

SIXTH 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 Sixth Amendment as follows:

I. Effective January 1, 1988 maintenance charges have been increased by five (5%) percent to \$20.419 per share per annum (\$1.70158 per share per month).

II. Annexed hereto and marked as Exhibit A is a list of the unsold shares held by Anby Associates and Robert J. Ettinger and the apartments to which these shares are allocated.

III. On July 22, 1986, 32 Gramercy Park Owners Corp. (as "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"). The new mortgage is with Aetna Life Insurance Company.

The Note provides for a ten 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 the 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 prepaid 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 computed as the greater of:

(a) six percent (6%) of the amount of the outstanding principal balance to be prepaid with said prepayment charge being reduced semi-annually thereafter at the rate of one percent (1%) per annum; or

(b) the figure obtained by (i) multiplying the amount of the outstanding principal balance of the loan to be prepaid by the amount by which (A) the effective annualized yield on the loan exceeds (B) the effective annual yield which can be obtained by Mortgagee on United States Treasury obligations with maturities as close to the maturity date on Mortgagee's loan as are reasonably available; then (ii) dividing by 12 and (iii) multiplying the result by the number of months (full or partial) which remain of the term of the loan.

Prepayment is permitted at par during the last three months of the loan term.

The Note also provides for a grace period of five (5) days for any payment to be made thereunder and provides for interest at the rate of fifteen and one-half percent (15-1/2%) per annum on each dollar overdue for a period of five (5) days plus a penalty equal to six percent (6%) of each dollar overdue for a period of fifteen (15) days. Although Mortgagee has agreed not to collect for real estate taxes, assessments, water and sewer rents or other charges, at Mortgagee's option, a monthly escrow payment equal to one-twelfth (1/12) of the annual charges can be collected by Mortgagee.

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

Since the interest on the mortgage exceeds the interest on the original wraparound mortgage, the Sponsor has agreed to advance the Apartment Corporation the sum of THIRTEEN THOUSAND SEVEN HUNDRED NINETY and 20/100 (\$13,790.20) DOLLARS commencing September 1, 1986, up to and including April 1, 1989 for a total of FOUR HUNDRED FORTY ONE THOUSAND TWO HUNDRED EIGHTY SIX and 40/100 (\$441,286.40) DOLLARS.

Sponsor has proposed to the Board of Directors the following for repayment of sums advanced: equal monthly installments of FIVE THOUSAND SEVENTY TWO and 26/100 (\$5,072.26) DOLLARS on or about the first day of May, 1989 up to and including July 1, 1996. Sponsor is awaiting the Board of Directors' approval of the proposed repayment schedule.

IV. Repair work to the exterior of the building (in compliance with the requirements of Local Law 10) is being done by Kay Construction.

V. Annexed hereto and marked as Exhibit B is a copy of the cooperative corporation's budget for 1988.

VI. Annexed hereto and marked as Exhibit C is a copy of the 1987 Financial Statement for the Apartment Corporation.

VII. The following individuals are the directors and officers of the Board of Directors:

Lawrence E. Goldschmidt	Vice President
William A. Meltzer	Vice President
Sheldon Adler	Treasurer/Assistant Secretary
Jeffrey Papall	Secretary/Assistant Treasurer
John Mulcahy	Assistant Treasurer/Assistant Secretary
George Hernandez	Director

Messrs. Adler, Papall and Mulcahy are tenant-shareholders.

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

Dated: July 29, 1988
New York, New York

ANBY ASSOCIATES
Sponsor

EXHIBIT A

HELD BY ANBY ASSOCIATES:

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

EXHIBIT A

HELD BY ROBERT J. ETTINGER:

<u>APT.</u>	<u>SHARES</u>
4C	308
8K	324
11K	336
16F	352
12H	510
14H	516
4D	539
7G	560
9J	574
11D	588
12B	595
16E	616
18G	720
7M	640
12M	680
8A	769
16A	832

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Exhibit B

DECEMBER 21, 1987

PROJECTED OPERATING BUDGET
1/1 - 12/31/88

SUMMARY

	1987 10 MONTHS ACTUAL	1987 2 MONTHS PROJECTED	1987 PROJECTED TOTAL	1987 BUDGET (1)	PROJECTED BUDGET 1988	BUDGET VARIANCE 1987-1988
INCOME						
MAINTENANCE (2)	\$1,571,492	\$323,334	\$1,894,826	\$1,818,538	\$1,940,136	\$121,598
STORAGE/COMMERCIAL	0	0	0	72,000	72,000	0
R/E TAX ESCALATION	0	0	0	0	15,000	15,000
OTHER (A)	5,898	1,650	7,548	10,200	10,600	400
TOTAL INCOME	\$1,577,390	\$324,984	\$1,902,374	\$1,900,738	\$2,037,736	\$136,998
EXPENSES						
PAYROLL & REL. CHARGES (B)	\$198,715	\$39,746	\$238,461	\$226,402	\$239,830	\$13,428
GENERAL OPERATING (C)	649,554	14,737	664,291	675,530	648,756	(26,774)
UTILITIES (D)	129,189	11,954	141,143	131,067	155,850	24,783
SERVICE CONTRACTS (E)	13,988	2,820	16,808	17,344	17,426	82
REPAIRS & MAINTENANCE (F)	97,938	4,225	102,163	63,041	44,800	(18,241)
DEBT SERVICE (G)	874,000	174,800	1,048,800	1,048,800	1,048,800	0
TOTAL EXPENSES	\$1,963,384	\$248,282	\$2,211,666	\$2,162,184	\$2,155,462	(\$6,722)
NET CASH FLOW (DEFICIENCY)(3)	(\$385,994)	\$76,702	(\$309,292)	(\$261,446)	(\$117,726)	\$143,720

NOTES

1) 1987 BUDGET BASED ON EXPENDITURES FOR 1986.

2) MAINTENANCE CHARGE FOR 1988 - 99,761 SHARES @ \$1.62/SHARE.

3) IN ORDER TO BALANCE THE 1988 BUDGET THE MAINTENANCE SHOULD INCREASE FROM \$1.62/SHARE TO \$1.72/SHARE, EFFECTIVE JANUARY 1, 1988. THE 1988 PROJECTED TOTAL DOES NOT INCLUDE THE MONEY MARKET BALANCE OF \$6,321 AS OF 10/30/87.

6) ELECTRICITY

BASED ON 10% INCREASE OVER THE 12 MONTH PROJECTION OF 1987 USAGE.

7) STEAM

BASED ON 10% INCREASE OVER THE 12 MONTH PROJECTION OF 1987 USAGE.

8) GAS-COOKING

BASED UPON A 12 MONTH PROJECTION OF 1987 USAGE.

9) GENERAL BUILDING R & M

\$71,575 OF GEN BLDG REPAIRS FOR 1987 WERE FOR PAYMENT OF FACADE REHABILITATION CONTRACT.

10) ELEVATOR

BASED ON CONTRACT WITH MILLAR ELEVATOR, A 10% INCREASE IS EXPECTED FOR 1988.

11) EXTERMINATING

BASED ON CONTRACT WITH VERMICIDE.

12) UNIFORMS

EXPENSE FOR 1987 INCLUDES THE PURCHASE OF NEW UNIFORMS.

13) HEATING/PLUMBING/BOILER

1987 EXPENSE INCLUDES APPROXIMATELY \$10,000 FOR INSTALLATION OF PUMP IN ELEVATOR PIT, AND FOR A NEW COVER ON ROOF WATER TANK, THESE EXPENSES ARE NOT INCLUDED IN THE 1988 BUDGET.

ASSUMPTIONS & FOOTNOTES FOR 1988 PROJECTED OPERATING BUDGET;

3) PAYROLL & RELATED CHARGES

GROSS PAYROLL BASED UPON THE CURRENT NUMBER OF BUILDING EMPLOYEES AS OF OCTOBER 1987 (1 SUPERINTENDENT, 7 DOORMEN/PORTERS)

THIS CALCULATION IS IN ACCORDANCE WITH THE WAGE RATES AS ESTABLISHED BY THE 1985 APARTMENT BUILDING AGREEMENT WHICH EXPIRES APRIL 30, 1988, BETWEEN THE REALTY ADVISORY BOARD ON LABOR RELATIONS, INC. AND LOCAL 32B-32J (UNION AGREEMENT). WE HAVE ASSUMED A 6% INCREASE IN PAYROLL EFFECTIVE 4/21/88 FOR ALL BUILDING EMPLOYEES WITH THE EXCEPTION OF THE SUPERINTENDENT. THE SUPERINTENDENT'S INCREASE IS EFFECTIVE AS OF 6/21/88.

IN ADDITION, IT HAS BEEN ESTIMATED THAT THE COST TO THE COMPANY, PER EMPLOYEE, WILL BE 59 WEEKS PER YEAR, PAID AT STRAIGHT TIME RATES, FOR THE EXISTING NUMBER OF EMPLOYEES. THE NUMBER OF WEEKS HAVE BEEN CALCULATED AS FOLLOWS:

- A) 52 WEEKS IN THE YEAR.
- B) 2 WEEKS VACATION-ESTIMATED.
- C) 2 WEEKS SICKNESS BENEFITS-BASED UPON EXISTING "UNION AGREEMENT".
- D) 3 WEEKS HOLIDAYS - BASED UPON THE EXISTING "UNION AGREEMENT".

59 TOTAL
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PAYROLL TAXES-BASED UPON THE PRESENTLY ESTABLISHED RATES FOR 1987 PERTAINING TO THE FEDERAL UNEMPLOYMENT INSURANCE AND AN ESTIMATED RATE FOR NEW YORK STATE UNEMPLOYMENT INSURANCE PLUS THE NEW FICA RATE OF 7.51% EFFECTIVE 1/1/88.

UNION PENSION & WELFARE-THIS AMOUNT IS BASED UPON THE PRESENTLY ESTABLISHED RATES FOR 1987 PLUS A PROJECTED INCREASE OF 10% EFFECTIVE 4/1/88.

4) REAL ESTATE TAXES

BASED ON A 1.8% INCREASE IN THE TAXABLE VALUATION OVER 1987.

5) MANAGEMENT FEE

ALTHOUGH AN INCREASE HAS NOT BEEN BUDGETED FOR 1988, THIS DOES NOT MEAN THERE WILL NOT BE AN INCREASE WHEN THE CURRENT CONTRACT EXPIRES 5/31/88.

32 GARDEN CITY PARK
 PROJECTED OPERATING BUDGET
 1/1 - 12/31/88

SUPPORTING SCHEDULES

	1987 10 MONTHS ACTUAL	1987 2 MONTHS PROJECTED	1987 PROJECTED TOTAL	1987 BUDGET (1)	PROJECTED BUDGET 1988	BUDGET VARIANCE 1987-1988
E) SERVICE CONTRACTS						
ELEVATOR (10)	\$12,325	\$2,500	\$14,835	\$15,664	\$15,576	(\$88)
EXTERMINATING (11)	1,653	320	1,973	1,680	1,850	170
TOTAL SERVICE CONTRACTS	\$13,988	\$2,820	\$16,808	\$17,344	\$17,426	\$82
F) REPAIRS & MAINTENANCE						
GENERAL BUILDING (9)	\$72,541	\$200	\$72,741	\$23,000	\$18,800	(\$4,200)
ELEVATORS	156	25	181	7,041	500	(6,541)
ELECTRICAL	2,196	300	2,496	8,000	3,500	(4,500)
HEATING/PLUMBING/BOILER (13)	16,954	2,500	19,454	5,000	12,000	7,000
BUILDING SUPPLIES	6,091	1,200	7,291	20,000	10,000	(10,000)
TOTAL REPAIRS & MAINT.	\$97,938	\$4,225	\$102,163	\$63,041	\$44,800	(\$18,241)
G) DEBT SERVICE						
FIRST MORTGAGE	\$874,000	\$174,000	\$1,048,000	\$1,048,000	\$1,048,000	\$0
TOTAL DEBT SERVICE	\$874,000	\$174,000	\$1,048,000	\$1,048,000	\$1,048,000	\$0

32 GRAMERCY PARK
PROJECTED OPERATING BUDGET
1/1 - 12/31/88

SUPPORTING SCHEDULES

	1987 10 MONTHS ACTUAL	1987 2 MONTHS PROJECTED	1987 PROJECTED TOTAL	1987 BUDGET (1)	PROJECTED BUDGET 1988	BUDGET VARIANCE 1987-1988
A) OTHER INCOME						
LAUNDRY	\$5,000	\$1,600	\$6,600	\$9,600	\$9,600	\$0
MISCELLANEOUS	898	50	948	600	1,000	400
TOTAL OTHER INCOME	\$5,898	\$1,650	\$7,548	\$10,200	\$10,600	\$400
B) PAYROLL & REL. CHARGES						
GROSS PAYROLL	\$158,873	\$37,146	\$196,019	\$190,175	\$199,942	\$9,767
PAYROLL TAXES	18,734	2,600	21,334	16,118	16,472	354
PENSION & WELFARE	21,108	0	21,108	20,109	23,416	3,307
TOTAL PAYROLL & REL. CHARGES	\$198,715	\$39,746	\$238,461	\$226,402	\$239,830	\$13,428
C) GENERAL OPERATING						
INSURANCE	\$61,551	\$0	\$61,551	\$56,000	\$56,000	\$0
REAL ESTATE TAXES (4)	501,242	0	501,242	547,646	511,572	(36,074)
PERMIT, FEES & DUES	631	75	706	500	500	0
TELEPHONE	283	175	458	1,084	1,084	0
ACCOUNTING & AUDITING FEES	4,500	0	4,500	2,500	4,500	2,000
LEGAL FEES	3,965	125	4,090	3,000	3,000	0
PROFESSIONAL & CONSULTANTS	5,052	75	5,127	5,000	5,000	0
ENGINEERS & ARCHITECTS	8,146	350	8,496	2,500	2,500	0
MANAGEMENT FEES (5)	29,167	5,833	35,000	35,000	35,000	0
WATCHMAN/SECURITY	5,542	500	6,042	600	600	0
UNIFORMS (12)	6,376	310	6,686	0	1,500	1,500
MISCELLANEOUS OPERATING	9,591	810	10,401	6,500	6,500	0
CORPORATE TAXES	13,508	6,484	19,992	15,200	21,000	5,800
TOTAL GENERAL OPERATING	\$649,554	\$14,737	\$664,291	\$675,530	\$648,756	(\$26,774)
D) UTILITIES						
ELECTRICITY (6)	18,580	3,834	22,414	34,000	\$25,000	(\$9,000)
STEAM HEAT (7)	83,181	7,000	90,181	81,770	99,000	17,230
GAS - COOKING (8)	5,400	420	5,820	7,051	6,850	(201)
WATER & SEWER	22,028	700	22,728	8,246	25,000	16,754
TOTAL UTILITIES	\$129,189	\$11,954	\$141,143	\$131,067	\$155,850	\$24,783

32 GRAMERCY PARK OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 1987

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

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Report of Certified Public Accountants

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- EXHIBIT "B" - Statement of Operations for the Years Ended
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- EXHIBIT "C" - Statement of Retained Deficit for the Years
Ended December 31, 1987 and 1986
- EXHIBIT "D" - Statement of Changes in Cash Position for
the Year Ended December 31, 1987

Notes to Financial Statements

Supplementary Financial Information

LESSER, LEFF & MACH

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have examined the balance sheet of 32 Gramercy Park Owners Corp. as of December 31, 1987, and the related statements of operations, retained deficit and statement of changes in cash 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. The financial statements of 32 Gramercy Park Owners Corp. for the year ended December 31, 1986 were examined by other auditors whose report dated June 10, 1987 expressed an unqualified opinion.

In our opinion, the accompanying financial statements present fairly the financial position of 32 Gramercy Park Owners Corp. at December 31, 1987 and results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lesser, Leff & Mach

July 15, 1988
New York, New York

32 GRAMERCY PARK OWNERS CORP.

BALANCE SHEET

DECEMBER 31, 1987 AND 1986

EXHIBIT "A"

ASSETS

	<u>1987</u>	<u>1986</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Note 1	\$ 65	\$ 67,306
Due From Managing Agent	3,626	--
Receivable - Non Tenants - Note 2	2,417	2,417
Prepaid Taxes	1,938	1,438
Maintenance Receivables - Note 3	28,325	31,981
Prepaid Expenses - Note 5	<u>16,254</u>	<u>14,508</u>
<u>Total Current Assets</u>	52,625	117,650
<u>LAND, PROPERTY AND IMPROVEMENTS</u>		
Net of Accumulated Depreciation - Note 4	18,524,780	18,933,051
<u>OTHER ASSETS</u>		
Security Deposits	<u>38,702</u>	<u>38,720</u>
<u>TOTAL ASSETS</u>	\$ <u>18,616,107</u>	\$ <u>19,089,421</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 115,864	\$ 173,789
Taxes Payable	13,196	3,919
Notes Payable - ECO Premium	--	3,186
Due to Sponsor - Note 6	27,608	270,261
Due to Managing Agency	<u>--</u>	<u>1,299</u>
<u>Total Current Liabilities</u>	156,668	452,454
<u>OTHER LIABILITIES</u>		
Mortgage Payable - Note 7	<u>11,040,000</u>	<u>11,040,000</u>
<u>Total Liabilities</u>	<u>11,196,668</u>	<u>11,492,454</u>
<u>STOCKHOLDERS' EQUITY</u>		
Common Stock - 50,000 Shares \$1 Par Value 99,761 Shares Issued and Outstanding	99,761	99,761
Additional Paid-In Capital	9,418,929	8,948,229
Retained Earnings (Deficit)	<u>(2,099,251)</u>	<u>(1,451,023)</u>
<u>Total Stockholders' Equity</u>	<u>7,419,439</u>	<u>7,596,967</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$ <u>18,616,107</u>	\$ <u>19,089,421</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, 1987 AND 1986

EXHIBIT "B"

	<u>1987</u>	<u>1986</u>
<u>INCOME</u>		
Tenant Maintenance Charges	\$ 1,875,294	\$ 1,826,464
Less: Amount Applicable to Payment of Mortgage Principal	<u> --</u>	<u>(1,740)</u>
	1,875,294	1,824,724
Commercial Lease	--	103,299
Laundry Income	9,600	9,600
Interest	11,638	23,868
Miscellaneous Income	<u>3,802</u>	<u>3,877</u>
Total Income Available For Operations	<u>1,900,334</u>	<u>1,965,368</u>
<u>EXPENSES</u>		
Wages and employee Benefits	229,440	220,572
Operating Expenses	144,060	185,309
Repairs and Maintenance	185,425	119,495
General and Administrative	139,222	122,034
Mortgage Interest	1,048,800	966,059
Real Estate Tax	501,242	471,966
Franchise Taxes	<u>21,855</u>	<u>13,845</u>
<u>Total Expenses</u>	<u>2,270,044</u>	<u>2,099,280</u>
Excess (Deficiency) of Income Over Expenses Before Depreciation and Extraordinary Income	<u>(369,710)</u>	<u>(133,912)</u>
Depreciation Expense	(532,264)	(498,707)
Extraordinary Income Resulting From Net Write Off of Amounts Due to Sponsor and from Prior Managing Agents	<u>253,246</u>	<u> --</u>
<u>Total</u>	<u>(279,018)</u>	<u>(498,707)</u>
NET EXCESS (DEFICIENCY) IN INCOME OVER EXPENSES	<u>\$ (648,728)</u>	<u>\$ (632,619)</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, 1987 AND 1986

EXHIBIT "C"

	<u>1987</u>	<u>1986</u>
Retained Deficit - January 1,	\$(1,451,023)	\$(827,404)
Deficiency of Income to Cover Expenses Before Capital Expenditures	(648,728)	(623,619)
Adjustment of Prior Year's Income Tax	<u>500</u>	<u>--</u>
RETAINED DEFICIT - DECEMBER 31,	<u>\$(2,099,251)</u>	<u>\$(1,451,023)</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 CHANGES IN CASH POSITION

FOR THE YEAR ENDED DECEMBER 31, 1987

EXHIBIT "D"

SOURCES OF CASH

Decrease in Maintenance Receivable	\$ 3,656
Increase in Taxes Payable	9,277
Increase in Paid in Capital	
Re: Restricted Funds	470,700
Decrease in Security Deposit	18
Increase in Sponsor's Loan - Current	<u>27,608</u>
<u>Total Sources Of Cash</u>	<u>511,259</u>

USES OF CASH

Deficiency of Income Over Expenses	369,710
Increase in Prepaid Expenses	1,746
Purchase of Fixed Assets	123,993
Increase in Amount Due From Managing Agent	4,925
Decrease in Accounts Payable	57,925
Decrease in Notes Payable	3,186
Elimination - Cash Balances	
Re: Prior Managing Agent	<u>17,015</u>
<u>Total Uses Of Cash</u>	<u>578,500</u>

DECREASE IN CASH

\$ 67,241

CASH POSITION

January 1, 1987	\$ 67,306
December 31, 1987	<u>65</u>

DECREASE IN CASH

\$ 67,241

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

LESSER, LEFF & MACH
CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

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	\$ 1,065
Less: Payroll Exchange	<u>(1,000)</u>
Net Cash and Cash Equivalents	\$ <u> 65</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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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

NOTE 3 - MAINTENANCE RECEIVABLE

Tenant Shareholders

\$ 28,325

Maintenance receivable items due from the former managing agent have been written off at December 31, 1987. The former agent has ceased operating and any funds are uncollectible. Based on information received from the current managing agent, M. J. Raynes & Co., Inc. and from minutes of the co-op board meeting of March 10, 1988, the receivable has been eliminated.

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 - 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 are to be absorbed within one year after that date and have been designated as prepaid expense. Other assets consist of a utility deposit with Con Edison for steam, gas and electric.

NOTE 6 - DUE TO SPONSOR

The amount due to the sponsor at December 31, 1987 represents advances made by them beginning in November 1987 of \$13,800 per month. These amounts are 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.

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NOTE 7 - 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".)

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 ("Mortgagee") 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 to \$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 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 beginning on September 1, 1986 and on the 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 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 prepaid during the first six (6) years of its term. At the commencement of the seventh year, prepayments can be made on the first date of the month, in multiples of \$1,000,000 on sixty (60) days notice subject to prepayment penalties.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

NOTE 7 - WRAPAROUND PURCHASE MONEY MORTGAGE - (Continued)

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: (1) asbestos removal within six (6) months and (b) electrical work, elevator repairs and new fire hoses within twelve (12) months. The Mortgagor retained the right to convince Mortgagee to reduce the scope of work required by this supplemental agreement.

NOTE 8 - 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 tenants 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. This amount of rent for 1987 was not paid but was used as an adjustment in eliminating the amounts due to or from the sponsor relating to the closing and refinancing.

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SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
<u>WAGES AND EMPLOYEE BENEFITS</u>		
Employee Wages and Employment Tax	\$ 207,179	\$ 195,212
Pension and Welfare	<u>22,261</u>	<u>25,360</u>
<u>Total Wages and Employee Benefits</u>	\$ <u>229,440</u>	\$ <u>220,572</u>
 <u>OPERATING EXPENSES</u>		
Light and Power	27,266	39,135
Heating Fuel	96,112	125,303
Water and Sewer	20,249	19,663
Telephone	<u>433</u>	<u>1,208</u>
<u>Total Operating Expenses</u>	\$ <u>144,060</u>	\$ <u>185,309</u>
 <u>REPAIRS AND MAINTENANCE</u>		
Plumber	\$ 6,287	\$ 35,144
Elevator Maintenance	11,214	30,324
Painting	45,467	30,727
Air Conditioning	107	2,483
Building Supplies	6,048	11,129
Miscellaneous	6,903	3,145
Intercom	1,825	2,706
Roof, Waterproof, Etc.	102,813	3,204
Exterminating	1,399	633
Electrical	<u>3,362</u>	<u>--</u>
<u>Total Repairs and Maintenance</u>	\$ <u>185,425</u>	\$ <u>119,495</u>
 <u>GENERAL AND ADMINISTRATIVE</u>		
Management Fees	\$ 35,000	\$ 32,500
Legal and Professional	21,433	12,291
Transfer Fees	--	7,110
Miscellaneous Administrative Expense	12,650	5,188
Uniforms	6,216	804
Licenses and Permits	631	503
Other Interest Expense	7,089	6,465
Insurance	56,203	51,691
Security	<u>--</u>	<u>5,482</u>
<u>Total General and Administrative</u>	\$ <u>139,222</u>	\$ <u>122,034</u>

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