

SEVENTH 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 Seventh Amendment as follows:

I. On August 19, 1989 a steam pipe in front of the building exploded. The building was damaged on a considerable part of its north facade (windows in the two lines of apartments (L&M) were demolished); the lobby area was damaged and various building systems were affected. The North facade as well as a considerable portion of the East and West facades were covered with mud containing asbestos. The interiors of some of the apartments facing 20th Street were filled with mud (containing asbestos) and debris.

The City of New York has declared a health emergency for the building and all residents were evacuated. Con Edison started the process of cleaning the area around the building as well as its exterior. The City has since assumed the responsibility for the clean-up process at Con Edison's expense. At the present time it is not known what the next step will be; however, pending certification that the building is habitable, no shares held by Anby Associates shall be offered for sale. All engineer, architect, or other specialist reports approved by the Board of Directors for public release will be disclosed in an Amendment.

II. Current monthly maintenance charges are \$1.6205 per share or \$19.446 per share per annum.

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

IV. . Annexed hereto and marked as Exhibit B is a copy of the cooperative corporation's 1987 and 1988 financial statements.

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

Sheldon Adler	President
Lawrence E. Goldschmidt	Vice President
William A. Meltzer	Vice President
Jeffrey Papall	Secretary/Assistant Treasurer
Cameron Huff	Treasurer
Gary Silberberg	Vice President
Patricia Snyderman	Director

Messrs. Adler, Papall, Huff, Silberberg and Ms. Snyderman are tenant-shareholders. The Sponsor gave up control of the Board at the Annual Shareholders meeting in 1987

VI. A \$1.00 balance of a special assessment was due September 1, 1989. This assessment was initiated to pay real estate tax arrears.

VII. An annual assessment of \$.25 per share is due November 1, 1989. This assessment is being collected in order to reduce the principal due on the mortgage in 1990.

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

Dated: October 16, 1989  
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>
2C	300	13A	814
2D	525	13B	602
2J	525	13C	344
2K	300	13F	516
2L	600	13J	602
3D	532	13L	688
4B	539	13M	688
4F	462	14A	915
4H	462	14C	696
4K	308	15A	832
4L	616	15E	616
5B	546	15F	352
5D	546	15H	528
5G	546	16C	623
6A	751	16H	534
6C	316	16J	623
6D	553	17B	360
6E	316	17D	720
7A	760	17F	720
7B	560	17G	720
7C	320	18E	637
7D	560	18F	637
7J	560		
7K	320		
8D	567		
8F	486		
8G	567		
8H	486		
8L	648		
9C	328		
9D	574		
9E	328		
9M	656		
10A	787		
10B	581		
10G	581		
10M	664		
11A	796		
11B	588		
11E	336		
11M	672		
12A	805		
12C	340		
12J	595		
12L	680		

EXHIBIT B

32 GRAMERCY PARK OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 1987

**LESSER, LEFF & MACH**  
CERTIFIED PUBLIC ACCOUNTANTS

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Notes to Financial Statements

Supplementary Financial Information

**LESSER, LEFF & MACI**  
CERTIFIED PUBLIC ACCOUNTANTS

LESSER, LEFF & MACH

CERTIFIED PUBLIC ACCOUNTANTS

733 THIRD AVENUE  
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(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 SHEETDECEMBER 31, 1987 AND 1986EXHIBIT "A"

	<u>1987</u>	<u>1986</u>
<u>ASSETS</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	16,254	14,508
<u>Total Current Assets</u>	<u>52,625</u>	<u>117,650</u>
<u>LAND, PROPERTY AND IMPROVEMENTS</u>		
Net of Accumulated Depreciation - Note 4	18,524,780	18,933,051
<u>OTHER ASSETS</u>		
Security Deposits	38,702	38,720
<u>TOTAL ASSETS</u>	<u>\$ 18,616,107</u>	<u>\$ 19,089,421</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<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	--	1,299
<u>Total Current Liabilities</u>	<u>156,668</u>	<u>452,454</u>
<u>OTHER LIABILITIES</u>		
Mortgage Payable - Note 7	11,040,000	11,040,000
<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)	( 2,099,251)	( 1,451,023)
<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 &amp; MACH

CERTIFIED PUBLIC ACCOUNTANTS

## 32 GRAMERCY PARK OWNERS CORP.

STATEMENT OF OPERATIONSFOR THE YEARS ENDED DECEMBER 31, 1987 AND 1986EXHIBIT "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.

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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><u>\$(2,099,251)</u></u>	<u><u>\$(1,451,023)</u></u>

The accompanying notes are an integral part of this financial statement

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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

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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	( 1,000)
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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9. None of the other purchases are related by blood, marriage or adoption nor are they employees, shareholders, limited partners or business associates of the Sponsor or its principals.

10. The Sponsor hereby represents that the purchasers who are being counted for purposes of declaring the Plan effective have signed subscription agreements without fraud or duress and with no discriminatory inducement.

11. The purchasers have represented to the Sponsor in their subscription agreement or by letter that they or one or more members of their immediate family intends to occupy the dwelling unit.

12. This affidavit is submitted in connection with the processing of the Second Amendment to the Offering Plan which refers to the declaration of effectiveness.

ANBY ASSOCIATES

By Lawrence E. Goldschmidt  
/Lawrence E. Goldschmidt,  
General Partner

Sworn to before me this  
25 day of January, 1984.

Laurie Pollack  
Notary Public

LAURIE POLLACK  
NOTARY PUBLIC, State of New York  
No. 31-4770303  
Qualified in New York County  
Commission Expires March 30, 1984

AFFIDAVIT

STATE OF NEW YORK     )  
                               )     ss.:  
COUNTY OF NEW YORK    )

LAWRENCE E. GOLDSCHMIDT, being duly sworn, deposes and says:

1. I am one of the general partners of Anby Associates, Sponsor of the Offering Plan to convert to Cooperative Ownership premises at 32 Grameray Park South, New York, New York.
2. The Plan was a so-called "non-eviction" plan and had imprinted on its cover the statement that no eviction will be sought be some reason of conversion to cooperative ownership of tenants who do not wish to purchase, which matter was also referred to in the body of the Plan.
3. The Plan was presented on August 8, 1983.
4. The Sponsor hereby represents that as required by the Plan, over 15% of the apartments at the premises have been subscribed for by tenants in occupancy, as shown on leases annexed hereto and as listed on the attached Schedule A.
5. The Sponsor further represents that the purchasers who have subscribed for apartments on the premises have represented that none of them are being purchased for the purpose of resale, subletting, assigning, or as an accomodation to, or for the account or benefit of the Sponsor or principals of Sponsor.
6. The building known as 32 Grameray Park South, New York, New York is comprised of a total of 185 apartments with a total share allocation of 99,761. Thirty-five apartments have been subscribed for, see Exhibit B attached hereto. These thirty-five apartments represent approximately 18.91% of the total number of apartments being offered. This is approximately 3.91% more than the required 15% needed for the Plan to be declared effective.
7. The purchaser of Apartment 11G, Mr Highman is an employee of Madison Pembroke, selling agent for the Sponsor.
8. The Purchaser of Apartment 17E, Mr. Haberman is a business associate of Robert J. Ettinger, a general partner of the Sponsor.

32 GRAMERCY PARK OWNERS CORP.

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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CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

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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CERTIFIED PUBLIC ACCOUNTANTS

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.

**LESSER, LEFF & MACF**  
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32 GRAMERCY PARK OWNERS CORP.

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	125,000
Water and Sewer	20,249	19,000
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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32 GRAMERCY PARK OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 1988

**LESSER, LEFF & MACI**  
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32 GRAMERCY PARK OWNERS CORP.

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- EXHIBIT "D" - Statement of Cash Flows for the Year Ended December 31, 1988 and 1987

Notes to Financial Statements

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**LESSER, LEFF & MACH**

CERTIFIED PUBLIC ACCOUNTANTS

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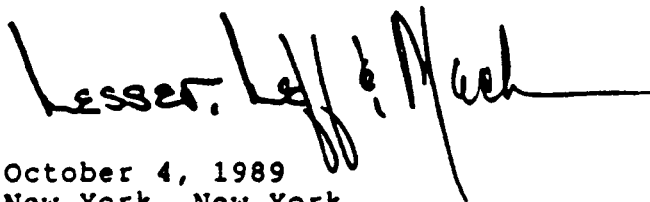
LONG ISLAND OFFICES  
RIVERHEAD, N.Y. - JERICO, N.Y.  
WESTCHESTER OFFICE  
TARRYTOWN, N.Y.

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>ASSETS</u>		
	<u>1988</u>	<u>1987</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>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>38,702</u>	<u>38,702</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>18,612,807</u></b>	<b>\$ <u>18,616,107</u></b>
<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>699,751</u>	<u>156,668</u>
<u>OTHER LIABILITIES</u>		
Mortgage Payable	11,040,000	11,040,000
	<u>11,040,000</u>	<u>11,040,000</u>
<b>Total Liabilities</b>	<b>11,739,751</b>	<b>11,196,668</b>
<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>6,873,056</u>	<u>7,419,439</u>
<b>Total Stockholders' Equity</b>	<b>6,873,056</b>	<b>7,419,439</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>18,612,807</u></b>	<b>\$ <u>18,616,107</u></b>

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>21,850</u>
Total Expenses	<u>2,122,949</u>	<u>2,270,044</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.

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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	<u>65</u>	<u>67,306</u>
CASH AND CASH EQUIVALENTS - END	<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.

**LESSER, LEFF & MACH**  
CERTIFIED PUBLIC ACCOUNTANTS

32 GRAMERCY PARK OWNERS CORP.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

NOTE 3 - MAINTENANCE RECEIVABLE

Tenant Shareholders	\$ 27,820
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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.

**LESSER, LEFF & MACH**  
CERTIFIED PUBLIC ACCOUNTANTS

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>

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