Total Liabilities 11,430,654

Shareholders' Equity

Capital Stock - Common - Authorized 113,000 Shares @ \$1.00 Par Value, issued and out- standing 99,761 Shares	99,761	
Contributed Capital (Note 11)	9,417,189	
Deficit	<u>(827,404)</u>	
Total Shareholders' Equity		<u>8,689,546</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$20,120,200

32 GRAMERCY PARK OWNERS CORP.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1985

INCOME

Assessments - Carrying Charges of Apartments (Note 12)	\$1,683,154	
Leasing Income - Commercial and Professional (Note 13)	72,000	
Lawndry	9,600	
Interest	31,969	
Transfer Fees	<u>31,113</u>	
Total Income		\$1,827,836
 <u>COST OF OPERATIONS</u>		
Administrative Expense - Schedule 1	63,258	
Operating Expense - Schedule 2	356,695	
Maintenance Expense - 3	44,052	
Mortgage Interest	883,318	
Property Taxes	<u>426,633</u>	
Total Expenses		<u>1,773,956</u>
Operating Income Before Depreciation and Provision for Income Taxes		53,880
Less: Depreciation		<u>536,394</u>
Loss From Operations Before Provision For Income Taxes		(482,514)
Provision for Income and Franchise Taxes		<u>18,787</u>
Net Loss		(501,301)
Deficit - December 31, 1984	(331,113)	
Adjustment for 1984 Utility Deposits	<u>5,010</u>	
		<u>(326,103)</u>
Deficit - December 31, 1985		\$ <u>(827,404)</u>

32 GRAMERCY PARK OWNERS CORP.
SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 1985

Schedule 1 - Administrative Expense

Management Fee	\$ 40,000	
Legal and Professional Fees	20,530	
Telephone	416	
Miscellaneous and Office	<u>2,312</u>	
		\$ <u>63,258</u>

Schedule 2 - Operating Expense

Payroll and Related Expenses	\$207,339	
Fuel	72,186	
Electric and Gas	34,950	
Insurance	22,025	
Water and Sewer Rent	7,479	
Other Interest	<u>12,716</u>	
		\$ <u>356,695</u>

Schedule 2 - Repairs and Maintenance

Building supplies	\$ 13,166	
Plumbing	8,356	
Elevator	9,840	
Intercom	431	
Roof	4,518	
Doors and Windows	592	
Electric	1,185	
Exterminator	965	
Appliances	<u>4,999</u>	
		\$ <u>44,052</u>

32 GRAMERCY PARK OWNERS CORP.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1985

SOURCE OF FUNDS

From Operations:

Net Loss From Operations	\$(501,301)
Add: Expense Not Requiring Cash	
Expenditures - Depreciation	536,394

Funds Provided From Operations \$ 35,093

Other Sources:

Decrease in Escrow	164,812
Decrease in Co-op Maintenance Receivable	435,679
Increase in Notes Payable	1,858
Increase in Accrued Expenses and Payroll	
Taxes Payable	85,978
	723,420

FUNDS APPLIED

Decrease in Interest Receivable	10,147
Building Improvements	63,922
Decrease in Due to Managing Agent	615,352
Decrease in Accounts Payable	97,792
Decrease in Income Taxes Payable	167
Increase in Prepaid Expenses and Deferred Charges	120,801
	908,181

Decrease in Cash \$ (184,761)

Cash at December 31, 1984	\$ 480,341
Cash at December 31, 1985	295,580

Decrease in Cash \$ 184,761

32 GRAMERCY PARK OWNERS CORP.
 NOTES TO THE FINANCIAL STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 1985

General:

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 its 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 (Reserve Fund)

Chemical Bank Money Market	\$195,580
Dollar Dry Dock 6 Months CD due January 21, 1986	100,000
	<u>\$295,580</u>

Note 2 - Co-op Maintenance Receivable

Tenant Shareholders	\$ 22,111
Sponsor Owned Apartments and Commercial Lease	84,776
	<u>\$106,887</u>

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1985

Note 3 - Escrow Payable

The first mortgage provides for monthly payments of 1/12 of the annual taxes. Obligations for escrow payments have been advanced by the sponsor.

Note 4 - Prepaid Expenses and Deferred Charges

Prepaid Expenses and Deferred Charges Consist of the following:

Prepaid Real Estate Taxes	\$111,518
Prepaid Insurance	5,348
Deferred Interest Charges	352
Prepaid Water and Sewer Charges	8,110
	<u>\$125,328</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.

Note 6 - Deposits - Payroll and Utility

Amounts advanced for payroll reserves for management account	\$ 6,000
Utility Deposit - Con Edison	43,510
	<u>\$49,510</u>

Note 7 - Due From Management Agent

The operating account is maintained at Chemical Bank and supervised by the management agent.

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 co-operative ownership. The plan provided for a working capita

32 GRAMERCY PARK OWNERS CORP.
 NOTES TO FINANCIAL STATEMENT (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 1985

Note 9 - Notes Payable (Continued)

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 \$125,935.78 plus interest at 10% maturing one year from the date of closing. As of the date of this report, the note remained unpaid.

\$1,858 is due to ECO Premium for Financed Insurance premiums.

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 \$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.

The wraparound mortgage provides for constant monthly payments of \$73,609.80 applied to interest at the rate of 8% per annum until April 5, 1989, thereafter, monthly payments of \$110,414.70 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	\$8,948,229
Working capital Fund	25,000
Reserve Fund	443,960
	\$9,417,189
	\$9,417,189

Note 12 - Assessments - Carrying Charges of Apartments

The Board of Directors had fixed the annual maintenance rate at \$16.92 per share.

Note 13 - Lease Commitment

At Closing, the Apartment Corporation, as landlord, entered

32 GRAMERCY PARK OWNERS CORP.
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1985

Note 13 - Lease Commitment (Continued)

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 expenses. 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.

Note 14 - Income Taxes

This Corporation has not been audited since its inception by any governmental agency for income tax liability.

Internal Revenue Code Section 227 - in as Technical Advice Memorandum issued from the National Office, dated April 17, 1985, the Internal Revenue Service took the position that Section 277 of the Internal Revenue Code applied to cooperative housing corporations. The consequence of that ruling is that income received from non-tenant shareholders (such as commercial or interest income) would be taxable as corporate income subject only to deductions generated in the production of that income. Deductions associated with tenant-shareholders such as expenses incurred in operating the residential part of the building could not be used to reduce non-member income. The position taken by the IRS, if sustained by the courts, could result in assessments for unpaid corporate income taxes, for prior taxable years, as well as interest and penalties.

Taxes that may be due under this memorandum have been provided for in this statement. Provision has been made for Federal

32 GRAMERCY PARK OWNERS CORP.
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1985

Note 14 - Income Taxes (Continued)

Income Tax in the amount of \$4,374 on unrelated business income (interest) in the amount of \$31,969.

Note 15 - Subsequent Events

The Corporation changed Management Agents in 1986. The former agent Steppingstone Management Company has been succeeded by M.J. Raynes Incorporated.

32 GRAMERCY PARK OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 1986

POLLACK EINHORN REISMAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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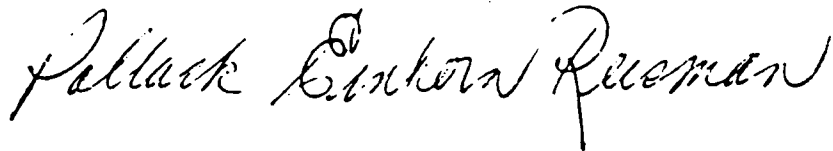
(813) 953-5070

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

We have examined the balance sheet of 32 Gramercy Park Owners Corp. as at December 31, 1986, and the related statement of assessments, mortgage principal payments and operating expenses, statement of changes in tenant shareholders' investment, and statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests 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, 1986, 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.

Great Neck, New York
June 10, 1987

A handwritten signature in cursive script that reads "Pollack Einhorn Reisman". The signature is written in dark ink and is positioned to the right of the typed date.

32 GRAMERCY PARK OWNERS CORP.
BALANCE SHEET
AS AT DECEMBER 31, 1986

ASSETS

Cash and Cash Equivalents (Note 1)	\$	538,006
Co-op Maintenance Receivable (Note 2)		31,981
Sundry Receivables		2,417

Property and Improvements (Note 3)

	<u>Cost</u>	<u>Accum. Deprec.</u>	<u>Net</u>	
Land	\$ 3,005,046	\$ -	\$ 3,005,046	
Building	17,028,596	1,362,288	15,666,308	
Improvements	280,459	18,762	261,697	
	<u>\$20,314,101</u>	<u>\$1,381,050</u>		18,933,051
	=====	=====		

Deferred Charges and Other Assets (Note 4)

Federal Corporation Tax		1,438
Unexpired Insurance		5,428
Prepaid Water and Sewer Charges		8,926
Utility Deposits		38,720
Finance Charges		<u>154</u>

TOTAL ASSETS

\$19,560,121
=====

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Liabilities

Accounts Payable, Accrued Expenses and Payroll		
Taxes Payable	\$	173,789
Income and Franchise Tax Payable		3,919
Notes Payable - ECO Premium		3,186
Due to Sponsor (Note 5)		270,261
Due to Managing Agent		<u>1,299</u>
		<u>452,454</u>

Wraparound Purchase Money Mortgage (Note 6)		11,040,000
---	--	------------

Total Liabilities		11,492,454
-------------------	--	------------

Contingent Liability (Note 11)

<u>Shareholders' Investment - Schedule</u>		<u>8,067,667</u>
--	--	------------------

TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT		\$19,560,121 =====
--	--	-----------------------

32 GRAMERCY PARK OWNERS CORP.
 STATEMENT OF ASSESSMENTS, MORTGAGE PRINCIPAL PAYMENTS AND
 OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 1986

Assessments From Proprietary Tenants (Note 8)		\$1,826,464
Less: Amounts Applicable to Payments of Mortgage Principal		<u>(1,740)</u>
Assessments Applicable to Operations		1,824,724
Other Income:		
Laundry		9,600
Commercial Lease		103,299
Interest		23,868
Dividend		3,030
Miscellaneous		847
Total Resources Applicable to Operations		<u>1,965,368</u>
Operating Expenses:		
Wages and Employee Benefits		
Wages	\$159,513	
Payroll Taxes	31,841	
Pension and Welfare	25,360	216,714
Utilities		
Electric and Gas	39,135	
Heating	125,303	
Water and Sewer	19,663	
Telephone	1,208	185,309
Repairs and Maintenance		
Building Supplies	11,129	
Plumbing	35,144	
Electrical	358	
Elevator	30,324	
Painting	30,727	
Intercom	2,706	
Roof	3,204	
Glass	414	
Air Conditioning	2,483	
Exterminator	633	
Miscellaneous	2,373	119,495
Other Operating Expenses - Schedule		1,563,917
Provision for Franchise Tax		<u>13,845</u>
Total Expense Without Provision for Depreciation		<u>2,099,280</u>
Excess of Expenses Applicable to Operations Over Resources		\$ (133,912) =====

Note: Provision for depreciation of \$489,707 has been excluded from this statement and is shown as a reduction in the statement of Changes in Tenant Shareholders' Investment.

32 GRAMERCY PARK OWNERS CORP.
SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1986

Other Operating Expenses:	
Management Fee	\$ 32,500
Legal and Professional	12,291
Mortgage Interest (Note 8)	966,059
Real Estate Tax (Note 8)	471,966
Transfer Fees	7,110
Miscellaneous Administrative Expense	5,188
Uniforms	804
Licenses and Permits	503
Other Interest Expense	6,465
Insurance	51,691
Disability Insurance	325
N.Y.S. Unemployment Tax	3,024
Federal Unemployment Tax	509
Security	<u>5,482</u>
Total Other Operating Expenses	\$1,563,917 =====

32 GRAMERCY PARK OWNERS CORP.
 STATEMENT OF CHANGES IN TENANT SHAREHOLDERS' INVESTMENT
 FOR THE YEAR ENDED DECEMBER 31, 1986

Capital Stock - Par Value - \$1.00 Par Value Authorized 50,000 Shares, Issued and Out- Standing 99,761 Shares		\$ 99,761
Excess of Net Proceeds Over Par Value of Capital Stock Issued		8,948,229
Contributed Capital:		
Working Capital Fund	\$ 25,000	
Reserve Fund	443,960	
Reduction of Mortgage Principal	<u>1,740</u>	470,700
Operating Expenses in Excess of Tenant Shareholders' Assessments and Other Income:		
Balance - January 1, 1986	\$ 63,939	
Excess of Operating Expenses Over Resources for the Year Ended December 31, 1986		<u>(133,912)</u>
Balance - December 31, 1986		<u>(69,973)</u> 9,448,717
Less: Provision for Depreciation:		
Balance - January 1, 1986	891,343	
For the Year Ended December 31, 1986		
Building	\$475,858	
Building Improvements	<u>13,849</u>	<u>489,707</u>
Balance - December 31, 1986		<u>1,381,050</u>
Tenant Shareholders' Investment - December 31, 1986		\$8,067,667 =====

32 GRAMERCY PARK OWNERS CORP.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1986

CASH PROVIDED

Increase in Escrow	\$197,917
Decrease in Maintenance Receivable	75,060
Decrease in Due From Managing Agent	254,365
Decrease in Prepaid Expenses and Deferred Charges	109,382
Portion of Tenant Shareholders' Assessments Representing Payment of Mortgage Principal	1,740
Decrease in Interest Receivable	10,147
Decrease in Payroll and Utility Deposits	<u>10,790</u>

Total Funds Provided

\$659,401

CASH APPLIED

Decrease in Notes Payable	124,608
Decrease in Income Tax Payable	5,557
Decrease in Accounts Payable, Accrued Expenses and Payroll Taxes	5,665
Increase in Buildings and Improvements	143,076
Excess of Operating Expense Over Assessments and Other Income	133,912
Increase in Sundry Receivables	2,417
Amortization of First Mortgage	<u>1,740</u>

Total Funds Applied

416,975

Increase in Cash

\$242,426
=====

CASH POSITION

January 1, 1986	\$295,580
December 31, 1986	<u>538,006</u>

Increase in Cash

\$242,426
=====

32 GRAMERCY PARK OWNERS CORP.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1986

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	\$530,083
Chemical Bank - Former Management Account	<u>7,923</u>
	\$538,006
	=====

Note 2 - Co-op Maintenance Receivable

Tenant Shareholders'	\$ 22,989
Tenant Shareholders' - Former Management Account	<u>8,938</u>
	\$ 31,827
	=====

Maintenance receivable from the period of the Former Managing Agent have not been accounted for. The new Managing Agent has no outstanding amounts due from shareholders for periods prior to their engagement. In addition, said shareholders may in fact have paid their maintenance, but

32 GRAMERCY PARK OWNERS CORP.
 NOTES TO FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 1986

Note 2 - Co-op Maintenance Receivable (Continued)

due to the inadequacy of Former Agent, funds may have been erroneously deposited to other accounts. The Former Agent has ceased operating since early 1986.

Note 3 - Property and Improvements

Land, Building and Improvements are stated at cost less accumulated depreciation. Building and Improvements are being depreciated on the straight-line method over their estimated useful lives.

Note 4 - Deferred Charges and Other Assets

Expenditures and assumptions of liabilities for insurance attributable to the current and subsequent period have been pro-rated. Expenses for services to be rendered subsequent to the balance sheet date and are to be absorbed within one year after that date have been designated as prepaid expense. Other assets consist of utility deposit with Con Edison for Steam, and Gas and Electric.

Note 5 - Due to Sponsor

Net Due to Sponsor consists of the following:

Escrow - Advances		\$270,469.58
Interest Payable - Mortgage		440,509.91
- Note		23,115.00
Unapplied collections on		
Transfer from J. Davies to		
M.J. Raynes		189,702.61
Prior Years Balance		<u>2,134.56</u>
		925,931.66
Less: Due From Sponsor		
Maintenance Receivable		
- Raynes	\$336,641.69	
- Steppingstone	287,730.40	
Commercial Lease - Escalation	<u>31,299.00</u>	
		<u>655,671.09</u>
Net Due to Sponsor		\$270,260.57
		=====

Note 6 - Wraparound Purchase Money Mortgage

On July 22, 1986, 32 Gramercy Park Owners Corp. (the "Mortgagor") effectuated an \$11,040,000 refinancing of the \$11,041,740 wraparound second mortgage held by Anby Associates covering the premises 32 Gramercy Park South, New York, New York (the "Premises").

POLLACK EINHORN REISMAN & CO
 CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1986

Note 6 - Wraparound Purchase Money Mortgage (Continued)

Dollar Dry Dock Savings Bank, as holder of the existing wraparound first mortgage covering the Premises in the principal amount of \$7,360,980, executed and delivered to Aetna Life Insurance Company ("Mortgage") an assignment of mortgage assigning its \$7,360,980 mortgage to Mortgagee. 240 East 35th Street Associates, 32 Gramercy Park South Associates and 239 East 79th Street Associates, as collateral assignee, assigned the wraparound second mortgage back to Anby Associates. Mortgagor delivered a check to Anby Associates in the amount of \$1,740 to reduce the principal amount of the second wraparound mortgage, resulting in a second wraparound mortgage in the principal amount of \$11,040,000. Anby Associates, as holder of an existing \$11,040,000 wraparound second mortgage, executed and delivered an assignment of its \$11,040,000 wraparound second mortgage to Mortgagee.

The Mortgagor executed and delivered to the Mortgagee a Consolidation and Modification Agreement ("Agreement") dated July 22, 1986 consolidating and modifying the terms of the notes and mortgages assigned to Mortgagee in the aggregate principal amount of \$11,040,000.

The Note provides for a four year loan with interest to be computed at the rate of nine and one-half percent (9 1/2%) per annum, and amortized based on a thirty (30) year loan schedule as follows:

- (i) an installment of interest only on August 1, 1986;
- (ii) installments of interest only in the amount of \$87,400.00 beginning on September 1, 1986 and on first day of each month thereafter up to and including July 1, 1991;
- (iii) installments of interest and principal in the amount of \$92,831.00 commencing August 1, 1991, and on the first day of each month thereafter up to and including July 1, 1996; and
- (iv) on August 1, 1996, the outstanding balance plus all interest accrued thereon at the aforesaid rate shall be due and payable.

The Note further provides that the loan may not be pre-paid during the first six (6) years of its term. At the commencement of the seventh year, prepayments can be made on the first day of the month, in multiples of \$1,000,000 on sixty (60) days' notice subject to prepayment penalties.

Pursuant to the terms of a supplemental agreement, Mortgagor agreed to perform the following work on the building, in accordance with the recommendations contained in a report prepared by Hoffman Architects: (a) asbestos removal within six (6) months and (b) electrical work, elevator repairs and new fire hoses within twelve (12) months.

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1986

Note 6 - Wraparound Purchase Money Mortgage (Continued)

The Mortgagor retained the right to convince Mortgagee to reduce the scope of work required by this supplemental agreement.

Note 7 - 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 expenses. 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.

Note 8 - Maintenance Charges

Beginning January 1, 1986 through December 31, 1986, maintenance was assessed at the monthly rate of 1.5288 per share. (See Note 10 - Subsequent Event).

A tenant-shareholder in a co-operative housing corporation is permitted to claim a deduction of his income tax returns for his proportionate share of real estate taxes and interest paid or incurred by the Corporation.

The portion of carrying charges earmarked for mortgage payments, while not currently deductible for income tax purposes, represents additional cost which should be added to the basis of the shares in the event of sale. This amount does not constitute income to the co-operative.

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1986

Note 8 - Maintenance Charges (Continued)

Per share amounts for the period from January 1, 1986 to December 31, 1986 are:

Tax Deductible:	
Real estate taxes	4.7065
Interest on mortgage	9.6334
NOT Currently Deductible:	
Mortgage payments	.0174

It will be necessary to multiply each of the above per share amounts by the number of shares owned by the tenant-shareholder to determine the amount of 1986 deductions, and basis adjustments.

If one is not a tenant shareholder of the co-operative corporation for the entire period of January 1, 1986 to December 31, 1986, one is only entitled to a proportionate share of the above amounts for the period of ownership.

Note 9 - Income Taxes

This Corporation has not been audited since its inception by any governmental agency for income tax liability.

Internal Revenue Code Section 227 - in as Technical Advice Memorandum issued from the National Office, dated April 17, 1985, the Internal Revenue Service took the position that Section 277 of the Internal Revenue Code applied to co-operative housing corporations. The consequence of that ruling is that income received from non-tenant shareholders (such as commercial or interest income) would be taxable as corporate income subject only to deductions generated in the production of that income. Deductions associated with tenant-shareholders such as expenses incurred in operating the residential part of the building could not be used to reduce non-member income. The position taken by the IRS, if sustained by the courts, could result in assessments for unpaid corporate income taxes, for prior taxable years, as well as interest and penalties.

Taxes that may be due under this memorandum have not been provided for in this statement. Provision has not been made for Federal Income Tax in the amount of \$3,890 on unrelated business income (interest and dividends) in the amount of \$26,898.

32 GRAMERCY PARK OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1986

Note 10 - Subsequent Events

In March 1987 maintenance was assessed at \$1.6205 per share per month retroactive to January 1, 1987, increased from 1986 maintenance of \$1.5288 per share per month.

Note 11 - Contingent Liability

Due to the lack of control at the former managing agent, it is uncertain if all unpaid invoices have been turned over to the new managing agent. Any unpaid 1985 and 1986 invoices of which we became aware of in the course of our audit were accrued. There is the possibility that others exist, the amount of which is unknown. In addition, there may be a liability for various payroll taxes. The former managing agent had deducted funds from the operating account and deposited said funds into a special imprest account, the whereabouts of such account is unknown.

Subsequently on various co-operative corporations managed by the former managing agent, Governmental Agencies have assessed amounts due, including penalty and interest for both non payment and non filing of payroll taxes. It is uncertain as to where the liability rests nor as to the total amounts due and payable. No provision has been made in these financial statements for either of the above potential liabilities.

EXHIBIT C

<u>APT.</u>	<u>SHARES</u>	<u>APT.</u>	<u>SHARES</u>	<u>APT.</u>	<u>SHARES</u>
2C	300	9G	574	17F	720
2D	525	9M	656	17G	720
2J	525	10A	787	18D	637
2K	300	10B	581	18E	637
2L	600	10G	581	5D	546
3D	532	10J	581	6C	316
3L	608	10K	332	7A	760
4B	539	10M	664	7K	320
4F	462	11B	588	8H	486
4H	462	11H	504	9B	574
4K	308	11M	672	10L	664
4L	616	12A	805	11A	796
5B	546	12C	340	11E	336
5G	546	12G	595	13B	602
5H	468	12J	595	15F	352
5K	312	12L	680	18F	637
5M	624	13A	814	4C	308
6A	751	13C	344	8K	324
6B	553	13D	602	11K	336
6D	553	13F	516	16F	352
6E	316	13J	602	12H	510
6L	632	13L	688	14H	516
7B	560	13M	688	4D	539
7C	320	14A	915	7G	560
7D	560	14B	435	9J	574
7J	560	14C	696	11D	588
8B	567	15A	832	12B	595
8D	567	15B	352	15C	696
8F	486	15E	616	16E	616
8G	567	15H	528	18G	720
8L	648	16C	623	7M	640
9A	778	16D	623	12M	680
9C	328	16H	534	8A	769
9D	574	16J	623	16A	832
9E	328	17B	360		
9F	492	17D	720		