

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, 2010 and 2009, 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, 2010 and 2009, 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, 2011

TUDOR ARMS OWNERS CORPORATION  
BALANCE SHEET  
AS AT DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 9,504	\$ 1,129
Reserve Funds:		
Money market funds	51,639	262,060
Corporate notes and CD's	<u>256,969</u>	<u>97,000</u>
Total Reserve Funds	308,608	359,060
Tenant/stockholder receivables	2,202	-0-
Prepaid expenses and other assets	10,059	8,954
Escrow - real estate taxes	26,896	26,173
Property and improvements, net of accumulated depreciation	3,259,147	3,327,323
Investment in NCB	1,039	1,039
Deferred mortgage costs	<u>24,710</u>	<u>28,829</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,642,165</u></b>	<b><u>\$ 3,752,507</u></b>
<u>LIABILITIES AND TENANT SHAREHOLDERS' EQUITY</u>		
	<u>2010</u>	<u>2009</u>
<b>LIABILITIES</b>		
Mortgage payable	\$ 2,091,376	\$ 2,120,238
Accounts payable and accrued expenses	56,402	56,713
Capital improvements payable	3,800	-0-
Security deposits payable	<u>8,100</u>	<u>7,350</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,159,678</u></b>	<b><u>2,184,301</u></b>
<b>STOCKHOLDERS' EQUITY</b>		
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	(1,910,206)	(1,824,487)
Less treasury stock - 600 shares, at cost	<u>(75,000)</u>	<u>(75,000)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>1,482,487</u></b>	<b><u>1,568,206</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 3,642,165</u></b>	<b><u>\$ 3,752,507</u></b>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATIONS</u>		
REVENUE:		
Maintenance assessments	\$ 523,732	\$ 508,478
Star credits	(41,644)	(42,553)
Fuel surcharge	37,542	31,285
Parking	13,800	13,800
Interest and dividend income	1,876	7,520
Transfer fees	1,080	5,725
Laundry	6,000	6,000
Exercise room	1,900	1,800
Storage	1,824	1,617
Tax refunds	-0-	10,907
Sundry	<u>2,396</u>	<u>973</u>
TOTAL INCOME	<u>548,506</u>	<u>545,552</u>
EXPENSES:		
Operating	130,490	126,603
Salaries, payroll taxes and benefits	73,456	68,689
Administrative	42,034	39,880
Repairs and maintenance	108,480	91,513
Real estate taxes	40,252	46,471
Interest	<u>134,375</u>	<u>136,154</u>
TOTAL EXPENSES	<u>529,087</u>	<u>509,310</u>
Excess of revenue over expenses before depreciation and amortization	19,419	36,242
Depreciation and amortization	<u>105,138</u>	<u>102,233</u>
Deficiency of revenue over expenses	\$ (85,719)	\$ (65,991)
<u>ACCUMULATED DEFICIT</u>		
Balance, beginning of year	<u>(1,824,487)</u>	<u>(1,758,496)</u>
Balance, end of year	<u>\$ (1,910,206)</u>	<u>\$ (1,824,487)</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses	\$ (85,719)	\$ (65,991)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	101,020	98,115
Amortization	4,118	4,118
Changes in operating assets and liabilities:		
Tenant/stockholder receivables	(2,202)	-0-
Prepaid expenses and other assets	(1,105)	6,313
Escrow - real estate taxes	(723)	(8,993)
Accounts payable and accrued expenses	(311)	7,857
Capital improvements payable	3,800	(115,455)
Tenant security payable	750	2,250
Net cash provided by operating activities	<u>19,628</u>	<u>(71,786)</u>
Investing activities:		
Reserve funds, net	50,452	207,922
Capital improvements	<u>(32,844)</u>	<u>(126,933)</u>
Net cash provided by (used in) investing activities	<u>17,608</u>	<u>80,989</u>
Financing activities:		
Mortgage principal payments	(28,861)	(27,082)
Investment in NCB	<u>-0-</u>	<u>18,357</u>
Net cash used in financing activities	<u>\$ (28,861)</u>	<u>\$ (8,725)</u>
Net increase in cash and cash equivalents	<u>8,375</u>	<u>478</u>
Cash and cash equivalents, beginning of year	<u>1,129</u>	<u>651</u>
Cash and cash equivalents, end of year	<u>\$ 9,504</u>	<u>\$ 1,129</u>
Supplemental disclosure of cash flow data:		
Interest paid	<u>\$ 134,375</u>	<u>\$ 136,154</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>2010</u>	<u>2009</u>
Land	\$ 1,284,000	\$ 1,284,000
Building	3,331,375	3,331,375
Building improvements	<u>883,457</u>	<u>850,613</u>
	5,498,832	5,465,988
Less accumulated depreciation	<u>2,239,685</u>	<u>2,138,665</u>
TOTALS	<u>\$ 3,259,147</u>	<u>\$ 3,327,323</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:

2011	\$ 29,158
2012	31,047
2013	33,056
2014	36,942
2015 and after	1,961,173

In conjunction with the refinance, the Corporation obtained a \$350,000 revolving line of credit. As of December 31, 2010, 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, 2010 and 2009 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 \$19,496 and \$17,158 in 2010 and 2009, 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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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.

  
COPA PC  
Ossining, New York  
February 04, 2011

TUDOR ARMS OWNERS CORPORATION  
EXPENSES  
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating expenses:		
Fuel	\$ 70,917	\$ 69,447
Electricity and gas	18,290	18,297
Water and sewer	6,010	5,406
Insurance	32,082	30,569
Telephone	3,191	2,884
Totals	130,490	126,603
Salaries, payroll taxes and benefits:		
Wages	47,502	45,529
Union, welfare and pension	19,496	17,158
Payroll taxes	6,458	6,002
Totals	73,456	68,689
Administrative expenses:		
Management fees	30,000	30,000
Accounting	4,200	4,000
Legal	1,050	-0-
Other	6,199	5,295
Taxes	585	585
Totals	42,034	39,880
Repairs and maintenance:		
Boiler	9,650	2,420
Building supplies	17,669	11,039
Elevator	7,315	12,144
Outside services	16,326	22,320
Plumbing, pumps and motors	10,413	5,139
Electrical	-0-	2,800
Exterminating	2,932	2,417
Grounds	6,138	6,338
Locksmith	4,213	4,551
Paint and plaster	1,500	-0-
License/permits	500	509
Building	-0-	-0-
Hallways	29,000	21,000
Sundry	2,824	836
Totals	108,480	91,513
Real estate taxes	40,252	46,471
Interest expense	134,375	136,154
Totals	\$ 529,087	\$ 509,310

See Report of Independent Public Accountants on supplementary Information