

TUDOR ARMS OWNERS CORPORATION

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To the Stockholders of
Tudor Arms Owners Corporation

I have audited the accompanying balance sheet of TUDOR ARMS OWNERS CORPORATION, as at December 31, 2009 and 2008, and the related statements of operations and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tudor Arms Owners Corporation, as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Tudor Arms Owners Corporation, has not presented the supplementary information on the future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, although not required to be part of, the basic financial statements.


Ossining, New York
February 04, 2010

TUDOR ARMS OWNERS CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,129	\$ 651
Reserve Funds:		
Money market funds	262,060	266,209
Corporate notes and CD's	<u>97,000</u>	<u>300,773</u>
Total Reserve Funds	359,060	566,982
Tenant/stockholder receivables	-0-	-0-
Prepaid expenses and other assets	8,954	15,267
Escrow - real estate taxes	26,173	17,180
Property and improvements, net of accumulated depreciation	3,327,323	3,298,504
Investment in NCB	1,039	19,396
Deferred mortgage costs	<u>28,829</u>	<u>32,948</u>
TOTAL ASSETS	<u>\$ 3,752,507</u>	<u>\$ 3,950,928</u>

LIABILITIES AND TENANT SHAREHOLDERS' EQUITY

	<u>2009</u>	<u>2008</u>
LIABILITIES		
Mortgage payable	\$ 2,120,238	\$ 2,147,320
Accounts payable and accrued expenses	56,713	48,856
Capital improvements payable	-0-	115,455
Security deposits payable	<u>7,350</u>	<u>5,100</u>
TOTAL LIABILITIES	<u>2,184,301</u>	<u>2,316,731</u>
STOCKHOLDERS' EQUITY		
Capital stock, par value \$1; 31,885 shares authorized, issued and outstanding	31,885	31,885
Additional paid-in capital	3,435,808	3,435,808
Accumulated deficit	(1,824,487)	(1,758,496)
Less treasury stock - 600 shares, at cost	<u>(75,000)</u>	<u>(75,000)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>1,568,206</u>	<u>1,634,197</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,752,507</u>	<u>\$ 3,950,928</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<u>OPERATIONS</u>		
REVENUE:		
Maintenance assessments	\$ 508,478	\$ 493,668
Star credits	(42,553)	(44,620)
Fuel surcharge	31,285	53,631
Parking	13,800	13,800
Interest and dividend income	7,520	11,077
Transfer fees	5,725	6,045
Laundry	6,000	6,000
Exercise room	1,800	2,100
Storage	1,617	1,662
Tax refunds	10,907	-0-
Patronage dividends	-0-	614
Sundry	973	629
	545,552	544,606
TOTAL INCOME		
EXPENSES:		
Operating	126,603	148,380
Salaries, payroll taxes and benefits	68,689	67,424
Administrative	39,880	42,995
Repairs and maintenance	91,513	72,922
Real estate taxes	46,471	50,315
Interest	136,154	138,196
	509,310	520,232
TOTAL EXPENSES		
Excess of revenue over expenses before depreciation and amortization	36,242	24,374
Depreciation and amortization	102,233	99,925
Deficiency of revenue over expenses	\$ (65,991)	\$ (75,551)
<u>ACCUMULATED DEFICIT</u>		
Balance, beginning of year	(1,758,496)	(1,682,945)
Balance, end of year	\$(1,824,487)	\$(1,758,496)

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses	\$ (65,991)	\$ (75,551)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	98,115	95,807
Amortization	4,118	4,118
Changes in operating assets and liabilities:		
Tenant/stockholder receivables	-0-	137
Prepaid expenses and other assets	6,313	2,509
Escrow - real estate taxes	(8,993)	(186)
Accounts payable and accrued expenses	7,857	(2,901)
Capital improvements payable	(115,455)	115,455
Tenant security payable	2,250	2,250
Net cash provided by operating activities	<u>(71,786)</u>	<u>141,638</u>
Investing activities:		
Reserve funds, net	207,922	36,288
Capital improvements	(126,933)	(156,273)
Net cash provided by (used in) investing activities	<u>80,989</u>	<u>(119,985)</u>
Financing activities:		
Mortgage principal payments	(27,082)	(25,042)
Investment in NCB	18,357	1,035
Net cash used in financing activities	<u>\$ (8,725)</u>	<u>\$ (24,007)</u>
Net increase (decrease) in cash and cash equivalents	<u>478</u>	<u>(2,354)</u>
Cash and cash equivalents, beginning of year	<u>651</u>	<u>3,005</u>
Cash and cash equivalents, end of year	<u>\$ 1,129</u>	<u>\$ 651</u>
Supplemental disclosure of cash flow data:		
Interest paid	<u>\$ 136,154</u>	<u>\$ 138,196</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE ORGANIZATION

Tudor Arms Owners Corporation (the "Corporation") was incorporated on January 26, 1983 for the purpose of owning and operating the property located at 31 West Pondfield Road, Bronxville, New York. The Corporation qualifies as a co-op corporation under Section 216 of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimated.

Concentration of credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of temporary cash investments. Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three (3) months or less when acquired. The Corporation maintains its temporary cash investment with high credit quality financial institutions. At times, such investments may exceed Federally insured limits.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on straight-line and accelerated methods at rates calculated to absorb the costs of assets by the end of their estimated useful lives.

Member Assessments

Tenant/stockholders are subject to monthly assessments to provide funds for the Corporation's mortgage servicing, operating expenses, future capital acquisitions and major repairs and replacements. Tenant/stockholder receivables represent maintenance fees due from the tenant/stockholder receivables represent maintenance fees due from the tenant/stockholders. The Corporation's policy is to retain legal counsel regarding delinquent stockholders. Any excess assessments at year end are retained by the Corporation for use in the succeeding year.

TUDOR ARMS OWNERS CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Major repairs and replacements

With respect to future repairs and replacements, the Corporation has not conducted a study to determine the estimated funding needed for future major repairs and replacements. The Corporation's policy is to fund major repairs and replacements through special assessments or borrowings as needs arise.

Deferred mortgage costs

Deferred mortgage costs are amortized on the straight-line method by annual charges to operations over the term of the mortgage.

Reclassification

Certain reclassification have been made to the prior year information to conform to the current years presentation.

Income taxes

The Corporation generally is taxed only on nonmembership income, such as interest income and earnings from commercial operations. Earnings from tenant/stockholders, if any, may be excluded from taxation if certain elections are made. In addition, New York State also assesses a tax based on capital.

NOTE 3 - PROPERTY AND IMPROVEMENT

Property and improvements consist of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,284,000	\$ 1,284,000
Building	3,331,375	3,331,375
Building improvements	<u>850,613</u>	<u>723,680</u>
	5,465,988	5,339,055
Less accumulated depreciation	<u>2,138,665</u>	<u>2,040,551</u>
 TOTALS	 <u>\$ 3,327,323</u>	 <u>\$ 3,298,504</u>

NOTE 4 - MORTGAGE PAYABLE

On September 29, 2006, the Corporation refinanced it's existing mortgage with the National Cooperative Bank ("NCB"). The new loan is in the amount of \$2,200,000, contains interest at the rate of 6.29%, for a ten (10) year term, amortizing on a thirty (30) year schedule. No prepayment of the loan is permitted until May 2015. Costs incurred to obtain the loan will be amortized over the life of the loan.

TUDOR ARMS OWNERS CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CONT'D

Future minimum principal repayments approximate as follows:

2010	\$ 29,158
2011	31,047
2012	33,056
2013	36,942
2014 and after	1,990,035

In conjunction with the refinance, the Corporation obtained a \$350,000 revolving line of credit. As of December 31, 2009, no monies have been utilized from this credit facility.

NOTE 5 - MANAGEMENT AGREEMENT

The Corporation is obligated under an annual agreement for the management of the property. Management fees amounted to \$ 30,000 for the years ended December 31, 2009 and 2008 respectively.

NOTE 6 - PENSION PLAN

Employees covered by a union agreement are included in a multi-employer pension plan to which the Corporation makes contributions in accordance with the contractual union agreement. The Corporation made contributions of \$17,158 and \$16,328 in 2009 and 2008, respectively.

NOTE 7 - LITIGATION

The Corporation has commenced a certiorari (real estate tax reduction) proceeding against the County of Westchester and City of Yonkers. No provision for legal fees has been made as they are to be paid on a contingency basis.

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CERTIFIED PUBLIC ACCOUNTANT

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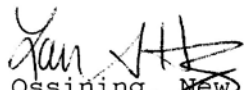
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
Tudor Arms Owners Corporation

My audit of the financial statements of Tudor Arms Owners Corporation were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 9, presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA P.C.
Ossining, New York
February 04, 2010

TUDOR ARMS OWNERS CORPORATION
EXPENSES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating expenses:		
Fuel	\$ 69,447	\$ 92,384
Electricity and gas	18,297	18,044
Water and sewer	5,406	4,346
Insurance	30,569	30,730
Telephone	2,884	2,876
Totals	<u>126,603</u>	<u>148,380</u>
Salaries, payroll taxes and benefits:		
Wages	45,529	45,043
Union, welfare and pension	17,158	16,328
Payroll taxes	6,002	6,053
Totals	<u>68,689</u>	<u>67,424</u>
Administrative expenses:		
Management fees	30,000	30,000
Accounting	4,000	4,000
Legal	-0-	300
Other	5,295	8,148
Taxes	585	547
Totals	<u>39,880</u>	<u>42,995</u>
Repairs and maintenance:		
Boiler	2,420	12,675
Building supplies	11,039	8,768
Elevator	12,144	8,205
Outside services	22,320	13,558
Plumbing, pumps and motors	5,139	4,625
Electrical	2,800	-0-
Exterminating	2,417	2,778
Grounds	6,338	4,883
Locksmith	4,551	435
Paint and plaster	-0-	1,444
License/permits	509	500
Building	-0-	10,486
Hallways	21,000	-0-
Sundry	836	4,565
Totals	<u>91,513</u>	<u>72,922</u>
Real estate taxes	<u>46,471</u>	<u>50,315</u>
Interest expense	<u>136,154</u>	<u>138,196</u>
Totals	<u>\$ 509,310</u>	<u>\$ 520,232</u>

See Report of Independent Public Accountants on supplementary Information